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REQUEST FOR INVESTIGATION

CtW Investment Group requests that the Securities and Exchange Commission investigate T-Mobile US, Inc. ("TMUS") based on evidence of its failure to adequately disclose a change in accounting estimates material to recognizing revenue from its sales of Equipment Installment Plans (EIPs), and also its misleading use of non-GAAP performance measures without providing details and context sufficient to enable a reader of its financial statements to translate its reported non-GAAP metrics into GAAP measures.

Our examination of TMUS's financial statements shows that:

- For four consecutive quarters, the company reduced its Allowance for Credit Losses – as a percentage of Equipment Installment Plan ("EIP") receivables – while the quality of those receivables was deteriorating, and without disclosing any change in accounting estimates.
- This reduction resulted in an increase in earnings of $122M or about 23% of net income over the four quarters from Q4 2014 through Q3 2015.
- TMUS has repeatedly given non-GAAP performance measures prominence over GAAP measures in its earnings releases, and fails to provide information required to reconcile reported non-GAAP Adjusted EBITDA to GAAP operating earnings or net income.

CtW Investment Group also requests that the SEC investigate TMUS's parent company and majority shareholder Deutsche Telekom AG, for failing to rectify TMUS' nondisclosure of the change in its accounting estimates, which has had a material impact on Deutsche Telekom's net income. On May 23, 2016, we transmitted a letter to Deutsche Telekom, which was addressed to TMUS Chairman and

Deutsche Telekom CEO Timotheus Höttges. This letter, a copy of which is enclosed, described our analysis of TMUS's accounting for its EIP receivables, and requested that Deutsche Telekom review our findings and take appropriate action in response. We have not received any response to our letter, and have decided to raise our concerns with you in the hope that the SEC will agree that our analysis merits a further investigation.

CtW Investment Group

The CtW Investment Group works with pension funds sponsored by affiliates of Change to Win, a federation of unions representing over five million members, to enhance long-term shareholder value through active ownership. These funds invest over $250 billion in the global capital markets and are investors in TMUS.

Background on T-Mobile US, Inc.

TMUS originated with Deutsche Telekom's 2001 acquisition of VoiceStream Wireless PCS, which had been a subsidiary of Western Wireless Corporation until its spin-off in 1999. TMUS subsequently merged with Metro PCS in 2013, at which time the company as currently constituted began to trade on the NYSE under the ticker "TMUS." Following this acquisition and subsequent growth, TMUS is the third largest wireless services provider in the US, with over 65.5 million customers. Deutsche Telekom currently holds 65% of TMUS's outstanding shares, and Deutsche Telekom representatives hold five out of eleven seats on TMUS's board of directors, including Deutsche Telekom CEO Timotheus Höttges, who serves as TMUS Chairman.

In late 2012, TMUS announced the appointment of a new executive team, including new CEO John Legere. In 2013, Mr. Legere announced a new campaign branding TMUS as the "Un-Carrier" and offering customers a new "no strings attached" contractual arrangement through which to obtain mobile services. Up to this time, "post-paid" mobile service providers offered customers service plans that included a penalty for early cancellation (terms were typically two years), but were able to obtain a phone ("handset") either for free or for a subsidized price. In place of this arrangement, TMUS offered customers a wireless service contract without a fixed term, but without a subsidized price for the handset. Instead, customers had the opportunity to purchase a handset from TMUS through an Equipment Installment Plan ("EIP"), which typically have a two-year term, and which require the customer to pay off any remaining balance on their EIP if they cancel or switch to a new carrier.

As our letter documents, many TMUS customers appear not to have understood that their "no strings attached" contractual arrangement would nevertheless generate a liability for them under such circumstances: a review of both Federal Trade Commission and Better Business Bureau complaints by wireless customers shows a much higher market-share adjusted level of sales and billing/collection complaints for TMUS than for its competitors from 2013-2015. This high level of complaints suggests that many TMUS customers may have found themselves unable to meet their contractual obligations, which implies that TMUS may not ultimately collect all the revenue associated with its EIPs. Moreover, the switch to installment plans – which grew very rapidly to dominate the company's sales – increased the salience of TMUS's estimates in accounting for these EIP receivables and defaults.

Undisclosed Changes in Accounting Estimates

GAAP Rules for Installment Plan Accounting

Accounting for installment plan sales is currently governed by the SEC's Staff Accounting Bulletin ("SAB") 101/104, which states that Generally Accepted Accounting Principles require revenue to be recognized and recorded only when it is "realizable or realized and earned." SAB 101/104 defines the criteria required to meet this standard, including the reasonable assurance that the revenue will be collected. SAB 101/104 further requires that revenue recognition policies be disclosed under FASB ASC Topic 235, Notes to Financial Statements. If this assurance of collectability can be met, then a receivable is recorded, along with an allowance for credit losses reflecting the issuer's estimate of probable collection deficiencies, which is reported on the income statement as bad debt expense. If subsequently customer defaults result in less revenue being ultimately realized than the issuer estimated at the time of sale, then the issuer is obligated to record additional bad debt expense on its income statement.

Because the revenue that is initially recognized in the initial sale period does not generate additional costs in subsequent periods, changes to the allowance for credit losses will flow straight through to the bottom line. In other words, if a company underestimates its likely credit losses on sales in a given quarter, then it will be reporting higher earnings in that quarter, but will subsequently have to recognize bad debt expense that will lower earnings in a future quarter. Thus, properly estimating and provisioning for credit losses is essential in order to minimize the risk of unpleasant future surprises.

TMUS Reduced Allowance for Credit Losses as Receivable Collectability Decreased

As shown in Table 1 below, our analysis finds that during a four quarter period from Q4 2014 to Q3 2015, TMUS's allowance for credit losses inexplicably fell from over 3% of total EIP receivables, to at or just over 2%.

Table 1: Four Quarter Decline in Allowance Starts in Q4 2014 ($ millions)

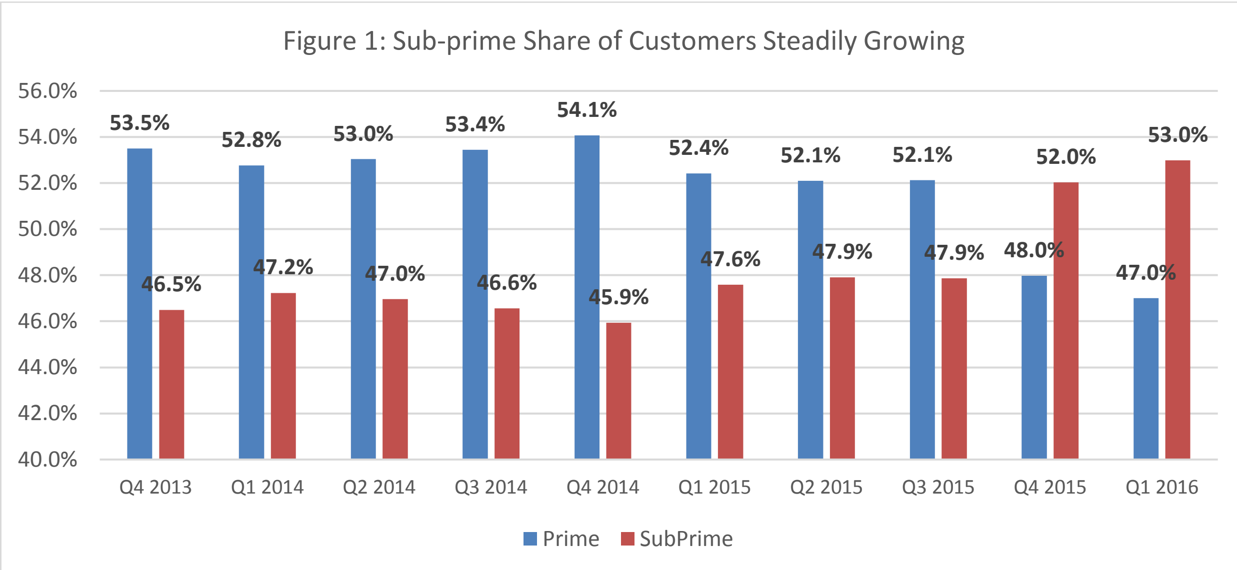
	Total EIP Receivables	Allowance for Credit Losses	Allowance/ Receivables
Q1 2014	$3,487.00	$97.00	2.8%
Q2 2014	$4,029.00	$126.00	3.1%
Q3 2014	$4,403.00	$131.00	3.0%
Q4 2014	$5,138.00	$116.00	2.3%
Q1 2015	$5,275.00	$106.00	2.0%
Q2 2015	$5,555.00	$112.00	2.0%
Q3 2015	$5,193.00	$137.00	2.6%
Q4 2015	$3,558.00	$148.00	4.2%

Despite the decrease in allowance for credit losses, all of the publicly available indicators of potential credit risk within TMUS's EIP receivable pool implied that if anything, credit risk was increasing rather than declining. TMUS describes its evaluation of EIP customer credit risks in its 2015 10-K as follows:

> T-Mobile uses a proprietary credit scoring model that measures the credit quality of a customer at the time of application for mobile communications service using several factors, such as credit bureau information, consumer credit risk scores and service plan

characteristics. Based upon customer credit profiles, T-Mobile classifies EIP receivables into the credit categories of "Prime" and "Subprime". Prime customer receivables are those with lower delinquency risk and Subprime customer receivables are those with higher delinquency risk.

It is hard to square the decision to lower the allowance for credit losses by as much as 50% over two quarters with TMUS's reported proportions of prime and subprime customers for its EIP plans, as shown in Figure 1 below:



In the fourth quarter of 2014, there was a small shift in the balance of the EIP receivables pool toward prime customers, which would have justified a small reduction in the allowance, given TMUS's view that prime customers were less likely to default. However, the actual reduction, from 3% of receivables to 2.3% seems excessive: a 23% reduction in the allowance in response to a 1.5% decline in the relative share of subprime accounts. But in the three subsequent quarters, TMUS continued to lower its allowance, both in relative and absolute terms, even as the subprime portion of its EIP receivables increased to levels above those seen at any point in 2014. So, in Q1 2015, even as the subprime portion of receivables rose to 47.6%, the allowance fell from $116 million to $106 million, or from 2.3% to 2% of receivables. And then in Q2 2015, the subprime share rose again (to 47.9%) while the allowance again amounted to only 2% of receivables. In Q3 2015, the allowance increased to 2.6% of receivables but this was again below the 2.8% average at which TMUS had been maintaining its allowance in 2014, when the subprime share of its receivables was clearly lower. Only in Q4 2015, when the subprime share of receivables jumped to an unprecedented 52% did the allowance return to a level above the 2.8% average for 2014.

As our attached letter demonstrates, other indicators of credit risk – including the level and rate of growth of past due accounts and of sub-prime past due accounts - similarly suggest that credit risks were increasing even as TMUS was maintaining a low allowance for credit losses. Moreover, there is good reason to believe that the lowered level of the allowance for credit losses in the face of rising subprime delinquencies incurred increased bad debt expense (and lowered earnings) in subsequent quarters. As our attached letter shows, after subprime past due accounts rose as a percentage for EIP receivables, bad debt expenses as a share of receivables rose steadily in future quarters from 3% to 6% of EIP receivables.

While we are not privy to the detailed customer information available to TMUS, it should be clear from our letter's review of publicly available data relevant to the credit quality of its EIP receivables that if anything the allowance for credit losses should have been higher over the course of 2015 than it had been in 2014, and not noticeably lower. TMUS appears to have adopted a significant change to its accounting estimates during these four quarters, without providing shareholders with a clear or convincing explanation for so doing.

Reduced Allowance Enabled TMUS and Deutsche Telekom to Report Higher Earnings

The seeming change in accounting estimates that led to lower allowances during the four quarter period in question had a clear and significant effect on TMUS's reported earnings: As Table 2 shows, over these four quarters earnings were approximately $122 million higher than they would have been if TMUS had provisioned for EIP credit losses at the 2.8% level established in Q1 2014.

Table 2: Actual Allowance vs. 2014 Benchmark ($ millions)

	Total EIP Receivables	Allowance for Credit Losses	Allowance/ Receivables	If Allowance at 2.8%	Difference
Q1 2014	$3,487.00	$97.00	2.8%		
Q2 2014	$4,029.00	$126.00	3.1%		
Q3 2014	$4,403.00	$131.00	3.0%		
Q4 2014	$5,138.00	$116.00	2.3%	$143.86	$27.86
Q1 2015	$5,275.00	$106.00	2.0%	$147.70	$41.70
Q2 2015	$5,555.00	$112.00	2.0%	$155.54	$43.54
Q3 2015	$5,193.00	$137.00	2.6%	$145.40	$8.40
Q4 2015	$3,558.00	$148.00	4.2%		
					$121.51

During these four quarters, TMUS reported $2,331 million in operating earnings and $980 million in net income, suggesting that the decision to keep the allowance for credit losses low increased operating earnings and net income by 5% and 13%, respectively.

We urge the SEC to carefully examine TMUS's financial statements and our analysis in the attached letter, which we believe strongly supports the inference that TMUS failed to properly disclose changes in its accounting estimates, which in turn had a material effect on its reported earnings.

Deutsche Telekom Failed to Rectify TMUS's Nondisclosure of its Accounting Changes

In our letter to Deutsche Telekom on May 23, 2016, we urged its management to carefully review our analysis to determine whether and the extent to which TMUS' changes in its accounting estimates distorted financial reports and resulted in excessive executive pay. We note that parent company Deutsche Telekom consolidates TMUS's net revenue and operating income into its financial statements, implying that any overly aggressive recognition of revenue by TMUS during this time period would also result in Deutsche Telekom reporting elevated earnings, equivalent to 2% of Deutsche Telekom's reported operating earnings in 2015. Thus it can be inferred that Deutsche Telekom has knowledge of TMUS' undisclosed changes in its accounting estimates and failed to rectify them. Parent companies may be liable for securities violations where, as here, a subsidiary's misleading accounting practices result in the parent company overstating its revenue and net income.[1]

Furthermore, Deutsche Telekom has a sponsored American Depository Receipt ("ADR") program with the Deutsche Bank Trust Company, which enables American investors to purchase DT shares without having to invest in foreign stock exchanges. It has registered 300 million American Depository Shares ("ADSs") with Deutsche Bank, with each ADS representing one share.[2] Even though Deutsche Telekom is subject to minimal disclosure requirements with the SEC, it is still required to make available to its ADR holders the reports required to be filed with its home country, and those reports are subject to SEC enforcement if they contain untrue statements of material fact. Because Deutsche Telekom has purposefully availed itself of the American securities market through its ADR program, "it may be hauled into an American court for fraudulently manipulating the market."[3]

For these reasons, we request that you investigate Deutsche Telekom for failing to rectify TMUS' nondisclosure of the change in its accounting estimates and the extent to which this failure has distorted Deutsche Telekom's own financial statements.

TMUS's Longstanding and Misleading Use of non-GAAP Metrics

Updated Guidance on non-GAAP Performance Measures

On May 17, 2016, the SEC issued updated guidance on the appropriate use and presentation of non-GAAP financial performance measures, including guidance that specifically addresses the circumstances under which such non-GAAP measures may be misleading to readers of financial statements. In particular, the SEC emphasized that issuers must take care not only to provide the information that readers of financial statements would need in order to reconcile non-GAAP measures with the most similar GAAP measure, but also to ensure that any charges or benefits that are characterized as non-recurring, infrequent, or unusual are actually so. News reports indicate that numerous public companies have received letters from the SEC in recent months pointing out problematic uses of non-GAAP performance measures, especially when the information needed to reconcile such measures with GAAP metrics is inadequate, incomplete, or presented in a manner or context such that the non-GAAP measures are given prominence and priority over GAAP measures.

TMUS's Use of Non-GAAP Measures

TMUS has for several years reported multiple non-GAAP measures in its earnings releases, some of which are unique to the company. In past earnings announcement press releases, TMUS has given non-GAAP measures such as Adjusted EBITDA much greater prominence than corresponding GAAP measures: for instance, in its April 26, 2016, press release TMUS in the headline reported $2.7 billion in Adjusted EBITDA, without mentioning net income, the GAAP measure to which Adjusted EBITDA should be reconciled. The bullet points just below the headline list numerous non-GAAP measures related to customer and billing growth, as well as multiple presentations of Adjusted EBITDA and its growth rates, but only one mentions each of GAAP measures net income and earnings per share and no information on their growth rates. In its following earnings release, dated July 27, 2016, TMUS positions net income somewhat more prominently (in the headline and with a bullet point just above the first bullet point for Adjusted

[1] *See* In Gebhardt v. ConAgra Foods, Inc., 335 F.3d 824, 830 (8th Cir. 2003).

[2] *See* Form F-6 Registration Statement filed by Deutsche Telekom AG on Dec. 1, 2005; Form F-6 Registration Statement filed by Deutsche Telekom AG on Sept. 2m 2008.

[3] Pinker v. Roche Holdings, Ltd., 292 G.3d 361, 370-71 (3d Cir. 2002)

EBITDA), but again without the context – including quarter-on-quarter and year-over-year growth rates – that are provided for Adjusted EBITDA. In its most recent earnings release, TMUS provided year-over-year growth rates for net income, but continues to feature multiple non-GAAP measures prominently.

TMUS Fails to Provide Information Needed to Reconcile Adjusted EBITDA to GAAP Measures on "Apples to Apples" Basis

Moreover, TMUS does not provide readers of its earnings releases with the information needed to enable readers to make accurate comparisons of its reported Adjusted EBITDA and Adjusted Free Cash Flow measures to its own previously reported non-GAAP measures, to current or previous GAAP measures, or even to the non-GAAP measures used by other telecommunications firms. This practice has been most problematic with respect to its Adjusted EBITDA measure over the past two fiscal years, in significant part because of the company's increased reliance on leases of phone handsets (rather than their sale under EIPs as described above). When a phone is sold to a customer under an EIP, the company records both an expense for the cost of the phone paid to the manufacturer, and revenue from the sale to the customer. When a phone is leased, however, it is still owned by the company and its value is entered into property and equipment and depreciated over time; revenue from the lease arrangement is also recognized ratably over time. Because the EIP and lease arrangements affect operating costs and depreciation charges differently, the growth in the company's leased sales relative to its EIP sales has boosted Adjusted EBITDA in a way that is neither disclosed explicitly nor even calculable based on the information contained in the earnings press releases. Independent analyst David Barden of Bank of America has estimated that the increased volume of leased sales boosted TMUS's Adjusted EBITDA for FY2015 by approximately $540 million. He notes also that an "apples to apples" comparison – one that adjusts leased sales to reflect costs excluded from Adjusted EBITDA that would have been included if the sales had taken place via an EIP - of Q4 2015 to Q3 2015 would result in a decline in Adjusted EBITDA of about 2%, rather than the reported increase of over 16%.

TMUS's Adjusted Free Cash Flow Excludes Strategically Critical Use of Cash

TMUS's reporting of its Free Cash Flow and Adjusted Free Cash Flow measure suffers from similar distortions due to lack of appropriate disclosures. Both Free Cash Flow and Adjusted Free Cash Flow are liquidity measures prominently discussed in TMUS's earnings releases, but both measures are effectively defined in ways that are inconsistent with common usage by readers of financial statements. Whereas Free Cash Flow is typically defined as operating cash flow minus capital expenditures, TMUS has defined its capital expenditures so as to exclude the purchase of spectrum licenses, a large, strategically critical, and recurring form of such expenditure. TMUS has made clear that spectrum license acquisition is a strategic imperative, stating in its most recent 10-K that:

> We believe T-Mobile is beginning to face network-capacity challenges that may constrain its ability to maintain momentum in the marketplace, … [and that we] will be at a competitive disadvantage and possibly experience erosion in the quality of service in certain markets if we fail to gain access to necessary spectrum.

Moreover, TMUS makes clear in its 10-K that:

> Our liquidity requirements have been driven primarily by capital expenditures for spectrum licenses and the construction, expansion and upgrading of our network infrastructure.

Over the past three fiscal years, TMUS has spent more than $4.6 billion on spectrum acquisitions – as compared to a total of $13 billion on reported capital expenditures - strongly reinforcing the importance, frequency, and recurring nature of these expenses. Consequently, their exclusion from reported capital expenditures and thus from the calculation of Free Cash Flow and Adjusted Free Cash Flow renders the reported information incomparable to reports of competitors (who do not exclude spectrum acquisition costs from capital expenditures) and incomplete and misleading in its own right. In its most recent earnings release, TMUS maintains this exclusion, rendering its reconciliation of its reported Free Cash Flow to the GAAP measure Net Cash from Operating Activities incomplete.

Investigation into Disclosure Violations

We believe that TMUS has not adequately disclosed changes in its accounting estimates which resulted in a material increase in its earnings over a four quarter period from Q4 2014 to Q3 2015. Because TMUS is substantially controlled by foreign issuer Deutsche Telekom, we have attempted to engage Deutsche Telekom in a dialog addressing these concerns, but without success. Additionally, we believe that TMUS has persisted in making incomplete and inadequate disclosures relevant to its use of non-GAAP performance measures and their prominent placement in its earnings releases. We urge the SEC to carefully review the information contained above and in the attached letter, and to undertake an investigation and other appropriate actions to ensure that readers of TMUS's financial statements have complete and accurate information with which to make investment decisions.

Sincerely,

Dieter Waizenegger
Executive Director, CtW Investment Group