

NEXTEL PARTNERS INC  
Form 424B3  
November 05, 2003

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Filed pursuant to Rule 424(b)(3)  
Registration Statement No. 333-106352

**PROSPECTUS**

**\$175,000,000**  
**(aggregate principal amount)**

**1<sup>1</sup>/<sub>2</sub>% Convertible Senior Notes Due 2008**  
**and**  
**Class A Common Stock Issuable Upon Conversion of the Notes**

This prospectus covers resales from time to time by certain selling securityholders of our 1<sup>1</sup>/<sub>2</sub>% convertible senior notes due 2008 and the shares of our Class A common stock issued upon conversion of the notes (23,084,022 shares at the current conversion price). The selling security holders may offer the securities at fixed prices, at prevailing market prices at the time of sale, at varying prices or negotiated prices. We will not receive any proceeds from the selling security holders' sales of these securities.

**The Notes**

Interest is payable at 1<sup>1</sup>/<sub>2</sub>% per annum on the principal amount, payable semi-annually in arrears in cash on May 15 and November 15 of each year, beginning November 15, 2003.

Holders may convert the notes into our Class A common stock at any time before November 15, 2008 at a conversion price of \$7.58 per share, subject to adjustment in specified events. Changes in the conversion price, if any, and the number of shares issuable upon conversion as a result of any change, will be set forth in a supplement to this prospectus.

There is currently no established market for trading in the notes.

**The Class A Common Stock**

Our Class A common stock is listed on the Nasdaq National Market under the symbol "NXTP."

On November 3, 2003, the last reported sale price of our Class A common stock was \$12.79.

**As a prospective purchaser of these securities, you should carefully consider the discussion of "Risk Factors" that begins on page 9 of this prospectus.**

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Neither the Securities and Exchange Commission nor any state securities commission has approved the notes or Class A common stock to be distributed under this prospectus, nor have any of these organizations determined that this prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

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The date of this prospectus is November 3, 2003

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As used in this prospectus, "Nextel Partners," "company," "we," "our," "ours" and "us" refer to Nextel Partners, Inc., except where the context otherwise requires or as otherwise indicated. This prospectus incorporates important business and financial information about us that is not included in or delivered with this prospectus. You may obtain documents that we filed with the Securities and Exchange Commission and incorporated by reference into this prospectus by requesting the documents, in writing or by telephone, from the Securities and Exchange Commission or from:

Nextel Partners, Inc.  
4500 Carillon Point  
Kirkland, Washington 98033  
Attention: Investor Relations  
Telephone: (425) 576-3600

See "Where You Can Find More Information."

We have not authorized any dealer, salesperson or other person to give any information or represent anything not contained in this prospectus. You should not rely on any unauthorized information. This prospectus does not offer to sell or buy any securities in any jurisdiction in which it is unlawful to do so. The information in this prospectus is current as of the date on the cover of this prospectus.

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

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SUMMARY

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*This summary contains basic information about us and this offering. Because it is a summary, it does not contain all of the information that you should consider before investing. You should read this entire prospectus carefully, including the section entitled "Risk Factors" and our consolidated financial statements and the notes thereto, before making an investment decision.*

### Nextel Partners

#### Overview

We provide digital mobile communications services using the Nextel brand name in mid-sized and tertiary markets throughout the United States. We offer digital cellular services; Direct Connect® (the long-range digital walkie-talkie service); wireless data services, including email; text messaging; and Nextel Online Services®, which provide wireless access to the Internet and an organization's internal databases and other applications. We hold licenses for wireless frequencies in markets where approximately 53 million people, or Pops, live and work. We have constructed and operate a digital mobile network compatible with the digital mobile network constructed and operated by Nextel Communications, Inc. ("Nextel") in targeted portions of these markets, including 13 of the top 100 metropolitan statistical areas and 57 of the top 200 metropolitan statistical areas in the United States ranked by population. Our combined Nextel Digital Mobile Network constitutes one of the largest fully integrated digital wireless communications systems in the United States, currently covering 198 of the top 200 metropolitan statistical areas in the United States. As of June 30, 2003, our portion of the Nextel Digital Mobile Network covered approximately 37 million Pops and we had approximately 1,053,600 digital handsets in service in our markets.

Our relationship with Nextel was created to accelerate the build-out and expand the reach of the Nextel Digital Mobile Network. In January 1999, we entered into a joint venture agreement with Nextel WIP Corp. ("Nextel WIP"), an indirect wholly owned subsidiary of Nextel. Nextel, through Nextel WIP, contributed to us cash and licenses for wireless frequencies and granted us the exclusive right to use the Nextel brand name in exchange for ownership in us and our commitment to build out our compatible digital mobile network in selected markets and corridors, in most cases adjacent to operating Nextel markets. As of June 30, 2003, Nextel WIP owned 31.5% of our common stock and is our largest stockholder. By the end of 2002, we had successfully built all of the markets we were initially required to build under our 1999 agreement with Nextel. Since 1999 we have exercised options to expand our network into additional markets. By June 30, 2003, we had completed the construction of all of these additional markets. Through our affiliation with Nextel our customers have seamless nationwide coverage on the entire Nextel Digital Mobile Network.

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

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

digital mobile telephone service, including advanced calling features such as speakerphone, conference calling, voicemail, call forwarding and additional line service;

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Direct Connect, sometimes referred to as the long-range walkie-talkie feature, which allows customers to contact each other instantly on private one-to-one calls on a nationwide basis or on group calls involving up to 100 customers in the same geographical region;

two-way messaging, which allows customers to receive and send short numeric and text messages from their handset; and

Internet services, marketed as Nextel Online Services, which provide customers with Internet-ready handsets access to the World Wide Web and web-based applications such as email, address books, calendars and advanced Java enabled business applications.

#### Strategy

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

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

*Target Business Customers.* We focus on business customers, particularly those customers who employ a mobile workforce. We have initially concentrated our sales efforts on a number of distinct groups of mobile workers, including personnel in the transportation, delivery, real property and facilities management, construction and building trades, landscaping, government, public safety and other service sectors. We expect to gradually expand our target customer groups to include additional industry groups. We believe this focus on business customers has resulted in higher monthly average revenue per unit, or ARPU, and lower average monthly service cancellations than industry averages. For second quarter 2003, our ARPU was \$66 (or \$75, including roaming revenues received from Nextel) compared to an industry average of \$48 for 2002. In addition, the average monthly rate at which our customers canceled service with us, or "churn," was approximately 1.6% during the same quarter compared to an industry average of over 2%. Our second quarter 2003 ARPU and churn rate equate to lifetime revenue per subscriber, or LRS, of approximately \$4,125, which we believe is one of the highest in the industry. See " Reconciliations of Non-GAAP Financial Measures" for more information regarding our use of ARPU and LRS as non-GAAP financial measures.

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

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

### Recent Developments

In October 2003 we delivered a notice to Nextel WIP stating our intent to redeem all of the shares of our outstanding Series B Preferred Stock currently held by Nextel WIP. We intend to consummate the redemption in the fourth quarter of 2003. As of September 30, 2003, the redemption value of the Series B Preferred Stock was approximately \$38.3 million. Following such redemption, we will no longer have any shares of preferred stock outstanding.

On October 22, 2003, we reported Adjusted EBITDA of \$55.8 million for the quarter ended September 30, 2003, a \$47.9 million increase as compared to Adjusted EBITDA of \$7.9 million in the same quarter of 2002. Service revenues for the period grew 49% over the same period in the prior year to \$260.7 million. Net loss decreased \$42.9 million for the quarter ended September 30, 2003 to \$22.0 million as compared to \$64.9 million in the same period in the prior year. We also reported net cash provided by operating activities of \$50.1 million for the quarter ended September 30, 2003, as compared to using \$22.1 million of net cash in the same quarter in 2002. We added 91,100 subscribers during the third quarter of 2003 to end the period with 1,144,700 digital subscribers, an increase of 46%, or 360,000, from the 784,700 subscribers at the end of the prior year's third quarter. ARPU increased \$4 from \$66 in the second quarter to \$70 in the third quarter of 2003 and remained one of the highest in the wireless industry. The average monthly churn rate during the third quarter of 2003 improved to 1.5%. See " Reconciliations of Non-GAAP Financial Measures (Unaudited)" for more information regarding our use of Adjusted EBITDA and ARPU as non-GAAP financial measures.

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On October 30, 2003, we filed a registration statement with the Securities and Exchange Commission for a public offering of 33 million shares of our Class A common stock. Of that amount, 10 million shares will be newly issued Class A common stock offered by us. The remaining 23 million shares of Class A common stock will be offered by DLJ Merchant Banking Partners II, L.P., Madison Dearborn Capital Partners II, L.P. and Motorola, Inc. (collectively, the "selling stockholders"). In addition, certain of the selling stockholders have granted the underwriters an option to purchase up to an additional 4.95 million shares of Class A common stock to cover over-allotments. We intend to use the proceeds of the offering to redeem approximately \$67.7 million of the outstanding principal amount of our 12<sup>1</sup>/<sub>2</sub>% senior discount notes and for general corporate purposes. We will not receive any of the proceeds from the shares offered by the selling stockholders.

### Reconciliations of Non-GAAP Financial Measures (Unaudited)

The information presented in this prospectus and incorporated by reference herein includes financial information prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP, as well as other financial measures that may be considered non-GAAP financial measures. Generally, a non-GAAP financial measure is a numerical measure of a company's performance, financial position or cash flows that either excludes or includes amounts that are not normally excluded or included in the most directly comparable measure calculated and presented in accordance with GAAP. As described more fully below, management believes these non-GAAP measures provide meaningful additional information about our performance and on our ability to service our long-term debt and other fixed obligations, and to fund our continued growth. The non-GAAP financial measures should be considered in addition to, but not as a substitute for, the information prepared in accordance with GAAP.

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#### ARPU Average Revenue per Unit

ARPU is an industry term that measures total service revenues per month from our subscribers divided by the average number of subscribers in commercial service during the period. ARPU, itself, is not a measurement determined under GAAP in the United States of America and may not be similar to ARPU measures of other companies; however, ARPU uses GAAP measures as the basis for calculation. We believe that ARPU provides useful information concerning the appeal of our rate plans and service offerings and our performance in attracting high value customers. The following schedule reflects the ARPU calculation and provides a reconciliation of service revenues used for the ARPU calculation to service revenues reported on our Consolidated Statements of Operations, which we believe is the most directly comparable GAAP measure to the service revenues measure used for the ARPU calculation:

	Year Ended December 31,			Six Months Ended June 30,		Three Months Ended June 30,		Three Months Ended September 30, 2003
	2000	2001	2002	2002	2003	2002	2003	
ARPU (without roaming revenues)								
(dollars and units in thousands, except for ARPU)								
Service revenues (as reported on Consolidated Statements of Operations)	\$ 130,125	\$ 363,573	\$ 646,169	\$ 281,082	\$ 427,049	\$ 153,418	\$ 226,507	\$ 260,650
Add: activation fees deferred and recognized for SAB 101	1,355	2,398	3,197	1,918	1,196	1,018	574	
Less: activation fees recognized for SAB No. 101								(1,123)
Add: activation fees reclassified for EITF No. 00-21 <sup>(1)</sup>								2,100
Less: roaming and other revenues	(25,671)	(58,545)	(80,452)	(35,756)	(49,866)	(20,218)	(26,917)	(32,622)
Service revenues for ARPU	\$ 105,809	\$ 307,426	\$ 568,914	\$ 247,244	\$ 378,379	\$ 134,218	\$ 200,164	\$ 229,005
Average units (subscribers)	123	360	694	604	963	653	1,005	1,096
ARPU	\$ 71	\$ 71	\$ 68	\$ 68	\$ 65	\$ 69	\$ 66	\$ 70

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	Year Ended December 31,			Six Months Ended June 30,		Three Months Ended June 30,		Three Months Ended September 30, 2003
	2000	2001	2002	2002	2003	2002	2003	
ARPU (including roaming revenues)								
(dollars and units in thousands, except for ARPU)								
Service revenues (as reported on Consolidated Statements of Operations)	\$ 130,125	\$ 363,573	\$ 646,169	\$ 281,082	\$ 427,049	\$ 153,418	\$ 226,507	\$ 260,650
Add: activation fees deferred and recognized for SAB 101	1,355	2,398	3,197	1,918	1,196	1,018	574	
Less: activation fees recognized for SAB No. 101								(1,123)
Add: activation fees reclassified for EITF No. 00-21 <sup>(1)</sup>								2,100
Less: other revenues	(986)	(458)	(981)	(406)		(221)		
Service plus roaming revenues for ARPU	\$ 130,494	\$ 365,513	\$ 648,385	\$ 282,594	\$ 428,245	\$ 154,215	\$ 227,081	\$ 261,627
Average units (subscribers)	123	360	694	604	963	653	1,005	1,096
ARPU, including roaming revenues	\$ 88	\$ 85	\$ 78	\$ 78	\$ 74	\$ 79	\$ 75	\$ 80

(1)

On July 1, 2003, we adopted Emerging Issues Task Force, or EITF, Issue No. 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables," and elected to apply the provisions prospectively to our existing customer arrangements. Going forward, each month we will recognize the activation fees, phone equipment revenues and equipment costs that had been previously deferred in accordance with SAB No. 101. Under the provisions of SAB No. 101, "Revenue Recognition in Financial Statements," we accounted for the sale of our phone equipment and the subsequent service to the customer as a single unit of accounting due to the fact that our wireless service is essential to the functionality of our phones. Accordingly,

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we recognized revenue from the phone equipment sales and an equal amount of the cost of phone equipment revenues over the expected customer relationship period, when title to the phone passed to the customer. Under EITF Issue No. 00-21, we are no longer required to consider whether a customer is able to realize utility from the phone in the absence of the undelivered service. Given that we meet the criteria stipulated in EITF Issue No. 00-21, we account for the sale of a phone as a unit of accounting separate from the subsequent service to the customer. Accordingly, we recognize revenue from phone equipment sales and the related cost of phone equipment revenues when title to the phone equipment passes to the customer for all arrangements entered into beginning in the third quarter of 2003.

*LRS Lifetime Revenue per Subscriber*

LRS is an industry term calculated by dividing ARPU (see above) by the subscriber churn rate. The subscriber churn rate is an indicator of subscriber retention and represents the monthly percentage of the subscriber base that disconnects from service. Subscriber churn is calculated by dividing the number of handsets disconnected from commercial service during the period by the average number of handsets in commercial service during the period. LRS, itself, is not a measurement determined under GAAP in the United States of America and may not be similar to LRS measures of other companies; however, LRS uses GAAP measures as the basis for calculation. We believe that LRS is an indicator of the expected lifetime revenue of our average subscriber, assuming that churn and ARPU remain constant as indicated. We also believe that this measure, like ARPU, provides useful information concerning the appeal of our rate plans and service offering and our performance in attracting and retaining high value customers. The following schedule reflects the LRS calculation:

Year Ended December 31,

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	Year Ended December 31,			Three Months Ended June 30, 2003
	2001		2002	
	2000			
	(dollars in thousands)			
ARPU	\$ 71	\$ 71	\$ 68	\$ 66
Churn	1.7%	1.6%	1.6%	1.6%
Lifetime revenue per subscriber	\$ 4,176	\$ 4,438	\$ 4,250	\$ 4,125

*Adjusted EBITDA*

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

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Adjusted EBITDA to net cash provided by (used in) operating activities reported on our Consolidated Statements of Cash Flows, which we believe is the most directly comparable GAAP measure:

	Year Ended December 31,			Six Months Ended June 30,		Three Months Ended September 30,	
	2000	2001	2002	2002	2003	2002	2003
	(dollars in thousands)						
Net cash provided by (used in) operating activities (as reported on Consolidated Statements of Cash Flows)	\$ (116,028)	\$ (153,894)	\$ (116,469)	\$ (93,789)	\$ (20,659)	\$ (22,070)	\$ 50,111
Adjustments to reconcile to Adjusted EBITDA:							
Cash paid interest expense, net of capitalized amount	43,176	70,138	98,777	\$ 48,105	\$ 51,359	29,183	42,317
Interest income	(63,132)	(32,473)	(7,091)	(4,518)	(1,282)	(1,554)	(648)
Change in working capital	42,232	31,353	27,407	26,573	31,283	2,306	(36,008)
Adjusted EBITDA income (loss)	\$ (93,752)	\$ (84,876)	\$ 2,624	\$ (23,629)	\$ 60,701	\$ 7,865	\$ 55,772

*Net Capital Expenditures*

Net capital expenditures exclude capitalized interest and are offset by net proceeds from the sale and lease-back transactions of telecommunication towers and related assets to third parties accounted for as operating leases. Net capital expenditures as defined are not a measure determined under GAAP in the United States of America and may not be comparable to similarly titled measures reported by other companies. Net capital expenditures should not be construed as a substitute for capital expenditures reported on our Consolidated Statements of Cash Flows, which is determined in accordance with GAAP. We report net capital expenditures in this manner because we believe it reflects the net cash used by us for capital expenditures and to satisfy the reporting requirements for our debt covenants. The following schedule reconciles net capital expenditures to capital expenditures reported on our Consolidated Statements of Cash Flows, which we believe is the most directly comparable GAAP measure:

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	Year Ended December 31,			Six Months Ended June 30,	
	2000(1)	2001(1)	2002(1)	2002	2003
(dollars in thousands)					
Capital expenditures (as reported on Consolidated Statements of Cash Flows)	\$ 264,513	\$ 398,611	\$ 274,911	\$ 148,054	\$ 84,824
Less: cash paid portion of capitalized interest	(5,545)	(5,449)	(1,993)	(1,103)	(676)
Less: cash proceeds from sale and lease-back transactions accounted for as operating leases	(9,259)	(10,425)	(2,562)	(1,848)	(6,250)
Change in capital expenditures accrued or unpaid	53,864	(8,736)	(19,515)	(6,027)	10,768
<b>Net capital expenditures</b>	<b>\$ 303,573</b>	<b>\$ 374,001</b>	<b>\$ 250,841</b>	<b>\$ 139,076</b>	<b>\$ 88,666</b>

(1) Certain amounts have been conformed to the current year presentation.

**Corporate Information**

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

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**The Notes**

Securities Offered	\$175,000,000 principal amount of 1½% Convertible Senior Notes due 2008.
Maturity Date	November 15, 2008.
Interest	1½% per annum on the principal amount, payable semi-annually in arrears in cash on May 15 and November 15 of each year, beginning November 15, 2003.
Conversion	You may convert the notes into shares of our Class A common stock at a conversion rate of 131.9087 shares per \$1,000 principal amount of notes, subject to adjustment, prior to the close of business on the final maturity date.
Redemption	We may not redeem any of the notes at our option prior to their maturity.
Ranking	The notes will be senior unsecured debt and will rank on a parity with all of our other existing and future senior unsecured debt and prior to all of our subordinated debt.
Fundamental Change	If a fundamental change (as described under "Description of Notes Redemption at Option of the Holder") occurs prior to maturity, you may require us to purchase all or part of your notes at a redemption price equal to 100% of their principal amount, plus accrued and unpaid interest.
Nasdaq National Market Symbol	NXTP.
Risk Factors	You should read the "Risk Factors" section beginning on page 9 of this prospectus as well as the other cautionary statements throughout the entire prospectus, to ensure that you understand the risks associated with an investment in the notes and Class A common stock.



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For a more complete description of the terms of the notes, see "Description of Notes." For a more complete description of the Class A common stock, see "Description of Capital Stock."

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### RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth our consolidated ratio of earnings to fixed charges for each of the periods indicated:

Year Ended December 31,			Six Months Ended June 30,	
2000	2001	2002	2002	2003

(unaudited)

(dollars in thousands)

Ratio of earnings (loss) to fixed charges(1)

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(1)

Earnings (loss) represent earnings (loss) before deferred income tax provision and cumulative effect of change in accounting principle and fixed charges (excluding capitalized interest). Fixed charges consist of interest (including capitalized interest), amortization of deferred financing costs and the estimated portion of rental expense that is representative of the interest factor. For the years ended December 31, 2000, 2001 and 2002 and the six months ended June 30, 2002 and 2003, earnings were insufficient to cover charges by \$280,852, \$298,494, \$267,529, \$152,440, \$153,109, respectively. The difference between the deficiency disclosed above and the net loss before deferred income tax provision and cumulative effect of change in accounting principle in all periods presented represents interest capitalized by us.

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### RISK FACTORS

*You should carefully consider the risks described below before making an investment decision. The risks described below are not the only ones facing our company. Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations.*

*Our business, financial condition or results of operations could be materially adversely affected by any of these risks. The trading price of the notes and our Class A common stock could decline due to any of these risks, and you may lose all or part of your investment.*

*This prospectus also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by us described below and elsewhere in this prospectus.*

**We have a history of operating losses, may incur operating losses in the future and may not be able to generate the earnings necessary to fund our operations, sustain the continued growth of our business or repay our debt obligations.**

We did not commence commercial operations until January 29, 1999, and the portion of the Nextel Digital Mobile Network we began operating on that date only had a few months of operating history. Since then, we have had a history of operating losses, and, as of June 30, 2003, we had an accumulated deficit of approximately \$1.1 billion. We may incur operating losses in the future. We cannot assure you that we will become profitable or sustain profitability in the future. If we fail to achieve significant and sustained growth in our revenues and earnings from operations, we will not have sufficient cash to fund our current operations, sustain the continued growth of our business or repay our debt

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obligations, including the notes. In addition, the slowdown in the U.S. economy generally has added economic and consumer uncertainty that could adversely affect our revenue growth. Our failure to fund our operations or continued growth would have an adverse impact on our financial condition, and our failure to make any required payments would result in defaults under all of our debt agreements, which could result in the cessation of our business.

### **If Nextel experiences financial or operational difficulties, our business may be adversely affected.**

Our business plan depends, in part, on Nextel continuing to build and sustain customer support of its brand and the Motorola iDEN technology. If Nextel encounters financial problems or operating difficulties relating to its portion of the Nextel Digital Mobile Network or experiences a significant decline in customer acceptance of its products or the Motorola iDEN technology, our affiliation with and dependence on Nextel may adversely affect our business, including the quality of our services, the ability of our customers to roam within the entire network and our ability to attract and retain customers. Additional information regarding Nextel, its domestic digital mobile network business and the risks associated with that business can be found in Nextel's Annual Report on Form 10-K for the year ended December 31, 2002, as well as Nextel's other filings made under the Securities Act and the Securities Exchange Act (SEC file number 0-19656).

### **Our highly leveraged capital structure and other factors could limit our ability to obtain additional financing and our growth opportunities and could adversely affect our ability to fulfill our obligations on the notes.**

The total of our non-current portion of our outstanding debt and mandatorily redeemable preferred stock outstanding is approximately \$1.7 billion as of June 30, 2003 and greatly exceeds the level of our revenues and stockholders' equity. As of June 30, 2003, the non-current portion of total long-term debt outstanding included \$371.4 million outstanding under our credit facility, \$21.3 million of 14% senior discount notes outstanding at their accreted value, \$390.0 million of 11% senior notes outstanding, \$212.2 million of 12<sup>1</sup>/<sub>2</sub>% senior discount notes outstanding at their accreted value,

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\$175.0 million of 1<sup>1</sup>/<sub>2</sub>% convertible senior notes outstanding, \$450.0 million of 8<sup>1</sup>/<sub>8</sub>% senior notes outstanding and \$22.6 million of capital lease obligations. We also had approximately \$37.1 million of mandatorily redeemable preferred stock outstanding, including accrued dividends. In aggregate, this indebtedness represented approximately 105% of our total book capitalization at that date.

Our large amount of outstanding indebtedness, and the fact that we may need to incur additional debt in the future, could significantly impact our business for the following reasons:

it limits our ability to obtain additional financing, if needed, to continue the build-out of or implement any enhancement of our portion of the Nextel Digital Mobile Network, including any enhanced iDEN services to expand wireless voice capacity, enhanced data services or potential "third generation" or "3G" mobile wireless services, to cover our cash flow deficit or for working capital, other capital expenditures, debt service requirements or other purposes;

it will require us to dedicate a substantial portion of our operating cash flow to fund interest expense on our credit facility and other indebtedness, reducing funds available for our build-out, operations or other purposes;

it makes us vulnerable to interest rate fluctuations because our credit facility term loan bears interest at variable rates; and

it limits our ability to compete with competitors who are not as highly leveraged, especially those who may be able to price their service packages at levels below those, which we can or are willing to match.

Our ability to make payments on our indebtedness, including these notes, and to fund planned capital expenditures will depend on our ability to generate cash in the future. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. Based on our current level of operations and anticipated cost savings and operating improvements, we believe our cash flow from operations, available cash and available borrowings under our credit facility will be adequate to meet our estimated capital requirements to build out our portion of the Nextel Digital Mobile Network using the current 800 MHz iDEN system.

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We cannot be sure, however, that our business will generate sufficient cash flow from operations, that currently anticipated cost savings and operating improvements will be realized on schedule or that future borrowings will be available to us under our credit facility in an amount sufficient to enable us to pay our indebtedness, including these notes, our obligations under our credit facility or our existing senior discount notes and senior notes, or to fund our other liquidity needs. In addition, if our indebtedness cannot be repaid at maturity or refinanced, we will not be able to meet our obligations under our debt agreements, including these notes, which could result in the cessation of our business.

If we default on our debt or if we were liquidated, the value of our assets may not be sufficient to satisfy our obligations, including these notes. We have a significant amount of intangible assets, such as licenses granted by the FCC. The value of these licenses will depend significantly upon the success of our business and the growth of the SMR and wireless communication industry in general.

General conditions in the wireless communications industry or specific competitors' results, including potential slowing of new subscriber additions, declining ARPU or increased customer dissatisfaction, may adversely affect the market price of our notes and Class A common stock and, as a result, could impair our ability to raise additional capital through the sale of our equity or debt securities. In addition, the fundraising efforts of Nextel or any of its affiliates may also adversely affect our ability to raise additional funds.

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**Under certain circumstances, Nextel WIP has the ability to purchase, and a majority of our Class A stockholders can cause Nextel WIP to purchase, all of our outstanding Class A common stock.**

Under our restated certificate of incorporation and our operating agreements, in certain circumstances and subject to certain limitations, Nextel WIP has the ability to purchase, or to cause and fund redemption by us of, all of the outstanding shares of our Class A common stock, including any shares of Class A common stock issuable upon conversion of the notes. In addition, under the provisions of our restated certificate of incorporation, upon the occurrence of certain events, the holders of a majority of our outstanding Class A common stock can require Nextel WIP to purchase, or cause and fund a redemption by us of, all of the outstanding shares of our Class A common stock, including any shares of Class A common stock issuable upon conversion of the notes. The circumstances that could trigger Nextel WIP's purchase right include the occurrence of January 29, 2008 (subject to certain postponements by our board of directors); a failure by us to implement certain required changes to our business; a failure by Nextel WIP to fund certain changes to the digital transmission technology; or termination of our operating agreements with Nextel WIP as a result of our breach. The circumstances that could trigger our stockholders' put right include a change of control of Nextel; failure by us in certain circumstances to implement changes to our business; or termination of our operating agreements with Nextel WIP as a result of a breach by Nextel WIP.

**Any failure to integrate our portion of the Nextel Digital Mobile Network with Nextel's portion effectively or on schedule would have an adverse effect on our results of operations.**

Pursuant to our operating agreements with Nextel WIP, Nextel WIP provides us with important services and assistance, including a license to use the Nextel brand name and the sharing of switches that direct calls to their destinations. Any interruption in the provision of these services could delay or prevent the successful integration of our portion of the Nextel Digital Mobile Network with Nextel's portion, which is essential to the overall success of our business.

Moreover, our business plan depends on our ability to implement integrated customer service, network management and billing systems with Nextel's systems to allow our respective portions of the Nextel Digital Mobile Network to operate together, and provide our and Nextel's customers with seamless service. Integration requires that numerous and diverse computer hardware and software systems work together. Any failure to integrate these systems effectively or on schedule may have an adverse effect on our results of operations.

**Difficulties in constructing and operating our portion of the Nextel Digital Mobile Network could increase the estimated costs and delay the continued expansion of the network, which would adversely affect our ability to generate revenue.**

The continued operation of our portion of the Nextel Digital Mobile Network involves a high degree of risk. Before we are able to build additional cell sites in our markets to expand coverage, fill in gaps in coverage or increase capacity, we will need to:

select and acquire appropriate sites for our transmission equipment, or cell sites;

purchase and install low-power transmitters, receivers and control equipment, or base radio equipment;

build out the physical infrastructure;

obtain interconnection services from local telephone service carriers on a timely basis; and

test the cell site.

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Our ability to perform these necessary steps successfully may be hindered by, among other things, any failure to:

lease or obtain rights to sites for the location of our base radio equipment;

obtain necessary zoning and other local approvals with respect to the placement, construction and modification of our facilities;

acquire additional necessary radio frequencies from third parties or exchange radio frequency licenses with Nextel WIP;

commence and complete the construction of sites for our equipment in a timely and satisfactory manner; and

obtain necessary approvals, licenses and permits from federal, state and local agencies, including land use regulatory approvals and approval from the Federal Aviation Administration and Federal Communications Commission with respect to the transmission towers that we will be using.

Before fully implementing our portion of the Nextel Digital Mobile Network in a new market area or expanding coverage in an existing market area, we must complete systems design work, find appropriate sites and construct necessary transmission structures, receive regulatory approvals, free up frequency channels now devoted to non-digital transmissions and begin systems optimization. These processes may take weeks or months to complete and may be hindered or delayed by many factors, including unavailability of antenna sites at optimal locations, land use and zoning controversies and limitations of available frequencies. In addition, we may experience cost overruns and delays not within our control caused by acts of governmental entities, design changes, material and equipment shortages, delays in delivery and catastrophic occurrences. Any failure to construct our portion of the Nextel Digital Mobile Network on a timely basis may affect our ability to provide the quality of services in our markets consistent with our current business plan, and any significant delays could have a material adverse effect on our business.

**If we do not offer services that Nextel WIP requires us to offer or we fail to meet performance standards, we risk termination of our agreements with Nextel WIP, which would eliminate our ability to carry out our current business plan and strategy.**

Our operating agreements with Nextel WIP require us to construct and operate our portion of the Nextel Digital Mobile Network to specific standards, and to offer certain services by Nextel and its domestic subsidiaries. Our failure to satisfy these obligations could constitute a material default under the operating agreements that would give Nextel WIP the right to terminate these agreements, and would terminate our right to use the Nextel brand. The non-renewal or termination of the Nextel WIP operating agreements would eliminate our ability to carry out our current business plan and strategy and would adversely affect our financial condition.

**We may be required to implement material changes to our business operations to the extent these changes are adopted by Nextel, which may not be beneficial to our business.**

If Nextel adopts material changes to its operations, our operating agreements with Nextel WIP give it the right to require us to make similar changes to our operations. The failure to implement required changes could, under certain circumstances, trigger the ability of Nextel WIP to terminate their operating agreements with us, which could result in the adverse effects described above. Even if the required change is beneficial to Nextel, the effect on our business may vary due to differences in markets and customers. We cannot assure you that such changes would not adversely affect our business plan.

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**The transmission technology used by us and Nextel is different from that used by most other wireless carriers, and, as a result, we might not be able to keep pace with industry standards if more widely used technologies advance.**

The Nextel Digital Mobile Network uses scattered, non-contiguous radio spectrum near the frequencies used by cellular carriers. Because of their fragmented character, these frequencies traditionally were only usable for two-way radio calls, such as those used to dispatch taxis and delivery vehicles. Nextel became able to use these frequencies to provide a wireless telephone service competitive with cellular carriers only when Motorola developed a proprietary technology it calls "iDEN." We, Nextel, and Southern LINC are currently the only major U.S. wireless service providers utilizing iDEN technology on a nationwide basis, and iDEN phones are not currently designed to roam onto other domestic wireless networks.

Our operating agreements with Nextel WIP require us to use the iDEN technology in our system and prevent us from adopting any new communications technologies that may perform better or are available at a lower cost without Nextel WIP's consent.

Future technological advancements may enable other wireless technologies to equal or exceed our current levels of service and render iDEN technology obsolete. If Motorola is unable to upgrade or improve iDEN technology or develop other technology to meet future advances in competing technologies on a timely basis, or at an acceptable cost, because of the restrictive provisions in our operating agreements with Nextel WIP, we will be less able to compete effectively and could lose customers to our competitors, all of which would have an adverse effect on our business and financial condition.

**We are dependent on Motorola for telecommunications equipment necessary for the operation of our business, and any failure of Motorola to perform would adversely affect our operating results.**

Motorola is currently our sole-source supplier of transmitters used in our network and wireless telephone equipment used by our customers, and we rely, and expect to continue to rely, on Motorola to manufacture a substantial portion of the equipment necessary to construct our share of the Nextel Digital Mobile Network. We expect that for the next few years, Motorola, and other manufacturers who are licensed by Motorola, will be the only manufacturers of wireless telephones that are compatible with the Nextel Digital Mobile Network. If Motorola becomes unable to deliver such equipment, or refuses to do so on reasonable terms, then we may not be able to service our existing subscribers or add new subscribers and our business would be adversely affected. Motorola and its affiliates engage in wireless communications businesses and may in the future engage in additional businesses that do or may compete with some or all of the services we offer. We cannot assure you that any potential conflict of interest between us and Motorola will not adversely affect our ability to obtain equipment in the future. In addition, the failure by Motorola to deliver necessary technology improvements and enhancements and system infrastructure and subscriber equipment on a timely, cost-effective basis would have an adverse effect on our growth and operations. We generally have been able to obtain adequate quantities of base radios and other system infrastructure equipment from Motorola, and adequate volumes and mix of wireless telephones and related accessories from Motorola, to meet subscriber and system loading rates, but we cannot be sure that equipment quantities will be sufficient in the future. Additionally, in the event of shortages of that equipment, our agreements with Nextel WIP provide that available supplies of this equipment would be allocated proportionately between Nextel and us.

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**Costs and other aspects of a future deployment of advanced digital technology could adversely affect our operations and growth.**

Based on our current outlook and the current outlook of Nextel, we anticipate eventually deploying advanced digital technology that will allow high capacity wireless voice and high-speed data transmission, and potentially other advanced digital services. The technology that we would deploy to provide these types of broadband wireless services is sometimes referred to as "third-generation" or "3G." We and Nextel are focusing activities on maximizing our ability to offer 3G capabilities while continuing to fully utilize our iDEN digital mobile network. Significant capital expenditures would be required in implementing this 3G technology, and we cannot assure you that we will have the financial resources necessary to fund these expenditures or, if we do implement this technology, that it would provide the advantages that we would expect. Moreover, it may be necessary to acquire additional frequencies to implement 3G technologies, and we cannot be sure that we will be able to obtain such spectrum on reasonable terms, if at all. The actual amount of the funds required to finance and implement this technology may significantly exceed our current estimate. Further, any future implementation could require additional unforeseen capital expenditures in the event of unforeseen delays, cost overruns, unanticipated expenses, regulatory changes, engineering design changes, equipment unavailability and technological or other complications. In addition, there are several types of 3G technologies that may not be fully compatible with each other or with other currently deployed digital technologies. If the type of technology that we either choose to deploy or are required to deploy to maintain

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compatibility with the technology chosen by Nextel does not gain widespread acceptance or perform as expected, or if our competitors develop 3G technology that is more effective or economical than ours, our business would be adversely affected.

### **We may not be able to obtain additional spectrum, which may adversely impact our ability to implement our business plan.**

We may seek to acquire additional spectrum, including through participation as a bidder, or member of a bidding group in government-sponsored auctions of spectrum. We may not be able to accomplish any spectrum acquisition or the necessary additional capital for that purpose may not be available on acceptable terms, or at all. If sufficient additional capital is not available, to the extent we are able to complete any spectrum acquisition, the amount of funding available to us for our existing businesses would be reduced. Even if we are able to acquire spectrum, we may still require additional capital to finance the pursuit of any new business opportunities associated with our acquisitions of additional spectrum, including those associated with the potential provision of any new "third-generation" or "3G" wireless services. This additional capital may not be available.

### **Our future performance will depend on our and Nextel's ability to succeed in the highly competitive wireless communications industry.**

Our ability to compete effectively with established and prospective wireless communications service providers depends on many factors, including the following:

If the wireless communications technology that we and Nextel use does not continue to perform in a manner that meets customer expectations, we will be unable to attract and retain customers. Customer acceptance of the services we offer is and will continue to be affected by technology-based differences and by the operational performance and reliability of system transmissions on the Nextel Digital Mobile Network. If we are unable to address and satisfactorily resolve performance or other transmission quality issues as they arise, including transmission quality issues on Nextel's portion of the Nextel Digital Mobile Network, we may have difficulty attracting and retaining customers, which would adversely affect our revenues.

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Personal communication services or cellular operators have begun to provide two-way radio dispatch services, which may affect our competitive advantage of historically being uniquely able to combine that service with our mobile telephone service. Further, some of our competitors have attempted to compete with Direct Connect by offering unlimited mobile-to-mobile calling plan features and reduced rate calling plan features for designated small groups. If these calling plan modifications are perceived by our existing and potential customers as viable substitutes for our differentiated services, our business may be adversely affected.

Because the Nextel Digital Mobile Network does not currently provide roaming or similar coverage on a nationwide basis that is as extensive as is available through most cellular and personal communication services providers, we may not be able to compete effectively against those providers. In addition, some of our competitors provide their customers with handsets with both digital and analog capability, which expands their coverage, while we have only digital capability. We cannot be sure that we, either alone or together with Nextel, will be able to achieve comparable system coverage or that a sufficient number of customers or potential customers will be willing to accept system coverage limitations as a trade-off for our multi-function wireless communications package.

Neither we nor Nextel has the extensive direct and indirect channels of distribution for the Nextel Digital Mobile Network products and services that are available to some of our competitors. The lack of these distribution channels could adversely affect our operating results. Although we have recently launched a pilot program to expand our distribution channels to include retail locations, we cannot assure you that this program will be successful. Moreover, many of our competitors have established extensive networks of retail locations, including locations dedicated solely to their products, and multiple distribution channels and, therefore, have access to more potential customers than we do.

Because of their greater resources, some of our competitors may be able to offer services to customers at prices that are below the prices that we can offer for comparable services. If we cannot, as a result, compete effectively based on the price of our service offerings, our revenues and growth may be adversely affected.

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The wireless telecommunications industry is experiencing significant technological change. Our digital technology could become obsolete. We rely on digital technology that is not compatible with, and that competes with, other forms of digital and non-digital voice communication technology. Competition among these differing technologies can result in the following: segment the user markets, which could reduce demand for specific technologies, including our technology; reduce the resources devoted by third-party suppliers, including Motorola, which supplies all of our current digital technology, to developing or improving the technology for our systems; and adversely affect market acceptance of our services.

We offer our subscribers access to digital two-way mobile data and Internet connectivity under the brand name Nextel Online. We cannot be sure that these services will continue to perform satisfactorily, be utilized by a sufficient number of our subscribers or produce sufficient levels of customer satisfaction or revenue. Because we have less spectrum than some of our competitors, and because we have elected to defer the implementation of "third generation" or "3G" services, any digital two-way mobile data and Internet connectivity services that we may offer could be significantly limited compared to those services offered by other wireless communications providers with larger spectrum positions. The success of these new services will be jeopardized if: we are unable to offer these new services profitably; these new service offerings adversely impact the performance or reliability of the Nextel Digital Mobile Network; we, Nextel or third-party developers fail to develop new applications for our customers; or we

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otherwise do not achieve a satisfactory level of customer acceptance and utilization of these services.

We expect that as the number of wireless communications providers in our market areas increases, including providers of both digital and analog services, our competitors' prices in these markets will decrease. We may encounter further market pressures to reduce our digital mobile network service offering prices; restructure our digital mobile network service offering packages to offer more value; or respond to particular short-term, market-specific situations, for example, special introductory pricing or packages that may be offered by new providers launching their services in a particular market. A reduction in our pricing would likely have an adverse effect on our revenues and operating results.

Because of the numerous features we offer, our mobile handsets are, and are likely to remain, significantly more expensive than mobile analog telephones and are, and are likely to remain, somewhat more expensive than digital cellular or personal communication services telephones that do not incorporate a comparable multi-function capability. The higher cost of our equipment may make it more difficult or less profitable to attract customers who do not place a high value on our unique multi-service offering. This may reduce our growth opportunities or profitability.

Recent agreements between competitors in some of our markets to share network construction efforts will reportedly reduce their costs and increase their coverage area. These agreements, along with future agreements, may increase market pressure for us to reduce our prices and expand our coverage areas.

### **Our network may not have sufficient capacity to support our anticipated customer growth.**

Our business plan depends on assuring that our portion of the Nextel Digital Mobile Network has adequate capacity to accommodate anticipated new customers and the related increase in usage of our network. This plan relies on:

the ability to obtain additional spectrum when and where required;

the availability of wireless telephones of the appropriate model and type to meet the demands and preferences of our customers; and

the ability to obtain and construct additional cell sites and other infrastructure equipment.

We cannot assure you that we will not experience unanticipated difficulties in obtaining these items, which could adversely affect our ability to build our portion of the network.

**We have potential systems limitations on adding customers, which may adversely affect our growth and performance.**

Our success in generating revenues by attracting and retaining large numbers of customers to our portion of the Nextel Digital Mobile Network is critical to our business plan. In order to do so, we must develop effective procedures for customer activation, customer service, billing and other support services. Even if our system is functional on a technical basis, we may encounter other factors that could adversely affect our ability to successfully add customers to our portion of the Nextel Digital Mobile Network, including:

inadequate or inefficient systems, business process and related support functions especially as related to customer service and accounts receivable collection; and

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an inappropriately long length of time between a customer's order and activation of service for that customer, especially because the current activation time for our new customers is longer than that of some of our competitors.

Customer reliance on our customer service functions may increase as we add new customers. Our inability to timely and efficiently meet the demands for these services could decrease or postpone subscriber growth, or delay or otherwise impede billing and collection of amounts owed, which would adversely affect our revenues.

**Our existing debt agreements contain restrictive and financial covenants that limit our operating flexibility.**

The indenture governing these notes, our credit facility and the indentures governing our existing senior discount notes and senior notes contain covenants that, among other things, restrict our ability to take specific actions even if we believe them to be in our best interest. These include restrictions on our ability to:

incur additional debt;

pay dividends or distributions on, or redeem or repurchase, capital stock;

create liens on assets;

make investments, loans or advances;

issue or sell capital stock of certain of our subsidiaries;

enter into transactions with affiliates;

enter into a merger, consolidation or sale of assets; or

engage in any business other than telecommunications.

In addition, our credit facility imposes financial covenants that require our principal subsidiary to comply with specified financial ratios and tests, including minimum interest coverage ratios, maximum leverage ratios, minimum service revenues, minimum subscriber units and covered Pops, minimum EBITDA requirements, as defined in the credit facility, and minimum fixed charge coverage ratios. We cannot assure you that we will be able to meet these requirements or satisfy these covenants in the future, and if we fail to do so, our debts could become immediately



payable at a time when we are unable to pay them, which could adversely affect our ability to carry out our business plan and would have a negative impact on our financial condition.

**If an event constituting a change of control or fundamental change occurs, we may be required to redeem or repurchase all of our outstanding notes even if our credit facility prohibits such redemption or repurchase or we lack the resources to make such redemption or repurchase.**

Upon the occurrence of a defined change of control or fundamental change under the indentures governing these notes and our existing senior discount notes, convertible senior notes, senior notes, other than a change of control involving certain of our existing stockholders, we could be required to redeem or repurchase these notes and our existing senior discount notes, convertible senior notes and senior notes. See "Description of Notes Redemption at Option of the Holder." However, our credit facility prohibits us, except under certain circumstances, from redeeming or repurchasing any of our outstanding notes, including these notes, before their stated maturity. In the event we become subject to a change of control at a time when we are prohibited from redeeming or repurchasing our outstanding notes, including these notes, our failure to redeem or repurchase such notes would constitute an event of default under the respective indentures, which would in turn result in a default under our credit facility. Any default under our indentures or credit facility could result in an

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acceleration of such indebtedness, which would harm our financial condition and adversely impact our ability to implement our business plan and could result in the cessation of our business. Moreover, even if we obtained consent under our credit facility, we cannot be sure that we would have sufficient resources to redeem or repurchase our outstanding notes, including these notes, and still have sufficient funds available to successfully pursue our business plan.

**We are dependent on our current key personnel, and our success depends upon our continued ability to attract, train and retain additional qualified personnel.**

The loss of one or more key employees could impair our ability to successfully operate our portion of the Nextel Digital Mobile Network. We believe that our future success will also depend on our continued ability to attract and retain highly qualified technical, sales and management personnel.

**Concerns that the use of wireless telephones may pose health and safety risks may discourage the use of our wireless telephones.**

Studies and reports have suggested that, and additional studies are currently being undertaken to determine whether, radio frequency emissions from enhanced specialized mobile radio, or ESMR, cellular and personal communications service, or PCS, wireless telephones may be linked with health risks, including cancer, and may interfere with various electronic medical devices, including hearing aids and pacemakers. The actual or perceived risk of portable telephones could adversely affect us through a reduced subscriber growth rate, a reduction in subscribers, reduced network usage per subscriber or reduced financing available to the mobile communications industry.

Litigation by individuals alleging injury from health effects associated with radio frequency emissions from mobile phones has been brought against us and other mobile wireless carriers and manufacturers. In addition, purported class action litigation has been filed seeking to require all wireless telephones to include an earpiece that would enable use of wireless telephones without holding them against the user's head. While it is not possible to predict the outcome of this litigation, circumstances surrounding it could increase the cost of our wireless telephones as well as increase other costs of doing business.

Due to safety concerns, some state and local legislatures have passed or are considering legislation restricting the use of wireless telephones while driving automobiles. The passage of this type of legislation could decrease demand for our services.

**Regulatory authorities exercise considerable power over our operations, which could be exercised against our interests and impose additional unanticipated costs.**

The FCC and state telecommunications authorities regulate our business to a substantial degree. The regulation of the wireless telecommunications industry is subject to constant change. New rules and regulations may be adopted pursuant to the Communications Act of 1934, as amended. While the Telecommunications Act of 1996 provided for significant deregulation of the U.S. telecommunications industry, certain FCC rules regulating it remain subject to judicial review and additional FCC rulemaking. As a result, we cannot predict the effect that this or other legislation or any FCC rulemaking may have on our future operations. We must comply with all applicable regulations to conduct our business. Modifications of our business plans or operations to comply with changing regulations or actions taken by regulatory authorities might increase our costs of providing service and adversely affect our financial condition. In addition, we anticipate FCC regulation or

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Congressional legislation that creates additional spectrum allocations that may also have the effect of adding new entrants into the mobile telecommunications market.

For example, the FCC will require all wireless carriers to provide for wireless number portability (WNP) by customers in the top 100 metropolitan statistical areas by November 24, 2003. Once

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effective, wireless customers will have the ability to change wireless carriers, but retain their wireless telephone number. We expect to comply with the WNP regulations. However, WNP may result in an increase in churn throughout the industry.

If we fail to comply with the terms of our licenses or applicable regulations, we could lose one or more licenses or face penalties and fines. For example, we could lose a license if we fail to construct or operate facilities as required by the license. If we lose licenses, that loss could have a material adverse effect on our business and financial condition.

### **Nextel WIP has contractual approval rights that allow it to exert significant influence over our operations, and it can acquire additional shares of our stock.**

Pursuant to our amended shareholders' agreement and operating agreements, the approval of the director designated by Nextel WIP, and/or of Nextel WIP itself, is required in order for us to:

make a material change in our technology;

modify our business objectives in any way that is inconsistent with our objectives under our material agreements, including our operating agreements with Nextel WIP;

dispose of all or substantially all of our assets;

make a material change in or broaden the scope of our business beyond our current business objectives; or

enter into any agreement the terms of which would be materially altered in the event that Nextel WIP either exercises or declines to exercise their rights to acquire additional shares of our stock under the terms of the amended shareholders' agreement or our restated certificate of incorporation.

These approval rights relate to significant transactions, and decisions by the Nextel WIP-designated director could conflict with those of our other directors, including our independent directors.

In addition, the amended shareholders' agreement does not prohibit Nextel WIP or any of our other stockholders or any of their respective affiliates from purchasing shares of our Class A common stock in the open market. Any such purchases would increase the voting power and influence of the purchasing stockholder, and could result in a change of control of us. Additionally, if we experience a change of control, Nextel WIP could purchase all of our licenses for \$1.00, provided that it enters into a royalty-free agreement with us to allow us to use the licenses in our territory for as long as our operating agreements with Nextel WIP remain in effect. Such an agreement would be subject to approval by the FCC.

### **Significant stockholders represented on our board of directors can exert significant influence over us and may have interests that conflict with those of our other stockholders.**

As of June 30, 2003, our officers, directors and greater than 5% stockholders together controlled approximately 69% of our outstanding common stock. As a result, these stockholders, if they act together, will be able to control the management and affairs of our company and all matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions. This concentration of ownership may have the effect of delaying or preventing a change in control of our company.

In addition, under our amended shareholders' agreement, Nextel WIP and Madison Dearborn Partners each have the right to designate a member to our currently authorized seven-member board of directors. We cannot be certain that any conflicts that arise between the interests of our company and

those of these stockholders will always be resolved in our favor. Moreover, as described above, Nextel WIP has certain approval rights that allow it to exert significant influence over our operations.

Madison Dearborn Partners and Eagle River each own significant amounts of our capital stock and each currently has a representative on our board of directors. Each of these entities or their affiliates has significant investments in other telecommunications businesses, some of which may compete with us currently or in the future. We do not have a non-competition agreement with any of our stockholders, and thus their or their affiliates' current and future investments could create conflicts of interest.

**Anti-takeover provisions could prevent or delay a change of control that stockholders may favor.**

Provisions of our charter documents, amended shareholders' agreement, operating agreements and Delaware law may discourage, delay or prevent a merger or other change of control that stockholders may consider favorable. We have authorized the issuance of "blank check" preferred stock and have imposed certain restrictions on the calling of special meetings of stockholders. If we experience a change of control, Nextel WIP could purchase all of our licenses for \$1.00, provided that it enters into a royalty-free agreement with us to allow us to use the frequencies in our territory for as long as our operating agreements remain in effect. Such an agreement would be subject to approval by the FCC. Moreover, a change of control could trigger an event of default under provisions in our credit facility and the indentures governing our senior discount notes, convertible senior notes and senior notes. These provisions could have the effect of delaying, deferring or preventing a change of control in our company, discourage bids for our Class A common stock at a premium over the market price, lower the market price of our Class A common stock, or impede the ability of the holders of our Class A common stock to change our management.

**Regulations to which we are subject may affect the ability of some of our investors to have an equity interest in us. Additionally, our restated certificate of incorporation contains provisions that allow us to redeem shares of our securities in order to maintain compliance with applicable federal and state telecommunications laws and regulations.**

Our business is subject to regulation by the FCC and state regulatory commissions or similar state regulatory agencies in the states in which we operate. This regulation may prevent some investors from owning our securities, even if that ownership may be favorable to us. The FCC and some states have statutes or regulations that would require an investor who acquires a specified percentage of our securities or the securities of one of our subsidiaries to obtain approval from the FCC or the applicable state commission to own those securities. Moreover, our restated certificate of incorporation allows us to redeem shares of our stock from any stockholder in order to maintain compliance with applicable federal and state telecommunications laws and regulations.

**The value of the conversion right associated with the notes may be substantially lessened or eliminated if we are party to a merger, consolidation or other similar transaction.**

If we are party to a merger, consolidation or binding share exchange or transfer or lease of all or substantially all of our assets pursuant to which our Class A common stock is converted into, or into the right to receive, cash, securities or other property, at the effective time of the transaction, the right to convert a note into our Class A common stock will be changed into a right to convert it into the kind and amount of cash, securities or other property which the holder would have received if the holder had converted its note immediately prior to the transaction. This change could substantially lessen or eliminate the value of the conversion privilege associated with the notes in the future. For example, if we were acquired in a cash merger, each note would become convertible solely into cash and would no longer be convertible into securities whose value would vary depending on our future prospects and other factors.

**An active trading market for the notes may not develop.**

The notes comprise a new issue of securities for which there is currently no public market. We do not plan to list the notes on any securities exchange or to include them in any automated quotation system. We cannot assure you that an active trading market for the notes will develop or

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as to the liquidity or sustainability of any such market, your ability to sell your notes or the price at which you will be able to sell your notes. Future trading prices of the notes will depend on many factors, including, among other things, prevailing interest rates, our operating results, the price of our Class A common stock and the market for similar securities.

### **Changes in our credit ratings or the financial and credit markets could adversely affect the market price of the notes.**

The market price of the notes will be based on a number of factors, including:

our ratings with major credit rating agencies;

the prevailing interest rates being paid by companies similar to us; and

the overall condition of the financial and credit markets.

The condition of the financial and credit markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future. Fluctuations in these factors could have an adverse effect on the price of the notes. In addition, credit rating agencies continually revise their ratings for companies that they follow, including us. We cannot assure you that credit rating agencies will rate the notes, or if they do rate the notes, that they will maintain their ratings on the notes. A negative change in our rating could have an adverse effect on the market price of the notes.

### **Conversion of the notes will dilute the ownership interests of existing stockholders.**

The conversion of some or all of the notes will dilute the ownership interest of existing stockholders. Any sales in the public market of the Class A common stock issuable upon such conversion could adversely affect prevailing market prices of our Class A common stock. In addition, the existence of the notes may encourage short selling by market participants because the conversion of the notes could depress the price of our Class A common stock.

### **Because the notes that you hold are unsecured, you may not be fully repaid if we become insolvent.**

We have limited operations of our own and derive substantially all of our revenue and cash flow from our subsidiaries. The notes are not secured by any of our assets or those of our subsidiaries. None of our subsidiaries will guarantee these notes. Our obligations under our credit facility, however, are secured by liens on assets of our subsidiaries and a pledge of their capital stock. Creditors of our subsidiaries (including the lenders under our credit facility and trade creditors) will generally be entitled to payment from the assets of those subsidiaries before those assets can be distributed to us. Therefore, you may not be fully repaid if we become insolvent. If we become insolvent, the holders of our secured debt would receive payments from the assets used as security before you receive payments.

### **Our Series B preferred stock has a liquidation preference to our common stock, can be redeemed by us at any time and must be redeemed for cash in February 2010.**

Upon a liquidation of our company, holders of our Series B preferred stock would be entitled to receive, prior to receipt of any funds by the holders of our common stock, an aggregate liquidation preference equal to \$21.9 million, plus dividends accrued on such amount from the date of issuance up to the liquidation date equal to 12% per annum of the aggregate liquidation preference, compounded quarterly. As of June 30, 2003, we had approximately \$37.1 million of Series B preferred stock

outstanding, including accrued dividends. In addition, we can redeem all of our Series B preferred stock at any time upon payment of the accreted liquidation preference, subject to the covenants in our debt instruments. Pursuant to our restated certificate of incorporation, we must redeem all of our Series B preferred stock in February 2010, and we cannot guarantee that we will have sufficient cash from operations at that time to make such redemption. In the event that we default on our redemption obligations, the accreted liquidation preference will continue to accrue until we fulfill our redemption obligations in full.

**We expect that the trading value of the notes will be significantly affected by the market price of our Class A common stock and other factors, and our stock price has been and is likely to continue to be volatile and could decline substantially.**

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The trading value of the notes is expected to be affected significantly by the market price of our Class A common stock. This may result in greater volatility in the trading value of the notes than would be expected for nonconvertible debt securities we issue. The market price of our Class A common stock has been volatile in the past and is likely to continue to be volatile and could be subject to wide fluctuations and could decline substantially in response to factors such as the following, some of which are beyond our control:

quarterly variations in our or Nextel's operating results;

variations in our or Nextel's operating results from the expectations of securities analysts and investors;

changes in expectations as to our or Nextel's future financial performance, including financial estimates by securities analysts and investors;

changes in laws and regulations affecting the telecommunications industry;

announcements of significant claims or proceedings against us;

changes in market valuations of Nextel or other telecommunications companies;

announcements of technological innovations or new services by us, Nextel or our competitors;

announcements by us, Nextel or our competitors of significant contracts, acquisitions, strategic partnerships, joint ventures or capital commitments;

additions or departures of key personnel;

adverse changes in general market conditions or economic trends;

future sales of our Class A common stock or securities convertible into Class A common stock; and

volume fluctuations.

In the past, companies that have experienced volatility in the market price of their stock have been the subject of securities class action litigation. If we become involved in securities class action litigation in the future, it could result in substantial costs and diversion of management attention and resources, thus harming our business.

### FORWARD-LOOKING STATEMENTS

**Our forward-looking statements are subject to a variety of factors that could cause actual results to differ materially from current beliefs.**

Some statements and information contained in this prospectus are not historical facts, but are forward-looking statements. They can be identified by the use of forward-looking words such as "believes," "expects," "plans," "may," "will," "would," "could," "should" or "anticipates"

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or other comparable words, or by discussions of strategy, plans or goals that involve risks and uncertainties that could cause actual results to differ materially from those currently anticipated. We caution you that these forward-looking statements are only predictions, subject to risks and uncertainties. Actual events or results can differ materially from those expressed or implied as a result of a variety of factors, including those set forth above under "Risk Factors." Forward-looking statements include, but are not limited to, statements with respect to the following:

our plan for meeting our scheduled build-out for commercial launch of markets within our portion of the Nextel Digital Mobile Network;

our business plan, its advantages and our strategy for implementing our plan;

general economic conditions in the geographic areas and occupational markets that we are targeting in our portion of the Nextel Digital Mobile Network;

the successful implementation and performance of the technology being deployed or to be deployed in our various markets, including the expected 6:1 voice coder software upgrade being developed by Motorola and technologies to be implemented in connection with Nextel's completed launch of true nationwide Direct Connect capability;

our ability to attract and retain sufficient customers;

our anticipated capital expenditures, funding requirements and contractual obligations, including our ability to access sufficient debt or equity capital to meet operating and financing needs;

the availability of adequate quantities of system infrastructure and subscriber equipment and components to meet our service deployment, marketing plans and customer demand;

the ability to achieve and maintain market penetration and average subscriber revenue levels sufficient to provide financial viability;

our ability to timely and successfully accomplish required scale-up of our billing, collection, customer care and similar back-office operations to keep pace with customer growth, increased system usage rates and growth in levels of accounts receivable;

the timely development and availability of new handsets with expanded applications and features, and market acceptance of such handsets and service offerings;

the availability and cost of acquiring additional spectrum;

the quality and price of similar or comparable wireless communications services offered or to be offered by our competitors, including providers of PCS and cellular services;

the impact on our cost structure or service levels of the general downturn in the telecommunications sector, including the adverse effect of any bankruptcy of any of our tower providers or telecommunications suppliers;

future legislation or regulatory actions relating to specialized mobile radio services, other wireless communications services or telecommunications services generally;

timely delivery and successful implementation of any new technologies deployed in connection with any future enhanced iDEN® or next generation or other advanced services we may offer;

the costs of compliance with regulatory mandates, particularly the requirement to deploy location-based 911 capabilities; and

other risks and uncertainties described from time to time in our reports filed with the Securities and Exchange Commission, including our annual report on Form 10-K for the year ended December 31, 2002 and our quarterly reports on Form 10-Q for the quarters ended March 31, 2003 and June 30, 2003.

#### USE OF PROCEEDS

We will not receive any proceeds from the sale by any selling security holder of their notes or the shares of Class A common stock issuable upon conversion of the notes.

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#### SELLING SECURITY HOLDERS

We originally issued the notes in a private placement in May 2003 and in connection with the exercise in full by the initial purchasers of their option to purchase additional notes in June 2003. The notes were resold by the initial purchasers of the notes in the United States to persons reasonably believed by them to be "qualified institutional buyers" as defined by Rule 144A under the Securities Act. Selling security holders, including their transferees, pledgees, donees or successors, may from time to time offer and sell the notes and the underlying Class A common stock pursuant to this prospectus.

The table below sets forth the name of each selling security holder, the principal amount of notes at maturity that each selling security holder may offer pursuant to this prospectus and the number of shares of Class A common stock into which the notes are convertible. Unless set forth below, none of the selling security holders has had within the past three years any material relationship with us or any of our affiliates.

We have prepared the table based on information given to us by the selling security holders on or before November 3, 2003 and we have not sought to verify this information. The table only reflects information regarding selling security holders who have provided us with such information. Information about other selling security holders will be set forth in prospectus supplements or amendments to this prospectus, if required. Because the selling security holders may offer, pursuant to this prospectus, all or some portion of the notes or Class A common stock listed below, no estimate can be given as to the amount of notes or Class A common stock that will be held by the selling security holders upon consummation of any sales or upon termination of the offering. In addition, the selling security holders listed in the table may have sold or transferred, in transactions exempt from the registration requirements of the Securities Act, some or all of their notes since the date as of which the information in the table is presented.

Information about selling security holders may change over time. Any changed information given to us by the selling security holders will be set forth in prospectus supplements or post-effective amendments if and when necessary.

Name	Principal Amount at Maturity of Notes Beneficially Owned That May Be Sold	Percentage of Notes Outstanding(1)	Number of Shares of Class A Common Stock That May Be Sold(2)	Percentage of Common Stock Outstanding(3)(4)
AG Offshore Convertibles Ltd.	\$ 13,175,000.00	7.53%	1,737,897	*
AG Domestic Convertibles, L.P.	\$ 7,075,000.00	4.04%	933,254	*
	\$ 250,000.00	*	32,977	*

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Name	Principal Amount at Maturity of Notes Beneficially Owned That May Be Sold	Percentage of Notes Outstanding(1)	Number of Shares of Class A Common Stock That May Be Sold(2)	Percentage of Common Stock Outstanding(3)(4)
AIG DKR SoundShore Opportunity Holding Fund Ltd.				
AIG DKR SoundShore Strategic Holding Fund Ltd.	\$ 2,750,000.00	1.57%	362,749	*
Arkansas Teachers Retirement	\$ 2,740,000.00	1.57%	361,430	*
B.G.I. Global Investors c/o Forest Investment Mngt. LLC	\$ 437,000.00	*	57,644	*
Baptist Health of South Florida	\$ 400,000.00	*	52,763	*
City of Stamford Police Pension Fund	\$ 160,000.00	*	21,105	*
Context Convertible Arbitrage Fund, L.P.	\$ 800,000.00	*	105,527	*
Context Convertible Arbitrage Offshore, Ltd.	\$ 2,200,000.00	1.26%	290,199	*
Convertible Securities Fund	\$ 50,000.00	*	6,595	*
CNH CA Master Account, L.P.	\$ 100,000.00	*	13,191	*
Delaware Investments Dividend and Income Fund, Inc.	\$ 800,000.00	*	105,527	*
Delaware Investments Global Dividend and Income Fund, Inc.	\$ 200,000.00	*	26,382	*
Delaware PERS	\$ 740,000.00	*	97,612	*
Deutsche Bank Securities Inc.	\$ 1,850,000.00	1.06%	244,031	*
Engineers Joint Pension Fund	\$ 265,000.00	*	34,956	*
Forest Fulcrum Fund LLP	\$ 936,000.00	*	123,467	*
Forest Global Convertible Fund Series A-5	\$ 4,661,000.00	2.66%	614,826	*
Forest Multi-Strategy Master Fund SPC, on behalf of Series F, Multi-Strategy Segregated Portfolio	\$ 1,194,000.00	*	157,499	*
Gasner Investors Holding Ltd.	\$ 250,000.00	*	32,977	*

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Golden Rule Insurance Company	\$ 250,000.00	*	32,977	*
Grace Convertible Arbitrage Fund, Ltd.	\$ 3,750,000.00	2.14%	494,658	*
Guggenheim Portfolio Co, XV, LLC	\$ 750,000.00	*	98,932	*
Hamilton Multi-Strategy Master Fund	\$ 1,962,000.00	1.12%	258,805	*
HFR TQA Master Trust c/o TQA Investors, LLC	\$ 107,000.00	*	14,114	*
ICI American Holdings Trust	\$ 160,000.00	*	21,105	*
JMG Capital Partners, LP	\$ 375,000.00	*	49,466	*
JMG Triton Offshore Fund, Ltd	\$ 375,000.00	*	49,466	*
Laurel Ridge Capital, LP	\$ 250,000.00	*	32,977	*
LDG Limited	\$ 129,000.00	*	17,016	*
LLT Limited	\$ 391,000.00	*	51,576	*
Lyxor Master Fund c/o Forest Investment Mngt LLC	\$ 2,112,000.00	1.21%	278,591	*
Man Mac 2 Limited	\$ 1,038,000.00	*	136,921	*
Morgan Stanley Convertible Securities Trust(5)	\$ 2,000,000.00	1.14%	263,817	*
Nations Convertible Securities Fund	\$ 4,450,000	2.54%	586,994	*
Nicholas Applegate Capital Management Convertible Mutual Fund	\$ 515,000.00	*	67,933	*
Polaris Vega Fund L.P.	\$ 500,000.00	*	65,954	*
Polygon Global Opportunities Master Fund	\$ 2,000,000.00	1.14%	263,817	*
Prudential Insurance Co. of America	\$ 45,000.00	*	5,936	*
Radcliffe SPC, Ltd. (for and on behalf of the Class A Convertible Crossover Segregated Portfolio)	\$ 8,500,000.00	4.86%	1,121,224	*
Ramius Partners II, LP	\$ 200,000.00	*	26,382	*
Ramius Master Fund, Ltd.	\$ 5,175,000.00	2.96%	682,628	*
Ramius Capital Group	\$ 1,000,000.00	*	131,909	*
Ramius, LP	\$ 100,000.00	*	13,191	*
RBC Alternative Assets Convertible Fund LP	\$ 200,000.00	*	26,382	*
RCG Baldwin, LP	\$ 600,000.00	*	79,145	*
RCG Latitude Master Fund, Ltd.	\$ 5,175,000.00	2.96%	682,628	*
RCG Multi Strategy Master Fund, Ltd.	\$ 1,000,000.00	*	131,909	*



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Relay 11 Holdings c/o Forest Investment Mngt LLC	\$	276,000.00	*	36,407	*
San Diego City Retirement	\$	565,000.00	*	74,528	*
San Diego County Convertibles	\$	1,225,000.00	*	161,588	*
Satellite Asset Management, L.P.	\$	6,000,000.00	3.43%	791,452	*
Satellite Convertible Arbitrage Master Fund LLC	\$	5,500,000.00	3.14%	725,498	*
Silverback Master, Ltd.	\$	20,000,000.00	11.43%	2,638,174	1.04%
South Dakota Retirement System	\$	2,000,000.00	1.14%	263,817	*
Sphinx Convertible Arbitrage c/o Forest Investment Mngt. LLC	\$	161,000.00	*	21,237	*
Sphinx Fund c/o TQA Investors, LLC	\$	25,000.00	*	3,298	*
Sunrise Partners Limited Partnership	\$	2,000,000.00	1.14%	263,817	*
Syngenta AG	\$	125,000.00	*	16,489	*
Topanga XI	\$	175,000.00	*	23,084	*
TQA Master Plus Fund, Ltd.	\$	838,000.00	*	110,539	*
TQA Master Fund, Ltd.	\$	3,548,000.00	2.03%	468,012	*
Univest Convertible Arbitrage Fund Ltd. c/o Forest Investment Mngt. LLC	\$	219,000.00	*	28,888	*
Univest Multi Strategy Convertible Fund	\$	300,000.00	*	39,573	*
Wachovia Securities LLC(6)	\$	22,400,000.00	12.80%	2,954,755	1.16%
Wachovia Securities International Ltd.(6)	\$	5,000,000.00	2.86%	659,544	*
Wake Forest University	\$	370,000.00	*	48,806	*
WPG Convertible Arbitrage Overseas Master Fund	\$	1,000,000.00	*	131,909	*
WPG MSA Convertible Arbitrage FD	\$	250,000.00	*	32,977	*
Wyoming State Treasurer	\$	95,000.00	*	12,531	*
Xavex Convertible Arbitrage 4 Fund c/o Forest Investment	\$	207,000.00	*	27,305	*
Xavex Convertible Arbitrage #5	\$	1,000,000.00	*	131,909	*
Xavex Convertible Arbitrage 7 Fund c/o TQA Investors, L.L.C.	\$	457,000.00	*	60,282	*
Zeneca Holdings Trust	\$	180,000.00	*	23,744	*

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Zurich Institutional Benchmarks Master Fund, Ltd. c/o TQA Investors, LLC	\$	153,000.00	*	20,182	*
Zurich Master Hedge Fund c/o Forest Investment Mngt. LLC	\$	406,000.00	*	53,555	*

\*

Less than 1%.

- (1) The percentage of notes outstanding beneficially owned by each selling security holder is based on \$175,000,000 aggregate principal amount of notes outstanding.
- (2) Assumes conversion of all of the holder's notes at a conversion rate of 131.9087 shares of Class A common stock per \$1,000 principal amount of the notes. However, this conversion rate will be subject to adjustment as described under "Description of Notes Conversion of Notes." As a result, the amount of Class A common stock issuable upon conversion of the notes may increase or decrease in the future.
- (3) Calculated based on 251,377,557 shares of common stock (including 172,321,329 shares of Class A common stock and 79,056,228 shares of Class B common stock) outstanding as of July 31, 2003. In calculating this amount for a particular holder, we treated as outstanding that number of shares of Class A common stock issuable upon conversion of that particular holder's note(s), but we did not assume the conversion of any other holder's note(s).
- (4) Assumes that all holders of the notes, or any future transferees, pledgees, donees or successors of or from such holders of the notes, do not beneficially own any Class A common stock other than the Class A common stock issuable upon conversion of the notes at the initial conversion rate.
- (5) Morgan Stanley Convertible Securities Trust is affiliated with Morgan Stanley & Co. Incorporated, which was an initial purchaser in our private placements of 1<sup>1</sup>/<sub>2</sub>% Convertible Senior Notes due 2008 in May 2003 and 8<sup>1</sup>/<sub>8</sub>% Senior Notes due 2011 in June 2003.
- (6) Wachovia Securities and its affiliate, Wachovia Capital Markets, LLC, were initial purchasers in our private placements of 1<sup>1</sup>/<sub>2</sub>% Convertible Senior Notes due 2008 in May 2003 and August 2003.

To the extent that any of the selling security holders identified above are broker-dealers, they are deemed to be, under interpretations of the Securities and Exchange Commission, "underwriters" within the meaning of the Securities Act.

With respect to selling security holders that are affiliates of broker-dealers, we believe that such entities acquired their notes or underlying Class A common stock in the ordinary course of business and that, at the time of the purchase of the notes or the underlying Class A common stock, such selling security holders had no agreements or understandings, directly or indirectly, with any person to distribute the notes or the underlying Class A common stock. To the extent that we become aware that such entities did not acquire their notes or underlying Class A common stock in the ordinary course of business or did have such an agreement or understanding, we will file a post-effective amendment to the registration statement of which this prospectus forms a part to designate such affiliate as an "underwriter" within the meaning of the Securities Act.

Only selling security holders identified above who beneficially own the note(s) set forth opposite each such selling security holder's name in the foregoing table on the effective date of the registration statement of which this prospectus forms a part may sell such securities pursuant to the registration statement. Prior to any use of this prospectus in connection with an offering of the notes or the underlying Class A common stock by any holder not identified above, the registration statement of which this prospectus forms a part will be amended by a post-effective amendment or prospectus supplement to set forth the name and aggregate amount of notes beneficially owned by the selling securityholder intending to sell such notes or the underlying Class A common stock and the aggregate amount of notes or the number of shares of the underlying Class A common stock to be offered, as well as additional information about such selling security holders.

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## DESCRIPTION OF NOTES

We issued \$175,000,000 aggregate principal amount of 1 $\frac{1}{2}$ % convertible senior notes due 2008 in private placements on May 13, 2003 and June 11, 2003. The notes were issued under an indenture dated as of May 13, 2003, between us, as issuer, and The Bank of New York, as trustee. The notes and the shares of Class A common stock issuable upon conversion of the notes are covered by a registration rights agreement. The following description is a summary of the material provisions of the notes, the indenture and the registration rights agreement. It does not purport to be complete. This summary is subject to and is qualified by reference to all the provisions of the indenture, including the definitions of certain terms used in the indenture, the notes and the registration rights agreement, which are included as exhibits to the registration statement of which this prospectus is a part. Wherever particular provisions or defined terms of the indenture or form of note are referred to, these provisions or defined terms are incorporated in this prospectus by reference, and the statements are qualified in their entirety by the reference.

As used in this "Description of Notes" section, references to "Nextel Partners," "we," "our" or "us" refer solely to Nextel Partners, Inc. and not to our subsidiaries.

### General

The notes represent our senior unsecured debt and rank on a parity with all of our other existing and future senior unsecured debt and prior to all of our subordinated debt. The notes are convertible into Class A common stock as described under " Conversion of Notes."

The notes are limited to \$175,000,000 aggregate principal amount. The notes were issued only in denominations of \$1,000 and integral multiples of \$1,000. The notes will mature on November 15, 2008 unless earlier converted, redeemed or repurchased.

Neither we nor any of our subsidiaries are subject to any financial covenants under the indenture. In addition, neither we nor any of our subsidiaries are restricted under the indenture from paying dividends, incurring debt, or issuing or repurchasing our securities.

You are not afforded protection under the indenture in the event of a highly leveraged transaction or a change in control of us except to the extent described below under " Redemption at Option of the Holder."

We will pay interest on May 15 and November 15 of each year, beginning November 15, 2003, to record holders at the close of business on the preceding May 1 and November 1, as the case may be, except interest payable upon redemption at the option of the holders due to a fundamental change will be paid to the person to whom principal is payable unless the redemption date is an interest payment date.

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We will maintain an office in the Borough of Manhattan, The City of New York, for the payment of interest, which shall initially be an office or agency of the trustee. We may pay interest either:

by check mailed to your address as it appears in the note register, provided that if you are a holder with an aggregate principal amount in excess of \$2.0 million, you shall be paid, at your written election, by wire transfer in immediately available funds; or

by transfer to an account maintained by you in the United States.

However, payments to The Depository Trust Company, New York, New York, which we refer to as DTC, will be made by wire transfer of immediately available funds to the account of DTC or its nominee. Interest will be computed on the basis of a 360-day year composed of twelve 30-day months.

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### Conversion of Notes

You may convert any of your notes, in whole or in part, into Class A common stock prior to the close of business on the final maturity date of the notes, subject to prior redemption of the notes at the option of the holders due to a fundamental change.

The number of shares of Class A common stock you will receive upon conversion of your notes will be determined by multiplying the number of \$1,000 principal amount notes you convert by the conversion rate on the date of conversion. You may convert your notes in part so long as such part is \$1,000 principal amount or an integral multiple of \$1,000.

If you have submitted your notes for redemption upon a fundamental change, you may convert your notes only if you withdraw your redemption election. Upon conversion of notes, a holder will not receive any cash payment of interest (unless such conversion occurs between a regular record date and the interest payment date to which it relates). Our delivery to the holder of the full number of shares of our Class A common stock into which the note is convertible, together with any cash payment for such holder's fractional shares, will be deemed to satisfy our obligation to pay:

the principal amount of the note; and

accrued but unpaid interest attributable to the period from the most recent interest payment date to the conversion date.

As a result, accrued but unpaid interest to the conversion date is deemed to be paid in full rather than cancelled, extinguished or forfeited.

Notwithstanding the preceding paragraph, if notes are converted after a record date but prior to the next succeeding interest payment date, holders of such notes at the close of business on the record date will receive the interest payable on such notes on the corresponding interest payment date notwithstanding the conversion. Such notes, upon surrender for conversion, must be accompanied by funds equal to the amount of interest payable on the notes so converted; *provided* that no such payment need be made if (1) we have specified a purchase date following a fundamental change that is during such period or (2) only to the extent of overdue interest, any overdue interest exists at the time of conversion with respect to such note.

The initial conversion rate for the notes is 131.9087 shares of Class A common stock per \$1,000 principal amount of notes, subject to adjustment as described below. We will not issue fractional shares of Class A common stock upon conversion of notes. Instead, we will pay cash equal to the proportional share of the closing sales price of the Class A common stock on the trading day prior to the conversion date. Except as described below, you will not receive any accrued interest or dividends upon conversion.

To convert your note into Class A common stock you must:

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complete and manually sign the conversion notice on the back of the note or facsimile of the conversion notice and deliver this notice to the conversion agent (or, in the case of an interest in a global note, complete, or cause to be completed, the appropriate instruction form for conversion pursuant to DTC's book-entry conversion program);

surrender the note to the conversion agent (or, in the case of an interest in a global note, deliver, or cause to be delivered, by book-entry delivery an interest in such global note);

if required, furnish appropriate endorsements and transfer documents;

if required, pay all transfer or similar taxes; and

if required, pay funds equal to interest payable on the next interest payment date.

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The date you comply with these requirements is the conversion date under the indenture.

We will adjust the conversion rate if any of the following events occurs:

we issue Class A common stock as a dividend or distribution on our Class A common stock;

we issue to all holders of Class A common stock certain rights or warrants to purchase our Class A common stock;

we subdivide or combine our Class A common stock;

we distribute to all holders of our Class A common stock, shares of our capital stock, evidences of indebtedness or assets, including securities but excluding:

rights or warrants specified above;

dividends or distributions specified above;

and cash distributions;

If we distribute capital stock of, or similar equity interests in, a subsidiary or other business unit of ours, the conversion rate will be adjusted based on the market value of the securities so distributed relative to the market value of our Class A common stock, in each case based on the average closing sales prices of those securities for the 10 trading days commencing on and including the fifth trading day after the date on which "ex-dividend trading" commences for such distribution on the Nasdaq National Market or such other national or regional exchange or market on which the securities are then listed or quoted.

we distribute cash, excluding any dividend or distribution in connection with our liquidation, dissolution or winding up or any quarterly cash dividend on our Class A common stock to the extent that the aggregate cash dividend per share of Class A common stock in any quarter does not exceed 1.25% of the average of the last reported sale price of the Class A common stock during the ten trading days immediately prior to the declaration date of the dividend;

If an adjustment is required to be made as a result of a distribution that is a quarterly dividend, the adjustment would be based upon the amount by which the distribution exceeds the amount of the quarterly cash dividend permitted to be excluded. If an adjustment is required to be made as a result of a distribution that is not a quarterly dividend, the adjustment would be based upon the full amount of

the distribution;

we or one of our subsidiaries makes a payment in respect of a tender offer or exchange offer for our Class A common stock to the extent that the cash and value of any other consideration included in the payment per share of Class A common stock exceeds the current market price per share of Class A common stock on the trading day next succeeding the last date on which tenders or exchanges may be made pursuant to such tender or exchange offer; and

someone other than us or one of our subsidiaries makes a payment in respect of a tender offer or exchange offer in which, as of the closing date of the offer, our board of directors is not recommending rejection of the offer. Such an adjustment will only be made if: the tender offer or exchange offer is for an amount that increases the offeror's ownership of Class A common stock to more than 25% of the total shares of Class A common stock outstanding; and the cash and value of any other consideration included in the payment per share of Class A common stock exceeds the current market price per share of Class A common stock on the business day next succeeding the last date on which tenders or exchanges may be made pursuant to the tender or exchange offer.

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However, such an adjustment will generally not be made if as of the closing of the offer, the offering documents disclose a plan or an intention to cause us to engage in a consolidation or merger or a sale of all or substantially all of our assets.

To the extent that we have a rights plan in effect upon conversion of the notes into Class A common stock, you will receive, in addition to the Class A common stock, the rights under the rights plan unless the rights have separated from the Class A common stock at the time of conversion, in which case the conversion rate will be adjusted as if we distributed to all holders of our Class A common stock, shares of our capital stock, evidences of indebtedness or assets as described above, subject to readjustment in the event of the expiration, termination or redemption of such rights.

In the event of:

any reclassification of our Class A common stock;

a consolidation, merger or combination involving us; or

a sale or conveyance to another person or entity of all or substantially all of our property and assets;

in which holders of our Class A common stock would be entitled to receive stock, other securities, other property, assets or cash for their Class A common stock, upon conversion of your notes you will be entitled to receive the same type of consideration which you would have been entitled to receive if you had converted the notes into our Class A common stock immediately prior to any of these events.

You may in certain situations be deemed to have received a distribution subject to United States federal income tax as a dividend in the event of any taxable distribution to holders of Class A common stock or in certain other situations requiring a conversion rate adjustment. See "Material United States Federal Tax Considerations."

We may, from time to time, increase the conversion rate if our board of directors has made a determination that this increase would be in our best interests. Any such determination by our board will be conclusive. In addition, we may increase the conversion rate if our board of directors deems it advisable to avoid or diminish any income tax to holders of Class A common stock resulting from any stock or rights distribution. See "Material United States Federal Tax Considerations."

We will not be required to make an adjustment in the conversion rate unless the adjustment would require a change of at least 1% in the conversion rate. However, we will carry forward any adjustments that are less than 1% of the conversion rate. Except as described above in this section, we will not adjust the conversion rate for any issuance of our Class A common stock or convertible or exchangeable securities or rights to purchase our Class A common stock or convertible or exchangeable securities.

#### **Optional Redemption by Nextel Partners**

We may not redeem the notes in whole or in part at our option prior to maturity.

### **Redemption at Option of the Holder**

If a fundamental change of Nextel Partners (as described below) occurs at any time prior to the maturity of the notes, you may require us to redeem your notes, in whole or in part, on a redemption date that is 30 days after the date of our notice of the fundamental change. The notes will be redeemable in integral multiples of \$1,000 principal amount.

We will redeem the notes at a price equal to 100% of the principal amount to be redeemed, plus accrued interest to, but excluding, the redemption date. If the redemption date is an interest payment date, we will pay interest to the record holder on the relevant record date.

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We will mail to all record holders a notice of a fundamental change within 10 days after it has occurred. We are also required to deliver to the trustee a copy of the fundamental change notice. If you elect to redeem your notes, you must deliver to us or our designated agent, on or before the 30th day after the date of our fundamental change notice, your redemption notice and any notes to be redeemed, duly endorsed for transfer. We will promptly pay the redemption price for notes surrendered for redemption following the redemption date.

A "fundamental change" is any transaction or event (whether by means of an exchange offer, liquidation, tender offer, consolidation, merger, combination, reclassification, recapitalization or otherwise) in connection with which all or substantially all of our Class A common stock is exchanged for, converted into, acquired for or constitutes solely the right to receive, consideration which is not all or substantially all common stock that:

is listed on, or immediately after the transaction or event will be listed on, a United States national securities exchange, or

is approved, or immediately after the transaction or event will be approved, for quotation on the NASDAQ National Market or any similar United States system of automated dissemination of quotations of securities prices.

We will comply with any applicable provisions of Rule 13e-4 and any other tender offer rules under the Exchange Act in the event of a fundamental change.

These fundamental change redemption rights could discourage a potential acquirer. However, this fundamental change redemption feature is not the result of management's knowledge of any specific effort to obtain control of us by means of a merger, tender offer or solicitation, or part of a plan by management to adopt a series of anti-takeover provisions. The term "fundamental change" is limited to specified transactions and may not include other events that might adversely affect our financial condition or business operations. Our obligation to offer to redeem the notes upon a fundamental change would not necessarily afford you protection in the event of a highly leveraged transaction, reorganization, merger or similar transaction involving us.

We may be unable to redeem the notes in the event of a fundamental change. If a fundamental change were to occur, we may not have enough funds to pay the redemption price for all tendered notes. In addition, our existing credit facility prohibits us, except under certain circumstances, from redeeming any of our outstanding notes before their stated maturity, and any future credit agreements or other agreements relating to our indebtedness may contain provisions prohibiting redemption of the notes under certain circumstances, or expressly prohibit our repurchase of the notes upon a fundamental change or may provide that a fundamental change constitutes an event of default under that agreement. If a fundamental change occurs at a time when we are prohibited from purchasing or redeeming notes, we could seek the consent of our lenders to redeem the notes or attempt to refinance this debt. If we do not obtain consent, we would not be permitted to purchase or redeem the notes. Our failure to redeem tendered notes would constitute an event of default under the indenture, which would in turn constitute a default under our existing credit facility and might constitute a default under the terms of our other indebtedness.

### **Merger and Sale of Assets by Nextel Partners**

The indenture provides that we may not consolidate with or merge with or into any other person or convey, transfer or lease our properties and assets substantially as an entirety to another person, unless among other items:

we are the surviving person, or the resulting, surviving or transferee person, if other than us, is organized and existing under the laws of the United States, any state thereof or the District of Columbia;

the successor person assumes all of our obligations under the notes and the indenture; and

we or such successor person will not be in default under the indenture immediately after the transaction.

When such a person assumes our obligations in such circumstances, subject to certain exceptions, we shall be discharged from all obligations under the notes and the indenture.

#### **Events of Default; Notice and Waiver**

The following will be events of default under the indenture:

we fail to pay principal or premium, if any, when due upon redemption or otherwise on the notes;

we fail to pay any interest and liquidated damages, if any, on the notes, when due and such failure continues for a period of 30 days;

we fail to perform or observe any of the covenants in the indenture for 60 days after notice; or

certain events involving our bankruptcy, insolvency or reorganization.

The trustee may withhold notice to the holders of the notes of any default, except defaults in payment of principal, premium, interest or liquidated damages, if any, on the notes. However, the trustee must consider it to be in the interest of the holders of the notes to withhold this notice.

If an event of default occurs and continues, the trustee or the holders of at least 25% in principal amount of the outstanding notes may declare the principal, premium, if any, and accrued interest and liquidated damages, if any, on the outstanding notes to be immediately due and payable. In case of certain events of bankruptcy or insolvency involving us, the principal, premium, if any, and accrued interest and liquidated damages, if any, on the notes will automatically become due and payable. However, if we cure all defaults, except the nonpayment of principal, premium, if any, interest or liquidated damages, if any, that became due as a result of the acceleration, and meet certain other conditions, with certain exceptions, this declaration may be cancelled and the holders of a majority of the principal amount of outstanding notes may waive these past defaults.

Payments of principal, premium, if any, or interest on the notes that are not made when due will accrue interest at the annual rate of 1% above the then applicable interest rate from the required payment date.

The holders of a majority of outstanding notes will have the right to direct the time, method and place of any proceedings for any remedy available to the trustee, subject to limitations specified in the indenture.

No holder of the notes may pursue any remedy under the indenture, except in the case of a default in the payment of principal, premium, if any, or interest on the notes, unless:

the holder has given the trustee written notice of an event of default;

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the holders of at least 25% in principal amount of outstanding notes make a written request and offer indemnity satisfactory to the trustee to pursue the remedy;

the trustee does not receive an inconsistent direction from the holders of a majority in principal amount of the notes; and

the trustee fails to comply with the request within 60 days after receipt.

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### **Modification and Waiver**

The consent of the holders of a majority in principal amount of the outstanding notes is required to modify or amend the indenture. However, a modification or amendment requires the consent of the holder of each outstanding note if it would:

extend the fixed maturity of any note;

reduce the rate or extend the time for payment of interest of any note;

reduce the principal amount or premium of any note;

reduce any amount payable upon redemption of any note;

adversely change our obligation to redeem any note upon a fundamental change;

impair the right of a holder to institute suit for payment on any note;

change the currency in which any note is payable;

impair the right of a holder to convert any note;

reduce the quorum or voting requirements under the indenture;

change any obligation of ours to maintain an office or agency in the places and for the purposes specified in the indenture;

subject to specified exceptions, modify certain of the provisions of the indenture relating to modification or waiver of provisions of the indenture; or

reduce the percentage of notes required for consent to any modification of the indenture.

We are permitted to modify certain provisions of the indenture without the consent of the holders of the notes.

### **Form, Denomination and Registration**

The notes were issued:



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in fully registered form;

without interest coupons; and

in denominations of \$1,000 principal amount and integral multiples of \$1,000.

### *Global Note, Book-Entry Form*

Notes sold to "qualified institutional buyers" as defined in Rule 144A under the Securities Act, whom we refer to as QIBs, are evidenced by a global note. We have deposited the global note with DTC and registered the global note in the name of Cede & Co. as DTC's nominee. Except as set forth below, a global note may be transferred, in whole or in part, only to another nominee of DTC or to a successor of DTC or its nominee.

QIBs may hold their interests in a global note directly through DTC if such holder is a participant in DTC, or indirectly through organizations that are participants in DTC (called "participants"). Transfers between participants will be effected in the ordinary way in accordance with DTC rules and will be settled in clearing house funds. The laws of some states require that certain persons take physical delivery of securities in definitive form. As a result, the ability to transfer beneficial interests in the global note to such persons may be limited.

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QIBs who are not participants may beneficially own interests in a global note held by DTC only through participants, or certain banks, brokers, dealers, trust companies and other parties that clear through or maintain a custodial relationship with a participant, either directly or indirectly (called "indirect participants"). So long as Cede & Co., as the nominee of DTC, is the registered owner of a global note, Cede & Co. for all purposes will be considered the sole holder of such global note. Except as provided below, owners of beneficial interests in a global note will:

not be entitled to have certificates registered in their names;

not receive physical delivery of certificates in definitive registered form; and

not be considered holders of the global note.

We will pay interest on and the redemption price of a global note to Cede & Co., as the registered owner of the global note, by wire transfer of immediately available funds on each interest payment date or the redemption or repurchase date, as the case may be. Neither we, the trustee nor any paying agent will be responsible or liable:

for the records relating to, or payments made on account of, beneficial ownership interests in a global note; or

for maintaining, supervising or reviewing any records relating to the beneficial ownership interests.

We have been informed that DTC's practice is to credit participants' accounts on that payment date with payments in amounts proportionate to their respective beneficial interests in the principal amount represented by a global note as shown in the records of DTC, unless DTC has reason to believe that it will not receive payment on that payment date. Payments by participants to owners of beneficial interests in the principal amount represented by a global note held through participants will be the responsibility of the participants, as is now the case with securities held for the accounts of customers registered in "street name."

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Because DTC can only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having a beneficial interest in the principal amount represented by the global note to pledge such interest to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate evidencing its interest.

Neither we, the trustee, registrar, paying agent nor conversion agent will have any responsibility for the performance by DTC or its participants or indirect participants of their respective obligations under the rules and procedures governing their operations. DTC has advised us that it will take any action permitted to be taken by a holder of notes, including the presentation of notes for exchange, only at the direction of one or more participants to whose account with DTC interests in the global note are credited, and only in respect of the principal amount of the notes represented by the global note as to which the participant or participants has or have given such direction.

DTC has advised us that it is:

a limited purpose trust company organized under the laws of the State of New York, and a member of the Federal Reserve System;

a "clearing corporation" within the meaning of the Uniform Commercial Code; and

a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act.

DTC was created to hold securities for its participants and to facilitate the clearance and settlement of securities transactions between participants through electronic book-entry changes to the accounts of its participants. Participants include securities brokers, dealers, banks, trust companies and

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clearing corporations and other organizations. Some of the participants or their representatives, together with other entities, own DTC. Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly.

DTC has agreed to the foregoing procedures to facilitate transfers of interests in a global note among participants. However, DTC is under no obligation to perform or continue to perform these procedures, and may discontinue these procedures at any time. If DTC is at any time unwilling or unable to continue as depository and a successor depository is not appointed by us within 90 days, we will issue notes in certificated form in exchange for global notes.

### *Certificated Notes*

Holders may request that certificated notes be issued in exchange for notes represented by a global note.

### **Registration Rights of the Noteholders**

On May 13, 2003, we and the initial purchasers of the notes entered into a registration rights agreement. That agreement requires that we make this prospectus available to the selling security holders, subject to the exceptions described below, until the earliest of:

all securities covered by the registration statement have been sold;

two years after the effective date of the registration statement; or

the expiration of the applicable holding period with respect to the notes and the underlying Class A common stock under Rule 144(k) under the Securities Act, or any successor provision.

This time period is referred to as the effectiveness period.

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We may require the selling security holders to suspend the sales of the securities offered by this prospectus upon the occurrence of any event that makes any statement in this prospectus or the related registration statement untrue in any material respect or that requires the changing of statements in these documents in order to make statements in these documents not misleading. Any suspension period may not:

exceed 30 days in any three-month period; or

an aggregate of 90 days for all periods in any 12-month period.

Notwithstanding the foregoing, we will be permitted to suspend the use of the prospectus for up to 60 days in any 3-month period under certain circumstances, relating to possible acquisitions, financings or other similar transactions.

In the event that:

before the end of the effectiveness period, this prospectus is unavailable for periods in excess of those permitted above;

we fail to file amendments to the registration statement or supplements to this prospectus necessary to permit sales of the notes or shares of Class A common stock issued upon conversion of the notes within fifteen business days of receipt of all required documents from the prospective selling security holder; or

we fail to cause any required post-effective amendment to the registration statement to be declared effective within 60 days of its filing;

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(each of these is deemed to be a registration default) then we will pay liquidated damages to the holders who are entitled to have their securities sold under this prospectus that are affected by the registration default. For the period beginning from and including the date of the registration default to but excluding the date on which the registration default is cured, these liquidated damages will accrue:

on the notes at an annual rate equal to 0.5% of the aggregate principal amount of the notes affected; and

on the Class A common stock into which the notes affected have been converted, at an annual rate equal to 0.5% of an amount equal to \$1,000 divided by the conversion rate during such periods.

Persons purchasing securities in this offering will not be entitled to liquidated damages.

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## DESCRIPTION OF CAPITAL STOCK

### General

We are authorized to issue up to 500,000,000 shares of Class A common stock, \$.001 par value, 100,000,000 shares of Class B convertible common stock, \$.001 par value (collectively, the "common stock"), and 113,110,000 shares of preferred stock, \$.001 par value. The following summary of our common stock and preferred stock is not complete and is subject to and qualified in its entirety by provisions of our restated certificate of incorporation, bylaws, and provisions of applicable Delaware law.

## Common Stock

The common stock is classified into two classes: Class A common stock and Class B convertible common stock.

The holders of Class A common stock and Class B common stock will generally vote as a single class on all matters upon which stockholders have a right to vote, subject to the requirements of applicable laws. The holders of Class A and Class B common stock are entitled to one vote per share on all matters to be voted on by the stockholders except that holders of Class A common stock vote separately as a class if deciding whether to require Nextel WIP to purchase all the outstanding shares of Class A common stock or whether to participate in a sale by Nextel WIP of its holdings of our stock, as described below. Any amendment to the restated certificate of incorporation that would change the provisions regarding Nextel WIP's ability or obligation to purchase all outstanding shares of Class A common stock, including the redemption alternative, the appraisal and challenge process, payment terms, or that would change the ability of Class A stockholders to participate in a sale of our equity by Nextel WIP, requires both the consent of Nextel WIP and the vote of the holders of a majority of the Class A common stock voting separately as a class.

Subject to preferences that may be granted to any outstanding shares of preferred stock, the holders of Class A and Class B common stock are entitled to receive ratably only those dividends our board of directors declares out of funds legally available for the payment of dividends as well as any other distributions to the stockholders.

If we are liquidated, dissolved or wound-up, the holders of the Class A and Class B common stock are entitled to share pro rata all of our assets remaining after payment of our liabilities and liquidation preferences of any then-outstanding shares of preferred stock. Holders of common stock have no preemptive rights and there are no redemption or sinking fund provisions applicable to the common stock. In the event of a merger or consolidation, holders of Class A and Class B common stock are entitled to receive the same kind and amount of consideration per share. All outstanding shares of common stock are fully paid and non-assessable, and the shares of Class A common stock to be sold in this offering will be fully paid and non-assessable.

Shares of Class B common stock are convertible into shares of Class A common stock on a one-for-one basis at the option of any holder of Class B common stock concurrently with a sale or other transfer of such shares to a transferee that does not hold any shares of Class B common stock prior to such transfer. Shares of Class A common stock are immediately and automatically convertible into an equal number of shares of Class B common stock upon the acquisition of such shares of Class A common stock by Nextel, by any of its majority-owned subsidiaries, or by any person or group that controls Nextel.

As of June 30, 2003, there were 251,260,597 shares of Class A and Class B common stock outstanding. As of June 30, 2003, there were outstanding options to purchase a total of 19,185,147 shares of Class A common stock. Our Class A common stock trades on the Nasdaq National Market under the symbol "NXTP."

## Preferred Stock

### *General*

Pursuant to our restated certificate of incorporation, our board of directors has the authority, without further action by the stockholders, to issue up to 113,110,000 shares of preferred stock in one or more series and to fix the relative designations, powers, preferences and privileges of the preferred stock, any or all of which may be greater than the rights of the common stock. Of this amount, 13,110,000 shares have been designated as Series B preferred stock and are currently outstanding. Our board of directors, without stockholder approval, can issue the remaining 100,000,000 shares of preferred stock with voting, conversion or other rights that could adversely affect the voting power and other rights of the holders of common stock. Preferred stock could thus be issued quickly with terms that could delay or prevent a change in control of us or make removal of our management more difficult. Additionally, the issuance of preferred stock may decrease the market price of the Class A common stock and may adversely affect the voting and other rights of the holders of Class A common stock. We have no present plans to issue any preferred stock.

### *Series B Preferred Stock*

Our only preferred stock that remains issued and outstanding is 13,110,000 shares of our Series B preferred stock.

With respect to rights on liquidation, dissolution or winding up, the Series B preferred stock ranks senior to the Class A and Class B common stock. In addition, if we are liquidated, holders of the Series B preferred stock would be entitled to receive a liquidation preference of

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approximately \$21.9 million, plus a dividend payment equal to 12% of the aggregate liquidation preference per annum.

The Series B preferred stock does not have any voting rights except with respect to the following, in which case it shall vote as a separate class:

amendments to our bylaws or restated certificate of incorporation, including the authorization of additional shares of Series B preferred stock;

the authorization of securities senior to the Series B preferred stock;

approval of mergers or consolidations adverse to the rights of the holders of the Series B preferred stock, subject to exceptions; or

redemption of any outstanding shares of common or preferred stock, subject to exceptions.

Except as set forth above, the holders of Series B preferred stock are not entitled to receive dividends on their shares of preferred stock, and have no conversion rights.

We may redeem the Series B preferred stock, in whole but not in part, at any time in exchange for an aggregate amount equal to its accrued liquidation preference. If the Series B preferred stock has not been redeemed by us by February 11, 2010, we will be required to redeem it in exchange for an aggregate amount equal to its accrued liquidation preference. Our ability to redeem the Series B preferred stock is limited by the provisions of the indentures governing the 11% senior notes, the 12.5% senior discount notes, and our credit facility.

### Certain Obligations Under Our Charter

The following is a discussion of provisions of our restated certificate of incorporation that, under certain circumstances, allow Nextel WIP, or allow a majority of our Class A stockholders to cause Nextel WIP, to purchase all of our outstanding Class A common stock. If that occurs, Nextel WIP can choose to pay for any shares of our Class A common stock in cash, in shares of Nextel common stock,

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or in a combination of cash and Nextel common stock. If Nextel WIP chooses to pay for Class A common stock in whole or in part with Nextel common stock, Nextel WIP would be required to register such shares of Nextel common stock with the SEC, unless an exemption from registration is available. We believe that registration of common stock of Nextel that may be issued is not required in connection with the offering of the notes or in connection with the issuance of shares of Class A common stock upon conversion of the notes because Nextel WIP has the right to pay for our Class A common stock with cash and there is no certainty that an event giving rise to a purchase possibility will take place. If Nextel WIP purchases all of our Class A common stock, we will cease to be a publicly traded company.

The following table sets forth the triggering events and the consideration to be paid with regard to the ability of Nextel WIP to purchase all outstanding shares of our Class A common stock:

<b>Triggering Event</b>	<b>Consideration Paid</b>
January 29, 2008, subject to certain postponements by our board of directors	Fair market value (as defined below), payable in cash, Nextel stock or a combination of both, at Nextel WIP's option
If Nextel changes its digital transmission technology, the change is materially adverse to us and Nextel WIP determines not to provide us free of charge the equipment necessary to provide our subscribers with service comparable to what they had been receiving	Fair market value, payable in cash, Nextel stock or a combination of both, at Nextel WIP's option

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Triggering Event	Consideration Paid
If Nextel WIP requires a change in our business, operations or systems, the change is materially adverse to us, Nextel WIP does not subsidize us for the costs of such change and we decline to implement the required change	Fair market value, payable in cash, Nextel stock or a combination of both, at Nextel WIP's option
Termination of our operating agreements with Nextel WIP as a result of our breach	80% of the closing price of our Class A common stock on Nasdaq (based on a 20-day trailing average), payable in cash, Nextel stock or a combination of both, at Nextel WIP's option

If Nextel WIP is able or is required to purchase all of our outstanding Class A common stock for any reason other than as a result of the termination of the operating agreements, then the purchase price will be the fair market value of the Class A common stock. Under our restated certificate of incorporation, "fair market value" is determined by the appraisal process described below, and is defined as the price that a buyer would be willing to pay for all of our outstanding capital stock, excluding the Series B preferred stock, in an arm's-length transaction and includes a control premium. In the event of a termination of the operating agreements as a result of our breach, then Nextel WIP has the ability to purchase all of our outstanding Class A common stock for an amount based on 80% of the average closing price on the Nasdaq National Market of our Class A common stock for the 20 trading days prior to the date of termination.

The following table sets forth the triggering events and the consideration to be paid with regard to the ability of a majority of the holders of our Class A common stock to cause Nextel WIP to purchase all outstanding Class A common stock. If a triggering event occurs and a majority of our Class A common stockholders determine to require Nextel WIP to purchase all of our outstanding Class A common stock, all holders of Class A common stock, including purchasers in this offering who have

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converted their notes into shares of Class A common stock, will be required to sell their shares to Nextel WIP. We currently have no majority stockholder.

Triggering Event	Consideration Paid
Change of control of Nextel	Fair market value, payable in cash, Nextel stock or a combination of both, at Nextel WIP's option
If we do not implement a change in our business, operations or systems required by Nextel WIP, the change is materially adverse to us, and our board of directors provides non-Nextel affiliated stockholders with the opportunity to require Nextel WIP to buy their shares of Class A common stock and a majority of the stockholders vote to do so	Investment formula price (as defined below), payable in cash, Nextel stock or a combination of both, at Nextel WIP's option
Termination of our operating agreements with Nextel WIP as a result of a breach by Nextel WIP	120% of the closing price of our Class A common stock on Nasdaq (based on a 20-day trailing average), payable in cash, Nextel stock or a combination of both, at Nextel WIP's option

If the event giving rise to the stockholders' right to cause Nextel WIP to buy all of the outstanding shares of Class A common stock:

is a change in control of Nextel, the purchase price that Nextel WIP is required to pay for shares of Class A common stock is the fair market value of the Class A common stock, as determined by the appraisal process described below;

is the election of a majority of our non-Nextel stockholders to require Nextel WIP to buy all shares of Class A common stock after our failure to implement changes in our business, operations or systems required by Nextel WIP, the purchase

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price that Nextel WIP is required to pay is the "investment formula price," which means an amount that would equal a 20% rate of return on each tranche of invested capital in us, from the date of each contribution, whether contributed in cash or in kind, through the purchase date, which value is divided over all our capital stock; or

is the termination of our operating agreement with Nextel WIP as a result of a breach by Nextel WIP, the purchase price that Nextel WIP is required to pay for shares of Class A common stock is an amount based on 120% of the average closing price on the Nasdaq National Market of our Class A common stock for the 20 trading days prior to the date of termination.

**Redemption Alternative.** If Nextel WIP elects to purchase or is required to purchase our shares pursuant to our restated certificate of incorporation, Nextel WIP is entitled to cause the transaction to be effected as a redemption by us of the Class A common stock, provided that Nextel WIP shall be required to fund such redemption.

**Appraisal and Challenge Process.** When the fair market value of our Class A common stock is to be determined using an appraisal, our restated certificate of incorporation sets out a procedure binding on all of our stockholders. Our board first selects a nationally recognized investment bank or appraiser and then Nextel WIP selects one. If the higher of the two values determined by these two appraisers is more than 110% of the lower value, a third appraiser will be asked to value us. In any event, the final

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fair market value that Nextel WIP must pay will be between the values determined by the first two appraisers.

Our restated certificate of incorporation also allows either Nextel WIP or our stockholders to challenge the value determined by the appraisers. Our restated certificate of incorporation sets a floor and a ceiling, binding on both Nextel WIP and all other stockholders, for the price to be paid if there is a challenge. The maximum value that can result from a challenge to the appraisal value is a value equal to a 30% rate of return on each tranche of capital invested in us. The lowest price that could result from a challenge would be a value that would equal a 10% rate of return on each tranche of capital invested in us. Any stockholder that joins the challenge is bound by the results of the challenge process and receives the value so determined, not the value determined by the appraiser.

In any purchase by Nextel WIP of all of our outstanding stock, stockholders will not otherwise be entitled to any statutory appraisal rights under Delaware law.

**Right/Obligation to Participate in Sale by Nextel WIP and Nextel.** Holders of our Class A common stock also have the right and/or obligation to participate in any sale by Nextel WIP of all of its shares of our capital stock to a third party occurring after January 29, 2011. Pursuant to the amended and restated shareholders' agreement, prior to January 29, 2011, Nextel WIP cannot transfer its shares of our capital stock to a third party. Thereafter, if the holders of a majority of the Class A common stock elect to participate in such sale, then pursuant to our restated certificate of incorporation, all holders of Class A common stock, including purchasers in this offering who have converted their notes into shares of Class A common stock, will be required to participate.

**Share Legend.** Certificates for Class A common stock are required by our restated certificate of incorporation to bear the following legend:

The Class A common stock evidenced hereby is subject to provisions of the corporation's restated certificate of incorporation that allow an entity to purchase or cause the corporation to redeem all of the outstanding Class A common stock or allow a majority of the Class A common stockholders to cause such entity to purchase or cause the corporation to redeem all of the outstanding Class A common stock, in each such instance at a purchase price determined in accordance with the provisions of the restated certificate of incorporation. Copies of the restated certificate of incorporation are available at the principal office of the corporation and will be furnished without cost to stockholders on request.

### Registration Rights

Pursuant to our amended and restated shareholders' agreement, entities affiliated with DLJ Merchant Banking and Madison Dearborn Partners were granted the following registration rights, provided in each case that the aggregate proceeds from the sale of the amount of securities demanded to be registered must be expected to exceed \$50,000,000:

DLJ Merchant Banking and Madison Dearborn Partners were granted the right to demand one registration, at our expense, of up to all of their shares so long as DLJ Merchant Bank and its affiliated entities hold securities eligible for registration that

equal at least 5% of our outstanding common stock at the time of demand, assuming conversion of any outstanding warrants, options and convertible stock; and

DLJ Merchant Banking and Madison Dearborn Partners were granted the right to demand a second and third registration, at DLJ Merchant Banking's expense, so long as DLJ Merchant Banking and its affiliated entities hold securities eligible for registration that equal at least an aggregate of 2.5% of our outstanding common stock at the time of demand, assuming conversion of any outstanding warrants, options and convertible stock.

If DLJ Merchant Banking or Madison Dearborn Partners exercises any of their demand rights, all of the other eligible parties to our amended and restated shareholders' agreement and the eligible parties to our registration rights agreement would be entitled to include their shares in such registration, subject to cutback by the underwriters in any underwritten offering.

Additionally, under the terms of the amended and restated shareholders' agreement and registration rights agreement, if we propose to register any of our securities under the Securities Act, either for our own account or for the account of other security holders exercising registration rights, the eligible parties to the amended and restated shareholders' agreement and registration rights agreement are entitled to notice of the registration and to include their shares of common stock in the registration at our expense. All of these registration rights are subject to the right of the underwriters of the offering to limit the number of shares included in such registration. The eligible parties to these agreements may elect to include their shares of common stock in this registration statement.

#### **Selected Anti-Takeover Matters**

***Restated Certificate of Incorporation and Bylaw Provisions.*** Our restated certificate of incorporation and bylaws include provisions that may have the effect of deterring, delaying or preventing a change of control of us. Our bylaws provide that special meetings of our stockholders may only be called by our board of directors, president or holders of not less than 50% of our outstanding capital stock, which could delay or prevent such meetings from taking place altogether.

Our restated certificate of incorporation provides for 113,110,000 authorized shares of preferred stock and grants our board of directors broad power to establish the rights and preferences of authorized and unissued, or "blank check," preferred stock. Only 13,110,000 shares of preferred stock are designated and issued, and, thus, we have 100,000,000 authorized shares of "blank check" preferred stock remaining. Preferred shares repurchased or redeemed by us may be reissued. The existence of authorized but unissued preferred stock may enable our board of directors to render more difficult or discourage an attempt to obtain control over us by means of a merger, tender offer, proxy contest or otherwise. For example, if in the due exercise of its fiduciary obligations, the board of directors were to determine that a takeover proposal is not in our best interests, our board of directors could cause shares of preferred stock to be issued without stockholder approval in one or more private offerings or other transactions that might dilute the voting or other rights of the proposed acquirer or insurgent stockholder or stockholder group. The issuance of shares of preferred stock pursuant to our board of directors' authority described above could have the effect of delaying, deferring or preventing a change in control of us.

***Shareholders' and Operating Agreement Provisions.*** Certain provisions of the amended and restated shareholders' agreement may also have the effect of deterring, delaying or preventing a change of control of us. These include rights of first offer and first refusal among the parties to that agreement, restrictions on any such party transferring their shares to a telecommunications company or a person or entity controlling a telecommunications company, and agreements of the parties, other than DLJ Merchant Banking, to vote for certain designees to serve on our board.

The approval rights granted to the Nextel WIP designee on our board, as well as certain rights granted to Nextel WIP, could also have these effects. For example, among other things, if a business transaction or combination would broaden our business, it would require approval by Nextel WIP and its designee on our board.

***Delaware Anti-Takeover Law.*** Section 203 of the Delaware General Corporation Law prohibits certain "business combination" transactions between a Delaware corporation and any "interested stockholder" owning 15% or more of the corporation's outstanding voting stock for a period of three years after the date on which such stockholder became an interested stockholder, unless:



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the board of directors approves, prior to such date, either the proposed business combination or the proposed acquisition of stock which resulted in the stockholder becoming an interested stockholder;

upon consummation of the transaction in which the stockholder becomes an interested stockholder, the interested stockholder owned at least 85% of those shares of the voting stock of the corporation which are not held by the directors, officers or certain employee stock plans; or

on or subsequent to the date on which such stockholder became an interested stockholder, the business combination with the interested stockholder is approved by the board of directors and also approved at a stockholders' meeting by the affirmative vote of the holders of at least two-thirds of the outstanding shares of the corporation's voting stock other than shares held by the interested stockholder.

Under Delaware law, a "business combination" includes a merger, asset sale or other transaction resulting in a financial benefit to the interested stockholder. Section 203 does not apply, however, to those stockholders who owned 15% or more of our voting stock prior to our initial public offering.

**FCC-Related Redemption Rights.** Our restated certificate of incorporation allows us to redeem shares of our stock from any stockholder in order to maintain compliance with applicable federal and state telecommunications laws and regulations.

**Transfer Agent and Registrar.** The transfer agent and registrar for our common stock is Mellon Investor Services, LLC. The transfer agent's address is 520 Pike Street, Suite 1220, Seattle, Washington 98101, and its telephone number is (206) 674-3033.

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### MATERIAL UNITED STATES FEDERAL TAX CONSIDERATIONS

The following is a summary of the material United States federal income tax considerations relating to the purchase, ownership and disposition of the notes and Class A common stock acquired upon the conversion of the notes, but does not purport to be a complete analysis of all the potential tax considerations relating thereto. This summary is based on laws, regulations, rulings and decisions now in effect, all of which are subject to change or differing interpretation, possibly with retroactive effect. Except as specifically discussed below with regard to non-U.S. holders (as defined below), this summary applies only to U.S. holders (as defined below) that are beneficial owners of the notes and Class A common stock acquired upon the conversion of the notes and that will hold the notes and Class A common stock acquired upon the conversion of the notes as "capital assets" (within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the "Code")).

For purposes of this summary, the term "U.S. holders" means beneficial owners of notes and Class A common stock acquired upon conversion of the notes that are, for U.S. federal income tax purposes, (1) individual citizens or residents of the U.S., including an alien individual who is a lawful permanent resident of the U.S. or who meets the substantial presence residency test under the federal income tax laws, (2) corporations or partnerships (including any entity treated as a corporation or a partnership for U.S. tax purposes) created or organized in or under the laws of the U.S., any State of the United States or the District of Columbia, (3) estates, the incomes of which are subject to U.S. federal income taxation regardless of the source of such income or (4) trusts subject to the primary supervision of a U.S. court and the control of one or more U.S. persons. Beneficial owners of notes and Class A common stock acquired upon conversion of the notes other than U.S. holders ("non-U.S. holders") are subject to special U.S. federal income tax considerations, some of which are discussed below.

If a partnership (including for this purpose any entity treated as a partnership for U.S. tax purposes) is a beneficial owner of the notes or Class A common stock acquired upon the conversion of the notes, the U.S. tax treatment of a partner in the partnership will generally depend on the status of the partner and the activities of the partnership. A holder of the notes or Class A common stock acquired upon the conversion of the notes that is a partnership and partners in such partnership should consult their individual tax advisors about the U.S. federal income tax consequences of holding and disposing of the notes and the Class A common stock acquired upon the conversion of the notes.

This discussion does not address tax considerations applicable to an investor's particular circumstances or to investors that may be subject to special tax rules such as (1) banks, thrifts, regulated investment companies, or other financial institutions or financial service companies, (2) S corporations, (3) holders subject to the alternative minimum tax, (4) tax-exempt organizations, (5) insurance companies, (6) foreign persons or entities (except to the extent specifically set forth below), (7) U.S. expatriates, (8) brokers or dealers in securities or currencies, (9) U.S. holders whose "functional currency" is not the U.S. dollar, or (10) persons that will hold the notes as a position in a hedging transaction,

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"straddle" or "conversion transaction" (as defined for U.S. tax purposes) or persons deemed to sell the notes or Class A common stock under the constructive sale provisions of the Code.

This summary discusses the tax considerations applicable to the initial purchasers of the notes who purchase the notes at their "issue price" as defined in Section 1273 of the Code and the regulations thereunder and does not discuss the tax considerations applicable to subsequent purchasers of the notes. We have not sought any ruling from the Internal Revenue Service, or IRS, with respect to the statements made and the conclusions reached in the following summary, and there can be no assurance that the IRS will agree with such statements and conclusions. In addition, the IRS is not precluded from successfully adopting a contrary position. This summary does not consider the effect of the federal estate or gift tax laws (except as set forth below with respect to non-U.S. holders) or the tax laws of

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any applicable foreign, state, local or other jurisdiction. This summary also assumes that the IRS will respect the classification of the notes as indebtedness for U.S. federal income tax purposes.

INVESTORS CONSIDERING THE PURCHASE OF NOTES SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE APPLICATION OF THE UNITED STATES FEDERAL TAX LAWS TO THEIR PARTICULAR SITUATIONS AS WELL AS ANY TAX CONSEQUENCES ARISING UNDER THE UNITED STATES FEDERAL ESTATE OR GIFT TAX RULES OR UNDER THE LAWS OF ANY STATE, LOCAL OR FOREIGN TAXING JURISDICTION OR UNDER ANY APPLICABLE TAX TREATY.

### **U.S. Holders**

#### *Taxation of Interest*

Interest paid on the notes will be included in the income of a U.S. holder as ordinary income at the time it is treated as received or accrued, in accordance with such holder's regular method of accounting for U.S. federal income tax purposes. Under Treasury Regulations, the possibility of an additional payment under a note may be disregarded for purposes of determining the amount of interest income to be recognized by the holder in respect of such note (or the timing of such recognition) if the likelihood of the payment, as of the date the notes are issued, is remote. The failure by us to file or cause to be declared effective a shelf registration statement as described under "Description of Notes Registration Rights of the Noteholders" may result in the payment of predetermined liquidated damages in the manner described in that section of this prospectus. We believe that the likelihood of a liquidated damages payment with respect to the notes is remote and do not intend to treat such possibility as affecting the yield to maturity of any note. Our determination that the likelihood of such payment is remote is binding on a U.S. holder unless such holder discloses its contrary position in the manner required by applicable Treasury Regulations. Our determination is not, however, binding on the IRS, and if the IRS were to challenge this determination, a U.S. holder might be required to accrue income on its notes in excess of stated interest, and to treat as ordinary income rather than capital gain any income realized on the taxable disposition of a note before the resolution of the contingency. In the event that we pay liquidated damages on the notes, U.S. holders will be required to take such amounts into income.

#### *Sale, Exchange or Redemption of the Notes*

Upon the sale, exchange (other than a conversion) or redemption of a note, a U.S. holder generally will recognize capital gain or loss equal to the difference between (1) the amount of cash proceeds and the fair market value of any property received on the sale, exchange or redemption (except to the extent such amount is attributable to accrued interest income not previously included in income, which will be taxable as ordinary income, or is attributable to accrued interest that was previously included in income, which amount may be received without generating further income) and (2) such holder's adjusted tax basis in the note. A U.S. holder's adjusted tax basis in a note generally will equal the cost of the note to such holder less any principal payments received by such holder. Such capital gain or loss will be long-term capital gain or loss if the U.S. holder's holding period in the note is more than one year at the time of sale, exchange or redemption. Long-term capital gains recognized by some noncorporate U.S. holders, including individuals, will generally be subject to taxation at reduced rates. The deductibility of capital losses is subject to limitations.

#### *Conversion of the Notes*

A U.S. holder generally will not recognize any income, gain or loss upon conversion of a note into Class A common stock except with respect to cash received in lieu of a fractional share of Class A common stock. Cash received in lieu of a fractional share of Class A common stock upon conversion

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will be treated as a payment in exchange for the fractional share of Class A common stock. Accordingly, the receipt of cash in lieu of a fractional share of Class A common stock generally will result in capital gain or loss (measured by the difference between the cash received for the fractional share and the holder's adjusted tax basis in the fractional share).

A U.S. holder's tax basis in the Class A common stock received on conversion of a note will be the same as such holder's adjusted tax basis in the note at the time of conversion (reduced by any basis allocable to a fractional share interest), and the holding period for the Class A common stock received on conversion will generally include the holding period of the note converted.

#### *Distributions on Class A Common Stock*

Distributions, if any, made on the Class A common stock after a conversion generally will be included in the income of a U.S. holder as dividend income to the extent of our current or accumulated earnings and profits. The U.S. federal income tax rate currently applicable to dividends is the same reduced tax rate applicable to long-term capital gains. A dividend distribution to a corporate U.S. holder may qualify for a dividends-received deduction; however, certain holding period requirements, taxable income and other limitations may apply. Distributions in excess of our current and accumulated earnings and profits will be treated as a non-taxable return of capital that reduces the U.S. holder's basis in the Class A common stock dollar-for-dollar until the basis has been reduced to zero, and thereafter as capital gain.

#### *Constructive Dividends*

Holders of convertible debt instruments such as the notes may, in some circumstances, be deemed to have received distributions of stock if the conversion price of such instruments is adjusted (or, in certain circumstances, if there is a failure to make an adjustment to the conversion price) and the adjustment results in an increase in the holder's proportionate interest in our earnings and profits or assets. However, adjustments to the conversion price made pursuant to a bona fide, reasonable adjustment formula which has the effect of preventing the dilution of the interest of the holders of the debt instruments will generally not be considered to result in a constructive distribution of stock. Some of the possible adjustments provided in the notes (including, without limitation, adjustments in respect of taxable dividends to our stockholders) will not qualify as being pursuant to a bona fide reasonable adjustment formula. If such adjustments are made, U.S. holders of notes generally will be deemed to have received constructive distributions taxable as dividends to the extent of our current and accumulated earnings and profits even though they have not received any cash or property as a result of such adjustments. A holder's tax basis in a note, however, generally will be increased by the amount of any constructive dividend included in taxable income. In addition, in some circumstances, an adjustment or the failure to provide for an adjustment to the conversion price of the notes may result in taxable dividend income to the holders of Class A common stock.

#### *Sale, Exchange or Redemption of Class A Common Stock*

Upon the sale, exchange or redemption of Class A common stock, a U.S. holder generally will recognize capital gain or loss equal to the difference between (1) the amount of cash and the fair market value of any property received upon the sale or exchange and (2) such U.S. holder's adjusted tax basis in the Class A common stock. Such capital gain or loss will be long-term capital gain or loss if the U.S. holder's holding period in the Class A common stock is more than one year at the time of the sale, exchange or redemption. Long-term capital gains recognized by some non-corporate U.S. holders, including individuals, will generally be subject to taxation at reduced rates. A U.S. holder's basis and holding period in Class A common stock received upon conversion of a note are determined as discussed above under "Description of Notes Conversion of Notes." The deductibility of capital losses is subject to limitations.

#### *Backup Withholding and Information Reporting*

Backup withholding of U.S. federal income tax may apply to payments pursuant to the terms of a note or Class A common stock and to proceeds received upon the sale, exchange, redemption, retirement or other disposition of the notes or Class A common stock to a U.S. holder that is not an "exempt recipient" and that fails to provide required identifying information (such as the holder's U.S. taxpayer identification number, or "TIN") in the manner required. Generally, individuals are not exempt recipients. Corporations are generally exempt recipients, whereas other entities may not be exempt recipients. Payments made in respect of a note or Class A common stock must be reported to the IRS, unless the U.S. holder is an exempt recipient or an exemption otherwise applies. Any amount withheld from a payment to a U.S. holder under the backup withholding rules is allowable as a refund or credit against the holder's U.S. federal income tax, provided that the required

information is furnished to the IRS in a timely manner.

#### **Non-U.S. Holders**

In general, subject to the discussion below concerning backup withholding:

##### *Taxation of Interest*

Payments of interest on the notes by us or any paying agent to a non-U.S. holder generally will not be subject to U.S. withholding tax, provided that (1) such non-U.S. holder does not own, actually or constructively pursuant to the conversion feature of the notes or otherwise, 10 percent or more of the total combined voting power of all classes of our stock entitled to vote within the meaning of Section 871(h)(3) of the Code, (2) such non-U.S. holder is not a "controlled foreign corporation" within the meaning of Section 957(a) of the Code with respect to which we are a "related person" within the meaning of Section 864(d)(4) of the Code, (3) such non-U.S. holder is not a bank receiving interest described in Section 881(c)(3)(A) of the Code, and (4) the certification requirements under Section 871(h) or Section 881(c) of the Code and Treasury Regulations thereunder are satisfied.

To satisfy the certification requirements referred to in (4) above, Sections 871(h) and 881(c) of the Code and the Treasury Regulations thereunder require that either (1) the beneficial owner of a note must certify, under penalties of perjury, to us or our paying agent, as the case may be, that such owner is a non-U.S. holder and must provide such owner's name and address on Form W-8BEN (or a suitable substitute form) or (2) a securities clearing organization, bank or other financial institution that holds customers' securities in the ordinary course of its trade or business (a "Financial Institution") and holds the note on behalf of the beneficial owner thereof must certify, under penalties of perjury, to us or our paying agent, as the case may be, that a Form W-8BEN (or a suitable substitute form) has been received from the beneficial owner or a qualifying intermediary and must furnish the payor with a copy thereof.

Interest on notes not excluded from U.S. withholding tax as described above and not effectively connected with a U.S. trade or business generally will be subject to U.S. withholding tax at a 30 percent rate, except where an applicable U.S. income tax treaty provides for the reduction or elimination of such withholding tax. In order to claim exemption from withholding because the interest is effectively connected with the conduct of a trade or business in the U.S. or to claim the benefit of a tax treaty, a non-U.S. holder must provide us with a properly executed Form W-8ECI (or a suitable successor form), in the case of effectively connected income, or a Form W-8BEN (or a suitable successor form), in the case of treaty benefits.

##### *Sale, Exchange or Redemption of the Notes or Class A Common Stock*

A non-U.S. holder of a note or Class A common stock will not be subject to U.S. federal income tax on gains realized on the sale, exchange or redemption of such note or common stock unless

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(1) such non-U.S. holder is an individual who is present in the U.S. for 183 days or more in the taxable year of sale, exchange or other disposition, and other required conditions are met, (2) such gain is effectively connected with the conduct by the non-U.S. holder of a trade or business in the U.S. and, if an applicable U.S. income tax treaty requires, is attributable to a U.S. permanent establishment maintained by the non-U.S. holder, or (3) in certain circumstances, if we are, or have been at any time within the shorter of the five-year period preceding such sale or other disposition or the period such non-U.S. holder held the Class A common stock or note, a U.S. real property holding corporation (a "USRPHC") within the meaning of Section 897(c)(2) of the Code for U.S. federal income tax purposes. We do not believe that we are currently a USRPHC or that we will become one in the future.

##### *Conversion of the Notes*

A non-U.S. holder generally should not be subject to U.S. federal income tax on the conversion of a note into Class A common stock. To the extent a non-U.S. holder receives cash in lieu of a fractional share of common stock upon conversion, such cash may give rise to gain that would be subject to the rules described above with respect to the sale, exchange or redemption of a note or Class A common stock. See " Non-U.S. Holders Sale, Exchange or Redemption of the Notes or Class A Common Stock" above.

##### *Distributions on Class A Common Stock*

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Distributions on Class A common stock after conversion will constitute a dividend for U.S. federal income tax purposes to the extent of our current or accumulated earnings and profits as determined under U.S. federal income tax principles. Dividends paid on Class A common stock held by a non-U.S. holder generally will be subject to U.S. withholding tax at a 30 percent rate, except where an applicable U.S. income tax treaty provides for the reduction or elimination of such withholding tax or where the dividends are effectively connected with the holder's conduct of a trade or business in the U.S. and are taxable as described below. In order to claim a reduction or exemption from withholding under the foregoing rules, a non-U.S. holder will be required to meet the certification requirements described in the final paragraph of " Non-U.S. Holders' Taxation of Interest" above.

Distributions in excess of our current and accumulated earnings and profits as determined under U.S. federal income tax principles will be treated as a non-taxable return of capital that reduces the non-U.S. holder's basis in the Class A common stock dollar-for-dollar until the basis has been reduced to zero, and thereafter as capital gain. Such capital gain will generally not be taxable to a non-U.S. holder except under the circumstances described above under " Non-U.S. Holders' Sale, Exchange or Redemption of the Notes or Class A Common Stock."

The conversion rate of the notes is subject to adjustment in some circumstances. Any such adjustment or failure to make an adjustment could, in some circumstances, give rise to a deemed distribution to non-U.S. holders of the notes or Class A common stock that is taxable as a dividend to the extent of our current or accumulated earnings and profits. See " U.S. Holders' Distributions on Class A Common Stock" above. In such case, the deemed distribution would be subject to the rules described above regarding U.S. withholding tax on dividends.

### *Income or Gains Effectively Connected With A U.S. Trade or Business*

If a non-U.S. holder of a note or Class A common stock is engaged in a trade or business in the U.S. and if interest on the note, dividends on the Class A common stock, or gain realized on the sale, exchange or other disposition of the note or Class A common stock is effectively connected with the conduct of such trade or business (and, if an applicable U.S. income tax treaty requires, is attributable to a U.S. permanent establishment maintained by the non-U.S. holder), the non-U.S. holder, although

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exempt from U.S. withholding tax (provided that the certification requirements discussed in the next sentence are met), will generally be subject to U.S. federal income tax on such interest, dividends or gain in the same manner as if it were a U.S. holder. The non-U.S. holder will be required, under applicable Treasury Regulations, to provide us with a properly executed IRS Form W-8ECI or successor form in order to claim an exemption from U.S. withholding tax. In addition, if such non-U.S. holder is a foreign corporation, it may be subject to a branch profits tax equal to 30% (or such lower rate provided by an applicable U.S. income tax treaty) of a portion of its effectively connected earnings and profits for the taxable year.

### *U.S. Federal Estate Tax*

A note held by an individual who at the time of death is not a citizen or resident of the U.S. (as specially defined for U.S. federal estate tax purposes) will not be subject to U.S. federal estate tax with respect to the note if the individual did not actually or constructively own 10 percent or more of the total combined voting power of all classes of our stock and, at the time of the individual's death, payments with respect to such note would not have been effectively connected with the conduct by such individual of a trade or business in the U.S. Class A common stock held by an individual, actually or constructively, who at the time of death is not a citizen or resident of the U.S. (as specially defined for U.S. federal estate tax purposes) will be included in such individual's estate for U.S. federal estate tax purposes, unless an applicable estate tax treaty otherwise provides.

### *Backup Withholding and Information Reporting*

A non-U.S. holder may have to comply with specific certification procedures to establish that it is not a U.S. person in order to avoid information reporting and backup withholding tax requirements with respect to payments of principal and interest on the notes, payments of dividends on the Class A common stock, and payments of the proceeds of the disposition of notes or Class A common stock. In addition, we must report annually to the IRS and to each non-U.S. holder the amount of interest and any dividends paid to, and the tax withheld with respect to, such holder, regardless of whether any tax was actually withheld. Copies of these information returns may also be made available under the provisions of a specific treaty or agreement to the tax authorities of the country in which the non-U.S. holder resides. Any amounts withheld under the backup withholding rules from a payment to a non-U.S. holder of a note or Class A common stock will be allowed as a refund or credit against such holder's U.S. federal income tax provided that the required information is furnished to the IRS in a timely manner. Non-U.S. holders of the notes or Class A common stock should consult their tax advisors regarding the application of information reporting and backup withholding in their particular situations, the availability of exemptions and the procedure for obtaining any available exemption.

THE PRECEDING DISCUSSION OF THE MATERIAL UNITED STATES FEDERAL TAX CONSIDERATIONS IS FOR GENERAL INFORMATION ONLY AND IS NOT TAX ADVICE. ACCORDINGLY, EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS TAX ADVISOR AS TO THE PARTICULAR U.S. FEDERAL, STATE, AND LOCAL TAX CONSEQUENCES OF PURCHASING, HOLDING AND DISPOSING OF THE NOTES AND OUR CLASS A COMMON STOCK. TAX ADVISORS SHOULD ALSO BE CONSULTED AS TO THE UNITED STATES FEDERAL ESTATE AND GIFT TAX CONSEQUENCES AND THE FOREIGN TAX CONSEQUENCES OF PURCHASING, HOLDING AND DISPOSING OF THE NOTES AND OUR CLASS A COMMON STOCK, AS WELL AS THE CONSEQUENCES OF ANY PROPOSED CHANGE IN APPLICABLE LAWS.

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### PLAN OF DISTRIBUTION

We will not receive any of the proceeds of the sale of the notes and the underlying Class A common stock offered by this prospectus. The notes and the underlying Class A common stock may be sold from time to time to purchasers:

directly by the security holders; or

through underwriters, broker-dealers or agents who may receive compensation in the form of discounts, concessions or commissions from the selling security holders or the purchasers of the notes and the underlying Class A common stock.

Unless otherwise permitted by law, if the notes or underlying Class A common stock are to be sold by pledgees, donees or transferees of, or other successors in interest to, the selling security holders, then we must distribute a prospectus supplement and/or an amendment to the registration statement of which this prospectus is a part under Rule 424(b)(3) or other applicable provision of the Securities Act amending the list of selling security holders to include the pledgee, transferee or other successors in interest as selling security holders under this prospectus.

The selling security holders and any such broker-dealers or agents who participate in the distribution of the notes and the underlying Class A common stock may be deemed to be "underwriters." As a result, any profits on the sale of the underlying Class A common stock by selling security holders and any discounts, commissions or concessions received by any such broker-dealers or agents may be deemed to be underwriting discounts and commissions under the Securities Act. If the selling security holders were deemed to be underwriters, the selling security holders may be subject to statutory liabilities including, but not limited to, those of Sections 11, 12 and 17 of the Securities Act and Rule 10b-5 under the Exchange Act.

If the notes and the underlying Class A common stock are sold through underwriters or broker-dealers, the selling security holders will be responsible for underwriting discounts or commissions or agent's commissions.

The notes and the underlying Class A common stock may be sold in one or more transactions at:

fixed prices;

prevailing market prices at the time of sale;

varying prices determined at the time of sale; or

negotiated prices.

These sales may be effected in transactions:

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on any national securities exchange or quotation service on which the notes and underlying Class A common stock may be listed or quoted at the time of the sale, including the Nasdaq National Market in the case of the Class A common stock;

in the over-the-counter market;

in transactions otherwise than on such exchanges or services or in the over-the-counter market; or

through the writing of options.

These transactions may include block transactions or crosses. Crosses are transactions in which the same broker acts as an agent on both sides of the transaction.

In connection with the sales of the notes and the underlying Class A common stock or otherwise, the selling security holders may enter into hedging transactions with broker-dealers. These broker-

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dealers may in turn engage in short sales of the notes and the underlying Class A common stock in the course of hedging their positions. The selling security holders may also sell the notes and the underlying Class A common stock short and deliver notes and the underlying Class A common stock to close out short positions, or loan or pledge notes and the underlying Class A common stock to broker-dealers that, in turn, may sell the notes and the underlying Class A common stock.

To our knowledge, there are currently no plans, arrangements or understandings between any selling security holders and any underwriter, broker-dealer or agent regarding the sale of the notes and the underlying Class A common stock by the selling security holders. Selling security holders may decide not to sell all or a portion of the notes and the underlying Class A common stock offered by them pursuant to this prospectus or may decide not to sell notes or the underlying Class A common stock under this prospectus. In addition, any selling security holder may transfer, devise or give the notes and the underlying Class A common stock by other means not described in this prospectus. Any notes or underlying Class A common stock covered by this prospectus that qualify for sale pursuant to Rule 144, Rule 144A or Regulation S under the Securities Act may be sold under Rule 144 or Rule 144A or Regulation S rather than pursuant to this prospectus.

Our Class A common stock is listed on the Nasdaq National Market under the symbol "NXTP." We do not intend to apply for listing of the notes on any securities exchange or for quotation through Nasdaq. The notes originally issued in the private placement are eligible for trading on the PORTAL market. However, notes sold pursuant to this prospectus will no longer be eligible for trading on the PORTAL market. Accordingly, no assurance can be given as to the development of liquidity or any trading market for the notes.

In order to comply with the securities laws of some states, if applicable, the notes and the underlying Class A common stock may be sold in these jurisdictions only through registered or licensed brokers or dealers. In addition, in some states the notes may not be sold unless they have been registered or qualified for sale or an exemption from registration or qualifications requirements is available and secured.

The selling security holders and any other persons participating in the distribution of the notes or underlying Class A common stock will be subject to the Exchange Act. The Exchange Act rules include, without limitation, Regulation M, which may limit the timing of purchases and sales of any of the notes and the underlying Class A common stock by the selling security holders and any such other person. In addition, Regulation M of the Exchange Act may restrict the ability of any person engaged in the distribution of the notes and the underlying Class A common stock to engage in market-making activities with respect to the particular notes and underlying Class A common stock being distributed for a period of up to five business days prior to the commencement of such distribution. This may affect the marketability of the notes and the underlying Class A common stock and the ability to engage in market-making activities with respect to the notes and the underlying Class A common stock.

Under the registration rights agreement, we and the selling securityholders have agreed to indemnify each other against certain liabilities, including certain liabilities under the Securities Act, and will be entitled to contribution in connection with these liabilities.

We have agreed to pay substantially all of the expenses incidental to the registration, offering and sale of the notes and the underlying Class A common stock to the public other than commissions, fees and discounts of underwriters, brokers, dealers and agents.

## LEGAL MATTERS

Legal matters with respect to the validity of the securities being offered hereby will be passed upon for us by Summit Law Group, PLLC, Seattle, Washington. Certain other legal matters will be passed upon for us by our special tax counsel, Davis Wright Tremaine LLP, Seattle, Washington.

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## EXPERTS

The consolidated financial statements of Nextel Partners, Inc. as of December 31, 2002, and for the year then ended, have been incorporated by reference herein and in the registration statement in reliance upon the report of KPMG LLP, independent auditors, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing. The audit report refers to the audit of the disclosures added to revise the 2001 and 2000 consolidated financial statements to include the transitional disclosures required by Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*, which was adopted by us as of January 1, 2002, as more fully described in Note 1 to the consolidated financial statements. However, KPMG LLP was not engaged to audit, review or apply any procedures to the 2001 and 2000 consolidated financial statements other than with respect to such disclosures.

The consolidated financial statements of Nextel Partners, Inc. and subsidiaries for the years ended December 31, 2000 and 2001 incorporated by reference in this prospectus and elsewhere in the registration statement have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their report with respect thereto, and are included herein in reliance upon the authority of said firm as experts in giving said report. Arthur Andersen has not consented to the inclusion or incorporation of their report in the registration statement and we have dispensed with the requirement to file their consent in reliance upon Rule 437a of the Securities Act. Because Arthur Andersen has not consented to the inclusion or incorporation of their report in the registration statement, it may become more difficult for you to seek remedies against Arthur Andersen in connection with any material misstatement or omission that may be contained in our consolidated financial statements and schedules for such periods. In particular, and without limitation, you will not be able to recover against Arthur Andersen under Section 11 of the Securities Act for any untrue statement of a material fact contained in the financial statements audited by Arthur Andersen or any omission of a material fact required to be stated in those financial statements.

## WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You can inspect, read and copy these reports, proxy statements and other information at the public reference facilities the SEC maintains at Room 1024, 450 Fifth Street, N.W., Judiciary Plaza, Washington, D.C. 20549.

You can also obtain copies of these materials at prescribed rates by writing to the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549. You can obtain information on the operation of the public reference facilities by calling the SEC at 1-800-SEC-0330. The SEC also maintains a web site <http://www.sec.gov> that makes available reports, proxy statements and other information regarding issuers that file electronically with it.

This prospectus is part of a registration statement on Form S-3 that we have filed with the SEC relating to the notes and the underlying Class A common stock into which the notes may be converted. This prospectus does not contain all of the information we have included in the registration statement and the accompanying exhibits and schedules as permitted by the rules and regulations of the SEC. The registration statement, exhibits and schedules are available at the SEC's public reference room or through its website.

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## INCORPORATION BY REFERENCE



## Edgar Filing: NEXTEL PARTNERS INC - Form 424B3

The SEC allows us to "incorporate by reference" into this prospectus the information that we file with the SEC. This permits us to disclose important information to you by referring to those documents rather than repeating them in full in this prospectus. The information incorporated by reference in this prospectus contains important business and financial information. In addition, information that we file with the SEC after the date of this prospectus and prior to the completion of the offering of the notes and common stock under this prospectus will automatically update and supersede the information contained in this prospectus and incorporated filings. We incorporate by reference the following documents filed by us with the SEC:

<b>Our SEC Filings</b>	<b>Period Covered or Date of Filing</b>
Annual Report on Form 10-K	Year ended December 31, 2002, filed on March 27, 2003
Quarterly Report on Form 10-Q	Quarter ended March 31, 2003, filed on May 13, 2003
Quarterly Report on Form 10-Q	Quarter ended June 30, 2003, filed on August 14, 2003
Current Reports on Form 8-K	Filed on May 6, 2003, May 8, 2003, June 6, 2003, June 12, 2003, June 17, 2003, June 23, 2003, July 3, 2003, July 21, 2003, July 24, 2003, July 30, 2003 (two item 5 reports only) and October 30, 2003
The description of our Class A common stock contained in our registration statement on Form 8-A pursuant to Section 12(g) of the Exchange Act, and any amendment or report filed for the purpose of updating this description.	Filed on February 22, 2000
Proxy statement, with respect to the information required by Items 401 (management), 402 (executive compensation), 403 (securities ownership) and 404 (certain relationships and related transactions) of Regulation S-K promulgated under the Securities Act and Exchange Act	Annual Meeting held on May 8, 2003; filed on April 10, 2003
All subsequent documents filed by us under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act of 1934 (other than current reports furnished under Item 9 or Item 12 of Form 8-K)	After the date of this prospectus and prior to the end of the offering of the notes and underlying Class A common stock under this prospectus

Any statement contained in a document incorporated by reference, or deemed to be incorporated by reference, in this prospectus shall be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is incorporated by reference in this prospectus modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus. Statements contained in this prospectus as to the contents of any contract or other document referred to in this prospectus do not purport to be complete, and where reference is made to the particular provisions of such contract or other document, such provisions are qualified in all respects by reference to all of the provisions of such contract or other document.

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You may request a copy of each document incorporated by reference in this prospectus at no cost, by writing or calling us at the following address or telephone number:

Nextel Partners, Inc.  
4500 Carillon Point  
Kirkland, Washington 98033  
Attention: Investor Relations  
Telephone: (425) 576-3600

Exhibits to a document will not be provided unless they are specifically incorporated by reference in that document.

The information in this prospectus may not contain all of the information that may be important to you. You should read the entire prospectus, as well as the documents incorporated by reference in this prospectus, before making an investment decision.

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November 3, 2003

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