AIRGATE PCS INC /DE/
Form PRE 14A
September 30, 2003

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OMB APPROVAL

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**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No. )

Filed by the Registrant x
Filed by a Party other than the Registrant o

Check the appropriate box:

x Preliminary Proxy Statement
o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
o Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to §240.14a-12

# AIRGATE PCS, INC.

**(Name of Registrant as Specified In Its Charter)**

**N/A**

**(Name of Person(s) Filing Proxy Statement, if other than the Registrant)**

Payment of Filing Fee (Check the appropriate box):

x No fee required.
o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies:

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3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

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o Fee paid previously with preliminary materials.

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1) Amount Previously Paid:

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# AIRGATE PCS, INC.

**233 Peachtree Street, N.E.**
**Harris Tower, Suite 1700**
**Atlanta, Georgia 30303**
**(AIRGATE LOGO)**

, 2003

Dear AirGate Shareowner:

We are furnishing the accompanying Proxy Statement to you in connection with a proposed financial restructuring of our company. The restructuring, if completed, would substantially decrease the required payments under our current debt. We expect that the completion of the financial restructuring will improve our capital structure and reduce the financial risk in our business plan by substantially reducing the required payments under our outstanding indebtedness.

We plan to complete the restructuring through a recapitalization plan, which consists of our offer to exchange all of our existing 13.5% Senior Subordinated Discount Notes due 2009 (which we refer to as our old notes) for newly-issued shares of our common stock and newly-issued 9 3/8% Senior Subordinated Secured Notes due 2009 (which we refer to as our new notes); a consent solicitation to remove substantially all of the restrictive covenants in, and release the collateral securing our obligations under, the indenture governing our outstanding old notes; and a 1 for [ ] reverse stock split of shares of our common stock.

If the recapitalization plan is not successful, we may accomplish the restructuring by filing a prepackaged plan of reorganization on substantially the same terms as the recapitalization plan, but under the supervision of a bankruptcy court. The holders of our old notes and our shareowners would receive treatment under the prepackaged plan similar to the treatment they would receive under the recapitalization plan.

In order to effect the recapitalization plan, our shareowners must vote to:

- approve the issuance of up to 33,000,000 shares of our common stock in the restructuring; and

- amend and restate our restated certificate of incorporation to implement the reverse stock split of our common stock.

We are also asking you to:

- accept the prepackaged plan of reorganization; and

- approve an increase in the number of shares of our common stock available for issuance under our 2002 AirGate PCS, Inc. Incentive Plan to approximately million shares, prior to giving effect to the reverse stock split.

The restructuring will significantly dilute the percentage of outstanding stock owned by our common shareowners, from 100% (before the restructuring) to 44% (after the restructuring).

Pursuant to the accompanying proxy statement, we are soliciting your proxy to be voted in favor of the recapitalization plan, the increase in shares available under our equity incentive plan and your vote to accept the prepackaged plan of reorganization. YOUR VOTE TO APPROVE THE RECAPITALIZATION PLAN AND THE INCREASE IN SHARES AVAILABLE UNDER OUR EQUITY INCENTIVE PLAN AND YOUR VOTE TO ACCEPT THE PREPACKAGED PLAN OF REORGANIZATION ARE VERY IMPORTANT. We urge you to review carefully the proxy statement and the other documents we refer you to in the proxy statement for a detailed description of the proposed restructuring and the dilutive effect it will have on our existing shareowners. Please take the time to

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complete the enclosed proxy and sign and return it in the enclosed, postage-paid envelope as soon as possible. We will not complete the recapitalization plan unless we obtain the approval of our shareowners.

Our board of directors has unanimously approved the exchange offer, consent solicitation, reverse stock split and increase in shares reserved for issuance under our incentive plan. It has also unanimously approved our solicitation of your acceptance of the prepackaged plan.

Sincerely,

Thomas M. Dougherty
*President and Chief Executive Officer*

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# NOTICE OF SPECIAL MEETING OF SHAREOWNERS

**To Be Held on , , 2003**

You are cordially invited to attend our special meeting of shareowners, which will be held on , , 2003, at 9:00 a.m. at 303 Peachtree Street, N.W., Suite 5300, Atlanta, Georgia. The special meeting is being held for the purpose of implementing a proposed restructuring of our company.

At the special meeting, you will be asked to consider and vote upon the following proposals in connection with the restructuring, all of which are more fully described in the accompanying proxy statement:

1. The issuance of an aggregate of up to 33,000,000 shares of our common stock in the restructuring transactions.

2. The amendment and restatement of our certificate of incorporation to implement the approximate [ ] for 1 reverse stock split of our common stock.

3. The acceptance of the prepackaged plan of reorganization.

In addition, we will ask you to vote upon a proposed increase in the number of shares of our common stock available for issuance under our 2002 AirGate PCS, Inc. Incentive Plan to approximately million shares, prior to giving effect to the reverse stock split.

Only shareowners of record at the close of business on , 2003 are entitled to vote at our special meeting. A list of shareowners entitled to vote will be available for examination for ten days prior to the special meeting, between the hours of 9:00 a.m. and 4:00 p.m., at our offices at 233 Peachtree Street, N.E., Harris Tower, Suite 1700, Atlanta, Georgia 30303.

*This notice of special meeting and proxy statement and accompanying proxy card are being first sent to shareowners on or about , 2003.*

By Order of the Board of Directors,

Barbara L. Blackford
*Vice President, General Counsel, and*
*Corporate Secretary*

**Your vote is important. We urge you to sign and return your proxy before the special meeting so that your shares will be represented and voted at the special meeting, even if you cannot attend.**

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(AIRGATE LOGO)

# PROXY STATEMENT

**General**

This proxy statement is being furnished to our shareowners in connection with the proposed restructuring of our company. We expect that the completion of the financial restructuring will improve our capital structure and reduce the financial risks in our business plan by substantially reducing the required payments under our outstanding indebtedness.

We propose to effect the restructuring through an out-of-court restructuring, or recapitalization plan, which consists of:

- an offer to exchange all of our outstanding 13.5% senior subordinated discount notes due 2009, which we refer to as the old notes, for up to 33,000,000 newly-issued shares of our common stock and up to $160 million in aggregate principal amount of newly-issued 9 3/8% senior subordinated secured notes due 2009, which we refer to as the new notes ;
- a consent solicitation to remove substantially all of the restrictive covenants in the indenture governing the old notes, release all collateral securing our obligations under the old notes indenture and obtain waivers of any defaults that may occur under the old notes indenture in connection with the restructuring; and
- a 1 for [ ] reverse stock split of shares of our common stock.

If the recapitalization plan is not successful, we may accomplish the restructuring through an in-court restructuring, or prepackaged plan, which will attempt to accomplish the restructuring on substantially the same terms as the recapitalization plan, through the solicitation of acceptances under Chapter 11 of the Bankruptcy Code.

We are furnishing this proxy statement to ask for your approval of the recapitalization plan, your vote for acceptance of the prepackaged plan and your approval of an increase in the number of shares reserved for issuance under our 2002 AirGate PCS, Inc. Incentive Plan.

For a description of the recapitalization plan, see The Recapitalization Plan on page 48, and for a description of the prepackaged plan, see The Prepackaged Plan, beginning on page 109. This proxy statement is being furnished to our shareowners in connection with (1) our solicitation of proxies for use at the special meeting of shareowners to be held on , , 2003 for the purpose of voting on the restructuring proposals set forth in detail below and (2) our solicitation of acceptances of the prepackaged plan of reorganization under Chapter 11 of the Bankruptcy Code.

**THE RESTRUCTURING WILL SIGNIFICANTLY DILUTE THE PERCENTAGE OF OUTSTANDING STOCK OWNED BY OUR SHAREOWNERS. WE BELIEVE, HOWEVER, THAT THE COMPLETION OF THE RESTRUCTURING IS CRITICAL TO OUR ABILITY TO IMPROVE OUR CAPITAL STRUCTURE. IF THE RESTRUCTURING IS NOT COMPLETED, WE MAY BE FORCED TO CONSIDER AN ALTERNATIVE PLAN OF RESTRUCTURING OR REORGANIZATION. ANY ALTERNATIVE PLAN OF RESTRUCTURING OR REORGANIZATION MAY RESULT IN OUR SHAREOWNERS RECEIVING LESS THAN PROPOSED IN THE RECAPITALIZATION PLAN, OR NOTHING.**

The percentage ownerships set forth in this proxy statement, after giving effect to the restructuring, assume that all of our outstanding old notes are exchanged for common stock and new notes in the exchange offer, and do not give effect to any shares of our common stock that may be issued pursuant to employee options and warrants.

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## RECAPITALIZATION PLAN

The recapitalization plan for achieving our financial goals consists of the following transactions (the restructuring transactions ):

1. *Exchange Offer and Consent Solicitation.* Concurrently with the solicitation of proxies pursuant to this proxy statement, we are conducting an exchange offer and consent solicitation by means of a separate registration statement filed with the SEC. We are offering to exchange all of our outstanding old notes for an aggregate of (1) 33,000,000 shares of our common stock, par value $0.01 per share, representing 56% of the shares of our common stock to be issued and outstanding immediately after the financial restructuring, without giving effect to the reverse stock split, and (2) $160,000,000 in aggregate principal amount of our new notes, in each case assuming the exchange of all outstanding old notes. We will issue approximately 110 shares of our pre-reverse split common stock and $533.33 in aggregate principal amount of our new notes in exchange for each $1,000 of principal amount due at maturity of our old notes validly tendered in the exchange offer and not withdrawn.

In connection with the exchange offer, we are soliciting the consent of each holder of our old notes to the adoption of certain amendments to the indenture governing the old notes, which we refer to as the old notes indenture, the release of the collateral securing our obligations thereunder and the waiver of any defaults and events of default under the old notes indenture that may occur in connection with the recapitalization plan. Pursuant to a support agreement, holders of approximately 67% in aggregate principal amount of our outstanding old notes have agreed to tender their old notes in the exchange offer and consent to the proposed amendments and waivers.

2. *Reverse Stock Split.* We are proposing to amend and restate our restated certificate of incorporation to implement a 1 for [ ] reverse stock split of shares of our common stock.

3. *Increase in Number of Shares Available for Issuance Under the 2002 AirGate PCS, Inc. Incentive Plan* (the *Plan* ). We are proposing to increase the number of shares available for issuance under our 2002 AirGate PCS, Inc. Incentive Plan to approximately million shares, prior to giving effect to the reverse stock split. This total amount may not be more than 10% of our outstanding shares, plus currently outstanding options with an exercise price in excess of $5.00. Any shares issued under the Plan will proportionately dilute existing shareowners and noteholders who tender their old notes in the exchange offer. The amounts and terms of any equity awards for executives established by our board of directors are subject to approval by a majority of the old noteholders who are party to the support agreement.

**Stockholder Approval**

Pursuant to this proxy statement, we are soliciting proxies to be voted at the special meeting. The special meeting will be held to consider and vote upon the following proposals:

1. The issuance of an aggregate of up to 33,000,000 shares of our common stock in connection with the exchange offer.

2. The amendment and restatement of our restated certificate of incorporation to implement the reverse stock split.

3. An increase in the number of shares of our common stock available for issuance under our 2002 AirGate PCS, Inc. Incentive Plan.

Consummation of the recapitalization plan requires stockholder approval of proposals 1 and 2. IF EITHER OF PROPOSALS 1 OR 2 IS NOT APPROVED BY OUR SHAREOWNERS AT THE SPECIAL MEETING, THEN NEITHER OF THEM WILL BECOME EFFECTIVE. Shareowner approval of Proposal 3, the increase in shares available for issuance under our 2002 AirGate PCS, Inc. Incentive Plan, is not a condition to the consummation of the recapitalization plan.

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Within 90 days of completion of the restructuring transactions, our board of directors will have seven members (nine members if certain former holders of iPCS, Inc. stock exercise their nomination right under the Agreement and Plan of Merger dated August 28, 2001 by and between us and iPCS pursuant to which we acquired iPCS) three (or four if such iPCS stockholders exercise their nomination right) of whom must be approved by the holders of the old notes that are signatories to the support agreement from a proposed list of candidates jointly developed by us and such holders of the old notes. Thereafter, these holders of the old notes have no further or ongoing designation or approval rights with respect to the composition of our board of directors.

**Minimum Tender Condition**

The completion of the recapitalization plan is also conditioned upon, among other conditions and in addition to the approval of our shareowners required under the recapitalization plan, our receipt of valid tenders in the exchange offer of old notes, which have not been withdrawn, constituting at least 98% in aggregate principal amount of the old notes outstanding immediately prior to the expiration of the exchange offer. Under the support agreement, holders of 67% of the old notes have agreed to tender their old notes in the exchange offer.

**Dilution**

Upon consummation of the restructuring, the equity interests of our existing shareowners, as a percentage of the total number of the outstanding shares of our common stock, will be significantly diluted.

**IF THE RESTRUCTURING IS NOT COMPLETED, WE MAY BE FORCED TO CONSIDER AN ALTERNATIVE PLAN OF RESTRUCTURING OR REORGANIZATION. ANY ALTERNATIVE PLAN OF RESTRUCTURING OR REORGANIZATION MAY RESULT IN OUR SHAREOWNERS RECEIVING LESS THAN PROPOSED IN THE RECAPITALIZATION PLAN, OR NOTHING.**

The following table presents certain information regarding our equity capitalization as of June 30, 2003 on a historical basis and on a pro forma basis to reflect the consummation of our recapitalization (without giving effect to the reverse stock split).

| | As of June 30, 2003 | |
|---|---|---|
| | **Historical** | **Pro Forma** |
| **Common Stock:** | | |
| Existing AirGate shareholders(1) | 25,939,836 | 25,939,836 |
| Tendering holders of old notes | | 33,000,000(2) |
| Total shares outstanding | 25,939,836 | 58,939,836 |
| **Stock Options:** | | |
| Shares reserved for issuance pursuant to outstanding options(3)(4) | 2,191,209 | 2,191,209 |
| Shares available for issuance pursuant to future option grants(5) | 897,311 | 5,400,783 |
| Total shares reserved and available for issuance under stock incentive plans(3)(4)(5) | 3,088,520 | 7,591,992 |
| **Warrants:** | | |
| Total shares reserved for issuance pursuant to outstanding warrants(6) | 709,280 | 709,280 |

(1) Includes 806,280 shares beneficially owned by executive officers and directors as of September 30, 2003. See Security Ownership of Certain Beneficial Owners, Directors And Officers.

(2) Assumes 100% of the old notes are validly tendered in the exchange offer and not withdrawn.

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(3) Includes 1,698,009 shares reserved for issuance pursuant to outstanding options having an exercise price in excess of $5 per share.

(4) Includes 751,756 shares subject to underwater options surrendered and cancelled without consideration by executive officers on September 3, 2003.

(5) Assumes that the reserve available for issuance under the AirGate PCS, Inc. 2002 Incentive Plan is increased to an amount equal to 10% of outstanding shares, plus options outstanding with an exercise price of more than $5.00 a share. The actual terms of any equity grants are subject to board approval and in the case of our executives, approval by a majority of the holders of old notes that are signatories to the support agreement.

(6) Includes 669,110 shares reserved for issuance pursuant to outstanding warrants having an exercise price of $20.40 or more per share.

**PREPACKAGED PLAN**

If we are not able to complete the recapitalization plan for any reason, including if the minimum tender condition to the exchange offer is not met, but we receive sufficient acceptances of the prepackaged plan of reorganization, we may seek confirmation of the prepackaged plan of reorganization in a Chapter 11 proceeding. If our board of directors decides to pursue the prepackaged plan of reorganization, which we refer to as the prepackaged plan, and the prepackaged plan is confirmed by the bankruptcy court, it will bind all of our claim and equity interest holders, including all holders of the old notes and common stock, regardless of whether they voted for or against the prepackaged plan, or did not vote at all. Under the prepackaged plan, the holders of our old notes and our shareowners would receive consideration similar to that which they would receive upon consummation of the recapitalization plan, assuming the exchange of all of the old notes in the exchange offer.

Under the prepackaged plan, creditors and shareowners who hold substantially similar legal claims or interests with respect to the distribution of the value of our assets are divided into separate classes of claims or interests. Under the Bankruptcy Code, the separate classes of claims and interests must be designated either as impaired (affected by the plan) or unimpaired (unaffected by the plan). For the prepackaged plan to be confirmed by the bankruptcy court without invoking the cram down provisions, each class of claims or interests that is impaired must vote to accept the prepackaged plan. An impaired class of claims (such as the class of our old noteholders) is deemed to accept a plan of reorganization under the provisions of the Bankruptcy Code if holders of at least two-thirds in dollar amount and more than one half in number of the holders of claims who actually cast ballots vote to accept the prepackaged plan. An impaired class of interests (such as our common stock) is deemed to accept a plan of reorganization if the holders of at least two-thirds in amount of the interests in such class who actually vote accept the prepackaged plan.

THE SOLICITATION PERIOD FOR ACCEPTANCES OF THE PREPACKAGED PLAN WILL EXPIRE AT THE CONCLUSION OF THE SPECIAL MEETING OF SHAREOWNERS (UNLESS EXTENDED). VOTES ON THE PREPACKAGED PLAN MAY BE REVOKED, SUBJECT TO THE PROCEDURES DESCRIBED IN THIS PROXY STATEMENT, AT ANY TIME PRIOR TO THE SOLICITATION EXPIRATION DATE. Only shareowners of record at the close of business on , 2003 are entitled to vote at the special meeting and to vote to accept or reject the prepackaged plan.

**YOU MUST COMPLETE AND RETURN THE ENCLOSED PROXY IN ORDER TO VOTE FOR OR AGAINST THE RESTRUCTURING PROPOSALS AND IN ORDER TO VOTE TO ACCEPT OR REJECT THE PREPACKAGED PLAN.**

Shareowners are not required to vote at the special meeting in order to vote on the prepackaged plan. It is important that all shareowners vote to accept or reject the prepackaged plan because, under the Bankruptcy Code, only holders who vote will be counted for purposes of determining whether the requisite acceptances have been received. Failure by a stockholder to vote on the prepackaged plan will be deemed to constitute an abstention by such stockholder with respect to a vote on the prepackaged plan, and will not be counted as a vote for or against the prepackaged plan.

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## ABOUT THE SOLICITATION OF PROXIES AND ACCEPTANCES

This proxy statement is furnished in connection with our solicitation of proxies to be voted:

at the special meeting, and

in connection with the prepackaged plan.

**You must complete and return the enclosed Proxy in order to vote for or against the Restructuring Proposals, the increase in shares available under our 2002 AirGate PCS, Inc. Incentive Plan and in order to vote to accept or reject the Prepackaged Plan. Our Board of Directors recommends a vote FOR the Restructuring Proposals and the increase in shares available under our 2002 AirGate PCS, Inc. Incentive Plan and a vote to ACCEPT the Prepackaged Plan.**

Whether or not you are able to attend the special meeting, your vote by proxy is very important. Shareowners are encouraged to mark, sign and date the enclosed proxy and mail it promptly in the enclosed, postage-paid return envelope.

Proxies are being solicited by and on behalf of our board of directors. We will bear all expenses of this solicitation, including the cost of preparing and mailing this proxy statement. We have retained [ ] to assist in the solicitation of proxies. In addition to solicitation by use of the mails, proxies may be solicited by directors, officers, and employees in person or by telephone, telegram, or other means of communication. Such directors, officers, and employees will not be additionally compensated, but may be reimbursed for out-of-pocket expenses in connection with such solicitation. Arrangements will also be made with custodians, nominees, and fiduciaries for forwarding of proxy solicitation material to beneficial owners of our common stock held of record by such persons, and we may reimburse such custodians, nominees, and fiduciaries for reasonable expenses incurred in connection therewith.

### Record Date

The record date for purposes of determining which shareowners are eligible to vote at the special meeting and on the prepackaged plan is the close of business on , 2003. On the record date, there were [ ] shares of our common stock outstanding, and there were approximately [ ] holders of record. We believe there are approximately [ ] beneficial owners of our common stock. There were no shares of our preferred stock outstanding on the record date.

### Date, Time and Place of Special Meeting

The special meeting will be held on , 2003, at 9:00 a.m. at 303 Peachtree Street, N.W., Suite 5300, Atlanta, Georgia.

### Purpose of Special Meeting

The purpose of the special meeting is to consider and vote on the following proposals:

1. The issuance of an aggregate of up to 33,000,000 pre-reverse stock split shares of our common stock in connection with the restructuring transactions.

2. The amendment and restatement of our restated certificate of incorporation to implement a 1 for [ ] reverse stock split of our common stock.

3. The increase in the number of shares of our common stock available for issuance under our 2002 AirGate PCS, Inc. Incentive Plan to approximately million shares, prior to giving effect to the reverse stock split.

Receipt of the affirmative vote of the holders of a majority of outstanding shares of common stock to approve the amendment and restatement of our restated certificate of incorporation and the issuance of our common stock in the exchange offer is a condition to the consummation of the recapitalization plan. Approval of the increase in the number of shares of common stock available for issuance under our 2002

AirGate PCS, Inc. Incentive Plan is not a condition to the consummation of the recapitalization plan. For a full description of each of the restructuring proposals, see The Restructuring Proposals on page 50.

**Voting on the Restructuring Proposals**

***Voting of Proxies***

All shares represented by a properly executed proxy will be voted at the special meeting in accordance with the directions on such proxy. If no direction is indicated on a properly executed proxy, the shares covered thereby will be voted in favor of each proposal.

In the event that sufficient votes in favor of the restructuring proposals are not received by the time scheduled for the special meeting, or if any of the other conditions to the consummation of the recapitalization are not satisfied, the persons named as proxies may propose one or more adjournments of the special meeting to permit further solicitation of proxies with respect to such proposals or to permit the satisfaction of any such condition and may vote shares for which they are proxies in favor of such adjournments. Any such adjournment will require the affirmative vote of a majority of the voting power present or represented at the special meeting in person or by proxy.

***Voting Rights; Quorum***

The holders of a majority of the voting power of all outstanding shares of common stock, present or represented by proxy, will constitute a quorum. If you attend the special meeting or return a proxy, your shares will be considered part of the quorum.

Assuming a quorum of shareowners is present at the special meeting, the affirmative vote of the holders of a majority of our outstanding common stock is needed to approve the amendment and restatement of our certificate of incorporation, to approve the issuance of our common stock in the restructuring transactions, and to increase the number of shares of our common stock available for issuance under our 2002 AirGate PCS, Inc. Incentive Plan.

Each share of our common stock is entitled to one vote.

***No Dissenters Rights***

Shareowners have no appraisal or dissenters rights with respect to the restructuring proposals or the undertaking by us of any of the transactions described in this proxy statement.

***Revocation of Proxies***

A stockholder who has executed and returned a proxy may revoke it at any time before it is voted by executing and returning a proxy bearing a later date, by giving written notice of revocation to our Corporate Secretary, Barbara L. Blackford, or by attending the special meeting and voting in person.

**Voting on the Prepackaged Plan**

***Procedures for Voting on the Prepackaged Plan***

To vote to accept the prepackaged plan, you must properly execute a proxy in accordance with the directions on such proxy and return it by the conclusion of the special meeting of shareowners on , , 2003, or any extension thereof (the solicitation expiration date ).

If you hold shares of common stock registered in your own name, you can vote on the prepackaged plan by completing the information requested on the proxy, signing, dating, and indicating your vote on the proxy, and returning the completed original proxy in the enclosed, pre-addressed, postage-paid envelope marked proxy so that it is actually received before the solicitation expiration date.

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If you are a beneficial owner holding shares of our common stock through your broker, dealer, commercial bank, trust company, or other nominee (your nominee ), you can vote on the prepackaged plan in one of the two following ways:

*If your proxy has already been signed (or prevalidated ) by your nominee,* you can vote on the prepackaged plan by completing the information requested on the proxy, indicating your vote on the proxy, and returning the completed original proxy in the enclosed, pre-addressed, postage-paid envelope so that it is actually received by the voting agent before the solicitation expiration date.

*If your proxy has not been signed (or prevalidated ) by your nominee,* you can vote on the prepackaged plan by completing the information requested on the proxy, indicating your vote on the proxy, and returning the completed original proxy to your nominee in sufficient time for your nominee then to forward your vote to the voting agent so that it is actually received by the voting agent before the solicitation expiration date.

ONLY THE BENEFICIAL OWNERS OF OUR STOCK (OR THEIR AUTHORIZED SIGNATORIES) ARE ELIGIBLE TO VOTE ON THE PREPACKAGED PLAN. See The Prepackaged Plan Holders of Claims Entitled to Vote; Voting Record Date.

**Revocation of Votes on the Prepackaged Plan**

Votes on the prepackaged plan may be revoked at any time prior to the solicitation expiration date. If we file the prepackaged plan, the revocations of such votes may be effected thereafter only with the approval of the bankruptcy court. See The Prepackaged Plan Solicitation of Acceptances of the Prepackaged Plan Solicitation.

**Voting Agent and Information Agent**

[ ] is the voting agent and information agent. Its address and telephone number is set forth on the back cover of this proxy statement.

Questions and requests for assistance or for additional copies of this proxy statement, the proxy card and forms of ballots may be directed to the information agent at the address and telephone number set forth on the back cover of this proxy statement.

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## RISK FACTORS

*You should carefully consider the following risk factors before you vote on the restructuring proposals and before you vote to accept or reject the prepackaged plan. These risks are not intended to represent a complete list of the general or specific risks that may affect holders in connection with the restructuring or that relate to us.*

### Risks Related to the Restructuring

***Consummation of the restructuring will result in significant dilution of our shareowners.***

Upon consummation of the restructuring, the equity interests of our existing shareowners, as a percentage of the total number of the outstanding shares of our common stock, will be significantly diluted. Whether the restructuring is completed pursuant to the recapitalization plan or the prepackaged plan, after giving effect to the reverse stock split:

- holders of the old notes will receive up to 33,000,000 newly issued shares of our common stock (without giving effect to the reverse stock split), representing 56% of our outstanding common stock; and

- our current shareowners will retain 44% of our outstanding common stock.

In addition, we are requesting shareowners to approve an increase in the number of shares available for issuance under our 2002 AirGate PCS, Inc. Incentive Plan to shares. Such total amount reserved for issuance will not be more than 10% of our outstanding common stock, plus currently outstanding options with an exercise price in excess of $5.00. Any shares issued under the Plan will proportionately dilute the old noteholders who tender in the exchange offer and our current shareowners.

***If we do not complete the restructuring, we may not have sufficient operating cash flow to fund our capital needs.***

At June 30, 2003, we had working capital of $2.6 million and approximately $30.8 million of available cash and cash equivalents. After drawing the remaining $9.0 million available under our credit facility in August, we are completely dependent on available cash and operating cash flow to operate our business and fund our capital needs. Based on our current business plan and assuming that we meet our debt covenants, we believe that we will have sufficient cash flow to cover our debt service and other capital needs through March 2005. After that time, our ability to generate operating cash flow to pay debt service and meet our other capital needs is much less certain. In addition, based on current assumptions, we anticipate that we will meet our covenant obligations under our credit facility through March 2005. However, if actual results differ significantly from these assumptions and/or if the recapitalization plan is not completed and the credit facility is not further amended, then the costs incurred in connection with the recapitalization will make it challenging to meet certain covenants under our credit facility at March 31, 2004. Further, under our current business plan, we believe that we will not be in compliance with certain covenants under our credit facility at April 1, 2005.

If we do not consummate the restructuring, we will likely consider other alternatives to adjust our capital structure, which may include seeking protection under Chapter 11 of the Bankruptcy Code. The expenses of any such proceeding would reduce the assets available for payment or distribution to our creditors, including holders of the old notes. In addition, we believe that the filing by us or against us of a bankruptcy petition would not increase the amount of any payment or distribution that holders of the old notes would receive, could reduce such amount, and in any event would delay receipt of any such payment or distribution by such holders.

***If we do not complete the restructuring before March 31, 2004, we may default under the EBITDA related covenants in our credit facility.***

We will incur substantial expenses in connection with the restructuring. If the restructuring is not completed and the amendment to our credit facility is not effective, most of these expenses will reduce EBITDA as defined in our credit facility. A significant reduction in our EBITDA could cause us to fail to meet certain financial covenants in our credit facility, thus triggering an event of default.

***We may need additional financing after the restructuring, which may be unavailable.***

The restructuring will restructure our old notes and reduce required debt service payments. While we currently anticipate that funds currently available and operating cash flow will be sufficient to fund our capital needs, our actual funding requirements could vary materially from our current estimates.

We base our financial projections on assumptions that we believe are reasonable but which contain significant uncertainties that could affect our business, our future performance and our liquidity. Our ability to achieve and sustain operating profitability will depend on many factors, including our ability to market Sprint PCS products and services, manage churn, sustain monthly average revenues per user, and reduce operating expenses and maintain a moderate level of capital expenditures. In addition, our business, our future performance and our liquidity would be affected by general industry and market conditions and growth rates and general economic and political conditions, including the global economy and other future events.

Consequently, we may have to raise additional funds to operate our business and provide other needed capital and we may be unable to do so.

***An alternative to the restructuring may not be available, or if available and completed, may be less financially attractive to our creditors than the restructuring.***

We believe that the completion of the restructuring will improve our capital structure and reduce the financial risk in our business plan by substantially reducing the required payments under our old notes. If we do not complete the restructuring, either through the recapitalization plan or the prepackaged plan, we may seek an alternative restructuring of our capitalization and our obligations to our creditors and obtain their consent to any such restructuring plan with or without a pre-approved plan of reorganization or otherwise. An alternative restructuring arrangement or plan may not be available, or if available, may result in an unsuccessful reorganization or be on terms less favorable to our creditors and equity holders than the terms of the restructuring. In addition, there is a risk that distributions to our creditors under a liquidation or under a protracted and non-orderly reorganization would be substantially delayed and diminished.

***If the economic terms of the restructuring are materially altered, the noteholders who are parties to the support agreement may be released from their obligations and we may have to further amend the terms of our credit facility.***

Under the terms of the support agreement entered into by us and holders of approximately 67% of the old notes, we have agreed not to effect a restructuring unless it is in accordance with the terms of the support agreement and the related restructuring term sheet. An alteration of any economic terms would release any noteholders not consenting to such alteration from their obligations under the support agreement. As a result, some or all of the noteholders could attempt to take the position that they are not bound by an amended support agreement or term sheet. If we are unable to reach agreement on a modified support agreement, and some or all of the noteholders do not support the proposed restructuring, we may need to pursue an alternative plan of restructuring. In addition, because we entered into the amendment to our credit facility well in advance of the contemplated consummation of the restructuring, further amendments to our credit facility will likely be required by the noteholders that signed the support agreement. The failure to obtain a necessary further credit facility amendment could prohibit us from completing the restructuring.

***A long and protracted restructuring could adversely affect our business.***

If not enough holders tender their old notes and, as a result, we do not successfully consummate the recapitalization plan, we will be required to consider other restructuring alternatives, including possibly seeking protection under Chapter 11 of the Bankruptcy Code. Any such alternatives may take substantially longer to consummate than the recapitalization plan. A protracted restructuring could disrupt our business and could divert the attention of our management from operation of our business and implementation of our business plan. The uncertainty surrounding a prolonged restructuring could also have other adverse effects on us. For example, it could adversely affect:

- our ability to raise additional capital;
- our ability to capitalize on business opportunities and react to competitive pressures;
- our ability to attract and retain key employees;
- our liquidity;
- our relationships with key suppliers;
- our ability to enter into long-term contracts with customers;
- how our business is viewed by regulators, investors, lenders or credit rating agencies;
- the amount of collateral required in the transaction of our business; and
- our enterprise value.

If we determine that we are unable to, or, that it is more advantageous or expeditious not to complete the restructuring, we will consider all financial alternatives available to us at such time, which may include implementing an alternative restructuring arrangement outside of bankruptcy. Any reorganization that may result could be on terms less favorable to the holders of the old notes or our shareholders than the terms of the recapitalization plan or the prepackaged plan. If a protracted and non-orderly restructuring were to occur, there is a risk that the ability of the holders of the old notes and our shareholders to recover their investments would be substantially delayed and more impaired than under the recapitalization plan or the prepackaged plan.

***We cannot complete the recapitalization plan if we do not obtain stockholder approval, in which case we may complete the restructuring by means of the prepackaged plan or another proceeding under Chapter 11 of the Bankruptcy Code.***

The consummation of the transactions contemplated by the recapitalization plan is conditioned upon our receiving the approval of our existing stockholders to (1) the issuance of our common stock in the exchange offer, and (2) an amendment and restatement of our certificate of incorporation to effectuate a reverse stock split. Therefore, even if the minimum tender condition and each of the other conditions to the exchange offer are met or waived, the failure to obtain such stockholder approval, unless waived by our board of directors, will prevent us from consummating the recapitalization plan.

If we fail to implement the recapitalization plan, we may seek confirmation of the prepackaged plan. If we cannot find an out-of-court solution, the prepackaged plan may be the best means of effecting the goals of the recapitalization plan. However, even an expedited, prepackaged plan approach to bankruptcy can have adverse effects on our business, our creditors, shareholders and interest holders. Although in the event of a Chapter 11 proceeding we would seek to pay vendors in the ordinary course, a bankruptcy proceeding could threaten the trade vendor credit support to us and could cause us to lose subscribers and revenues and increase expenses because of concerns about our operations. We can give no assurance that the prepackaged plan will be confirmed or that the bankruptcy proceeding will be short or that objections to the prepackaged plan will not diminish the likelihood, or the value to us, of its confirmation. If a protracted and non-orderly restructuring were to occur, there is a risk that the ability of the noteholders to

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recover their investments would be substantially delayed and more impaired than under the proposed recapitalization plan.

***If the minimum tender condition is not met or waived for the exchange offer and we cannot implement the recapitalization plan, there may still be sufficient votes to accept the prepackaged plan, in which event it will bind all of our security holders regardless of whether they voted for, against or not at all on the prepackaged plan.***

The consummation of the exchange offer is conditioned upon, among other things, our receipt of valid tenders from not less than 98% of our old notes outstanding immediately before the expiration of the exchange offer, unless such condition is waived. Absent the cram-down procedure, to obtain approval of the prepackaged plan, however, we need to receive from (1) each impaired class of claims the affirmative votes of holders of (A) two-thirds in terms of dollar amount and (B) one-half in terms of the number of holders of such class who actually cast ballots, and (2) each impaired class of equity interests entitled to vote on the plan, the affirmative votes of holders of two-thirds in amount of the equity interests of such class who actually cast ballots.

If we cannot complete the recapitalization plan for any reason, including a failure to meet the minimum tender condition, but we receive the required votes from each impaired class of claims or interests to accept the prepackaged plan, we may seek confirmation of the prepackaged plan in the bankruptcy court. If the prepackaged plan is confirmed by the bankruptcy court, it will bind all of our security holders regardless of whether they voted for, against or not at all on the prepackaged plan. Therefore, assuming the prepackaged plan satisfies the other requirements of the bankruptcy code, a significantly smaller number of security holders can bind other security holders to the terms of the prepackaged plan. Additionally, since claims and equity interests are grouped in classes for the purpose of voting on the prepackaged plan, holders of claims and interests may be bound by the decisions of other claim or interest holders in a way that they otherwise would not be bound outside of bankruptcy.

Furthermore, if at least one class of impaired claims and interests, such as the noteholders other than the interests held by our stockholders, accept the prepackaged plan, and we determine to seek confirmation of the prepackaged plan in the bankruptcy court, we may pursue confirmation of the prepackaged plan under the cram down provisions of the Bankruptcy Code. If the prepackaged plan is confirmed under the cram down provisions of the Bankruptcy Code, all classes of claims and interests will be bound by the terms of the plan regardless of whether such class voted to accept the prepackaged plan. See The Prepackaged Plan Confirmation of the Prepackaged Plan Without Acceptance by All Classes of Impaired Claims and Interests.

***We may incur income tax liability or lose tax attributes as a result of the restructuring.***

We will realize cancellation of indebtedness, or COD, income as a result of the exchange to the extent that the fair market value of the common stock and the issue price of the new notes issued in exchange for the old notes is less than the adjusted issue price of the old notes (generally including any accrued but unpaid interest). Thus, the precise amount of COD income cannot be determined until the closing date of the restructuring.

To the extent that we are considered solvent from a tax perspective immediately before the completion of the restructuring and realize COD income, our available losses may offset all or a portion of the COD income. COD income realized in excess of available losses will result in a tax liability. In addition, the issuance of our common stock in the exchange will result in an ownership change (as defined in Section 382 of the Internal Revenue Code) in our company that will significantly limit the use of our remaining tax attributes, including our net operating loss carry forwards.

We will not recognize COD income to the extent we are considered insolvent from a tax perspective immediately before the completion of the restructuring. If and to the extent COD income is excluded from taxable income due to insolvency, we will generally be required to reduce certain of our tax attributes, including, but not limited to, net operating losses and loss carryforwards. This may result in a significant reduction in our net operating losses. Taxable income will result to the extent COD income exceeds the amount by which we are considered to be insolvent immediately before the completion of the restructuring.

Alternatively, if the discharge of the old notes occurs in a Chapter 11 bankruptcy case, we will not recognize any COD income as a result of such discharge although certain of our tax attributes will be reduced. In addition, we may be eligible to apply the Bankruptcy Exception (as defined below) under Section 382 to avoid triggering an ownership change.

Since the noteholders will hold a significant equity position following the restructuring, regardless of whether the restructuring is achieved through the recapitalization plan or the prepackaged plan, if the noteholders dispose of all or a significant portion of their common stock after the exchange, such a disposition may cause us to undergo a further ownership change for tax purposes, resulting in a further limitation of our ability to use our tax attributes following that ownership change as described above.

Notwithstanding our ability to utilize our net operating losses to offset COD income for regular federal income tax purposes, we will likely be subject to tax under the Alternative Minimum Tax provisions of the Internal Revenue Code of 1986, as amended.

**Risks Related to the Reverse Stock Split**

***We may not receive the intended benefits of the proposed reverse stock split.***

We believe that the reverse stock split will increase the price per share of our common stock and will encourage greater interest in our common stock by the financial community and the investing public. However, there can be no assurance that the reverse stock split, if completed, will result in these benefits. Specifically, there can be no assurance that the market price of the common stock immediately after implementation of the proposed reverse stock split would be maintained for any period of time or that such market price would approximate [ ] times the expected market price of the common stock before the proposed reverse stock split. There can also be no assurance that the reverse stock split will not further adversely impact the market price of the common stock. In addition, it is possible that the liquidity of the common stock could be adversely affected by the reduced number of shares outstanding after the reverse stock split.

**Risks Related to Our Common Stock**

***We may not succeed in relisting our common stock on The Nasdaq National Market.***

The Nasdaq National Market delisted our common stock as of April 8, 2003, because, among other matters, our bid price remained below the required minimum price of $1.00 per share for more than 30 days. As of September 25, 2003, the closing price of our common stock was $2.70. If we successfully consummate the exchange offer or the prepackaged plan, we anticipate that we will apply for relisting of our common stock on The Nasdaq National Market. While we believe that consummation of the recapitalization plan, including the proposed reverse stock split, will have the effect of increasing the minimum bid price of our common stock, the minimum bid price may not increase at all or for any period of time and we may fail in our attempt to relist our common stock on The Nasdaq National Market.

***We cannot predict the price at which our common stock will trade after the restructuring.***

Assuming all outstanding old notes are tendered, we expect to issue approximately 33,000,000 shares of our common stock to the holders of our old notes in connection with the restructuring, before giving effect to the reverse stock split. As of June 30, 2003, there were 25,939,836 shares of our common stock issued and outstanding. After giving effect to the restructuring, assuming that all of the outstanding old notes are tendered in the exchange offer and without giving effect to the reverse stock split, we estimate that there will be approximately 58,939,836 shares of our common stock issued and outstanding, which

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means that our existing common stockholders will hold approximately 44% of our common stock after the restructuring.

This issuance of common stock could materially depress the price of our common stock if holders of a large number of shares of common stock attempt to sell all or a substantial portion of their holdings after the restructuring. We cannot predict what the demand for our stock will be after the restructuring; how many shares of our common stock will be offered for sale or be sold after the restructuring; or the price at which our common stock will trade after the restructuring. There are no agreements or other restrictions that prevent the sale of a large number of our shares of common stock immediately after the restructuring. The issuance of the shares of common stock in exchange for our old notes has been registered with the SEC. As a consequence, those shares will, in general, be freely tradeable.

***We may not achieve or sustain operating profitability or positive cash flows, which may adversely affect our stock price.***

We have a limited operating history. Our ability to achieve and sustain operating profitability will depend on many factors, including our ability to market Sprint PCS products and services, manage churn, sustain monthly average revenues per user, and reduce operating expenses and maintain a moderate level of capital expenditures. We have experienced slowing net subscriber growth, higher rates of churn than industry averages and increased costs to acquire new subscribers and as a result, have had to revise our business plan. If we do not achieve and maintain positive cash flows from operations as projected, our stock price may be materially adversely affected.

***Because our stock price has suffered significant declines and remains volatile, you may be unable to sell your shares at the price you paid for them.***

The market price of our common stock has been and may continue to be subject to wide fluctuations in response to factors such as the following, some of which are beyond our control:

- quarterly variations in our operating results;
- concerns about liquidity;
- the de-listing of our common stock;
- operating results that vary from the expectations of securities analysts and investors;
- changes in expectations as to our future financial performance, including financial estimates by securities analysts and investors;
- changes in the market perception about the prospects and results of operations and market valuations of other companies in the telecommunications industry in general and the wireless industry in particular, including Sprint and its PCS network partners and our competitors;
- changes in our relationship with Sprint, including the impact of our efforts to more closely examine Sprint charges and amounts paid by Sprint, and our disputes with Sprint;
- litigation between other Sprint network partners and Sprint;
- announcements by Sprint concerning developments or changes in its business, financial condition or results of operations, or in its expectations as to future financial performance;
- actual or potential defaults by us under any of our agreements;
- actual or potential defaults in bank covenants by Sprint or Sprint PCS network partners, which may result in a perception that we are unable to comply with our bank covenants;
- announcements by Sprint or our competitors of technological innovations, new products and services or changes to existing products and services;

changes in law and regulation;

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announcements by third parties of significant claims or proceedings against us;

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

general economic and competitive conditions.

***Our common stock was delisted from the Nasdaq National Market. Accordingly, our stockholders ability to sell our common stock may be adversely affected. Additionally, the market for so-called penny stocks has suffered in recent years from patterns of fraud and abuse.***

We were notified by the Nasdaq Stock Market, Inc. that because we had failed to regain compliance with the minimum $1.00 bid price per share requirement, and also failed to comply with the minimum stockholders equity, market value of publicly held shares and minimum bid requirements for continued listing on the Nasdaq National Market, the Nasdaq Stock Market, Inc. was delisting our stock from the Nasdaq National Market. This delisting occurred on April 8, 2003. In addition, we did not meet the listing requirements to be transferred to the Nasdaq Small Cap Market. Our common stock currently trades on the Over-The-Counter Bulletin Board maintained by The Nasdaq Stock Market, Inc., under the symbol PCSA.OB , and is subject to an SEC rule that imposes special sales practice requirements upon broker-dealers who sell such Over-The-Counter Bulletin Board securities to persons other than established customers or accredited investors. For purposes of the rule, the phrase accredited investors means, in general terms, institutions with assets in excess of $5,000,000, or individuals having a net worth in excess of $1,000,000 or having an annual income that exceeds $200,000 (or that, when combined with a spouse s income, exceeds $300,000). For transactions covered by the rule, the broker-dealer must make a special suitability determination for the purchaser and receive the purchaser s written agreement to the transaction prior to the sale. Consequently, the rule may affect the ability of broker-dealers to sell our common stock and also may affect the ability of our current stockholders to sell their securities in any market that might develop. In addition, the SEC has adopted a number of rules to regulate penny stocks. Such rules include Rules 3a51-1, 15-g1, 15-g2, 15g-3, 15g-4, 15g-5, 15g-6, 15g-7, and 15g-9 under the Securities Exchange Act of 1934 as amended. Our common stock may constitute penny stocks within the meaning of the rules. These rules may further affect the ability of owners of our common stock to sell our securities in any market that might develop for them.

Shareholders should also be aware that, according to the SEC, the market for penny stocks has suffered in recent years from patterns of fraud and abuse. We are aware of the abuses that have occurred historically in the penny stock market. Although we do not expect to be in a position to dictate the behavior of the market or of broker-dealers who participate in the market, management will strive within the confines of practical limitations to prevent the described patterns from being established with respect to our securities.

***Upon completion of the restructuring, our common stock may be concentrated in a few holders.***

As a result of the restructuring, the holders of old notes will receive shares of our common stock representing 56% of our common stock, assuming all outstanding old notes are tendered in the exchange offer. Before the restructuring, the majority of our outstanding old notes were held by a few investors. Consequently, these investors individually will hold higher concentrations of our common stock after the restructuring.

In addition, we entered into a registration rights agreement at the time of our acquisition of iPCS with some of the former iPCS stockholders. Under the terms of the registration rights agreement, Blackstone Communications Partners I L.P. and certain of its affiliates ( Blackstone ) have a demand registration right, which became exercisable after November 30, 2002, subject to the requirement that the offering exceed size requirements. In addition, the former iPCS stockholders, including Blackstone, have incidental registration rights pursuant to which they can, in general, include their shares of our common stock in any public registration we initiate, whether or not for sale for our own account.

Sales of substantial amounts of shares of our common stock by any of these large holders, or even the potential for such sales, could lower the market price of our common stock and impair its ability to raise capital through the sale of equity securities.

***We do not intend to pay dividends in the foreseeable future.***

We do not anticipate paying any cash dividends on our common stock in the foreseeable future. We intend to retain any future earnings to fund operations, debt service requirements and other corporate needs. Accordingly, you will not receive a return on your investment in our common stock through the payment of dividends in the foreseeable future and may not realize a return on your investment even if you sell your shares. In addition, both our credit facility and the indenture governing the new notes will severely limit our ability to declare and pay dividends.

***Our restated certificate of incorporation and bylaws include provisions that may discourage a change of control transaction or make removal of members of the board of directors more difficult.***

Some provisions of our certificate of incorporation and bylaws could have the effect of delaying, discouraging or preventing a change in control of us or making removal of members of the board of directors more difficult. These provisions include the following:

- a classified board, with each board member serving a three-year term;
- no authorization for stockholders to call a special meeting;
- no ability of stockholders to remove directors without cause;
- prohibition of action by written consent of stockholders; and
- advance notice for nomination of directors and for stockholder proposals.

These provisions, among others, may have the effect of discouraging a third party from making a tender offer or otherwise attempting to obtain control of us, even though a change in ownership might be economically beneficial to us and our stockholders. See also Risks Related to Our Relationship with Sprint Certain provisions of the Sprint agreements may diminish the value of our common stock and restrict the sale of our business.

**Risks Related to the Prepackaged Plan**

***Even if all classes of claims and interests that are entitled to vote accept the prepackaged plan, the prepackaged plan may not become effective.***

The confirmation and effectiveness of the prepackaged plan is subject to certain conditions and requirements that may not be satisfied, and if the prepackaged plan is filed, the bankruptcy court may conclude that the requirements for confirmation and effectiveness of the prepackaged plan have not been satisfied. Some of those reasons may be substantive, such as a concern about the feasibility of the prepackaged plan or about the alleged differences in treatment between different classes or types of unsecured creditors. Some of those reasons may be procedural or related to the adequacy of disclosure, such as, for example, that the disclosures or other procedural compliance required for a prepackaged plan to be confirmed are in any way deficient.

Section 1122 of the Bankruptcy Code provides that a plan may place a claim or an interest in a particular class only if such claim or interest is substantially similar to the other claims or interests of such class. We believe that the classification of claims and interests under the prepackaged plan complies with the requirements set forth in the Bankruptcy Code; however, once a Chapter 11 case has been commenced, a claim or interest holder could challenge the classification. In such event, the cost of the prepackaged plan and the time needed to confirm the prepackaged plan would increase and the bankruptcy court may not agree with our classification of claims and interests.

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If the bankruptcy court concludes that the classification of claims and equity interests under the prepackaged plan does not comply with the requirements of the Bankruptcy Code, we may need to modify the prepackaged plan. Such modification could require a resolicitation of votes on the prepackaged plan. If the bankruptcy court determined that our classification of claims and equity interests was not appropriate or if the court determined that the different treatment provided to claim or interest holders was unfair or inappropriate, the prepackaged plan may not be confirmed. If this occurs, the amended plan of reorganization that would ultimately be confirmed would likely be less attractive to certain classes of our claim and equity interest holders than the prepackaged plan of reorganization, and we would expect that the treatment of our equity interest holders, particularly our existing stockholders, under an alternate plan would be adversely affected.

Usually, a plan of reorganization is filed and votes to accept or reject the plan are solicited after the filing of a petition commencing a Chapter 11 case. Nevertheless, a debtor may solicit votes prior to the commencement of a Chapter 11 case in accordance with Section 1126(b) of the Bankruptcy Code and Bankruptcy Rule 3018(b). Section 1126(b) of the Bankruptcy Code and Bankruptcy Rule 3018(b) require that:

- the plan of reorganization be transmitted to substantially all creditors and other interest holders entitled to vote;
- the time prescribed for voting is not unreasonably short; and
- the solicitation of votes is in compliance with any applicable nonbankruptcy law, rule or regulation governing the adequacy of disclosure in such solicitation or, if no such law, rule or regulation exists, votes be solicited only after the disclosure of adequate information.

Section 1125(a)(1) of the Bankruptcy Code describes adequate information as information of a kind and in sufficient detail as would enable a hypothetical reasonable investor typical of holders of claims and interests to make an informed judgment about the plan. The bankruptcy court could conclude that this proxy statement or our prospectus and solicitation statement on Form S-4 does not meet these disclosure requirements. With regard to solicitation of votes prior to the commencement of a bankruptcy case, if the bankruptcy court concludes that the requirements of Section 1126(b) of the Bankruptcy Code and Bankruptcy Rule 3018(b) have not been met, then the bankruptcy court could deem such votes invalid, and the prepackaged plan could not be confirmed without a resolicitation of votes to accept or reject the prepackaged plan. While we believe that the requirements of Section 1126(b) of the Bankruptcy Code and Bankruptcy Rule 3018 will be met, the bankruptcy court may not reach the same conclusion.

If the bankruptcy court were to find any of these deficiencies, we could be required to start over again the process of filing another plan and disclosure statement, seeking bankruptcy court approval of a disclosure statement, soliciting votes from classes of debt and equity holders, and seeking bankruptcy court confirmation of the plan of reorganization. A resolicitation of acceptances of the prepackaged plan likely could not take place within a sufficiently short period of time to prevent the release of the noteholders from their obligations under the support agreement to vote for and support the prepackaged plan. If this occurs, confirmation of the prepackaged plan would be delayed and possibly jeopardized. Additionally, should the prepackaged plan fail to be approved, confirmed, or consummated, we and others with an interest may be in a position to propose alternative plans of reorganization. Any such failure to confirm the prepackaged plan would likely entail significantly greater risk of delay, expense and uncertainty, which would likely have a material adverse effect upon our business and financial condition. See The Prepackaged Plan Conditions to Confirmation and Conditions to Effective Date of the Prepackaged Plan for a description of the requirements for confirming the prepackaged plan and the conditions under which the plan may be declared effective.

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***We may seek to modify, amend or withdraw the prepackaged plan at any time prior to the confirmation date.***

If we file the prepackaged plan, we reserve the right, prior to its confirmation or substantial consummation thereof, and subject to the provisions of Section 1127 of the Bankruptcy Code and Bankruptcy Rule 3019, to amend the terms of the prepackaged plan or waive any conditions thereto if and to the extent we determine that such amendments or waivers are necessary or desirable to consummate the prepackaged plan. The potential impact of any such amendment or modification on the holders of claims and interests cannot presently be foreseen, but may include a change in the economic impact of the prepackaged plan, on some or all of the classes or a change in the relative rights of such classes. We will give all holders of claims and interests notice of such amendments or waivers required by applicable law and the bankruptcy court. If, after receiving sufficient acceptances but prior to confirmation of the prepackaged plan, we seek to modify the prepackaged plan, we could only use such previously solicited acceptances if (i) all classes of adversely affected creditors and interest holders accepted the modification in writing or (ii) the bankruptcy court determines, after notice to designated parties, that such modification was de minimis or purely technical or otherwise did not adversely change the treatment of holders of accepting claims and interests. We reserve the right to use acceptances of the prepackaged plan received in this solicitation to seek confirmation of the prepackaged plan under any case commenced under Chapter 11 of the Bankruptcy Code, whether such case is commenced by the filing of a voluntary or involuntary petition, subject to approval of the bankruptcy court.

If a Chapter 11 petition is filed by or against us, we reserve the right not to file the prepackaged plan, or, if we file the prepackaged plan, to revoke and withdraw such prepackaged plan at any time prior to confirmation. If the plan is revoked or withdrawn, the prepackaged plan and the ballots will be deemed to be null and void. In such event, nothing contained in the prepackaged plan will be deemed to constitute a waiver or release of any claims by or against, or interests of or in, us, or any other person or to prejudice in any manner our rights or those of any other person.

***In certain instances, our reorganization case may be converted to a case under Chapter 7 of the Bankruptcy Code.***

If no plan can be confirmed, or if the bankruptcy court otherwise finds that it would be in the best interest of our creditors, our reorganization case may be converted to a case under Chapter 7 of the Bankruptcy Code, pursuant to which a trustee would be appointed or elected to liquidate our assets for distribution in accordance with the priorities established by the Bankruptcy Code. A discussion of the effects that a Chapter 7 liquidation would have on the recoveries of holders of claims and interests and our liquidation analysis are set forth under The Prepackaged Plan Liquidation Analysis. We believe that liquidation under Chapter 7 would result in:

- smaller distributions being made to creditors than those provided for in the prepackaged plan because of:
  - the likelihood that our assets would have to be sold or otherwise disposed of in a less orderly fashion over a short period of time;
  - additional administrative expenses involved in the appointment of a trustee; and
  - additional expenses and claims, some of which would be entitled to priority, which would be generated during the liquidation and from the rejection of leases and other executory contracts in connection with a cessation of our operations; and
- no distributions being made to holders of our common stock.

***Our future operational and financial performance may vary materially from the financial projections.***

We have prepared the financial projections contained in this proxy statement as required by the feasibility test of Section 1129 of the Bankruptcy Code. See The Prepackaged Plan Confirmation of the Prepackaged Plan Feasibility of the Prepackaged Plan. These projections are based upon a number of assumptions and estimates, including that the restructuring will be implemented in accordance with its current terms.

Financial projections are necessarily speculative in nature and one or more of the assumptions and estimates underlying these projections may prove not to be valid. The assumptions and estimates underlying these projections are inherently uncertain and are subject to significant business, economic and competitive risks and uncertainties, many of which are beyond our control. See Risk Factors Risks Related to Our Business. Accordingly, our financial condition and results of operations following the exchange offer may vary significantly from those set forth in the financial projections. Consequently, the financial projections should not be regarded as a representation by us, our advisors or any other person that the projections will be achieved. Holders are cautioned to read the financial projections in conjunction with our audited annual and unaudited interim historical financial statements and the unaudited pro forma historical financial information included in this proxy statement and not to place undue reliance on the financial projections in determining whether to accept or reject the prepackaged plan. See Unaudited Projected Consolidated Financial Information.

***We cannot predict the amount of time we would spend in bankruptcy for the purpose of implementing the prepackaged plan, and a lengthy bankruptcy proceeding could disrupt our business, as well as impair the prospect for reorganization on the terms contained in the proposed plan.***

While we expect that a Chapter 11 bankruptcy filing solely for the purpose of implementing the prepackaged plan would be of short duration (e.g., 45-60 days) and would not be unduly disruptive to our business, we cannot be certain that this would be the case. Although the prepackaged plan is designed to minimize the length of the bankruptcy case, it is impossible to predict with certainty the amount of time that we may spend in bankruptcy, and we cannot be certain that the prepackaged plan would be confirmed. Even if confirmed on a timely basis, a bankruptcy case to confirm the prepackaged plan could itself have an adverse effect on our business. There is a risk, due to uncertainty about our future, that:

- customers could seek alternative sources of products and services from our competitors, including competitors that have comparatively greater financial resources and that are in little or no relative financial or operational distress;

- employees could be distracted from performance of their duties or more easily attracted to other career opportunities; and

- business partners could terminate their relationship with us or require financial assurances or enhanced performance.

A lengthy bankruptcy case would also involve additional expenses and divert the attention of management from operation of our business, as well as creating concerns for employees, suppliers and customers.

The disruption that a bankruptcy case would inflict upon our business would increase with the length of time it takes to complete the proceeding and the severity of that disruption would depend upon the attractiveness and feasibility of the prepackaged plan from the perspective of the constituent parties on whom we depend, including vendors, employees, and customers. If we are unable to obtain confirmation of the prepackaged plan on a timely basis, because of a challenge to the prepackaged plan or a failure to satisfy the conditions to the effectiveness of the prepackaged plan, we may be forced to operate in bankruptcy for an extended period while we try to develop a different reorganization plan that can be confirmed. A protracted bankruptcy case would increase both the probability and the magnitude of the adverse effects described above.

The noteholders obligations under the support agreement contemplate that the noteholders could propose a competing plan of reorganization after the support agreement terminates. If the noteholders propose an alternative plan following expiration of the support agreement, there is a risk that such a plan would be less generous to existing equity interest holders and other constituents upon whom our well-being could depend. If there were competing plans of reorganization or if key employees or others reacted adversely to a noteholder plan of reorganization, the adverse consequences discussed above could also occur.

***We may be unsuccessful in obtaining first day orders to permit us to pay our key suppliers in the ordinary course of business.***

We have tried to address potential concerns of our key customers, vendors, employees, licensors/licensees and other key parties in interest that might arise from the filing of the prepackaged plan through a variety of provisions incorporated into or contemplated by the prepackaged plan, including our intention to seek appropriate court orders to permit us to pay our accounts payable to key parties in interest in the ordinary course, assume contracts with such parties of interest and in the case of those key vendors who have agreed to continue to extend business terms to us during and after our bankruptcy case, to provide for the payments of prepetition accounts payable. However, there can be no guaranty that we would be successful in obtaining the necessary approvals of the bankruptcy court for such arrangements or for every party in interest we may seek to treat in this manner, and as a result, our business might suffer.

The holders of credit facility claims may not consent to our use of cash collateral in our Chapter 11 case or may condition such consent on concessions that are problematic for us. Lacking such consent, we must obtain the bankruptcy court s approval to use such cash collateral and in order to do so, must furnish adequate protection for such use. The bankruptcy court may condition such use on terms that are problematic for us or may not approve the use of such cash collateral. The holders of credit facility claims may seek relief from the automatic stay in order to pursue their state law remedies against our property that serves as collateral for such claims. The cure and reinstatement of credit facility claims proposed in the prepackaged plan may be problematic for us.

***Our business may be negatively impacted if we are unable to assume our executory contracts.***

The prepackaged plan provides for the assumption of all executory contracts, other than unexpired leases or other contracts that we specifically reject. Our intention is to preserve as much of the benefit of our existing contracts as possible. However, some limited classes of executory contracts may not be assumed in this way. In these cases we would need to obtain the consent of the counterparty to maintain the benefit of the contract. There is no guaranty that such consent would either be forthcoming or that conditions would not be attached to any such consent that make assuming the contracts unattractive. We would then be required to either forego the benefits offered by such contracts or to find alternative arrangements to replace them. We intend to attempt to pass through to the reorganized company any and all licenses in respect of patents, trademarks, copyright or other intellectual property which cannot otherwise be assumed pursuant to Section 365(c) of the Bankruptcy Code. The counterparty to any contract that we seek to pass through may object to our attempt to pass through the contract and require us to seek to assume or reject the contract or seek approval of the bankruptcy court to terminate the contract. In such an event, we could lose the benefit of the contract, which could harm our business.

***Our disputes with Sprint may prolong confirmation of the prepackaged plan and could disrupt our business and adversely affect our operating costs.***

As described elsewhere in this proxy statement, we have a number of significant disputes with Sprint related to our agreements. If we are unable to resolve these disputes, it is quite possible that AirGate or Sprint will file suit seeking to have some or all of these disputes resolved in litigation.

The prepackaged plan provides for the assumption of all executory contracts, other than contracts we specifically reject. We have not yet made a decision to assume the Sprint executory contracts. In order to assume the Sprint agreements, we would be required to cure any defaults under any of those agreements that the bankruptcy court requires. While we do not believe that we are in default of any obligation under any agreement with Sprint, Sprint may take a different position.

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We expect that negotiations with Sprint over whether there are defaults under the management agreement and, if so, the amounts required to cure those defaults would take time. These negotiations could prolong confirmation of the prepackaged plan. We may ultimately be forced to choose to litigate in the bankruptcy case or agree to pay cure amounts under the management agreement that we may not have otherwise agreed to pay.

Because we believe that we could operate our business without the services agreement with Sprint, we may be in a position to reject that agreement. If we rejected the services agreement, we would need to provide those services directly or outsource those services on an expedited basis. There are certain significant services that AirGate cannot provide directly, which means that it would be required to identify and reach agreement with one or more outsourcing vendors. While we dispute its right to do so, Sprint might contest our right to reject the services agreement or terminate certain services and/or might demand that we pay high start-up costs for activities related to transitioning these services to a third-party vendor and to allow for an interface with Sprint s system. Resolving these and other issues related to rejecting the services agreement could increase the costs of any such outsourcing and delay the benefits of any outsourcing. If we are unable to seamlessly outsource these services, our business could be disrupted. In addition, the increased costs of outsourcing could limit our ability to lower our operating costs.

## Risks Related to Our Business

### Risks Related to Our Business, Strategy and Operations

***The unsettled nature of the wireless market may limit the visibility of key operating metrics, and future trends may affect operating results, liquidity and capital resources.***

Our business plan and estimated future operating results are based on estimates of key operating metrics, including subscriber growth, subscriber churn, capital expenditures, ARPU, losses on sales of handsets and other subscriber acquisition costs, and other operating costs. The unsettled nature of the wireless market, the current economic slowdown, increased competition in the wireless telecommunications industry, the problems in our relationship with Sprint, new service offerings of increasingly large bundles of minutes of use at lower prices by wireless carriers, and other issues facing the wireless telecommunications industry in general have created a level of uncertainty that may adversely affect our ability to predict key operating metrics.

Certain other factors that may affect our operating results, liquidity and capital resources include the fact that we have limited funding options. On August 8, 2003 we drew the $9.0 million remaining available under our credit facility. We currently have no additional sources of working capital other than cash on hand and operating cash flow. If our actual revenues are less than we expect or operating or capital costs are more than we expect, our financial condition and liquidity may be materially adversely affected. In such event, there is substantial risk that we could not access the capital or credit markets for additional capital.

***Our revenues may be less than we anticipate which could materially adversely affect our liquidity, financial condition and results of operations.***

Revenue growth is primarily dependent on the size of our subscriber base, average monthly revenues per user and roaming revenue. During the year ended September 30, 2002, we experienced slower net subscriber growth rates than planned, which we believe is due in large part to increased churn, declining rates of wireless subscriber growth in general, the re-imposition of deposits for most sub-prime credit subscribers during the last half of the year, the current economic slowdown and increased competition. Subscriber growth in fiscal 2003 has been slower than in prior years, and we are likely to lose a small number of subscribers in the quarter ending September 30, 2003. Other carriers also have reported slower subscriber growth rates compared to prior periods. We have seen a continuation of competitive pressures in the wireless telecommunications market causing carriers to offer plans with increasingly large bundles of minutes of use at lower prices which may compete with the calling plans we offer, including the Sprint calling plans we support. While our business plan anticipates lower subscriber growth and assumes average monthly revenues per user will decline slightly, there is no assurance that subscriber growth will not be less than we project or that average revenue per user will not be lower than we project. Increased price competition may lead to lower average monthly revenues per user than we anticipate. See Risks Related to our Business Risks Related to Our Relationship with Sprint. In addition, the lower reciprocal roaming rate that Sprint has implemented will reduce our roaming revenue, which may not be offset by the reduction in our roaming expense. If our revenues are less than we anticipate, it could materially adversely affect our liquidity, financial condition and results of operation.

***Our costs may be higher than we anticipate which could materially adversely affect our liquidity, financial condition and results of operations.***

Our business plan anticipates that we will be able to maintain lower operating and capital costs, including costs per gross addition and cash cost per user. Increased competition may lead to higher promotional costs, losses on sales of handset and other costs to acquire subscribers. Further, as described below under Risks Related to Our Relationship With Sprint, a substantial portion of costs of service and roaming are attributable to fees and charges we pay Sprint for billing and collections, customer care and other back-office support. Our ability to manage costs charged by Sprint is limited. If our costs are more than we anticipate, the actual amount of funds to implement our strategy and business plan may exceed our estimates, which could have a material adverse affect on our liquidity, financial condition and results of operations.

***We may continue to experience a high rate of subscriber turnover, which would adversely affect our financial performance.***

The wireless personal communications services industry in general, and Sprint and its network partners in particular, have experienced a higher rate of subscriber turnover, commonly known as churn, as compared to cellular industry averages. This churn rate was driven higher in 2002 due to the NDASL and Clear Pay programs required by Sprint and the removal of deposit requirements as described elsewhere in this proxy statement. Our business plan assumes that churn will be relatively constant in fiscal 2004, but will decline significantly thereafter. Although churn declined in the first nine months of fiscal 2003, churn rates continue to remain at higher levels. Due to significant competition in our industry and general economic conditions, among other things, this trend may not occur and our future rate of subscriber turnover may be higher than our historical rate. Factors that may contribute to higher churn include:

- inability or unwillingness of subscribers to pay which results in involuntary deactivations, which accounted for 63% of our deactivations in the quarter ended June 30, 2003;
- subscriber mix and credit class, particularly sub-prime credit subscribers which accounted for approximately 50% of our gross subscriber additions since May 2001 and account for approximately 30% of our subscriber base as of June 30, 2003;
- Sprint s announced billing system conversion and/or outsourcing services now provided by Sprint;
- the attractiveness of our competitors products, services and pricing;
- network performance and coverage relative to our competitors;
- quality of customer service;
- increased prices; and
- any future changes by us in the products and services we offer, especially to the Clear Pay Program.

An additional factor that may contribute to a higher churn rate is implementation of the Federal Communications Commission s ( FCC ) wireless local number portability ( LNP ) requirement. The wireless LNP rules will enable wireless subscribers to keep their telephone numbers when switching to

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another carrier. By November 24, 2003, all covered CMRS providers, including broadband PCS, cellular and certain SMR licensees, must allow customers to retain, subject to certain geographical limitations, their existing telephone number when switching from one telecommunications carrier to another. Once wireless LNP is implemented, current rules require that covered CMRS providers would have to provide LNP in the 100 largest metropolitan statistical areas, in compliance with certain FCC performance criteria, upon request from another carrier (CMRS provider or local exchange carrier). For metropolitan statistical areas outside the largest 100, CMRS providers that receive a request to allow an end user to port their number must be capable of doing so within six months of receiving the request or within six months after November 24, 2003, whichever is later. The overall impact of this mandate is uncertain. We anticipate that the wireless LNP mandate will impose increased operating costs on all CMRS providers, including us, and may result in higher subscriber churn rates and subscriber acquisition and retention costs.

A high rate of subscriber turnover could adversely affect our competitive position, liquidity, financial position, results of operations and our costs of, or losses incurred in, obtaining new subscribers, especially because we subsidize some of the costs of initial purchases of handsets by subscribers.

***Our allowance for doubtful accounts may not be sufficient to cover uncollectible accounts.***

On an ongoing basis, we estimate the amount of subscriber receivables that we will not collect to reflect the expected loss on such accounts in the current period. Our allowance for doubtful accounts may underestimate actual unpaid receivables for various reasons, including:

- our churn rate may exceed our estimates;
- bad debt as a percentage of service revenues may not decline as we assume in our business plan;
- adverse changes in the economy; or
- unanticipated changes in Sprint s PCS products and services.

If our allowance for doubtful accounts is insufficient to cover losses on our receivables, it could materially adversely affect our liquidity, financial condition and results of operations.

***Roaming revenue could be less than anticipated, which could adversely affect our liquidity, financial condition and results of operations.***

Sprint reduced the reciprocal roaming rate from $0.10 per minute to $0.058 per minute for the calendar year 2003. Based upon 2002 historical roaming data, a reduction in the roaming rate to $0.058 per minute would have reduced roaming revenue by approximately $30 million for us and would have reduced roaming expense by approximately $23 million for us. The ratio of roaming revenue to expense for us for the quarter ended June 30, 2003 was 1.3 to one.

The amount of roaming revenue we receive also depends on the minutes of use of our network by PCS subscribers of Sprint and Sprint PCS network partners. If actual usage is less than we anticipate, our roaming revenue would be less and our liquidity, financial condition and results of operations could be materially adversely affected.

***Our efforts to reduce costs may have adverse affects on our business.***

As a result of the current business environment, we have revised our business plan and are seeking to manage expenses to improve our liquidity position. We have significantly reduced projected capital expenditures, advertising and promotion costs and other operating costs. Reduced capital expenditures could, among other things, force us to delay improvements to our network, which could adversely affect the quality of service to subscribers. These actions could reduce subscriber growth and increase churn, which could materially adversely affect our financial condition and results of operation.

***We may incur significantly higher wireless handset subsidy costs than we anticipate for existing subscribers who upgrade to a new handset.***

As our subscriber base matures, and technological innovations occur, more existing subscribers will upgrade to new wireless handsets. We subsidize a portion of the price of wireless handsets and incur sales commissions, even for handset upgrades. Excluding sales commissions, we experienced approximately $4.8 million associated with wireless handset upgrade costs for the year ended September 30, 2002 and $5.9 million for the nine months ended June 30, 2003. We have limited historical experience regarding the adoption rate for wireless handset upgrades. If more subscribers upgrade to new wireless handsets than we project, our results of operations would be adversely affected.

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

Our business is managed by a small number of executive officers. We believe that our future success depends in part on our continued ability to attract and retain highly qualified technical and management personnel. We may not be successful in retaining our key personnel or in attracting and retaining other highly qualified technical and management personnel. Our ability to attract and retain such persons may be negatively impacted if our liquidity position does not improve. In addition, we grant stock options as a method of attracting and retaining employees, to motivate performance and to align the interests of management with those of our stockholders. Due to the decline in the trading price of our common stock, a substantial majority of the stock options held by employees have an exercise price that is higher than the current trading price of our common stock, and therefore these stock options may not be effective in helping us to retain valuable employees. We currently have key man life insurance for our Chief Executive Officer. The loss of our officers and skilled employees could materially adversely affect our results of operation.

***Parts of our territories have limited amounts of licensed spectrum, which may adversely affect the quality of our service and our results of operations.***

Sprint has licenses covering 10 MHz of spectrum in our territory. As the number of subscribers in our territories increase, this limited amount of licensed spectrum may not be able to accommodate increases in call volume, may lead to increased dropped and blocked calls and may limit our ability to offer enhanced services, all of which could result in increased subscriber turnover and adversely affect our financial condition and results of operations.

Further, in January 2003, the FCC rules imposing limits on the amount of spectrum that can be held by one provider in a specific market was lifted. The FCC now relies on case-by-case review of transactions involving transfers of control of CMRS spectrum in connection with its public interest review of all license transfers. In light of this change in regulatory review, competition may increase to the extent that licenses are transferred from smaller stand-alone operators to larger, better capitalized, and more experienced wireless communications operators. These larger wireless communications operators may be able to offer customers network features not offered by us. The actions of these larger wireless communications operators could negatively affect our churn, ability to attract new subscribers, ARPU, cost to acquire subscribers and operating costs per subscriber.

***There is a high concentration of ownership of the wireless towers we lease and if we lose the right to install our equipment on certain wireless towers or are unable to renew expiring leases, our financial condition and results of operations could be adversely impacted.***

Most of our cell sites are co-located on leased tower facilities shared with one or more wireless providers. A few tower companies own a large portion of these leased tower sites. Approximately 75% of the towers leased by us are owned by four tower companies (and their affiliates). If a master co-location agreement with one of these tower companies were to terminate, or if one of these tower companies were unable to support our use of its tower sites, we would have to find new sites or we may be required to rebuild that portion of our network. In addition, because of this concentration of ownership of our cell sites, our financial condition and results of operations could be materially and adversely affected if we are unable to renew expiring leases with such tower companies on favorable terms, or in the event of a disruption in any of their business operations.

***Certain wireless providers are seeking to reduce access to their networks.***

We rely on Sprint s roaming agreements with its competitors to provide automatic roaming capabilities to subscribers in many of the areas of the United States not covered by Sprint s PCS network. Certain competitors may be able to offer coverage in areas not served by Sprint s PCS network or may be able to offer roaming rates that are lower than those offered by Sprint. Certain of these competitors are seeking to reduce access to their networks through actions pending with the FCC. Moreover, AT&T Wireless has sought reconsideration of an FCC ruling in order to expedite elimination of the engineering standard (AMPS) for the dominant air interface on which Sprint s subscribers roam. If AT&T Wireless is successful and the FCC eliminated this standard before Sprint can transition its handsets to different standards, customers of Sprint could be unable to roam in those markets where cellular operators cease to offer their AMPS network for roaming. Further, on September 24, 2002, the FCC modified its rules to eliminate, after a five-year transition period, the requirement that carriers provide analog service compatible with AMPS specifications. If this requirement is eliminated before Sprint can transition its handsets to different standards, customers of Sprint could be unable to roam in those markets where cellular operators cease to offer their AMPS network for roaming.

***Our business is subject to seasonal trends.***

Our business is subject to seasonality because the wireless industry historically has been heavily dependent on fourth calendar quarter results. Among other things, the industry relies on significantly higher subscriber additions and handset sales in the fourth calendar quarter as compared to the other three calendar quarters. A number of factors contribute to this trend, including: the increasing use of retail distribution, which is heavily dependent upon the year-end holiday shopping season; the timing of new product and service announcements and introductions; competitive pricing pressures; and aggressive marketing and promotions. The increased level of activity requires a greater use of available financial resources during this period.

**Risks Particular to Our Indebtedness**

***Our substantial level of indebtedness, even after the restructuring, could adversely affect our financial condition and prevent us from fulfilling our obligations on the new notes.***

Upon completion of the restructuring, we still will have a substantial amount of indebtedness that requires significant interest payments. As of June 30, 2003, on a pro forma basis after giving effect to the restructuring and assuming that all outstanding old notes are tendered in the exchange offer, we would have had approximately $312.0 million in principal amount of total debt. In addition, the indenture for the new notes will permit us to incur additional indebtedness, subject to specified restrictions.

Our substantial level of indebtedness could have important consequences to you, including the following:

limiting our ability to fund working capital, capital expenditures, acquisitions or other general corporate purposes;

requiring us to use a substantial portion of our cash flow from operations to pay interest and principal on the credit facility, the new notes and other indebtedness, which will reduce the funds available to us for purposes such as capital expenditures, marketing, development, potential acquisitions and other general corporate purposes;

exposing us to fluctuations in interest rates, to the extent our borrowings bear variable rates of interest, including through interest rate swap agreements;

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- placing us at a competitive disadvantage compared to our competitors that have less debt;
- reducing our flexibility in planning for, or responding to, changing conditions in our industry, including increased competition; and
- making us more vulnerable to general economic downturns and adverse developments in our business.

***If we incur more indebtedness, the risks associated with our substantial leverage, including our ability to service our indebtedness, will increase.***

The new notes indenture and the credit facility will permit us, subject to specified conditions, to incur additional indebtedness. If we incur additional debt above current levels, the risks associated with our substantial leverage, including our ability to service our debt, would increase.

***We will require a significant amount of cash to service our indebtedness. Our ability to generate cash depends on many factors beyond our control.***

Our ability to make payments on and to refinance our indebtedness, including the new notes, and to fund working capital needs and planned capital expenditures will depend on our ability to generate cash in the future. Our ability to generate cash, to a certain extent, is subject to general economic, financial, competitive, regulatory, legislative and other factors that are beyond our control.

***The new notes indenture and our credit facility will impose significant operating and financial restrictions on us, which may prevent us from capitalizing on business opportunities and taking some corporate actions.***

The new notes indenture and our credit facility will impose, and the terms of any future debt may impose, significant operating and financial restrictions on us. These restrictions will, among other things, limit our ability and that of our subsidiaries to:

- incur or guarantee additional indebtedness;
- issue redeemable preferred stock and non-guarantor subsidiary preferred stock;
- pay dividends or make other distributions;
- repurchase our stock;
- make investments;
- sell or otherwise dispose of assets, including capital stock of subsidiaries;
- create liens;
- prepay, redeem or repurchase debt;
- enter into agreements restricting our subsidiaries ability to pay dividends;
- enter into transactions with affiliates;
- enter into sale and leaseback transactions; and
- consolidate, merge or sell all of our assets.

In addition, our credit facility will require us to maintain specified financial ratios and satisfy other financial condition tests. We cannot assure you that these covenants will not adversely affect our ability to finance our future operations or capital needs or to pursue available business opportunities or limit our ability to plan for or react to market conditions or meet capital needs or otherwise restrict our activities or business plans. A breach of any of those covenants or our inability to maintain the required financial ratios could result in a default in respect of the related indebtedness. If a default occurs, the relevant lenders could elect to declare the indebtedness, together with accrued interest and other fees, to be immediately due and payable and proceed against any collateral securing that indebtedness.

***Variable interest rates may increase substantially.***

As of June 30, 2003, we had $142.8 million outstanding debt under our credit facility, which was increased to $151.8 million on August 8, 2003. The rate of interest on the credit facility is based on a margin above either the alternate bank rate (the prime lending rate in the United States) or the London Interbank Offer Rate (LIBOR). For the quarter ended June 30, 2003, the weighted average interest rate under variable rate borrowings was 5.14% under our credit facility. If interest rates increase, we may not have the ability to service the interest requirements on our credit facility. Furthermore, if we were to default in our payments under our credit facility, our rate of interest would increase by 2.5% over the alternate bank rate.

***Our payment obligations may be accelerated if we are unable to maintain or comply with the financial and operating covenants contained in our credit facility.***

Our credit facility contains covenants specifying the maintenance of certain financial ratios, reaching defined subscriber growth and network covered population goals, minimum service revenues, maximum capital expenditures, and the maintenance of a ratio of total and senior debt to annualized EBITDA, as defined in the credit facility. The definition of EBITDA in our credit facility is not the same as EBITDA used by us in this proxy statement. If we are unable to operate our business within the covenants specified in our credit facility, our ability to use our cash could be restricted or terminated and our payment obligations may be accelerated. Such a restriction, termination or acceleration could have a material adverse affect on our liquidity and capital resources. There can be no assurance that we could obtain amendments to such covenants, if necessary. We believe that we are currently in compliance in all material respects with all financial and operational covenants relating to our credit facility. Based on our current business plan and assuming that we meet our debt covenants, we believe that we will have sufficient cash flow to cover our debt service and other capital needs through March 2005. After that time, our ability to generate operating cash flow to pay debt service and meet our other capital needs is much less certain. In addition, based on current assumptions, we anticipate that we will meet our covenant obligations under our credit facility through March 2005. However, if actual results differ significantly from these assumptions and/or if the recapitalization plan is not completed and the credit facility is not further amended, then the costs incurred in connection with the recapitalization plan will make it challenging to meet certain covenants under our credit facility at March 31, 2004. Further, under our current business plan, we believe that we will not be in compliance with certain covenants under our credit facility at April 1, 2005.

In connection with the restructuring, we are amending the terms of our credit facility to alter certain of the restrictive covenants.

***If we fail to pay the debt under our credit facility, Sprint has the option of purchasing our loans, giving Sprint certain rights of a creditor to foreclose on our assets.***

Sprint has contractual rights, triggered by an acceleration of the maturity of the debt under our credit facility, pursuant to which Sprint may purchase our obligations to our senior lenders and obtain the rights of a senior lender. To the extent Sprint purchases these obligations, Sprint s interests as a creditor could conflict with our interests. Sprint s rights as a senior lender would enable it to exercise rights with respect to our assets and continuing relationship with Sprint in a manner not otherwise permitted under its Sprint agreements.

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**Risks Related to iPCS**

***iPCS has declared bankruptcy, which may cause the iPCS stock that we transferred to the trust to have little to no value.***

In connection with the restructuring and subject to approval by the bankruptcy court overseeing iPCS s bankruptcy proceeding, we are transferring all of our shares of iPCS common stock to a trust organized under Delaware law for the benefit of our stockholders. Because the amount of iPCS obligations under its credit facility and its notes were greater than its existing cash and other assets when its payment obligations were accelerated by the iPCS lenders, it is likely that shares of iPCS stock will have little to no value if they become available for distribution to our stockholders as the beneficiaries of the trust.

***We may experience effects of iPCS, Inc. s bankruptcy.***

Prior to our transfer of our iPCS common stock to the Delaware trust, iPCS operated as our unrestricted subsidiary, with its own independent financing sources, debt obligations and sources of revenue. Furthermore, iPCS lenders, noteholders and creditors do not have a lien or encumbrance on our assets, and we could not provide capital or other financial support to iPCS. We believe our operations will continue independent of the outcome of the iPCS bankruptcy. On April 22, 2003, the trustee for the old notes gave notice to the old noteholders of the iPCS bankruptcy filing and that in our and our outside counsel s opinion, such filing is not a default under the old notes. If we were determined by a court of competent jurisdiction to be in default under the old notes and the old notes were accelerated, we would have insufficient funds to pay the old notes. In connection with the consent solicitation, we are seeking waivers of events of default that may occur in connection with the restructuring.

In addition, we have agreements and relationships with third parties, including suppliers, subscribers and vendors, which are integral to conducting our day-to-day operations. iPCS bankruptcy could have a material adverse affect on the perception of our company and our business and our prospects in the eyes of subscribers, employees, suppliers, creditors and vendors. These persons may perceive that there is increased risk in doing business with us as a result of iPCS bankruptcy. Some of these persons may terminate their relationships with us, which would make it more difficult for us to conduct our business.

**Risks Related to Our Relationship with Sprint**

***Our business experiences certain risks related to Sprint.***

Over time, Sprint has increased fees charged to AirGate and other network partners and has added fees that were not anticipated when the agreements with Sprint were entered into. Sprint also sought to collect money from us that we believe is not authorized under the agreements. In addition, Sprint has also imposed additional programs, requirements and conditions that have adversely affected our financial performance. If these increases, additional charges and changes continue, our operating results, liquidity and capital resources could be adversely affected. As of June 30, 2003, we have disputed approximately $7.0 million in invoices for such increases and additional charges, but those issues have not been resolved. While we have adequately reserved for these disputed amounts, if they are resolved in favor of Sprint and against AirGate, the payment of this amount money could adversely affect our liquidity and capital resources.

***We operate with little working capital because of amounts owed to Sprint.***

Each month we pay Sprint expenses described in greater detail in Note 3 to the consolidated financial statements for the nine months ended June 30, 2003 set forth in this proxy statement. A reduction in the amounts we owe Sprint may result in a greater use of cash for working capital purposes than the business plan currently projects.

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***The termination of our affiliation with Sprint would severely restrict our ability to conduct our business.***

We do not own the licenses to operate our wireless network. Our ability to offer Sprint PCS products and services and operate a PCS network is dependent on our Sprint agreements remaining in effect and not being terminated. All of our subscribers have purchased Sprint PCS products and services to date, and we do not anticipate any change in the near future. The management agreements between Sprint and us are not perpetual. Our management agreement automatically renews at the expiration of the 20-year initial term for an additional 10-year period unless we are in material default. Sprint can choose not to renew our management agreement at the expiration of the ten-year renewal term or any subsequent ten-year renewal term. In any event, our management agreement terminates in 50 years.

In addition, subject to the provisions of the consent and agreement, these agreements can be terminated for breach of any material term, including, among others, failure to pay, marketing, build-out and network operational requirements. Many of these requirements are extremely technical and detailed in nature. In addition, many of these requirements can be changed by Sprint with little notice. As a result, we may not always be in compliance with all requirements of the Sprint agreements. There may be substantial costs associated with remedying any non-compliance, and such costs may adversely affect our liquidity, financial condition and results of operations.

We are also dependent on Sprint s ability to perform its obligations under the Sprint agreements. The non-renewal or termination of any of the Sprint agreements or the failure of Sprint to perform its obligations under the Sprint agreements would severely restrict our ability to conduct business.

***Sprint may make business decisions that are not in our best interests, which may adversely affect our relationships with subscribers in our territory, increase our expenses and/or decrease our revenues.***

Sprint, under the Sprint agreements, has a substantial amount of control over the conduct of our business. Accordingly, Sprint has made and, in the future may make, decisions that adversely affect our business, such as the following:

- Sprint could price its national plans based on its own objectives and could set price levels or other terms that may not be economically sufficient for our business;
- Sprint could develop products and services, such as a one-rate plan where subscribers are not required to pay roaming charges or its PCS to PCS plan, or establish credit policies, such as the NDASL program, which could adversely affect our results of operations;
- Sprint has raised and could continue to raise the costs to perform back office services or maintain the costs above those expected, reduce levels of services or expenses or otherwise seek to increase expenses and other amounts charged;
- Sprint may elect with little or no notification, to upgrade or convert its financial reporting, billing or inventory software or change third party service organizations that can adversely affect our ability to determine or report our operating results, adversely affect our ability to obtain handsets or adversely affect our subscriber relationships;
- Sprint can seek to further reduce the reciprocal roaming rate charged when Sprint s or other Sprint network partners PCS subscribers use our network;
- Sprint could limit our ability to develop local and other promotional plans to enable us to attract sufficient subscribers;
- Sprint could, subject to limitations under our Sprint agreements, alter its network and technical requirements;
- Sprint introduced a payment method for subscribers to pay the cost of service with us. This payment method initially did not have adequate controls or limitations, and fraudulent payments were made to accounts using this payment method. If other types of fraud become widespread, it could have a material adverse impact on our results of operations and financial condition;

Sprint implemented a new activation system for national third party retailers. AirGate believes that this system does not have adequate controls or limitations to prevent changes to customer accounts based on credit worthiness. These system issues could result in fraudulent activity and could have a negative impact on our results of operations and financial condition. We have implemented a process to closely monitor any exceptions resulting from customer credit changes;

Sprint could make decisions which could adversely affect the Sprint brand names, products or services; and

Sprint could decide not to renew the Sprint agreements or to no longer perform its obligations, which would severely restrict our ability to conduct business.

The occurrence of any of the foregoing could adversely affect our relationship with subscribers in our territories, increase our expenses and/or decrease our revenues and have a material adverse affect on our liquidity, financial condition and results of operation.

***Sprint s newly implemented PCS to PCS program has had, and may continue to have, a negative impact on our business.***

In late 2002, Sprint implemented a new PCS to PCS product offering under which subscribers are not charged, or received unlimited buckets of minutes for a low price, for any calls made from one Sprint PCS subscriber to another. Pursuant to our Sprint agreements, we are required to support this program in our territory. The number of minutes-over-plan ( MOPs ) used and associated revenues of our subscribers has dropped. Our ARPU has declined from $61 for the fiscal year ended September 30, 2002 to $58 for the nine months ended June 30, 2003, while the number of minutes used for PCS to PCS calls increased ten-fold from 6 million to over 60 million minutes per month. In addition, the program had the effect of switching current subscribers to the product offering, rather than resulting in a meaningful increase in new subscribers. In addition to the lost revenue the PCS to PCS plan causes, it is also generating a large amount of incremental traffic on our network.

***Our dependence on Sprint for services may limit our ability to reduce costs, which could materially adversely affect our financial condition and results of operation.***

Approximately 65% of cost of service and roaming in our financial statements relate to charges from or through Sprint. As a result, a substantial portion of our cost of service and roaming is outside our control. There can be no assurance that Sprint will lower its operating costs, or, if these costs are lowered, that Sprint will pass along savings to its PCS network partners. If these costs are more than we anticipate in our business plan, it could materially adversely affect our liquidity, financial condition and results of operations and as noted below, our ability to replace Sprint with lower cost providers may be limited.

***Our dependence on Sprint may adversely affect our ability to predict our results of operations.***

In 2002, our dependence on Sprint interjected a greater degree of uncertainty to our business and financial planning. During this time:

we agreed to a new $4 logistics fee for each 3G enabled handset to avoid a prolonged dispute over certain charges for which Sprint sought reimbursement;

Sprint PCS sought to recoup $3.9 million in long-distance access revenues previously paid by Sprint PCS to AirGate and has invoiced us $1.2 million of this amount;

Sprint has charged us $0.5 million to reimburse Sprint for certain 3G related development expenses with respect to calendar year 2002;

Sprint informed us on December 23, 2002 that it had miscalculated software maintenance fees for 2002 and future years, which would result in an annualized increase from $1.0 million to $1.7 million if owed by AirGate;

Sprint reduced the reciprocal roaming rate charged by Sprint and its network partners for use of our respective networks from $0.10 per minute of use to $0.058 per minute of use in 2003.

Other ongoing disputes are described in Note 3 to our unaudited financial statements for the nine months ended June 30, 2003, included in this proxy statement. We have questioned whether these and other charges and actions are appropriate and authorized under our Sprint agreements. We expect that it will take time to resolve these issues, the ultimate outcome is uncertain and litigation may be required to resolve these issues. Unanticipated expenses and reductions in revenue have had and, if they occur in the future, will have a negative impact on our liquidity and make it more difficult to predict with reliability our future performance.

***Inaccuracies in data provided by Sprint could understate our expenses or overstate our revenues and result in out-of-period adjustments that may materially adversely affect our financial results.***

Approximately 65% of cost of service and roaming in our financial statements relate to charges from or through Sprint. In addition, because Sprint provides billing and collection services for us, Sprint remits approximately 95% of our revenues to us. The data provided by Sprint is the primary source for our recognition of service revenue and a significant portion of our selling and marketing and cost of service and operating expenses. In certain cases, the data is provided at a level of detail that is not adequate for us to verify for accuracy back to the originating source. As a result, we rely on Sprint to provide accurate, timely and sufficient data and information to properly record our revenues, expenses and accounts receivables, which underlie a substantial portion of our periodic financial statements and other financial disclosures.

We and Sprint have discovered billing and other errors or inaccuracies, which could be material to us. If we are required in the future to make additional adjustments or charges as a result of errors or inaccuracies in data provided to us by Sprint, such adjustments or charges may have a material adverse affect on our financial results in the period that the adjustments or charges are made, on our ability to satisfy covenants contained in our credit facility, and on our ability to make fully informed business decisions.

***The inability of Sprint to provide high quality back office services, leads to subscriber dissatisfaction, increased churn or otherwise increase our costs.***

We currently rely on Sprint s internal support systems, including customer care, billing and back office support. Our operations could be disrupted if Sprint is unable to provide internal support systems in a high quality manner, or to efficiently outsource those services and systems through third-party vendors. Cost pressures are expected to continue to pose a significant challenge to Sprint s internal support systems. Additionally, Sprint has made reductions in its customer service support structure and may continue to do so in the future, which may have an adverse effect on our churn rate. Further, Sprint has relied on third-party vendors for a significant number of important functions and components of its internal support systems and may continue to rely on these vendors in the future. We depend on Sprint s willingness to continue to offer these services and to provide these services effectively and at competitive costs. These costs were approximately $31.0 million for AirGate for the nine months ended June 30, 2003. Our Sprint agreements provide that, upon nine months prior written notice, Sprint may elect to terminate any of these services. The inability of Sprint to provide high quality back office services, or our inability to use Sprint back office services and third-party vendors back office systems, could lead to subscriber dissatisfaction, increase churn or otherwise increase our costs.

If Sprint elects to significantly increase the amount it charges us for any of these services, our operating expenses will increase, and our operating income and available cash would be reduced.

Two recent independent surveys have ranked Sprint last among national carriers in customer service. We believe that poor customer care is an important cause of increased churn. To date, Sprint has been unable to provide a level of service equal to or better than industry averages under the services agreement. Consequently, outsourcing these services may be the only alternative to significantly improve churn. We

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are exploring ways to outsource certain services now provided by Sprint. While the services agreement allows us to use third-party vendors to provide certain of these services instead of Sprint, Sprint may seek to require us to pay high start-up costs to interface with Sprint s system and may otherwise seek to delay any such outsourcing, which could increase the costs of any such outsourcing and delay the benefits of any outsourcing. This could limit our ability to lower our operating costs and reduce churn.

***Changes in Sprint PCS products and services may reduce subscriber additions, increase subscriber turnover and decrease subscriber credit quality.***

The competitiveness of Sprint PCS products and services is a key factor in our ability to attract and retain subscribers. Certain Sprint pricing plans, promotions and programs may result in higher levels of subscriber turnover and reduce the credit quality of our subscriber base. For example, we believe that the NDASL and Clear Pay Program resulted in increased churn and an increase in sub-prime credit subscribers and its PCS to PCS plan is increasing minutes of use and reducing ARPU.

***Our disputes with Sprint may adversely affect our relationship with Sprint.***

We have a number of significant disputes with Sprint related to our agreements. These disputes involve a number of issues including: Sprint s collection of various revenues from subscribers and other parties and the payment of AirGate s portion of those monies; various charges made by Sprint under the agreements with AirGate; Sprint s right to impose programs, requirements and conditions on AirGate that adversely affect AirGate s financial performance; and, various other rights and responsibilities imposed upon the parties under the terms of their agreements. In recent months, Sprint and AirGate have focused on whether these disputes can be resolved by agreement and are currently engaged in negotiation of these issues. If an agreement cannot be reached on terms that are acceptable to AirGate and Sprint, either party may take additional measures, including the filing of litigation, to have these issues resolved. The mere existence of these disputes could adversely affect our relationship with Sprint. If some or all of these disputed issues is resolved against AirGate, such resolution could have a material adverse effect on our business.

***Sprint s roaming arrangements may not be competitive with other wireless service providers, which may restrict our ability to attract and retain subscribers and create other risks for us.***

We rely on Sprint s roaming arrangements with other wireless service providers for coverage in some areas where Sprint service is not yet available. The risks related to these arrangements include:

- the roaming arrangements are negotiated by Sprint and may not benefit us in the same manner that they benefit Sprint;
- the quality of the service provided by another provider during a roaming call may not approximate the quality of the service provided by the Sprint PCS network;
- the price of a roaming call off our network may not be competitive with prices of other wireless companies for roaming calls;
- customers may have to use a more expensive dual-band/dual mode handset with diminished standby and talk time capacities;
- subscribers must end a call in progress and initiate a new call when leaving the Sprint PCS network and entering another wireless network;
- Sprint customers may not be able to use Sprint s advanced features, such as voicemail notification, while roaming; and
- Sprint or the carriers providing the service may not be able to provide us with accurate billing information on a timely basis.

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If customers from our territory are not able to roam instantaneously or efficiently onto other wireless networks, we may lose current subscribers and our Sprint PCS services will be less attractive to new subscribers.

***Certain provisions of the Sprint agreements may diminish the value of our common stock and restrict the sale of our business.***

Under limited circumstances and without further stockholder approval, Sprint may purchase our operating assets at a discount. In addition, Sprint must approve change of control of the ownership of AirGate and must consent to any assignment of our Sprint agreements. Sprint also has a right of first refusal if we decide to sell our operating assets to a third-party. We are also subject to a number of restrictions on the transfer of our business, including a prohibition on the sale of our operating assets to competitors of Sprint. These restrictions and other restrictions contained in the Sprint agreements could adversely affect the value of our common stock, may limit our ability to sell our business, may reduce the value a buyer would be willing to pay for our business, may reduce the entire business value, as described in our Sprint agreements, and may limit our ability to obtain new investment or support from any source.

***We may have difficulty in obtaining an adequate supply of certain handsets from Sprint, which could adversely affect our results of operations.***

We depend on our relationship with Sprint to obtain handsets, and we have agreed to purchase all of our 3G capable handsets from Sprint or a Sprint authorized distributor through the earlier of December 31, 2004 or the date on which the cumulative 3G handset fees received by Sprint from all Sprint network partners equal $25,000,000. Sprint orders handsets from various manufacturers. We could have difficulty obtaining specific types of handsets in a timely manner if:

- Sprint does not adequately project the need for handsets for itself, its network partners and its other third-party distribution channels, particularly in transition to new technologies, such as one time radio transmission technology, or 1XRTT;
- Sprint gives preference to other distribution channels, which it does periodically;
- we do not adequately project our need for handsets;
- Sprint modifies its handset logistics and delivery plan in a manner that restricts or delays our access to handsets; or
- there is an adverse development in the relationship between Sprint and its suppliers or vendors.

The occurrence of any of the foregoing could disrupt our subscriber service and/or result in a decrease in subscribers, which could adversely affect our results of operations.

***If Sprint does not complete the construction of its nationwide PCS network, we may not be able to attract and retain subscribers.***

Sprint currently intends to cover a significant portion of the population of the United States, Puerto Rico and the U.S. Virgin Islands by creating a nationwide PCS network through its own construction efforts and those of its network partners. Sprint is still constructing its nationwide network and does not offer PCS services, either on its own network or through its roaming agreements, in every city in the United States. Sprint has entered into management agreements similar to ours with companies in other markets under its nationwide PCS build-out strategy. Our results of operations are dependent on Sprint s national network and, to a lesser extent, on the networks of Sprint s other network partners. Sprint s PCS network may not provide nationwide coverage to the same extent as its competitors, which could adversely affect our ability to attract and retain subscribers.

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***If other Sprint network partners have financial difficulties, the Sprint PCS network could be disrupted.***

Sprint s national network is a combination of networks. The large metropolitan areas are owned and operated by Sprint, and the areas in between them are owned and operated by Sprint network partners. We believe that most, if not all, of these companies have incurred substantial debt to pay the large cost of building out their networks.

If other network partners experience financial difficulties, Sprint s PCS network could be disrupted. If Sprint s agreements with those network partners were like ours, Sprint would have the right to step in and operate the network in the affected territory, subject to the rights of their lenders. In such event, there can be no assurance that Sprint could transition in a timely and seamless manner or that lenders would permit Sprint to do so.

***If Sprint does not succeed, our business may not succeed.***

If Sprint has a significant disruption to its business plan or network, fails to operate its business in an efficient manner, or suffers a weakening of its brand name, our operations and profitability would likely be negatively impacted.

If Sprint were to file for bankruptcy, Sprint may be able to reject its agreements with us under Section 365 of the Bankruptcy Code. The agreements provide us remedies, including purchase and put rights, though we cannot predict if or to what extent our remedies would be enforceable.

***Non-renewal or revocation by the FCC of Sprint s PCS licenses would significantly harm our business.***

PCS licenses are subject to renewal and revocation by the FCC. Sprint licenses in our territories will begin to expire in 2007 but may be renewed for additional ten-year terms. There may be opposition to renewal of Sprint s PCS licenses upon their expiration, and Sprint s PCS licenses may not be renewed. The FCC has adopted specific standards to apply to PCS license renewals. Any failure by Sprint or us to comply with these standards could cause revocation or forfeiture of Sprint s PCS licenses for our territories. If Sprint loses any of its licenses in our territory, we would be severely restricted in our ability to conduct business.

***If Sprint does not maintain control over its licensed spectrum, the Sprint agreements may be terminated, which would result in our inability to provide service.***

The FCC requires that licensees like Sprint maintain control of their licensed spectrum and not delegate control to third-party operators or managers. Although the Sprint agreements with us reflect an arrangement that the parties believe meets the FCC requirements for licensee control of licensed spectrum, we cannot assure you that the FCC will agree. If the FCC were to determine that the Sprint agreements need to be modified to increase the level of licensee control, we have agreed with Sprint to use our best efforts to modify the Sprint agreements to comply with applicable law. If we cannot agree with Sprint to modify the Sprint agreements, they may be terminated. If the Sprint agreements are terminated, we would no longer be a part of the Sprint PCS network and would be severely restricted in our ability to conduct business. Any required modifications could also have a material adverse effect on our business, financial condition and liquidity.

***If we lose our right to use the Sprint brand and logo under its trademark and service mark license agreements, we would lose the advantages associated with marketing efforts conducted by Sprint.***

The Sprint brand and logo are highly recognizable. If we lose the rights to use this brand and logo or the value of the brand and logo decreases, customers may not recognize our brand readily and we may have to spend significantly more money on advertising to create brand recognition.

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**Risks Particular to Our Industry**

***Significant competition in the wireless communications services industry may result in our competitors offering new or better products and services or lower prices, which could prevent us from operating profitably.***

Competition in the wireless communications industry is intense. According to information it has filed with the SEC, Sprint believes that the traditional dividing lines between long distance, local, wireless, and Internet services are increasingly becoming blurred. Through mergers and various service integration strategies, major providers, including Sprint, are striving to provide integrated solutions both within and across all geographical markets. We do not currently offer services other than wireless services and may not be able to effectively compete against competitors with integrated solutions. Further, the provision of integrated offerings may increase Sprint s control over our business.

Competition has caused, and we anticipate that competition will continue to cause, the market prices for two-way wireless products and services to decline in the future. Our ability to compete will depend, in part, on our ability to anticipate and respond to various competitive factors affecting the telecommunications industry. Our dependence on Sprint to develop competitive products and services and the requirement that we obtain Sprint s consent to sell local pricing plans and non-Sprint approved equipment may limit our ability to keep pace with competitors on the introduction of new products, services and equipment. Many of our competitors are larger than us, possess greater financial and technical resources and may market other services, such as landline telephone service, cable television and Internet access, with their wireless communications services. Some of our competitors also have well-established infrastructures, marketing programs and brand names. In addition, some of our competitors may be able to offer regional coverage in areas not served by the Sprint PCS network or, because of their calling volumes or relationships with other wireless providers, may be able to offer regional roaming rates that are lower than those we offer. Additionally, we expect that existing cellular providers will continue to upgrade their systems to provide digital wireless communication services competitive with Sprint. Our success, therefore, is, to a large extent, dependent on Sprint s ability to distinguish itself from competitors by marketing and anticipating and responding to various competitive factors affecting the wireless industry, including new services that may be introduced, changes in consumer preferences, demographic trends, economic conditions and discount pricing strategies by competitors. To the extent that Sprint is not able to keep pace with technological advances or fails to respond timely to changes in competitive factors in the wireless industry, it could cause us to lose market share or experience a decline in revenue.

There has been a recent trend in the wireless communications industry towards consolidation of wireless service providers through joint ventures, reorganizations and acquisitions. We expect this consolidation to lead to larger competitors over time. We may be unable to compete successfully with larger companies that have substantially greater resources or that offer more services than we do. In addition, we may be at a competitive disadvantage since we may be more highly leveraged than many of our competitors.

***If the demand for wireless data services does not grow, or if we or Sprint fail to capitalize on such demand, it could have an adverse effect on our growth potential.***

Sprint and its network partners, including AirGate, have committed significant resources to wireless data services and our business plan assumes increasing uptake in such services. That demand may not materialize. Even if such demand does develop, our ability to deploy and deliver wireless data services relies, in many instances, on new and unproven technology. Existing technology may not perform as expected. We may not be able to obtain new technology to effectively and economically deliver these services. The success of wireless data services is substantially dependent on the ability of Sprint and others to develop applications for wireless data devices and to develop and manufacture devices that support wireless applications. These applications or devices may not be developed or developed in sufficient quantities to support the deployment of wireless data services. These services may not be widely introduced and fully implemented at all or in a timely fashion. These services may not be successful when they are in

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place, and customers may not purchase the services offered. Consumer needs for wireless data services may be met by technologies such as 802.11, known as wi-fi, which does not rely on FCC regulated spectrum. The lack of standardization across wireless data handsets may contribute to customer confusion, which could slow acceptance of wireless data services, or increase customer care costs. Either could adversely affect our ability to provide these services profitably. If these services are not successful or costs associated with implementation and completion of the rollout of these services materially exceed our current estimates, our financial condition and prospects cold be materially adversely affected.

***Market saturation could limit or decrease our rate of new subscriber additions.***

Intense competition in the wireless communications industry could cause prices for wireless products and services to continue to decline. If prices drop, then our rate of net subscriber additions will take on greater significance in improving our financial condition and results of operations. However, as our and our competitor s penetration rates in our markets increase over time, our rate of adding net subscribers could continue to decrease. If this decrease were to continue, it could materially adversely affect our liquidity, financial condition and results of operations.

***Alternative technologies and current uncertainties in the wireless market may reduce demand for PCS.***

The wireless communications industry is experiencing significant technological change, as evidenced by the increasing pace of digital upgrades in existing analog wireless systems, evolving industry standards, ongoing improvements in the capacity and quality of digital technology, shorter development cycles for new products and enhancements and changes in end-user requirements and preferences. Technological advances and industry changes could cause the technology used on our network to become obsolete. We rely on Sprint for research and development efforts with respect to the products and services of Sprint and with respect to the technology used on our network. Sprint may not be able to respond to such changes and implement new technology on a timely basis, or at an acceptable cost.

If Sprint is unable to keep pace with these technological changes or changes in the wireless communications market based on the effects of consolidation from the Telecommunications Act of 1996 or from the uncertainty of future government regulation, the technology used on our network or our business strategy may become obsolete.

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

Our subscriber base is primarily individual consumers and our accounts receivable represent unsecured credit. We believe the economic downturn has had an adverse affect on our operations. In the event that the economic downturn that the United States and our territories have recently experienced becomes more pronounced or lasts longer than currently expected and spending by individual consumers drops significantly, our business may be further negatively affected.

If Sprint s current suppliers cannot meet their commitments, Sprint would have to use different vendors and this could result in delays, interruptions, or additional expenses associated with the upgrade and expansion of Sprint s networks and the offering of its products and services.

***Regulation by government and taxing agencies may increase our costs of providing service or require us to change our services, either of which could impair our financial performance.***

Our operations and those of Sprint may be subject to varying degrees of regulation by the FCC, the Federal Trade Commission, the Federal Aviation Administration, the Environmental Protection Agency, the Occupational Safety and Health Administration and state and local regulatory agencies and legislative bodies. Adverse decisions or regulation of these regulatory bodies could negatively impact our operations and our costs of doing business. For example, changes in tax laws or the interpretation of existing tax laws by state and local authorities could subject us to increased income, sales, gross receipts or other tax costs or require us to alter the structure of our current relationship with Sprint.

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***Use of hand-held phones may pose health risks, which could result in the reduced use of wireless services or liability for personal injury claims.***

Media reports have suggested that certain radio frequency emissions from wireless handsets may be linked to various health problems, including cancer, and may interfere with various electronic medical devices, including hearing aids and pacemakers. Concerns over radio frequency emissions may discourage use of wireless handsets or expose us to potential litigation. Any resulting decrease in demand for wireless services, or costs of litigation and damage awards, could impair our ability to achieve and sustain profitability.

***Regulation by government or potential litigation relating to the use of wireless phones while driving could adversely affect our results of operations.***

Some studies have indicated that some aspects of using wireless phones while driving may impair drivers attention in certain circumstances, making accidents more likely. These concerns could lead to litigation relating to accidents, deaths or serious bodily injuries, or to new restrictions or regulations on wireless phone use, any of which also could have material adverse effects on our results of operations. A number of U.S. states and local governments are considering or have recently enacted legislation that would restrict or prohibit the use of a wireless handset while driving a vehicle or, alternatively, require the use of a hands-free telephone. Legislation of this sort, if enacted, would require wireless service providers to provide hands-free enhanced services, such as voice activated dialing and hands-free speaker phones and headsets, so that they can keep generating revenue from their subscribers, who make many of their calls while on the road. If we are unable to provide hands-free services and products to subscribers in a timely and adequate fashion, the volume of wireless phone usage would likely decrease, and our ability to generate revenues would suffer.

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

We may incur costs associated with the unauthorized use of the PCS network of Sprint, including administrative and capital costs associated with detecting, monitoring and reducing the incidence of fraud. Fraudulent use of the PCS network of Sprint may impact interconnection costs, capacity costs, administrative costs, fraud prevention costs and payments to other carriers for fraudulent roaming.

***Equipment failure and natural disasters or terrorist acts may adversely affect our operations.***

A major equipment failure or a natural disaster or terrorist act that affects our mobile telephone switching offices, microwave links, third-party owned local and long distance networks on which we rely, our cell sites or other equipment or the networks of other providers on which subscribers roam, could have a material adverse effect on our operations. While we have insurance coverage for some of these events, our inability to operate our wireless system even for a limited time period may result in a loss of subscribers or impair our ability to attract new subscribers, which would have a material adverse effect on our business, results of operations and financial condition.

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## THE RESTRUCTURING

### Background

Since the beginning of 2002, like others in the wireless communications industry, we have been challenged by a weaker operating environment and experienced significant declines in per share equity prices. Our business has been and continues to be affected by these market conditions. Due to our dependence on Sprint and the control Sprint exercises over our business, we are also confronted with additional factors that have had a negative impact on our operations.

These factors have severely limited our ability to raise new capital and led us to revise our business plans to reflect this less-favorable operating environment. In the quarter ended December 31, 2002, we began a series of cost cutting measures designed to reduce operating expenses in order to improve our financial position. We began implementing these measures in December 2002 and continued to examine and implement changes to reduce operating costs through April 2003. As of the quarter ended December 31, 2002, we had less than $1.0 million in cash and cash equivalents.

In February 2003 we engaged Broadview International, LLC and Masson & Co. (collectively, the financial advisors ), investment banking firms, as our financial advisors to assess our business plan and, if needed, to assist us in exploring restructuring alternatives.

Beginning in March 2003, with the assistance of the financial advisors, we assessed the operating position and outlook of AirGate from a comparative financial and operational perspective. We initiated an in-depth financial and business analysis to identify the best restructuring alternatives for AirGate based on a review of the wireless industry and our particular competitive dynamics within the industry. During the period from February through May 2003, some or all of the members of our board of directors met both formally and informally on at least five occasions to discuss the progress of management s review of these alternatives as well as supporting financial analysis prepared by management with the assistance of the financial advisors.

In the period between February and June 2003, our business began to improve over recent prior quarters. For the quarters ending March 31 and June 30, 2003, AirGate had aggregate EBITDA of $29.4 million. AirGate s cash position improved from $0.9 million as of December 31, 2002 to $30.8 million as of June 30, 2003. We concluded that our sources of capital would be sufficient to cover our estimated funding needs through the end of 2004 and that we would be in compliance with covenants under our credit facility. Longer term, our board of directors and management were concerned that continued deterioration in the wireless industry and risks in our relationship with Sprint caused greater uncertainty about our ability to meet all of our working capital needs in 2005 and beyond due in part to the cash interest payments required on the old notes beginning in April 2005.

On April 29, 2003, our board of directors met to discuss restructuring alternatives with management and the financial advisors. The board of directors was presented with a detailed summary of the analysis that management had conducted over the prior months with the assistance of the financial advisors. Our board of directors concluded, after consulting with the financial advisors, that a restructuring of our debt obligations involving the conversion of our old notes into a new debt instrument with a reduced interest rate and lower face amount combined with newly issued equity of AirGate was likely to provide the best alternative for us to reduce debt and create a stable capital structure to support our business plan. This alternative was selected because of the benefit to us and probability of completion relative to other alternatives.

Our board of directors also considered raising additional funds from a third party investor through the issuance of additional equity or debt and authorized management, with the assistance of the financial advisors, to simultaneously explore a restructuring of our debt obligations and begin contacting financial and strategic investors regarding their interest in investing in us.

The financial advisors contacted approximately 17 potential new investors regarding an investment in AirGate. Investors who expressed an interest signed confidentiality agreements, received material describing our business and were invited to conduct due diligence and participate in management discussions. Our board of directors met in June and July with management and the financial advisors to review the discussions with investors that had expressed potential interest in AirGate. Although we received initial proposals from two interested parties, our board of directors concluded that these proposals were inadequate to meet our objectives for restructuring.

During this period, we also explored the feasibility of a restructuring by initiating a discussion with the administrative agent for our credit facility. We also began simultaneous discussions with the two largest holders of our old notes. During the month of July 2003, we proposed a term sheet to the administrative agent for our credit facility with modifications to our credit facility that would enable a restructuring of our old notes and provide us greater flexibility to achieve our business plan. We negotiated a term sheet proposal with the administrative agent and after general agreement on the terms, presented the negotiated proposal to our lenders. We reached agreement with over 51% of the lenders under the credit facility on August 29, 2003 regarding an amendment to our credit facility that would become effective upon, among other things, the completion of the exchange offer.

In late August 2003, we presented a term sheet proposal for restructuring the old notes to holders who held approximately 40% of the old notes. Both parties indicated willingness to proceed with further discussions and we began an in-depth negotiation process. The group participating in the negotiations expanded in September 2003 to include holders of approximately 16% of additional old notes. The major subject of the negotiations was the face amount of new notes to be issued by us and its associated interest rate and the amount of our common stock to be issued to holders of the old notes in the exchange offer. These negotiations concluded with a proposal to exchange our outstanding old notes for 56% of our common stock and $160 million in aggregate principal amount of new notes.

During the month of September 2003, we contacted additional noteholders to explore their willingness to discuss participating in the exchange offer. We reached agreement with approximately 67% of our noteholders on September 23, 2003 and entered into the support agreement with these note holders in which they agreed to tender, subject to the conditions set forth therein, their old notes into the exchange offer. Our board of directors reviewed and approved the proposed exchange offer and supporting documentation on September 16, 22 and 23 and we publicly announced the exchange offer on September 24, 2003.

**Description of Support Agreement**

We entered into a support agreement, dated as of September 24, 2003, with certain of our noteholders, representing approximately 67% of the outstanding old notes, pursuant to which we agreed to use our commercially reasonable best efforts to complete, and the noteholders agreed to support and vote in favor of, subject to the terms and conditions of the support agreement, the restructuring as contemplated by the recapitalization plan. In addition, we and the noteholders agreed that we may seek confirmation of the prepackaged plan if we have received the required acceptances of the plan and any of the conditions to the exchange offer are not satisfied or waived. The form of the support agreement is attached hereto as Annex A.

Pursuant to the support agreement, and in connection with and conditioned upon the successful consummation of the restructuring:

- the holders of approximately 67% in aggregate principal amount at maturity of our old notes agreed to tender their old notes in the exchange offer (and thereby deliver a consent to the proposed amendments, release and waivers and accept the prepackaged plan);

- each of the noteholders that is a party to the support agreement agreed, among other matters, (1) to tender its old notes in the exchange offer; (2) to vote to accept the prepackaged plan; (3) to grant its consent to the proposed amendments to the old notes indenture; and (4) to vote to reject any plan of reorganization of AirGate that does not contain the terms of the restructuring substantially as set forth in the support agreement; and we agreed, among other matters, not to waive the minimum tender condition without the written consent of our board of directors and a majority of the noteholders that are a party to the support agreement.

***Conditions***

The noteholders obligations under the support agreement are subject to satisfaction of the following conditions:

the preparation of documentation, in form and substance approved by the noteholders, necessary to implement the exchange offer and the transactions contemplated by the support agreement, including, without limitation, (i) offering materials, (ii) indentures and agreements relating to the common stock and new notes to be issued in the exchange offer, and (iii) the prepackaged plan and any related documents;

the amendment to our credit facility has become effective in a form substantially similar to that previously reviewed by counsel to the noteholders, and shall be further amended in a form reasonably acceptable to a majority of the noteholders that are a party to the support agreement;

the offering documents not containing any misstatement of a material fact or omitting to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they are made, not misleading;

since June 30, 2003, there has not been any material adverse change (as defined in the support agreement);

we have received all material third party consents and approvals contemplated by the support agreement or otherwise required to consummate the contemplated transactions; and

there has been no breach of the covenants set forth in the support agreement.

***Covenants***

In addition, we have agreed that:

we will not, unless otherwise permitted, conduct our business other than in the ordinary course;

we will not, except as may be required by our contractual obligations, issue or agree to issue any securities, make any distributions to our stockholders, or incur any indebtedness other than as described in the offering documents; and

we will pay all reasonable costs and expenses incurred by the noteholders counsel.

***Effective Date***

The effective date of our acceptance of any old notes tendered by the noteholders that are a party to the support agreement is subject to (1) the satisfaction of all of the conditions, (2) there being no material breach of the covenants, (3) the tender in the exchange offer of 98% in outstanding principal amount of the old notes, and (4) there being no material adverse change. The noteholders that are a party to the support agreement may waive any of the foregoing requirements.

The effective date of the prepackaged plan is subject to (1) the satisfaction of all of the conditions, (2) there being no material breach of the covenants, (3) there being no material adverse change, except to the extent such a change results from us filing the prepackaged plan, and (4) court approval of the necessary documents, which have not been materially changed. The noteholders that are a party to the support agreement may waive any of the foregoing requirements.

***Termination***

Unless the restructuring has been completed, the support agreement, and the obligations of the parties to the support agreement, will terminate upon the earliest to occur of:

the termination or expiration of the exchange offer;

an order of a court or other governmental or regulatory authority that makes the exchange offer illegal or otherwise restricts, prevents or prohibits the exchange offer or the prepackaged plan in a way that cannot be reasonably remedied by us;

a material breach by us of our obligations under the support agreement;

the lenders for the credit facility having accelerated any amounts owed thereunder;

December 31, 2003, if by then neither the exchange offer has been completed nor the prepackaged plan has been filed with the bankruptcy court;

February 15, 2004;

our failure to correct a material misstatement within 10 business days of receiving notice of it;

a material alteration by us of the terms of the restructuring that was not permitted under the terms of the support agreement;

written notice from us of our intention to terminate the support agreement;

the prepackaged plan proceeding being dismissed or converted to a case under Chapter 7 of the Bankruptcy Code or a trustee being appointed in the prepackaged plan proceeding; and

the occurrence of specified events that constitute a material adverse change.

The foregoing is a summary of the material terms of the support agreement. It does not describe all the terms of the support agreement and is qualified by reference to the complete support agreement that we have filed with the Securities and Exchange Commission. We urge you to read the support agreement in its entirety.

**Opinion of Broadview International, LLC**

Broadview rendered its opinion to the AirGate board of directors that, as of September 23, 2003, and based upon and subject to the factors and assumptions discussed in its opinion, the Exchange Offer is fair, from a financial point of view, to the current holders of AirGate common stock.

The full text of the written opinion of Broadview, dated September 23, 2003, which includes the assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached to this prospectus and solicitation statement as Annex B and is incorporated in this proxy statement by reference. Shareowners should read the opinion in its entirety. Broadview provided its opinion for the information and assistances of the AirGate board of directors in connection with its consideration of the transaction contemplated by the support agreement. Broadview s opinion is not a recommendation of how any holder of AirGate common stock should vote with respect to the exchange offer.

In connection with rendering the opinion and performing its related financial analyses, Broadview reviewed, among other things:

the amendment to AirGate s credit facility;

a draft of the support agreement, dated September 23, 2003;

a draft of AirGate s prospectus and solicitation statement, dated September 23, 2003;

AirGate s annual report on Form 10-K for the fiscal year ended September 30, 2002;

- AirGate s quarterly reports on Form 10-Q for the periods ended December 31, 2002, March 31, 2003 and June 30, 2003;
- unaudited financial statements for the one-month period ended July 31, 2003, prepared and furnished to Broadview by AirGate management; and
- certain internal financial and operating information for AirGate, including financial projections through September 30, 2008, prepared and furnished to Broadview by AirGate management, which financial projections include two scenarios, one in which the restructuring is not consummated and one in which the restructuring is consummated.

Broadview also held discussions with members of senior management of AirGate regarding their assessment of the strategic rationale for, and the potential benefits of, the exchange offer and the past and current business operations, financial condition and future prospects of the AirGate on a standalone and an a restructured basis. In addition, Broadview:

- reviewed the recent reported closing prices and trading activity for AirGate s common stock;
- reviewed the recent trading activity for the old notes;
- reviewed the recent trading activity for AirGate senior secured debt;
- reviewed and discussed with AirGate management recently announced restructuring transactions, involving other companies Broadview deemed comparable;
- compared certain aspects of the financial performance of AirGate with public companies Broadview deemed comparable;
- compared certain terms of the proposed new notes with those terms of debt for other public companies Broadview deemed comparable;
- reviewed a liquidation analysis prepared by AirGate management; and
- conducted other financial studies, analyses and investigations as Broadview deemed appropriate for the purposes of their opinion.

In rendering its opinion, Broadview relied, without independent verification, on the accuracy and completeness of all the financial and other information (including without limitation the representations and warranties contained in the amended credit facility and support agreement) that was publicly available or furnished to Broadview by AirGate or its advisors. Broadview assumed that the financial projections that were provided to Broadview by AirGate management were reasonably prepared and reflected the best available estimates and good faith judgments of the management of AirGate, as to the future performance of AirGate. Broadview also assumed that the liquidation analysis that was prepared by AirGate management was reasonably prepared and reflected the best available estimate and good faith judgment of AirGate management as to the amount that would be available for distribution to creditors and the amount that would be available for distribution to current shareholders in a liquidation. Broadview neither made nor obtained an independent valuation of AirGate s assets. In addition, Broadview relied upon the representations of management and assumed, without independent verification, that there has been no material change in the assets, financial condition, business or prospects of AirGate and its subsidiaries since the date of the most recent financial statements made available to Broadview.

In rendering its opinion, Broadview considered that on February 23, 2003 AirGate s wholly owned subsidiary, iPCS, Inc., and its subsidiaries filed a Chapter 11 bankruptcy petition. For the purpose of rendering its opinion, Broadview, with the permission of management, ascribed no value to the equity of iPCS, Inc. held by AirGate.

Broadview relied on the advice of counsel to AirGate and AirGate management as to all legal, tax and financial reporting matters with respect to it and the restructuring. In rendering its opinion, Broadview considered the financial and liquidity issues facing AirGate if it does not consummate the restructuring. In this regard, Broadview assumed, based on financial estimates received from AirGate management, that if

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the restructuring is not consummated, AirGate could cease to be in compliance with its covenants under its existing credit agreement during the fiscal year ended September 30, 2005 and could face significant liquidity issues at such time.

Broadview s opinion expresses no opinion as to the price at which the common stock or debt securities of AirGate will trade at any time or as to the effect of the restructuring on the trading price of the common stock. Broadview s opinion is necessarily based upon market, economic, financial and other conditions as they exist and can be evaluated as of the date of this opinion, and any change in such conditions would require a reevaluation of this opinion.

Broadview s opinion speaks only as of the date rendered. It is understood that the opinion is for the information of the Board of Directors in connection with its consideration of the exchange offer and does not constitute a recommendation to AirGate as to whether it should pursue any component of the restructuring, including the exchange offer, nor does it constitute a recommendation to any holder of the common stock as to how such holder should vote on any component of the restructuring.

Broadview expressed no opinion as to the merits of any alternative transaction to the restructuring, including without limitation, any potential alternative third party transaction or a liquidation of AirGate, or as to whether any such alternative transaction might produce value to AirGate s current shareholders in an amount in excess of that contemplated by the restructuring. In addition, Broadview s opinion addresses only the fairness, from a financial point of view, to the current holders of common stock, of the exchange offer, and Broadview did not express any opinion as to any other component of the restructuring. Broadview s opinion also does not address or take into account any contemplated issuance of shares or grant of options to AirGate management in connection with or following the restructuring. Broadview s opinion does not address AirGate s capital structure, ability to satisfy its obligations, ability to access the capital markets for future financing requirements, or solvency, in each case at any time, including currently and following the consummation of the restructuring. Broadview s opinion also does not address AirGate s underlying business decision to enter into the restructuring.

The following is a summary explanation of the various sources of information, valuation methodologies and transaction analyses employed by Broadview in evaluating the fairness of the exchange offer from a financial point of view to existing holders of AirGate common stock. The analyses performed to evaluate the fairness of the exchange offer are based on, among other things, a Status Quo ( Status Quo ) scenario, in which AirGate does not consummate the restructuring and exchange offer and a Pro Forma ( Pro Forma ) scenario, in which AirGate does consummate the restructuring and exchange offer, assuming a 100% acceptance rate, per the terms and conditions outlined in AirGate s draft registration statement provided to Broadview on September 23, 2003.

Broadview employed analyses based on: (1) historical stock price performance; (2) public company comparables; (3) discounted cash flows; (4) proceeds to be received in a liquidation; (5) financial performance versus required covenants; (6) expected dilution to existing shareholders following the exchange offer; (7) avoided cash interest and principal repayments; (8) public debt comparables; and (9) the implied premium to AirGate s share price.

***Public Market Pricing***

Broadview considered the recent public market price of AirGate s common stock at various points in time as one indicator to derive the current market value of AirGate. Broadview calculated the aggregate market value of AirGate s equity by multiplying AirGate s closing stock price on September 22, 2003 by its shares outstanding on a fully diluted basis as of September 20, 2003, which was 25,939,836 (which Broadview understood not to be materially different than AirGate s shares outstanding as of the date of its opinion). Based upon a closing stock price of $2.85, the resulting market value of equity, as calculated by Broadview, totaled $73.9 million as of September 22, 2003.

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***Pre-Transaction Valuation Analyses (the Status Quo Equity Value )***

To determine the estimated equity value of AirGate before taking the exchange offer into consideration, Broadview also used the following methodologies: (1) a public company comparables approach; and (2) a discounted cash flow analysis. Broadview also considered the liquidation analysis provided to Broadview by AirGate management that assumes an orderly, yet expedited sale, such as an auction or other similar-type sale, of the assets of AirGate. The analyses required studies of the overall market, economic and industry conditions in which AirGate operates and the historical operating results of AirGate.

*Public Company Comparables Analysis.* Ratios of AirGate s Equity Market Capitalization, adjusted for cash and debt when appropriate, to selected historical and projected operating metrics indicate the value public equity markets place on companies in a particular market segment. Broadview reviewed five public company comparables in the wireless service provider market with a Debt/ Equity ratio greater than 2.5x (debt-to-equity defined as the book value of debt less cash and cash equivalents divided by the market value of equity) from a financial point of view including each company s:

Trailing Twelve Month ( TTM ) Service Revenues;

TTM Service Revenues growth rate versus the prior twelve months; Projected Calendar Year ( CY ) 2003 Service Revenues;

Projected CY 2004 Service Revenues; TTM EBITDA (EBITDA meaning Earnings Before Interest Taxes Depreciation and Amortization) divided by TTM Service Revenues ( EBITDA Margin );

TTM EBITDA;

Last Quarter Annualized EBITDA ( LQA defined as the last quarter multiplied by four);

Projected CY 2003 EBITDA; Projected CY 2004 EBITDA;

Number of Subscribers; Number of Covered POPs (defined as the total population in the markets served);

Equity Market Capitalization ( EMC );

Cash and Equivalents ( Cash );

Total Debt;

Net Debt (defined as Total Debt minus Cash);

Total Market Capitalization ( TMC defined as EMC plus Net Debt);

TMC/ TTM Service Revenues ratio;

TMC/ Projected CY 2003 Service Revenues ratio;

TMC/ Projected CY 2004 Service Revenues ratio;

TMC/ TTM EBITDA ratio;

TMC/ LQA EBITDA ratio;

TMC/ Projected CY 2003 EBITDA ratio;

TMC/ Projected CY 2004 EBITDA ratio;

TMC/ Number of Subscribers ratio ( TMC/ Subscribers ); and

Debt/ Equity ratio (defined as Net Debt divided by EMC)

In order of ascending Debt/ Equity, the public company comparables consist of:

Sprint PCS;

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Triton PCS Holdings;

Centennial Communications Corp.;

US Unwired, Inc.; and

Rural Cellular Corporation.

These comparables exhibit the following median multiples and ranges for the applicable multiples:

| | Median Multiple | Range of Multiples |
|---|---|---|
| TMC/ TTM Service Revenues | 2.4x | 1.6x - 4.2x |
| TMC/ Projected CY 2003 Service Revenues | 2.1x | 1.4x - 2.3x |
| TMC/ Projected CY 2004 Service Revenues | 2.0x | 2.0x - 2.1x |
| TMC/ TTM EBITDA | 8.6x | 7.2x - NM |
| TMC/ LQA EBITDA | 7.8x | 6.5x - 13.0x |
| TMC/ Projected CY 2003 EBITDA | 7.9x | 6.9x - NM |
| TMC/ Projected CY 2004 EBITDA | 6.4x | 6.3x - 8.0x |
| TMC/ Subscribers | $1,947 | $1,425 - $2,563 |

These comparables imply the following values and ranges for implied value:

| | Median Implied Equity Value per Share | Range of Implied Equity Value per Share |
|---|---|---|
| TMC/TTM Service Revenues | $14.91 | $4.98 - $37.05 |
| TMC/Projected CY 2003 Service Revenues | $11.35 | $3.47 - $13.46 |
| TMC/Projected CY 2004 Service Revenues | $12.27 | $11.53 - $13.00 |
| TMC/TTM EBITDA | NEG(1) | $(6.06) - NM |
| TMC/LQA EBITDA | $ 2.96 | $0.11 - $14.41 |
| TMC/Projected CY 2003 EBITDA | $ 2.14 | $0.02 - NM |
| TMC/Projected CY 2004 EBITDA | NEG(1) | $(0.72) - $2.84 |
| TMC/Subscribers | $13.20 | $5.87 - $21.86 |

(1) NEG indicates negative value.

The public company comparables were selected from the *Broadview Barometer,* a proprietary database of publicly traded information technology ( IT ), communications and media companies maintained by Broadview and broken down by industry segment.

*Discounted Cash Flow Analysis.* Broadview examined the Status Quo Equity Value of AirGate based on projected free cash flow estimates for the company derived from projections provided by management. The free cash flow estimates were generated from financial projections from December 31, 2003 through September 30, 2008, which were prepared by management

Assuming a range of terminal value EBITDA multiples from 6.0x to 10.0x, and a range of discount rates of 10.8% to 19.8%, Broadview calculated implied total Status Quo Equity Values for the Company ranging from ($1.52) to $8.52 price per share with a $1.24 price per share assuming a terminal EBITDA multiple of 7.0x and discount rate of 15.8%. Broadview determined the discount rate based on an analysis of the weighted average cost of capital of selected public companies in the wireless service provider industry, making adjustments they deemed appropriate in light of AirGate s capital structure, and determined terminal EBITDA multiples based on trading multiples of those companies.

*Liquidation Analysis.* AirGate management provided Broadview with a liquidation analysis that assumes an orderly, yet expedited sale, such as an auction or other similar-type sale of the assets of AirGate occurring over a period of six months starting June 30, 2003. The computations were based on

AirGate s estimated balance sheet information as of June 30, 2003. The analysis assumes that all operating entities cease to operate as a going concern and the network is shut down. It is assumed that all leased facilities are closed and surrendered to the landlords and that the machinery and equipment will be removed from these locations and sold by a professional liquidator.

The liquidation analysis was based upon a number of estimates and assumptions that are inherently subject to significant uncertainties and contingencies, many of which would be beyond the control of AirGate. Therefore, there can be no assurance that the assumptions and estimates employed in analyzing the liquidation values of the AirGate s assets will result in an accurate estimate of the proceeds that would be realized were the company to undergo an actual liquidation. The liquidation analysis does not purport to be a valuation of AirGate s assets and is not necessarily indicative of the values that may be realized in an actual liquidation that could, therefore, vary materially from the estimates provided above.

The liquidation analysis yielded estimated liquidation proceeds available for distribution of $64.1 million to $135.3 million. As of June 30, 2003, the Company had liabilities in excess of $641.4 million.

***Post-Transaction Valuation Analyses (the Pro Forma Equity Value )***

To determine the estimated Pro Forma Equity Value of AirGate after taking the exchange offer into consideration, Broadview primarily used the following methodologies: (1) a public company comparables multiple approach; and (2) a discounted cash flow analysis. The analyses required studies of the overall market, economic and industry conditions in which AirGate operates and the historical operating results of AirGate.

*Public Company Comparables Analysis.* Broadview reviewed eight public company comparables in the wireless service provider market with a Debt/ Equity ratio less than 2.5x from a financial point of view including each company s:

TTM Service Revenues;

TTM Service Revenues growth rate versus the prior twelve months;

Projected CY 2003 Service Revenues;

Projected CY 2004 Service Revenues;

TTM EBITDA Margin;

TTM EBITDA;

LQA EBITDA;

Projected CY 2003 EBITDA;

Projected CY 2004 EBITDA;

Number of Subscribers;

Number of Covered POPs;

EMC;

Cash;

Total Debt;

Net Debt;

TMC;

TMC/TTM Service Revenues ratio;

TMC/ Projected CY 2003 Service Revenues ratio;

- TMC/ Projected CY 2004 Service Revenues ratio;
- TMC/ TTM EBITDA ratio;
- TMC/ LQA EBITDA ratio;
- TMC/ Projected CY 2003 EBITDA ratio;
- TMC/ Projected CY 2004 EBITDA ratio;
- TMC/ Subscribers; and
- Debt/ Equity ratio.

In order of ascending Debt/ Equity, the public company comparables consist of:

- US Cellular Corporation;
- Nextel Communications, Inc.;
- AT&T Wireless, Inc.;
- Nextel Partners;
- Western Wireless Corp.;
- Alamosa Holdings, Inc.;
- Dobson Communications; and
- UbiquiTel, Inc.

These comparables exhibit the following median multiples and ranges for the applicable multiples:

| | **Median Multiple** | **Range of Multiples** |
|---|---|---|
| TMC/TTM Service Revenues | 3.0x | 1.6x - 4.4x |
| TMC/Projected CY 2003 Service Revenues | 2.5x | 1.6x - 3.8x |
| TMC/Projected CY 2004 Service Revenues | 2.7x | 1.5x - 3.5x |
| TMC/TTM EBITDA | 8.9x | 6.2x - NM |
| TMC/LQA EBITDA | 8.1x | 5.6x - 25.3x |
| TMC/Projected CY 2003 EBITDA | 8.3x | 5.8x - 22.3x |
| TMC/Projected CY 2004 EBITDA | 7.5x | 5.2x - 11.4x |
| TMC/Subscribers | $2,214 | $837 - $3,317 |

These comparables imply the following values and ranges for implied value:

| | **Median Implied Equity Value per Share** | **Range of Implied Equity Value per Share** |
|---|---|---|

| | | |
|---|---|---|
| TMC/TTM Service Revenues | $11.32 | $3.90 - $19.24 |
| TMC/Projected CY 2003 Service Revenues | $ 8.64 | $4.24 - $15.80 |
| TMC/Projected CY 2004 Service Revenues | $10.59 | $4.19 - $15.10 |
| TMC/TTM EBITDA | NEG(1) | $(1.57) - NM |
| TMC/LQA EBITDA | $ 3.25 | $0.86 - $19.91 |
| TMC/Projected CY 2003 EBITDA | $ 2.93 | $0.67 - $15.57 |
| TMC/Projected CY 2004 EBITDA | $ 2.40 | $0.23 - $6.02 |
| TMC/Subscribers | $ 9.09 | $0.57 - $15.90 |

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(1) NEG indicates negative value.

The public company comparables were selected from the *Broadview Barometer,* a proprietary database of publicly traded information technology, communications and media companies maintained by Broadview and broken down by industry segment.

*Discounted Cash Flow Analysis.* Broadview examined the Pro Forma Equity Value of AirGate based on projected free cash flow estimates for the company derived from projections provided by management. The free cash flow estimates were generated from financial projections from December 31, 2003 through September 30, 2008, which were prepared by management.

Assuming a range of terminal value EBITDA multiples from 6.0x to 10.0x, and a range of discount rates of 10.4% to 20.0% Broadview calculated implied total Pro Forma Equity Values for AirGate ranging from $0.55 to $5.13 price per share with a $2.98 price per share assuming a terminal EBITDA multiple of 7.0x and a discount rate of 10.4%. Broadview determined the discount rate based on an analysis of the weighted average cost of capital of selected public companies in the wireless service provider industry and determined terminal EBITDA multiples based on the trading multiples of the companies.

***Covenant Analysis***

Using financial estimates for AirGate as provided by management, Broadview analyzed AirGate s ability to comply with the financial covenants contained in its existing credit agreement, dated August 16, 1999, and the amended credit agreement, dated August 29, 2003.

Broadview noted that based on this analysis, AirGate is likely to be in default of its covenants under the existing credit agreement during the fiscal year beginning October 1, 2004 under the Status Quo forecast and would likely be in compliance with its amended credit agreement covenants for the foreseeable future if the proposed restructuring is completed.

***Dilution Analysis***

Broadview considered the dilution to existing AirGate shareholders that would result from the exchange offer. Prior to the exchange offer, the existing AirGate shareholders own 100% of the outstanding common stock. Following the exchange offer, assuming 100% acceptance of the offer and excluding any issuance of new equity to management, current shareholders would own 44% of the outstanding common stock and current holders of old notes would own 56% of the outstanding common stock. Because the terms of any incentive compensation package have not been determined as of the date hereof, Broadview excluded the potential future impact of such incentives in conducting its analyses.

***Present Value of Avoided Payments of Cash Interest and Principal***

Broadview considered the interest payments and principal repayments that would be avoided, assuming a 100% acceptance rate in the exchange offer, and the present value of such cash interest payments and principal repayments as a result of the exchange offer. For this analysis, Broadview first calculated the cumulative amount of cash interest and principal that will be avoided by AirGate as a result of the exchange offer.

**Status Quo Cash Interest Payments and Principal Repayment from April 1, 2005 to Maturity:**

| | |
|---|---|
| Principal Amount of Debt: | $ 300.0 million |
| Coupon: | 13 1/2% |
| Total Cumulative Interest on Old Note through Maturity: | $ 202.5 million |

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**Pro Forma Cash Interest Payments and Principal Payment from August 31, 2004 through Maturity:**

| | |
|---|---|
| Principal Amount of Debt: | $160.0 million |
| Coupon: | 9 3/8% |
| Total Cumulative Cash Interest through Maturity: | $ 85.0 million |

The resulting cumulative cash savings is $257.5 million, with $117.5 million in cash interest savings and $140.0 million in principal savings. Broadview then estimated a present value of avoided cash interest and principal of between $103.8 million and $159.0 million, by applying a range of discount rates from 10% to 20% to the cumulative savings.

***Market Value of New Debt to be Received by Noteholders***

Broadview estimated the range of market value for the new notes to be received by holders of the old notes in the exchange offer based on the high, low and median spread of market yields to the current yield curve for securities issued by the U.S. Government exhibited by the public debt of the companies listed below. The companies used in the analysis have similar credit ratings to AirGate, on a Status Quo basis, and the public debt of these companies have comparable credit terms including maturity date, coupon and call provisions to the new notes to be issued in the proposed exchange offer. For the purpose of this analysis Broadview assumed that AirGate s credit rating remains the same following consummation of the exchange offer.

In order of descending Yield-to-Worst ratio, the public company debt comparables consist of:

1) US Unwired, Inc.;

2) Alamosa Holdings, Inc.;

3) Rural Cellular Corporation;

4) Centennial Communications Corp.;

5) Western Wireless Corp.; and

6) Nextel Partners.

This analysis resulted in an implied market value of the New Notes ranging from $134.0 million to $158.8 million.

This analysis indicated that the implied market value of the new notes to be received by noteholders in the exchange offer is lower than the value attributed to the debt in the exchange offer. Broadview noted that there can be no assurance as to the market price of the New Notes at any time in the future.

***Implied Premium Analysis***

Broadview reviewed both the book value and the market value of the old notes to be exchanged in the exchange offer to derive an implied price per share for the common stock to be issued in the exchange. As of December 31, 2003, the old notes will have a book value of $262.1 million. Holders of the old notes who participate in the exchange offer (which is assumed at 100%) will receive a package of new notes and AirGate common stock in the exchange. The new notes will have a book value of $160.0 million and based on the market value of publicly traded comparable debt a market value ranging from $134.0 million to $158.8 million, with a median value of $143.5 million. The implied value of the equity issued in the transaction, which will represent 56% of the pro forma AirGate equity ownership based on a 100% acceptance rate, is the difference between the value of the old notes and the value of the new notes. Based on the proposed 56% equity ownership by the holders of the old notes, AirGate will issue 33.0 million shares in the transaction, yielding an implied value per share of $3.09. In conducting the analyses, Broadview considered that the market value of the old notes was less than the book value. Using the market value of the old notes and the median value for the new notes, the analysis yielded an implied value per share of $2.43.

Broadview then compared the implied value per share with the recent closing share prices for AirGate one day prior to the date of the opinion, twenty trading days prior to the date of the opinion and sixty trading days prior to the date of the opinion. Broadview also compared the implied value per share with AirGate s twenty trading day average closing share price and AirGate s sixty trading day average closing share price. Each of the comparisons was performed on both a book value and market value basis. The implied premium analysis yields a range of premiums ranging from (14.6%) to 187.9%.

***Determination of AirGate Implied Share Price and Implied Premium***

| | Based on Book Value of Debt | Based on Estimated Market Value of Debt |
|---|---|---|
| Old Notes | $ 262.1 million | $ 223.8 million(1) |
| Old Notes Swapped For New Notes | $ 160.0 million | $ 143.5 million(2) |
| Implied Value of Old Notes Exchanged For AirGate Equity | $ 102.1 million | $ 80.3 million |
| New AirGate Shares Issued in the Exchange Offer (represents 56% of pro forma shares outstanding) | 33.0 million | 33.0 million |
| Implied Equity Value per share of Common Stock | $ 3.09 | $ 2.43 |
| Implied Premium/(Discount) to AirGate Share Price 1 Day Prior to the Date of the Opinion | 8.5% | (14.6)% |
| Implied Premium/(Discount) to AirGate Share Price 20 Trading Days Prior to the Date of the Opinion | 99.5% | 56.9% |
| Implied Premium/(Discount) to AirGate Share Price 60 Trading Days Prior to the Date of the Opinion | 153.5% | 99.4% |

Notes:

(1) Market value derived from Bloomberg based on a price of 72% of par.

(2) Derived using median financial metrics from similar debt issues of wireless service providers with comparable credit ratings, maturity, principal, coupon and call provisions. The analysis yielded a range of market values for the notes of $134.0 million to $158.8 million.

***Conclusion***

Taken together, the information and analyses employed by Broadview lead to Broadview s overall opinion that the exchange offer is fair from a financial point of view to the current holders of common stock.

No company used in the public comparable valuations described above is identical to AirGate. Accordingly, an examination of the results of the analyses described above necessarily involves complex considerations and judgments concerning differences in financial and operating characteristics of the businesses and other facts that could affect the public trading value of the companies to which they are being compared.

The preparation of a fairness opinion is a complex process not susceptible to partial analysis or summary descriptions. The summary presented above is not a complete description of the analyses underlying Broadview s opinion or its presentation to the Board of Directors. Broadview believes that its analyses and the summary presented above must be considered as a whole and that selecting portions of its analyses and the factors considered by it, without considering all such analyses and factors, could create an incomplete view of the processes underlying the analyses set forth in its opinion.

In performing its analyses, Broadview made numerous assumptions with respect to industry performance, general business, financial, market and economic conditions and other matters, many of which are beyond the control of AirGate. The analyses that Broadview performed are not necessarily indicative of actual values or actual future results, which may be significantly more or less favorable than suggested by the analyses. The analyses were prepared solely as part of Broadview s analysis of the fairness, from a financial point of view, of the exchange offer, to shareholders of AirGate as of September 23, 2003. The analyses do not purport to be appraisals or to reflect the prices at which a company might actually be sold or the prices at which any securities may trade at the present time or at any time in the future.

Pursuant to the letter agreements dated February 27, 2003 and September 24, AirGate engaged Broadview to act as its financial advisor in connection with a potential financial restructuring. Pursuant to the terms of the engagement letter, Broadview will receive a fee of $4,129,283, $600,000 which was payable upon delivery of its fairness opinion and $3,529,383 which is payable upon completion of the exchange offer. AirGate also paid Broadview a retainer fee of $75,000 per month and agreed to reimburse Broadview for all out-of-pocket expenses and costs incurred in connection with the engagement including, but not limited to, travel, document production and similar costs. Such expenses also included fees from lawyers and other professional advisers that were engaged during the process. Broadview will be paid its retainer fee for a period of 10 months and one half the total amount (or $375,000) will be credited against the fee deliverable upon completion of the exchange offer.

**Recommendation of the Board of Directors; Reasons of the Board of Directors**

At a meeting held on September 23, 2003, our board of directors unanimously declared advisable and approved the terms of the restructuring and the transactions contemplated thereby and recommended that our stockholders approve the recapitalization plan and vote to accept the prepackaged plan. In evaluating the proposed restructuring, our board of directors identified and considered, among other things, the following factors:

- the benefits that would be produced by the recapitalization, including:
  - an improved capital structure and the lower financial risk resulting from the reduction of required debt payments;
  - approximately $257.5 million lower debt-service payments, including an approximate $140 million reduction in principal amount;
  - improved liquidity metrics that are comparable to other wireless industry companies;
  - improved position to seek the best outsourcing alternatives and the optimal financial relationship with Sprint;
  - an exchange of equity for debt that compares favorably to market measures;
  - a debt/ equity ratio that is superior to that of all other Sprint affiliates;
  - that we would be better able to carry out our business plan;
  - the absence of any other viable restructuring alternatives;
  - the fact that, because the transaction results from extensive negotiations with our noteholders, the recapitalization has the greatest chance of being completed and has the most favorable impact on us;
- potential for defaults on covenants under our credit facility and uncertainty regarding our ability to provide operating cash flow to pay debt service and fund capital needs in 2005 and beyond;
- the recapitalization plan presents a timely opportunity for us to improve our financial position;
- that the retention by the existing holders of our common stock of 44% of the outstanding common stock after the recapitalization represents the maximum amount of common stock that holders of old notes would agree to permit such holders to retain in connection with the recapitalization plan;
- the opinion of Broadview as to the fairness from a financial point of view of the recapitalization plan to our common stockholders;

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- the fact that the support agreement may be terminated by us at any time if our board of directors determines that such termination is in our best interests;
- the fact that the issuance of options for 10% of our outstanding stock after the completion of the recapitalization was negotiated with holders of 50% of the old notes;
- the fact that our completion of the restructuring is subject to approval by our stockholders; and
- the significant common stock dilution that will occur as a result of the transactions contemplated by the recapitalization plan, and the fact that such transactions will result in our creditors owning 56% of our common stock.

The board of directors did not attempt to quantify, rank or otherwise assign relative weights to the factors considered in connection with its evaluation of the restructuring and the transactions contemplated thereby. Furthermore, the board of directors did not undertake to make any specific determination as to whether any particular factor was essential to its decision to approve the terms of the restructuring. Instead, the board of directors conducted an overall analysis of the factors described above, which included a thorough discussion of all of the above-listed factors with its legal and financial advisors. The board of directors relied on the experience and expertise of our financial advisor for quantitative analysis of the financial terms of the restructuring. In considering the factors described above, individual directors may have given different weights to different factors or reached different conclusions as to whether a specific factor weighed in favor of or against approving the restructuring.

## THE RECAPITALIZATION PLAN

The exchange offer and consent solicitation are a part of the recapitalization plan for achieving our financial restructuring goals. Consummation of the recapitalization plan will result in decreased principal and interest payments for our notes. The recapitalization plan consists of the several concurrent transactions described below. Consummation of each of the following transactions is conditioned upon the consummation of the others as set forth below. The percentage ownerships set forth below after giving effect to the financial restructuring assume that all of the old notes are exchanged for common stock and new notes in the exchange offer and, unless otherwise stated, do not give effect to any shares of our common stock that may be issued pursuant to stock options or warrants.

### Exchange Offer and Consent Solicitation

#### *General*

Subject to the terms and conditions set forth in this proxy statement, we are offering to exchange our outstanding old notes for an aggregate of (1) 33,000,000 shares of our common stock, representing 56% of the shares of our common stock to be issued and outstanding immediately after the financial restructuring, without giving effect to the reverse stock split, and (2) $160,000,000 in aggregate principal amount of our new notes, in each case assuming the exchange of all outstanding old notes. We will issue 110 shares of our pre-reverse split common stock and $533.33 in aggregate principal amount of our new notes in exchange for each $1,000 of principal amount due at maturity of our old notes properly tendered in the exchange offer and not withdrawn.

In connection with the exchange offer, we are soliciting the consent of each holder of old notes to (1) the adoption of certain amendments to the old notes indenture under which the old notes were issued to eliminate substantially all of the restrictive covenants contained in the old notes indenture, (2) the release of all collateral securing our obligations under the old notes indenture and (3) the waiver of any defaults and events of default under the old notes indenture that may occur in connection with the recapitalization plan.

The completion of the exchange offer is conditioned upon, among other conditions, the satisfaction or waiver of the minimum tender condition and the completion of each of the other transactions contemplated by the recapitalization plan, including the approval by our existing stockholders of certain aspects of the restructuring transactions pursuant to this proxy solicitation.

#### *Terms of the New Notes*

*General.* In the exchange offer, we are proposing to issue up to $160.0 million aggregate principal amount of our new 9 3/8% senior subordinated secured notes due September 1, 2009. We expect to pay accrued interest on these new notes semi-annually in arrears, on each and , beginning , 2004.

*Ranking.* The new notes will be our senior subordinated secured obligations and will rank junior in right of payment to all of our senior indebtedness and senior in right of payment to all of our future indebtedness that by its terms is junior in right of payment to the new notes. As of June 30, 2003, after giving effect to the restructuring, we would have had approximately $ million of outstanding indebtedness, $ million of which would have been senior to the new notes.

*Collateral.* The new notes will be secured by second-priority liens, subject to certain exceptions and permitted liens, on substantially all of our and our domestic subsidiaries existing and after-acquired assets for which a first-priority lien has been granted to the lenders under our credit facility.

*Optional Redemption.* At any time and from time to time on or after January 1, 2006, we may redeem the new notes in whole or in part, at specified redemption prices, plus accrued and unpaid interest, if any, to the redemption date.

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*Guarantee.* Our obligations under the new notes will be guaranteed on a senior subordinated secured basis by all of our restricted subsidiaries, which we collectively refer to as the guarantors. The guarantees will be senior subordinated secured obligations of the guarantors and will rank junior to all existing and future indebtedness of the guarantors that is not, by its terms, expressly subordinated in right of payment to the guarantees.

*Restrictive Covenants.* The indenture governing the new notes limits our ability and the ability of our restricted subsidiaries to: incur more debt; create liens; repurchase stock and make certain investments; pay dividends, make loans or transfer property or assets; enter into sale and leaseback transactions; transfer or dispose of substantially all of our assets; and engage in transactions with affiliates. These covenants are subject to a number of important exceptions and limitations.

**Proxy Solicitation**

Concurrently with the exchange offer and consent solicitation, we are soliciting proxies from our stockholders by means of this proxy statement which we have filed with the SEC.

**iPCS Stock Trust**

In connection with the issuance of common stock in the exchange offer described in this proxy statement, we will undergo an ownership change for tax purposes. An ownership change of AirGate would also cause an ownership change of our wholly-owned subsidiary, iPCS, Inc. This ownership change could have a detrimental effect on the value of certain net operating losses ( NOLs ) of iPCS and, consequently, could subject the restructuring to the automatic stay protection of the iPCS bankruptcy court. In order to prevent such an effect, we will, before the consummation of the exchange offer, transfer all of our shares of iPCS common stock into a trust organized under Delaware law. Our shareholders on the date of transfer to the trust will be the trust s sole beneficiaries. Such shareholders interest in the trust will be equal to their current percentage ownership of AirGate. We will request the bankruptcy court overseeing iPCS s bankruptcy to approve (i) the transfer of the iPCS shares to the trust, (ii) the documentation governing the trust and (iii) upon confirmation of iPCS s plan of reorganization by the bankruptcy court, the distribution to the trust s beneficiaries of the iPCS shares if the plan of reorganization for iPCS approved by the iPCS bankruptcy court provides for such distribution. It is likely that the iPCS bankruptcy court will ascribe little to no value to the iPCS stock. Under the documentation governing the trust, the trustee will administer the trust and we will have no ability to direct the trustee in its administration of the trust.

**Acceptance of Prepackaged Plan**

We are also soliciting acceptances of the prepackaged plan from our common stockholders in conjunction with the proxy solicitation. The effectiveness of the acceptances of the prepackaged plan is not conditioned on the consummation of any transactions under the recapitalization plan. Acceptance of the prepackaged plan by our stockholders and other equity interest holders in Class 7 requires the affirmative vote of the holders of at least two-thirds in amount of the equity interests in such class who cast votes with respect to the prepackaged plan.

As of September 30, 2002, our officers and directors and their affiliates held 806,280 shares of our common stock, which represents approximately 3.11% of the issued and outstanding common stock as of that date. If we determine to seek confirmation of the prepackaged plan in bankruptcy court and our stockholders and other holders of Class 7 equity interests do not accept the prepackaged plan, we may seek confirmation of the prepackaged plan using the cram down provisions of the Bankruptcy Code. In any such case, we would pursue a plan in which our stockholders and noteholders would receive consideration similar to that specified by the recapitalization plan, including the issuance of common stock and new notes in exchange for the old notes.

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## THE RESTRUCTURING PROPOSALS

Consummation of the recapitalization plan requires stockholder approval of each of proposals 1 and 2. The issuance of shares of our common stock in the restructuring transactions will not become effective unless and until the amendment and restatement of our restated certificate of incorporation is approved and the amended and restated certificate of incorporation filed with the Secretary of State of the State of Delaware and the recapitalization plan is consummated. IF EITHER OF PROPOSALS 1 OR 2 IS NOT APPROVED BY OUR SHAREOWNERS AT THE SPECIAL MEETING, THEN NEITHER OF THEM WILL BECOME EFFECTIVE. Shareowner approval of proposal 3 is not a condition to the consummation of the recapitalization plan.

## PROPOSAL 1

## ISSUANCE OF OUR COMMON STOCK

## IN THE EXCHANGE OFFER

On , 2003, our board of directors unanimously adopted a resolution approving, in connection with the transactions contemplated by the recapitalization plan, the issuance of up to 33,000,000 shares of our common stock pursuant to the exchange offer under the recapitalization plan.

Our board of directors believes it is advisable and in the company s best interests to issue new shares of our common stock in the restructuring transactions. Although the restructuring will result in significant dilution of our common shareowners, the completion of the restructuring is critical to our ability to improve our capital structure. We expect that the completion of the financial restructuring will improve our capital structure and reduce the financial risk in our business plan by substantially reducing the required payments under our outstanding indebtedness. If the restructuring is not completed, we may be forced to consider an alternative plan of restructuring or reorganization. ANY ALTERNATIVE PLAN OF RESTRUCTURING OR REORGANIZATION MAY RESULT IN OUR SHAREOWNERS RECOVERING LESS THAN PROPOSED IN THE RECAPITALIZATION PLAN, OR NOTHING. For a discussion of the factors considered by our board of directors in recommending the recapitalization plan, see The Restructuring Recommendation of the Board of Directors; Reasons of the Board of Directors and for a discussion of the factors considered by us in assessing the fairness from a financial point of view of the terms of the recapitalization plan to holders of our common stock, see The Restructuring Opinion of Broadview International, LLC.

Upon consummation of the restructuring, the equity interests of our existing shareowners, as a percentage of the total number of the outstanding shares of our common stock, will be significantly diluted. As of June 30, 2003, there were 25,939,836 shares of our common stock issued and outstanding.

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The following table presents certain information regarding our equity capitalization as of June 30, 2003 on a historical basis and on a pro forma basis to reflect the consummation of our recapitalization (without giving effect to the reverse stock split).

| | As of June 30, 2003 | |
|---|---|---|
| | Historical | Pro Forma |
| **Common Stock:** | | |
| Existing AirGate shareholders(1) | 25,939,836 | 25,939,836 |
| Tendering holders of old notes | | 33,000,000(2) |
| Total shares outstanding | 25,939,836 | 58,939,836 |
| **Stock Options:** | | |
| Shares reserved for issuance pursuant to outstanding options(3)(4) | 2,191,209 | 2,191,209 |
| Shares available for issuance pursuant to future option grants(5) | 897,311 | 5,400,783 |
| Total shares reserved and available for issuance under stock incentive plans(3)(4)(5) | 3,088,520 | 7,591,992 |
| **Warrants:** | | |
| Total shares reserved for issuance pursuant to outstanding warrants(6) | 709,280 | 709,280 |

(1) Includes 806,280 shares beneficially owned by executive officers and directors as of September 30, 2003. See Security Ownership of Certain Beneficial Owners, Directors And Officers.

(2) Assumes 100% of the old notes are validly tendered in the exchange offer and not withdrawn.

(3) Includes 1,698,009 shares reserved for issuance pursuant to outstanding options having an exercise price in excess of $5 per share.

(4) Excludes 751,756 shares subject to underwater options surrendered and cancelled without consideration by executive officers on September 3, 2003.

(5) Assumes that the reserve available for issuance under the AirGate PCS, Inc. 2002 Incentive Plan is increased by an amount equal to 10% of outstanding shares, plus options outstanding with an exercise price of more than $5.00 a share. The actual terms of any equity grants are subject to board approval, and in the case of our executives, approval by a majority of the holders of old notes that are signatories to the support agreement.

(6) Includes 669,110 shares reserved for issuance pursuant to outstanding warrants having an exercise price of $20.40 or more per share.

**The Board of Directors unanimously recommends a vote FOR this Proposal.**

## PROPOSAL 2

## AMENDMENT AND RESTATEMENT OF OUR RESTATED CERTIFICATE OF INCORPORATION

## TO EFFECT A REVERSE STOCK SPLIT

On , 2003, our board of directors unanimously adopted a resolution approving and declaring advisable the amendment and restatement of our restated certificate of incorporation to implement the [ ] for 1 reverse stock split and to incorporate all previous amendments to our certificate of incorporation into one amended and restated certificate.

The form of the proposed amended and restated certificate of incorporation is attached to this proxy statement as Annex C. If the amendment and restatement is approved by our shareowners, each [ ] shares of our common stock issued and outstanding on the effective date of the amendment and restatement of our certificate of incorporation (the old common stock ) will be automatically

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reclassified into and become one share of our new common stock, $0.01 par value per share. The par value per share of common stock will remain at $0.01 per share. See Effects of the Reverse Stock Split. As of , 2003, we had shares of common stock issued and outstanding, and following the completion of the reverse stock split, if approved, we would have approximately shares of common stock issued and outstanding.

**Background of and Reasons for the Reverse Stock Split**

The board of directors has determined that, based upon our current capital structure, as described below, and the current trading price of our common stock on the OTC Bulletin Board, the reverse stock split is the best alternative currently available to us to meet each of the following objectives:

- to gain relisting on The Nasdaq National Market; and
- to encourage greater interest in our common stock by the financial community and the investing public.

Shares of our common stock began trading on The Nasdaq National Market on September 28, 1999, under the symbol PCSA . Prior to that date, there was no public market for our common stock. Beginning on April 8, 2003, after being de-listed from The Nasdaq National Market, our common stock began trading on the OTC Bulletin Board under the same symbol PCSA.OB . On , 2003, the last trading day before the date of this proxy statement, the last reported sales price per share of our common stock on the OTC Bulletin Board was $[ ]. On [ ], 2003, there were [ ] holders of record of our common stock.

Nasdaq rules require that, as a condition of the initial and continued listing of a company s securities on The Nasdaq National Market, a company satisfy certain listing requirements relating to its financial condition, results of operation, and the trading market for its listed securities, including a requirement that the closing price of a company s common stock be above $5.00 per share prior to relisting and, for continued listing, that a company maintain an average closing price of its common stock of at least $1.00. On [ ], 2003, the closing price of our common stock on the OTC Bulletin Board was $[ ]. It is our intent to bring the average closing price of the common stock well above $5.00 per share through the completion of the reverse stock split.

If the reverse stock split is not approved by the shareowners at the special meeting, then it is likely, depending on the volatility of the common stock and our ability to meet the listing criteria described above, that we may not satisfy the requirements for re-listing on The Nasdaq National Market. The continued de-listing of our common stock from The Nasdaq National Market would adversely affect the liquidity of the common stock. If our common stock is quoted only on the OTC Bulletin Board, the spread between the bid and ask price of the shares of the common stock is likely to be greater than the spread would be on The Nasdaq National Market. Consequently, shareowners may experience a greater difficulty in trading shares of the common stock.

We believe that if the amendment and restatement is approved by the shareowners at the special meeting, and the reverse stock split is implemented, the shares of common stock are much more likely to consistently have an average closing price sufficient to satisfy the Nasdaq listing criteria. The reduction in the number of outstanding shares of common stock caused by the reverse stock split is anticipated to increase the per share market price of the common stock, although not necessarily on a proportional basis. However, some investors may view the reverse stock split negatively since it reduces the number of shares available in the public market. In addition, other reasons, such as our financial results, market conditions, the market perception of our industry in general and Sprint affiliates in particular, and other factors may adversely affect the market price of the common stock. As a result, there can be no assurance that the market price of the common stock will not decline in the future.

In addition to satisfying the minimum average closing price requirement, we would also need to continue to satisfy all other applicable Nasdaq listing criteria.

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For initial listing, the Nasdaq National Market also requires a company to comply with a stockholders equity test, a net income test or a market capitalization test. We currently have significant negative stockholders equity and net losses. Therefore, in the event our board of directors decides to apply for re-listing of our common stock on the Nasdaq National Market, we will rely on the market capitalization test.

Specifically, for initial listing, a company must have market capitalization of up to $20 million prior to applying for re-listing. For continued listing, a company must maintain a market capitalization of up to $15 million (or up to $50 million if certain asset and revenue tests are not met). As of , 2003, the date prior to the date of this proxy statement, our market capitalization was $ .

Even if we were to satisfy all of the substantive listing requirements described above, The Nasdaq National Market has broad discretion to de-list a company s securities for any reason if, in the opinion of Nasdaq, events or circumstances have made listing of a company s securities on The Nasdaq National Market inadvisable or unwarranted. As a result, there can be no assurance that we will be successful in meeting these and other listing criteria of The Nasdaq National Market.

Our board of directors also believes that the reverse stock split will encourage greater interest in the common stock by the investment community. Our board of directors believes that the current market price of the common stock has impaired its acceptability to institutional investors, professional investors, and other members of the investing public. Many institutional and other investors look upon stock trading at low prices as unduly speculative in nature and, as a matter of policy, avoid investment in such stocks. Further, various brokerage house policies and practices tend to discourage individual brokers from dealing in low priced stocks. If effected, the reverse stock split would reduce the number of shares of our common stock issued and outstanding. Our board of directors expects that the reduction would result in an increase in the trading price of our common stock. The board of directors also believes that raising the expected market price of the common stock would increase the attractiveness of the common stock to the investment community and possibly promote greater liquidity for our shareowners.

In addition, because broker commissions on low-priced stocks generally represent a higher percentage of the stock price than commissions on higher priced stocks, the current share price of the common stock, in the absence of the reverse stock split, may continue to result in individual shareowners paying transaction costs (commissions, markups or markdowns) which are a higher percentage of their total share value than would be the case if the share price was substantially higher. This factor may further limit the willingness of institutions to purchase the common stock at its current market price. Although any increase in the market price of the common stock resulting from the reverse stock split may be proportionately less than the decrease in the number of shares outstanding, the proposed reverse stock split could result in a market price that would be high enough for the shares of the common stock to overcome the reluctance, policies and practices of brokerage firms and investors referred to above and to diminish the adverse impact of correspondingly higher trading commissions for the shares.

There can be no assurance, however, that the reverse stock split, if completed, will result in the benefits described above. See Risk Factors Risks Related to the Reverse Stock Split .

**Board Discretion to Implement Reverse Stock Split**

If the reverse stock split is approved by our shareowners at the special meeting, the reverse stock split will be effected, if at all, only upon a determination by our board of directors, in its sole discretion, that the reverse stock split is in the best interests of our company and our shareowners. Such determination shall be based upon certain factors, including but not limited to, existing and expected marketability and liquidity of the common stock, Nasdaq listing requirements, prevailing market conditions, and the likely effect on the market price of the common stock. No further action on the part of the shareowners would be required to either effect or abandon the reverse stock split. Notwithstanding approval of the reverse stock split by the shareowners, the board of directors may, in its sole discretion, determine to delay the effectiveness of the reverse stock split for up to twelve (12) months following stockholder approval thereof.

**Effects of the Reverse Stock Split**

***General***

If the amendment and restatement is approved by our shareowners and we determine to effect the reverse stock split, the principal effect will be to decrease the number of outstanding shares of common stock. As a result of the reverse stock split, each holder of [ ] shares of common stock immediately prior to the effectiveness of the reverse stock split would become the holder of one share of common stock after the effectiveness of the reverse stock split.

The common stock is currently registered under the Securities Exchange Act of 1934, as amended (the Exchange Act ), and we are subject to the periodic reporting and other requirements of the Exchange Act. The reverse stock split will not affect the registration of the common stock under the Exchange Act or the listing of the common stock on the OTC Bulletin Board. Following the reverse stock split, the common stock will continue to be listed on the OTC Bulletin Board under the symbol PCSA.OB .

Proportionate voting rights and other rights of the holders of common stock will not be affected by the reverse stock split, other than as a result of the elimination of fractional shares as described below. For example, not taking into account the effects of the recapitalization, a holder of 2.0% of the voting power of the outstanding shares of old common stock immediately prior to the effective time of the reverse stock split will generally continue to hold 2.0% of the voting power of the outstanding shares of new common stock after the reverse stock split.

The number of authorized shares of the common stock and the number of shareowners of record will not be reduced as the result of the reverse stock split. The par value of the common stock would remain at $0.01 per share following the reverse stock split.

If approved and implemented, the reverse stock split may result in some shareowners owning odd lots of less than 100 shares of new common stock. Odd lot shares may be more difficult to sell, and brokerage commissions and other costs of transactions in odd lots are generally somewhat higher than the costs of transactions in round lots of even multiples of 100 shares. The board of directors believes, however, that these potential effects are outweighed by the benefits of the reverse stock split.

***Effect on Stock Option Plans***

As of June 30, 2003, there were outstanding options to purchase 2,191,209 shares of common stock issued or committed to be issued pursuant to stock options granted by us (which number includes 1,698,009 shares reserved for issuance pursuant to outstanding options having an exercise price in excess of $5.00 per share and 751,756 shares subject to underwater options surrendered and cancelled without consideration by executive officers on September 3, 2003). All of the outstanding options to purchase common stock under our various stock incentive plans include provisions for adjustments on the number of shares covered thereby, as well as the exercise price thereof. If the reverse stock split is implemented, each outstanding and unexercised option to purchase shares of our old common stock would be automatically converted into an economically equivalent option to purchase shares of the new common stock by decreasing the number of shares underlying the option and increasing the exercise price appropriately. Assuming the recapitalization plan, including the reverse stock split, is approved and effected, there would be reserved for future issuance upon exercise of all outstanding options a total of approximately [ ] shares of common stock (prior to giving effect to the proposed increase in the number of shares available for issuance under our Plan). Each of the outstanding options would thereafter evidence the right to purchase [ ]% of the shares of new common stock previously covered thereby, and the exercise price per share would be [ ] times the previous exercise price.

***Effect on Warrants***

As of June 30, 2003, we had outstanding warrants currently convertible into an aggregate of 709,280 shares of common stock. The warrants include provisions for adjustments on the number of shares

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issuable following a reverse stock split, as well as the conversion price thereof. If the reverse stock split is effected, there would be reserved for issuance upon conversion of all outstanding warrants a total of approximately [ ] shares of common stock. Holders of the outstanding warrants would thereafter be entitled to receive [ ]% of the shares of common stock previously issuable upon conversion of such outstanding warrants and the conversion price of such warrants would be [ ] times the previous conversion price.

***Changes in Shareowners Equity***

The following table illustrates the principal effects of the reverse stock split discussed in the preceding paragraphs. The table assumes [ ] shares of common stock are issued and outstanding at the time of the reverse stock split.

| | Number of Shares of Common Stock Prior to Reverse Stock Split | Number of Shares of Common Stock After Reverse Stock Split (Without Giving Effect to the Recapitalization) | Number of Shares of Common Stock After Reverse Stock Split (Giving Effect to the Recapitalization) |
|---|---|---|---|
| Authorized | 155,000,000 | 155,000,000 | 155,000,000 |
| Outstanding | [ ] | [ ] | [ ] |
| Reserved for future issuance upon exercise of currently outstanding options | [ ] | [ ] | [ ] |
| Reserved for issuance upon exercise of warrants | [ ] | [ ] | [ ] |

**Fractional Shares**

We do not intend to issue fractional shares in connection with the reverse stock split. No certificates representing fractional shares shall be issued. Shareowners who otherwise would be entitled to receive fractional shares because the number of shares of the common stock they hold is not evenly divisible by the reverse stock split ratio will receive the next higher whole number of shares.

**Exchange of Stock Certificates**

If the proposal to implement the reverse stock split is adopted and effectuated, shareowners will be required to exchange their stock certificates for new certificates representing the shares of new common stock. Shareowners of record on the effective date will be furnished the necessary materials and instructions for the surrender and exchange of share certificates at the appropriate time by American Stock Transfer and Trust Company, our transfer agent. As soon as practicable after the effective date, the transfer agent will send a letter of transmittal to each stockholder advising such holder of the procedure for surrendering certificates representing shares of old common stock in exchange for new certificates representing the ownership of new common stock.

**YOU SHOULD NOT SEND YOUR STOCK CERTIFICATES NOW. YOU SHOULD SEND THEM ONLY AFTER YOU RECEIVE THE LETTER OF TRANSMITTAL FROM OUR TRANSFER AGENT.**

As soon as practicable after the surrender to the transfer agent of any certificate which represents shares of old common stock, together with a duly executed letter of transmittal and any other documents the transfer agent may specify, the transfer agent shall deliver to the person in whose name such certificate had been issued certificates registered in the name of such person representing the number of full shares of new common stock into which shares of old common stock represented by the surrendered certificate shall have been reclassified. Each certificate representing shares of the new common stock will continue to bear any legends restricting the transfer of such shares that were borne by the surrendered certificates representing the shares of old common stock held prior to the reverse stock split.

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Until surrendered as contemplated herein, each certificate which immediately prior to the reverse stock split represented shares of old common stock shall be deemed at and after the reverse stock split to represent the number of full shares of new common stock contemplated by the preceding paragraph. Until they have surrendered their stock certificates for exchange, shareowners will not be entitled to receive any dividends or other distributions that may be declared and payable to holders of record.

Any stockholder whose certificate for old common stock has been lost, destroyed or stolen will be entitled to issuance of a certificate representing the shares of new common stock into which such shares of old common stock are to be converted upon compliance with such requirements as we and the transfer agent customarily apply in connection with lost, stolen or destroyed certificates.

No service charges, brokerage commissions, transfer taxes or transfer fees will be charged to any holder of any certificate which represented any shares of our old common stock to implement the exchange of shares, except that if any certificates representing the new common stock are to be issued in a name other than that in which the certificates for shares of our old common stock surrendered are registered, it is a condition of such issuance that (1) the person requesting such issuance will pay any transfer taxes payable by reason thereof (or prior to transfer of such certificate, if any) or establish to our satisfaction that such taxes have been paid or are not payable, (2) such transfer comply with all applicable federal and state securities laws, and (3) such surrendered certificate be properly endorsed and otherwise be in proper form for transfer.

**Appraisal Rights**

No appraisal rights are available under the Delaware General Corporation Law of the State of Delaware or under our Restated Certificate of Incorporation and our Amended and Restated Bylaws to any stockholder who dissents from the proposal to approve the amendment and restatement of our restated certificate of incorporation to effect the reverse stock split and the increase in authorized shares.

**Federal Income Tax Consequences of the Reverse Stock Split**

The following discussion is a summary of the material United States federal income tax consequences of the proposed reverse stock split to us and the individual shareowners who exchange their old common stock for new common stock. This discussion only addresses shareowners who held their old common stock as a capital asset and does not address all of the United States federal income tax consequences that may be relevant to particular shareholders in light of their individual circumstances or to shareowners who are subject to special rules (including, without limitation, financial institutions, regulated investment companies, real estate investment trusts, tax-exempt organizations, insurance companies, dealers in securities or foreign currencies, foreign holders, persons who hold their old common shares as part of hedge against currency risk, a conversion transaction, a straddle, a constructive sale, or holders who acquired their shares pursuant to the exercise of an employee stock option or otherwise as compensation). No ruling has been, or will be, sought from the International Revenue Service, and no opinion has been, or will be sought from counsel, as to the United States federal income tax consequences of the reverse stock split. The following summary is not binding on the Internal Revenue Service or a court. It is based upon the Internal Revenue Code, laws, regulations, rulings, and decisions in effect on the date hereof, all of which are subject to change possibly with retroactive effect. Tax consequences under state, local, and foreign laws are also not addressed.

**The following discussion is not intended to be a complete analysis or description of all potential United States federal income tax consequences of the reverse stock split. In addition, the discussion does not address tax consequences that may vary with, or are contingent on, your individual circumstances. Holders of old common stock are strongly urged to consult their own tax advisors as to the specific tax consequences to them of the reverse stock split, including the applicability and effect of federal, state, local, and foreign income, estate and gift tax laws on their particular circumstances.**

Based on the above assumptions and qualifications, we will not recognize any gain or loss as a result of the reverse stock split. No gain or loss will be recognized by a holder of old common stock who receives only new common stock upon the reverse stock split. The Federal income tax treatment of the receipt of the additional fractional interest by a shareowner is not clear and may result in tax liability not material in amount in view of the low value of such fractional interest. A stockholder s aggregate tax basis in the shares of new common stock received in the reverse stock split will equal the stockholder s aggregate basis in the old common stock exchanged therefor and such stockholder s holding period for the new common stock received in the reverse stock split will include the holding period for the old common stock exchanged therefor. Shareowners should consult their tax advisors to the basis and holding period of any particular shares.

We reserve the right to abandon the proposed amendment and restatement without further action by our shareowners at any time prior to the filing of the amended and restated certificate of incorporation with the Secretary of State of the State of Delaware, notwithstanding authorization of the proposed amendment and restatement by our shareowners.

**The Board of Directors unanimously recommends a vote FOR this Proposal.**

## PROPOSAL 3

## INCREASE IN THE NUMBER OF SHARES OF OUR COMMON STOCK

## AVAILABLE FOR ISSUANCE UNDER THE 2002 AIRGATE PCS, INC. INCENTIVE PLAN

### General

The 2002 AirGate PCS, Inc. Long Term Incentive Plan (the Plan ) became effective on February 26, 2002. Upon effectiveness of the Plan, our ability to grant awards under any of our other incentive plans ceased. Under the Plan as currently in effect, up to 1,500,000 shares of our common stock may be issued to participants. As of , 2003, there were approximately [ ] employees, officers, consultants and directors eligible to participate in the Plan.

### Summary of the Plan

*Purpose.* The purpose of the Plan is to promote our success by linking the personal interests of our employees, officers, directors and consultants to those of our shareowners, and by providing participants with an incentive for outstanding performance.

*Permissible Awards.* The Plan authorizes the granting of awards in any of the following forms:

- options to purchase shares of common stock;
- restricted stock;
- performance awards payable in stock or cash; or
- other stock-based awards.

*Limitations on Awards.* No more than 20% of the shares authorized under the Plan may be granted as awards of restricted or unrestricted stock awards or performance shares. Any awards of restricted stock and performance shares that exceed 10% of the shares authorized under the Plan will either be subject to a minimum vesting period of three years, or one year if the vesting is based on performance criteria other than continued employment, or be granted only in exchange for foregone salary, bonus or director compensation. Any awards of unrestricted stock that, together with awards of restricted stock or performance shares, exceed 10% of the shares authorized under the Plan, may be granted only in exchange for foregone salary, bonus or director compensation. The maximum number of shares of common stock with respect to one or more options or other qualified performance-based awards that may be granted during any one calendar year under the Plan to any one person is 250,000. The maximum fair market value of any cash-based performance units that may be received by a participant (less any consideration paid by the participant for such award) during any one calendar year under the Plan is $1,500,000.

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*Administration.* The Plan is administered by the compensation committee of our board of directors. The committee has the authority to designate participants; determine the type or types of awards to be granted to each participant and the number, terms and conditions thereof; establish, adopt or revise any rules and regulations as it may deem advisable to administer the Plan; and make all other decisions and determinations that may be required under the Plan. The board of directors may at any time administer the Plan. If it does so, it will have all the powers of the committee.

*Formula Grants to Non-Employee Directors.* The Plan provides for the grant of non-qualified stock options and or restricted stock to our non-employee directors according to the parameters established in the AirGate PCS, Inc. 2001 Non-Employee Director Compensation Plan, or any successor plan for the compensation of non-employee directors. The committee cannot make other discretionary grants to non-employee directors under the Plan. All grants under the 2001 Non-Employee Director Compensation Plan will be issued under the authority of the Plan.

*Stock Options.* The committee is authorized to grant incentive stock options or non-qualified stock options under the Plan. The terms of an incentive stock option must meet the requirements of Section 422 of the Code. The exercise price of an option may not be less than the fair market value of the underlying stock on the date of grant and no option may have a term of more than 10 years. The committee may grant options with a reload feature, which provides for the automatic grant of a new option for the number of shares that the optionee delivers as full or partial payment of the exercise price of the original option. Such new option must have an exercise price equal to the fair market value of the stock on the new grant date, would vest after six months and would have a term equal to the unexpired term of the original option.

*Restricted Stock Awards.* The committee may make awards of restricted stock to participants, which will be subject to such restrictions on transferability and other restrictions as the committee may impose (including, without limitation, limitations on the right to vote restricted stock or the right to receive dividends, if any, on the restricted stock).

*Performance Awards.* The committee may grant performance awards that are designated in cash (performance units) or in shares of common stock (performance shares). The committee will have the complete discretion to determine the number of performance awards granted to any participant and to set performance goals and other terms or conditions to payment of the performance awards in its discretion which, depending on the extent to which they are met, will determine the number and value of performance awards that will be paid to the participant.

*Other Stock-Based Awards.* The committee may, subject to limitations under applicable law, grant to participants such other awards that are payable in, valued in whole or in part by reference to, or otherwise based on or related to shares of common stock as deemed by the committee to be consistent with the purposes of the Plan, including, without limitation, shares of common stock awarded purely as a bonus and not subject to any restrictions or conditions, convertible or exchangeable debt securities, other rights convertible or exchangeable into shares of common stock, and awards valued by reference to book value of shares of common stock or the value of securities of or the performance of specified parents or subsidiaries. The committee will determine the terms and conditions of any such awards.

*Performance Goals.* The committee may designate any award as a qualified performance-based award in order to make the award fully deductible without regard to the $1,000,000 deduction limit imposed by Code Section 162(m). If an award is so designated, the committee must establish objectively determinable performance goals for the award based on one or more of the following performance criteria, which may be expressed in terms of company-wide objectives or in terms of objectives that relate to the performance of a division, affiliate, department, region or function within the company or an affiliate such as earnings per share; EBITDA (earnings before interest, depreciation, taxes and amortization); EBIT (earnings before interest and taxes); economic profit; cash flow; transaction counts; customer turnover; gross or net additional customers; cost per gross additional customers; customer satisfaction ratings; comparable sales growth; net profit before tax; gross profit; operating profit; cash generation; unit volume; return on equity; return on assets; changes in working capital; return on capital; or shareowner return.

The committee must establish such goals prior to the beginning of the period for which such performance goal relates (or such later date as may be permitted under applicable tax regulations) and the committee may not increase any award or, except in the case of certain qualified terminations of employment, waive the achievement of any specified goal. Any payment of an award granted with performance goals will be conditioned on the written certification of the committee in each case that the performance goals and any other material conditions were satisfied.

*Limitations on Transfer; Beneficiaries.* No award will be assignable or transferable by a participant other than by will or the laws of descent and distribution or, except in the case of an incentive stock option, pursuant to a qualified domestic relations order; provided, however, that the committee may (but need not) permit other transfers where the committee concludes that such transferability does not result in accelerated taxation, does not cause any option intended to be an incentive stock option to fail to qualify as such, and is otherwise appropriate and desirable, taking into account any factors deemed relevant, including without limitation, any state or federal tax or securities laws or regulations applicable to transferable awards. A participant may, in the manner determined by the committee, designate a beneficiary to exercise the rights of the participant and to receive any distribution with respect to any award upon the participant s death.

*Acceleration Upon Certain Events.* Unless otherwise provided in an award certificate, if a participant s employment is terminated without cause or the participant resigns for good reason (as such terms are defined in the Plan) within two years after a change in control of the company (as defined in the Plan), all of such participant s outstanding options will become fully vested and exercisable and all restrictions on his or her outstanding awards will lapse. The committee may in its discretion at any time accelerate the vesting of an award upon the death, disability, retirement or termination of service of a participant, or the occurrence of a change of control. The committee may also in its discretion accelerate the vesting of awards for any other reason, unless the aggregate number of awards so accelerated exceeds 5% of the total number of shares authorized under the Plan. The committee may discriminate among participants or among awards in exercising its discretion.

*Adjustments.* In the event of a stock split, a dividend payable in shares of our common stock, or a combination or consolidation of our common stock into a lesser number of shares, the share authorization limits under the Plan will automatically be adjusted proportionately, and the shares then subject to each award will automatically be adjusted proportionately without any change in the aggregate purchase price for such award. If we are involved in another corporate transaction or event that affects our common stock, such as an extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination or exchange of shares, the share authorization limits under the Plan will be adjusted proportionately, and the committee may adjust outstanding awards to preserve the benefits or potential benefits of the awards.

**Termination and Amendment**

Our board of directors or the committee may, at any time and from time to time, terminate or amend the Plan without shareowner approval; but if an amendment to the Plan would, in the reasonable opinion of the board or the committee, materially increase the benefits accruing to participants, materially increase the number of shares of stock issuable under the Plan, or materially modify the requirements for eligibility, then such amendment will be subject to shareowner approval. In addition, the board or the committee may condition any amendment on the approval our shareowners for any other reason, including necessity or advisability under tax, securities or other applicable laws, policies or regulations. No termination or amendment of the Plan may adversely affect any award previously granted under the Plan without the written consent of the participant. The committee may amend or terminate outstanding awards. However, such amendments may require the consent of the participant and, unless approved by our shareowners or otherwise permitted by the antidilution provisions of the Plan, the exercise price of an outstanding option may not be reduced, directly or indirectly, and the original term of an option may not be extended.

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**Certain Federal Tax Effects**

*Nonqualified Stock Options.* There will be no federal income tax consequences to the optionee or to us upon the grant of a nonqualified stock option under the Plan. When the optionee exercises a nonqualified option, however, he or she will realize ordinary income in an amount equal to the excess of the fair market value of the common stock received upon exercise of the option at the time of exercise over the exercise price, and we will be allowed a corresponding deduction. Any gain that the optionee realizes when he or she later sells or disposes of the option shares will be short-term or long-term capital gain, depending on how long the shares were held.

*Incentive Stock Options.* There typically will be no federal income tax consequences to the optionee or to us upon the grant or exercise of an incentive stock option. If the optionee holds the option shares for the required holding period of at least two years after the date the option was granted or one year after exercise, the difference between the exercise price and the amount realized upon sale or disposition of the option shares will be long-term capital gain or loss, and we will not be entitled to a federal income tax deduction. If the optionee disposes of the option shares in a sale, exchange, or other disqualifying disposition before the required holding period ends, he or she will realize taxable ordinary income in an amount equal to the excess of the fair market value of the option shares at the time of exercise over the exercise price (or if the value of the stock decreases after grant, the amount realized on such sale over the adjusted basis of the shares) and we will be allowed a federal income tax deduction equal to such amount. While the exercise of an incentive stock option does not result in current taxable income, the excess of the fair market value of the option shares at the time of exercise over the exercise price will be an item of adjustment for purposes of determining the optionee s alternative minimum taxable income.

*Transfers of Options.* The committee may, but is not required to, permit the transfer of nonqualified stock options granted under the Plan. Based on current tax and securities regulations, such transfers, if permitted, are likely to be limited to gifts to members of the optionee s immediate family or certain entities controlled by the optionee or such family members. The following paragraphs summarize the likely income, estate, and gift tax consequences to the optionee, us, and any transferees, under present federal tax regulations, upon the transfer and exercise of such options.

*Federal Income Tax.* There will be no federal income tax consequences to the optionee, us, or the transferee upon the transfer of a nonqualified stock option. However, the optionee will recognize ordinary income when the transferee exercises the option, in an amount equal to the excess of the fair market value of the option shares upon the exercise of such option over the exercise price, and we will be allowed a corresponding deduction. The gain, if any, realized upon the transferee s subsequent sale or disposition of the option shares will constitute short-term or long-term capital gain to the transferee, depending on the transferee s holding period. The transferee s basis in the stock will be the fair market value of such stock at the time of exercise of the option.

*Federal Estate and Gift Tax.* If an optionee transfers a nonqualified stock option to a transferee during the optionee s life but before the option has become exercisable, the optionee will not be treated as having made a completed gift for federal gift tax purposes until the option becomes exercisable. However, if the optionee transfers a fully exercisable option during the optionee s life, he or she will be treated as having made a completed gift for federal gift tax purposes at the time of the transfer. If the optionee transfers an option to a transferee by reason of death, the option will be included in the decedent s gross estate for federal estate tax purposes. The value of such option for federal estate or gift tax purposes may be determined using a Black-Scholes or other appropriate option pricing methodology, in accordance with IRS requirements.

*Restricted Stock.* Unless a participant makes an election to accelerate recognition of the income to the date of grant as described below, the participant will not recognize income, and we will not be allowed a tax deduction, at the time a restricted stock award is granted. When the restrictions lapse, the participant will recognize ordinary income equal to the fair market value of the common stock as of that date (less any amount he paid for the stock), and we will be allowed a corresponding federal income tax deduction at that time, subject to any applicable limitations under Code (S)162(m). If the participant files an election under Code (S)83(b) within 30 days after the date of grant of the restricted stock, he or she will recognize ordinary income as of the date of grant equal to the fair market value of the stock as of that date (less any amount paid for the stock), and we will be allowed a corresponding federal income tax deduction at that time, subject to any applicable limitations under Code (S)162(m). Any future appreciation in the stock will be taxable to the participant at capital gains rates. However, if the stock is later forfeited, the participant will not be able to recover the tax previously paid pursuant to the Code (S)83(b) election.

*Performance Awards.* A participant generally will not recognize income, and we will not be allowed a tax deduction, at the time performance awards are granted, so long as the awards are subject to a substantial risk of forfeiture. When the participant receives or has the right to receive payment of cash or shares under the performance award, the cash amount or the fair market value of the shares of stock will be ordinary income to the participant, and we will be allowed a corresponding federal income tax deduction at that time, subject to any applicable limitations under Code (S)162(m).

**Proposed Amendment**

On , 2003, the board of directors adopted an amendment to the Plan that, subject to shareowner approval, would increase the total number of shares of common stock authorized for issuance under the Plan by shares (from to ) prior to giving effect to the proposed reverse stock split. The total number of shares available for issuance after giving effect to the proposed increase may not be more than 10% of our outstanding shares, plus currently outstanding options with an exercise price in excess of $5.00. Any shares issued under the Plan will proportionately dilute existing shareowners and the tendering holders of old notes in the exchange offer. The amounts and terms of any equity awards for executives established by our board of directors are subject to approval by a majority of the holders of old notes that are parties to a support agreement entered into by us and holders of approximately 67% of the old notes. The board of directors has directed that the proposal to approve the amendment of the Plan in order to increase the number of shares of our common stock authorized for issuance under the Plan be submitted to our shareowners for their approval. A copy of the amendment is attached to this Proxy Statement as Annex D.

The board of directors believes that the number of common shares currently available for issuance under the Plan is not sufficient in view of our compensation structure and strategy. The board of directors has concluded that our ability to attract, retain and motivate top quality management and employees is material to our success and would be enhanced by our continued ability to grant equity compensation. In addition, the board of directors believes that our interests and the interests of our shareowners will be advanced if we can continue to offer to our, and our subsidiaries and affiliates , employees, advisors, consultants, and non-employee directors the opportunity to acquire or increase their proprietary interests in us. The board of directors believes that the availability of the additional common shares for issuance under the Plan will ensure that we continue to have a sufficient number of common shares authorized for issuance under the Plan. Shareowner approval of the increase in the number of common shares under the Plan is necessary to ensure that flexibility is maintained so that the additional common shares may be granted as incentive stock options, as defined in Section 422 of the Code.

**Benefits to Named Executive Officers and Others of the Increase in Shares Available Under the Plan**

As of June 30, 2003, grants with respect to 730,439 common shares have been granted under the Plan; of which 603,689 were still outstanding. As of such date, options with respect to an aggregate of 158,750 shares of our common stock have been granted to non-employee directors pursuant to the terms of our 2001 Non-Employee Director Compensation Plan; of which 66,250 were still outstanding. Any future awards will be made at the discretion of the committee, other than grants of options or restricted stock to non-employee directors pursuant to the terms of the 2001 Non-Employees Director Compensation Plan. Therefore, it is not presently possible to determine the benefits or amounts that will be received by any individuals or groups pursuant to the Plan in the future.

On September 3, 2003, Thomas M. Dougherty, Barbara L. Blackford, Jonathan M. Pfohl, Charles S. Goldfarb and David C. Roberts forfeited options to acquire an aggregate of 751,456 shares of our common stock.

**The Board of Directors unanimously recommends a vote FOR this Proposal.**

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### EQUITY COMPENSATION PLAN INFORMATION

The following table gives information about our common stock that may be issued under all of our existing equity compensation plans as of September 30, 2002, which include:

the AirGate PCS, Inc. 1999 Stock Option Plan,

the AirGate PCS, Inc. Amended and Restated 2000 Long-Term Incentive Plan, which the Company assumed when it acquired iPCS in November 2001,

the AirGate PCS, Inc. 2001 Non-Executive Stock Option Plan, and

the AirGate PCS, Inc. 2002 Long-Term Incentive Plan.

**GRANTS MADE UNDER THE AIRGATE PCS, INC. 2001 NON-EMPLOYEE DIRECTOR COMPENSATION PLAN WERE ISSUED UNDER EITHER THE AIRGATE PCS, INC. 1999 STOCK OPTION PLAN OR THE AIRGATE PCS, INC. 2002 LONG-TERM INCENTIVE PLAN AND THUS ARE NOT SEPARATELY STATED IN THE TABLE.**

| Plan Category | (a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights | (b) Weighted Average Exercise Price of Outstanding Options, Warrants and Rights | (c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) | (d) Total of Securities Reflected in Columns (a) and (c) |
|---|---|---|---|---|
| Equity Compensation Plans Approved by Shareowners | 1,295,964(2) | $37.66 | (1) | 1,295,964 |
| | 644,147(3) | $34.41 | (1) | 644,147 |
| | 231,039(4) | $ 7.79 | 1,268,961 | 1,500,000 |
| Equity Compensation Plans Not Approved by Shareowners | 88,613(5) | $44.52 | (1) | 88,613 |
| TOTAL | 2,259,763 | $33.95 | 1,268,961(6) | _3,528,724 |

(1) The right to issue options under this plan terminated upon shareholder approval of the 2002 Long-Term Incentive Plan.

(2) Issued under the AirGate PCS, Inc. 1999 Stock Option Plan.

(3) Issued under the AirGate PCS, Inc. Amended and Restated 2000 Long-Term Incentive Plan.

(4) Issued under the AirGate PCS, Inc. 2002 Long-Term Incentive Plan.

(5) Issued under the AirGate PCS, Inc. 2001 Non-Executive Stock Option Plan.

(6) In addition, 181,657 shares of AirGate s common stock remained for issuance under the AirGate PCS, Inc. 2001 Employee Stock Purchase Plan.

**AirGate PCS, Inc. 2001 Non-Executive Stock Option Plan**

On January 31, 2001, our board of directors approved the AirGate PCS, Inc. 2001 Non-Executive Stock Option Plan, pursuant to which non-qualified stock options could be granted to our employees who are not officers or directors. This plan was not submitted to our shareowners for approval. As of September 30, 2002, options to acquire 88,613 shares were outstanding under this plan, out of the 150,000 shares originally reserved for issuance. No further grants may be made under the 2001 Non-Executive Stock Option Plan.

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The plan authorized the granting of non-qualified stock options only. The exercise price of an option could not be less than the fair market value of the underlying stock on the date of grant and no option could have a term of more than ten years. All of the options that are currently outstanding under the plan vest ratably over a four-year period beginning at the grant date and expire ten years from the date of grant.

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## CAPITALIZATION

The following table sets forth our capitalization, as of June 30, 2003, (1) on an actual basis and (2) on an as adjusted basis to give effect to the recapitalization plan. The as adjusted data assumes that all of our outstanding old notes are exchanged for common stock and new notes in the recapitalization plan.

To understand this table better, you should review Selected Consolidated Historical Financial Data, Unaudited Pro-Forma Condensed Consolidated Financial Data , Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and related notes included elsewhere in this proxy statement.

| | As of June 30, 2003 | |
|---|---|---|
| | Actual | As Adjusted |
| | (In thousands) (Unaudited) | |
| Cash and cash equivalents | $ 30,793 | $ 20,835 |
| Debt securities | | |
| Credit Facility | 142,755 | 142,755 |
| Old notes | 244,495 | |
| New notes offered hereby | | 200,702 |
| Total debt securities | 387,250 | 343,457 |
| Stockholders equity | | |
| Common stock, $0.01 par value, 150,000,000 authorized 25,939,836 shares issued and outstanding(1) | 260 | 590 |
| Additional paid-in capital | 924,086 | 961,822 |
| Preferred stock, 5,000,000 shares authorized, no shares issued and outstanding | | |
| Deferred stock-based compensation | (522) | (522) |
| Accumulated deficit | (1,293,126) | (1,301,023) |
| Total stockholders equity (deficit) | (369,302) | (339,133) |
| Total capitalization | $ 48,741 | $ 25,159 |

(1) 58,939,836 shares issued and outstanding after the recapitalization plan, before giving effect to the reverse stock split.

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## ACCOUNTING TREATMENT OF THE RESTRUCTURING

### Exchange of Old Notes for Common Stock and New Notes

The exchange of old notes for our common stock and new notes will be accounted for as a troubled debt restructuring pursuant to Statement of Financial Accounting Standards No. 15, Accounting by Debtors and Creditors for Troubled Debt Restructurings ( SFAS No. 15 ) and EITF 02-4 Determining whether Debtor s Modification or Exchange of Debt is within the scope of FASB Statement No. 15. Our outstanding old notes will be exchanged for 33,000,000 shares of our common stock, before giving effect to the reverse stock split, and $160.0 million in aggregate principal amount of new notes. In accordance with SFAS No. 15, a gain will not be recorded upon the restructuring as the adjusted carrying amount of the old notes is less than the maximum future cash payments (including future interest payments) of the new notes. The effects of the restructuring will therefore be accounted for as a reduction in the effective interest rate on the new notes.

Transaction costs of the recapitalization plan are estimated to be $8.3 million, and are attributable to three components of the transaction. Approximately $0.6 million relates to financing costs capitalized on the balance sheet, which were incurred in connection with amending the existing covenants for the credit facility. These costs will be amortized to interest expense over the remaining life of the credit facility. Financial advisor and dealer/ manager, legal, filing, printing and accounting fees are estimated to be $7.7 million. Costs attributable to the debt are estimated to be $6.2 million and will be expensed as incurred; costs of approximately $1.5 million will be offset against the carrying amount of the common stock. Additionally, the Company may be required to pay alternative minimum taxes because net operating loss carry forwards can offset only 90% of alternative minimum taxable income. The Company has conservatively estimated alternative minimum taxes due of $1.7 million.

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## SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA

The selected statement of operations and balance sheet data presented below is derived from our audited consolidated financial statements as of and for the years ended December 31, 1998, the nine months ended September 30, 1999, and the years ended September 30, 2000, 2001 and 2002 and our unaudited consolidated financial statements as of June 30, 2003 and for the nine months ended June 30, 2002 and 2003.

In accordance with generally accepted accounting principles, iPCS results of operations are not consolidated with the Company s results subsequent to February 23, 2003 and the accounts of iPCS are recorded as an investment using the cost method of accounting. Prior to February 23, 2003, the Company s results include the effects of purchase accounting related to the iPCS acquisition. The comparability of our results for the nine months ended June 30, 2003 to the same period for 2002 are affected by the exclusion of the results of iPCS for the periods prior to November 30, 2001 and after February 23, 2003.

The unaudited financial statements include all adjustments, including normal recurring accruals, that management considers necessary to fairly present our financial position and results of operations. Operating results for the nine-month period ended June 30, 2003 are not necessarily indicative of the results that may be expected for the fiscal year ending September 30, 2003.

The data set forth below should be read in conjunction with our consolidated financial statements and accompanying notes and Management s Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this proxy statement.

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| | For the Year Ended December 31, 1998 | For the Nine Months Ended September 30, 1999 | For the Year Ended September 30, 2000 | 2001 | 2002(1) | Nine Months Ended June 30, 2002(1) | 2003(4) |
|---|---|---|---|---|---|---|---|
| | (In thousands, except per share subscriber data) | | | | | (unaudited) | |
| **Statement of Operations Data:** | | | | | | | |
| Revenues: | | | | | | | |
| Service revenue | $ | $ | $ 9,746 | $ 105,976 | $ 327,365 | $ 230,422 | $ 242,928 |
| Roaming revenue | | | 12,338 | 55,329 | 111,162 | 75,458 | 67,019 |
| Equipment revenue | | | 2,981 | 10,782 | 18,030 | 13,523 | 10,773 |
| Total revenues | | | 25,065 | 172,087 | 456,557 | 319,403 | 320,720 |
| Operating expenses: | | | | | | | |
| Cost of services and roaming (exclusive of depreciation as shown separately below) | | | (27,770) | (116,732) | (311,135) | (216,698) | (193,956) |
| Cost of equipment | | | (5,685) | (20,218) | (43,592) | (29,982) | (22,400) |
| Selling and marketing | | | (28,357) | (71,617) | (116,521) | (85,568) | (57,280) |
| General and administrative | (2,597) | (5,294) | (14,078) | (15,742) | (25,339) | (18,277) | (21,910) |
| Non-cash stock compensation | | (325) | (1,665) | (1,665) | (769) | (597) | (530) |
| Depreciation | (1,204) | (622) | (12,034) | (30,621) | (70,197) | (47,864) | (48,967) |
| Amortization of intangible assets | | | | (46) | (39,332) | (29,377) | (6,855) |
| Loss on disposal of property and equipment | | | | | (1,074) | | |
| Operating expenses before impairments | (3,801) | (6,241) | (89,589) | (256,641) | (607,959) | (428,363) | (351,898) |
| Impairment of goodwill(3) | | | | | (460,920) | (261,212) | |
| Impairment of property and equipment(3) | | | | | (44,450) | | |
| Impairment of intangible assets(3) | | | | | (312,043) | | |
| Total operating expenses | (3,801) | (6,241) | (89,589) | (256,641) | (1,425,372) | (689,575) | (351,898) |
| Operating loss | (3,801) | (6,241) | (64,524) | (84,554) | (968,815) | (370,172) | (31,178) |
| Interest income | | | 9,321 | 2,463 | 590 | 530 | 94 |
| Interest expense | (1,392) | (9,358) | (26,120) | (28,899) | (57,153) | (40,732) | (45,869) |
| Other | | | | | | (20) | 11 |
| Income tax benefit | | | | | 28,761 | 28,761 | |
| Net loss | $ (5,193) | $ (15,599) | $ (81,323) | $ (110,990) | $ (996,617) | $ (381,633) | $ (76,942) |
| Basic and diluted net loss per share of common stock | $ (1.54) | $ (4.57) | $ (6.60) | $ (8.48) | $ (41.96) | $ (16.55) | $ (2.97) |
| Basic and diluted weighted-average outstanding common shares | 3,382,518 | 3,414,276 | 12,329,149 | 13,089,285 | 23,751,507 | 23,059,151 | 25,897,415 |
| **Other Data:** | | | | | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Number of subscribers at end of period | | | 56,689 | 235,025 | 554,833 | 532,446 | 364,157 |
| Ratio of earnings to fixed charges(5) | | | | | | | |
| **Statement of Cash Flow Data:** | | | | | | | |
| Cash provided by (used in) operating activities | $ (989) | $ (2,473) | $ (41,609) | $ (40,850) | $ (45,242) | $ (48,797) | $ 20,650 |
| Cash used in investing activities | (2,432) | (15,706) | (152,397) | (71,772) | (78,716) | (59,061) | (28,869) |
| Cash provided by (used in) financing activities | 5,200 | 274,783 | (6,510) | 68,528 | 142,143 | 23,880 | 30,793 |

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| | As of December 31, 1998 | As of September 30, 1999 | 2000 | 2001 | 2002(1) | As of June 30, 2003 |
|---|---|---|---|---|---|---|
| **Balance Sheet Data (at period end):** | | | | | | |
| Cash and cash equivalents | $ 2,296 | $ 258,900 | $ 58,384 | $ 14,290 | $ 32,475 | $ 30,793 |
| Total current assets | 2,774 | 261,247 | 74,315 | 56,446 | 129,773 | 74,810 |
| Property and equipment, net | 12,545 | 44,206 | 183,581 | 209,326 | 399,155 | 184,493 |
| Total assets | 15,450 | 317,320 | 268,948 | 281,010 | 574,294 | 272,036 |
| Total current liabilities(2) | 16,481 | 31,507 | 37,677 | 61,998 | 494,173 | 72,257 |
| Long-term debt and capital lease obligations | 7,700 | 165,667 | 180,727 | 266,326 | 354,828 | 375,400 |
| Stockholders equity (deficit) | (5,350) | 127,846 | 49,873 | (52,724) | (292,947) | (369,302) |

(1) On November 30, 2001, AirGate acquired iPCS, Inc. (together with its subsidiaries iPCS ). The accounts of iPCS are included as of September 30, 2002, and the results of operations subsequent to November 30, 2001.

(2) As a result of an event of default, the iPCS credit facility and iPCS notes have been classified as a current liability.

(3) As a result of fair value assessments performed by a nationally recognized valuation expert, the Company recorded total impairment charge of $817,413 associated with the impairment of goodwill and tangible and intangible assets related to iPCS.

(4) February 23, 2003, iPCS, Inc. filed for Chapter 11 bankruptcy. Prior to February 23, 2003 the accounts and results of operation of iPCS were consolidated. Subsequent to filling bankruptcy, iPCS is accounted for on the cost basis.

(5) Earnings were inadequate to cover fixed charges for the year ended December 31, 1998, the nine months ended September 30, 1999, the years ended September 30, 2000, 2001, and 2002, and the nine months ended September 30, 2002 and 2003 by $5,193, $15,599, $81,323, $110,990, $1,025,378, $335,276 and $76,942, respectively.

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**PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**(Unaudited)**
**(Dollars in thousands)**

The following unaudited pro forma condensed consolidated financial statements show the effects of the recapitalization plan in the historical balance sheet and statements of operations of the Company. The pro forma condensed consolidated financial statements assume 100% of our Old Notes are exchanged for Common Stock and New Notes. We have presented this set of unaudited pro forma condensed consolidated financial statements to demonstrate the significant financial aspects of the transaction.

We derived this information from the unaudited consolidated financial statements of the Company for the nine months ended June 30, 2003 and the audited consolidated financial statements of the Company for the year ended September 30, 2002. These historical financial statements used in preparing the pro forma financial statements are summarized and should be read in conjunction with our complete historical financial statements and related notes contained elsewhere in this proxy statement.

The unaudited pro forma condensed consolidated statements of operations for the nine months ended June 30, 2003 and for the year ended September 30, 2002 give effect to the recapitalization plan as if it had been consummated at the beginning of the earliest period presented. The unaudited pro forma condensed consolidated balance sheet as of June 30, 2003 gives effect to the recapitalization plan as if it took place June 30, 2003.

On November 30, 2001, AirGate acquired iPCS, Inc. (together with its subsidiaries, iPCS ). Subsequent to November 30, 2001, the results of operations and accounts of iPCS were consolidated with the Company in accordance with generally accepted accounting principles. On February 23, 2003, iPCS, Inc. filed a Chapter 11 bankruptcy petition in the United States Bankruptcy Court for the Northern District of Georgia for the purpose of effecting a court-administered reorganization. In accordance with generally accepted accounting principles, subsequent to February 23, 2003, the Company no longer consolidates the accounts and results of operations of iPCS, Inc. and its subsidiaries. The accounts of iPCS, Inc. and its subsidiaries are recorded as an investment using the cost method of accounting as the Company no longer controls the management of iPCS, Inc.

Transaction costs of the recapitalization plan are estimated to be $8.3 million, and are attributable to three components of the transaction. Approximately $0.6 million relates to financing costs capitalized on the balance sheet, which were incurred in connection with amending our credit facility. These costs will be amortized to interest expense over the remaining life of the credit facility. Financial advisor and dealer/manager, legal, filing, printing and accounting fees are estimated to be $7.7 million. Costs attributable to the debt are estimated to be $6.2 million and will be expensed as incurred; costs of approximately $1.5 million will be offset against the carrying amount of the common stock. Additionally, the Company may be required to pay alternative minimum taxes because net operating loss carry forwards can offset only 90% of alternative minimum taxable income. The Company has conservatively estimated alternative minimum taxes due of $1.7 million.

The pro forma condensed consolidated balance sheet gives effect to these payments, and the effect has not been reflected in the pro forma condensed consolidated statement of operations. The pro forma adjustments, which are based upon available information and upon certain assumptions that we believe are reasonable, are described in the accompanying notes. The final amount allocated to common stock to be received by the noteholders and resulting effect on the future effective interest rate will be different and the difference may be material.

The Company is providing the unaudited pro forma condensed consolidated financial information for illustrative purposes only. The pro forma consolidated financial data does not purport to represent what our interim consolidated financial position or results of operations would have actually been had the recapitalization plan in fact been completed on that date, or to project our results of operations for any future period.

**AIRGATE PCS, INC.**

**UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET**

**As of June 30, 2003**
**(Dollars in thousands)**

| | Historical | Pro Forma Adjustments | Pro Forma June 30, 2003 |
|---|---|---|---|
| | (unaudited) | (unaudited) | (unaudited) |
| **ASSETS** | | | |
| Current Assets: | | | |
| Cash and cash equivalents | $ 30,793 | $ (7,731)(1)<br>(527)(2)<br>(1,700)(7) | $ 20,835 |
| Trade receivables | 27,989 | | 27,989 |
| Allowance for doubtful accounts | (4,601) | | (4,601) |
| Receivable from Sprint PCS | 13,709 | | 13,709 |
| Inventories | 2,043 | | 2,043 |
| Prepaid expense | 4,403 | | 4,403 |
| Intercompany receivable | 22 | | 22 |
| Other current assets | 452 | | 452 |
| Total current assets | 74,810 | (9,958) | 64,852 |
| Property and equipment, net | 184,493 | | 184,493 |
| Credit facility financing costs | 2,792 | 527 (2) | 3,319 |
| Old notes financing costs | 4,193 | (4,193)(2) | |
| Direct subscriber activation costs | 4,600 | | 4,600 |
| Other assets | 1,148 | | 1,148 |
| Total assets | $ 272,036 | $ (13,624) | $ 258,412 |
| **LIABILITIES AND STOCKHOLDERS DEFICIT (EQUITY)** | | | |
| Current Liabilities: | | | |
| Accounts payable | $ 2,879 | $ | $ 2,879 |
| Accrued expenses | 9,784 | | 9,784 |
| Payable to Sprint PCS | 40,005 | | 40,005 |
| Deferred revenue | 7,739 | | 7,739 |
| Current maturities of long-term debt | 11,850 | | 11,850 |
| Total current liabilities | 72,257 | | 72,257 |
| Long-term debt, excluding current maturities | | | |
| Credit Facility | 130,905 | | 130,905 |
| Senior Notes | 244,495 | (4,193)(2)<br>(39,600)(3) | 200,702 |
| Total Long-Term Debt | 375,400 | (43,793) | 331,607 |
| Deferred subscriber activation fee revenue | 7,910 | | 7,910 |
| Other long-term liabilities | 1,656 | | 1,656 |
| Investment in sub | 184,115 | | 184,115 |

| | | | |
|---|---|---|---|
| Total liabilities | 641,338 | (43,793) | 597,545 |
| Stockholders (deficit) equity: | | | |
| Common stock | 260 | 330 (3) | 590 |
| Additional paid-in-capital | 924,086 | 39,270 (3)<br>(1,534)(1) | 961,822 |
| Unearned stock option compensation | (522) | | (522) |
| Accumulated deficit | (1,293,126) | (6,197)(1)<br>(1,700)(7) | (1,301,023) |
| Total stockholders (deficit) equity | (369,302) | 30,169 | (339,133) |
| Total liabilities and stockholders (deficit) equity | $ 272,036 | $ (13,624) | $ 258,412 |

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**AIRGATE PCS, INC.**

**UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS**

**For the Fiscal Year Ended September 30, 2002**

**(Dollars in thousands, except for share and per share amounts)**

| | Historical Year Ended September 30, 2002(4) | Pro Forma Adjustments | Pro Forma Year Ended September 30, 2002 |
|---|---|---|---|
| | | (unaudited) | (unaudited) |
| Revenues: | | | |
| Service revenue | $ 327,365 | $ | $ 327,365 |
| Roaming revenue | 111,162 | | 111,162 |
| Equipment revenue | 18,030 | | 18,030 |
| | 456,557 | | 456,557 |
| Operating Expenses: | | | |
| Cost of services and roaming | (311,135) | | (311,135) |
| Cost of equipment | (43,592) | | (43,592) |
| Selling and marketing | (116,521) | | (116,521) |
| General and administrative expenses | (25,339) | | (25,339) |
| Non-cash stock compensation expense | (769) | | (769) |
| Depreciation and amortization | (70,197) | | (70,197) |
| Amortization | (39,332) | | (39,332) |
| Loss on Disposal of property and equipment | (1,074) | | (1,074) |
| Goodwill impairment | (460,920) | | (460,920) |
| Property and equipment impairment | (44,450) | | (44,450) |
| Intangible asset impairment | (312,043) | | (312,043) |
| Total operating expenses | (1,425,372) | | (1,425,372) |
| Operating loss | (968,815) | | (968,815) |
| Interest income | 590 | | 590 |
| Interest expense | (57,153) | 29,235 (5)<br>(8,511)(6)<br>(105)(9) | (36,534) |
| Loss before income tax benefit | (1,025,378) | 20,619 | (1,004,759) |
| Income tax benefit | 28,761 | | 28,761 |
| Net loss | $ (996,617) | $ 20,619 | $ (975,998) |
| Basic and diluted net loss per share of common stock(8) | $ (41.96) | | $ (17.20) |
| Basic and diluted weighted-average outstanding common shares(8) | 23,751,507 | 33,000,000 (3) | 56,751,507 |

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**AIRGATE PCS, INC.**

**UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS**

**For the Nine Months Ended June 30, 2003**
**(Dollars in thousands, except for share and per share amounts)**

| | Historical 9 Months Ended June 30, 2003(4) | Pro Forma Adjustments | Pro Forma 9 Months Ended June 30, 2003 |
|---|---|---|---|
| | (unaudited) | (unaudited) | (unaudited) |
| Revenues: | | | |
| Service revenue | $ 242,928 | $ | $ 242,928 |
| Roaming revenue | 67,019 | | 67,019 |
| Equipment revenue | 10,773 | | 10,773 |
| | 320,720 | | 320,720 |
| Operating Expenses: | | | |
| Cost of services and roaming | (193,956) | | (193,956) |
| Cost of equipment | (22,400) | | (22,400) |
| Selling and marketing | (57,280) | | (57,280) |
| General and administrative expenses | (21,910) | | (21,910) |
| Non-cash stock compensation expense | (530) | | (530) |
| Depreciation and amortization | (48,967) | | (48,967) |
| Amortization | (6,855) | | (6,855) |
| Goodwill impairment | | | |
| Total operating expenses | (351,898) | | (351,898) |
| Operating loss | (31,178) | | (31,178) |
| Interest income | 94 | | 94 |
| Interest expense | (45,869) | 24,835 (5)<br>(7,548)(6)<br>(79)(9) | (28,661) |
| Other expense | 11 | | 11 |
| Loss before income tax benefit | (76,942) | 17,208 | (59,734) |
| Income tax benefit | | | |
| Net loss | $ (76,942) | $ 17,208 | $ (59,734) |
| Basic and diluted net loss per share of common stock(8) | $ (2.97) | | $ (1.01) |
| Basic and diluted weighted-average outstanding common shares(8) | 25,897,415 | 33,000,000 (3) | 58,897,415 |

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**AIRGATE PCS, INC.**

**FOOTNOTES TO PRO FORMA CONDENSED**

**CONSOLIDATED FINANCIAL STATEMENTS**
**(Unaudited)**
**(Dollars in thousands, except for share and per share amounts)**

The following summarizes certain key provisions and accounting related to the recapitalization plan as it relates to the condensed consolidated financial statements. The recapitalization plan is further described in the proxy statement.

The 13.5% Senior Subordinated Discounted Notes due 2009 ( Old Notes ) with a carrying value of $240,302 as of June 30, 2003 will be exchanged for 9 3/8% Senior Subordinated Notes due 2009 ( New Notes ) with a principal balance of $160,000 and 33,000,000 shares of common stock, which is assumed to be valued at $39,600 as of June 30, 2003, based upon the common stock market price at that time. The common stock will be valued based on the market price immediately after the transaction has closed. The market price, which will be used to value the common stock, will be different and the difference may be material and will also change the effective interest rate of the New Notes. An increase or decrease of $1.00 in the market price of the Company s common stock would result in a decrease or increase, respectively, in the carrying amount of the notes of $33,000. An increase or decrease in the carrying amount of the debt results in a decrease or increase, respectively, in the effective interest rate.

The financial restructuring qualifies as a troubled debt restructuring in accordance with Statement of Financial Accounting Standards No. 15 Accounting by Debtors and Creditors for Troubled Debt Restructurings and EITF 02-4, Determining Whether a Debtors Modification or Exchange of Debt is within the scope of FASB statement No. 15. Based on the proposed Recapitalization Plan and assumptions, there will not be a gain on the transaction since total future cash payments, including interest, exceed the remaining carrying amount of the Old Notes after reducing the Old Notes by the assumed value of the common stock.

(1) The estimated transaction costs are summarized as follows:

| | |
|---|---|
| Financial advisor and dealer/manager fees | $ 670 |
| Financial advisor and dealer/manager fees contingent transaction costs | 4,361 |
| Legal, printing and other fees | 2,350 |
| Accounting fees | 350 |
| | $7,731 |

Transaction costs incurred to raise capital related to the debt will be expensed in the period incurred. Transaction costs incurred to raise capital related to the equity are recorded against additional paid in capital.

(2) Represents the reclassification of the net financing costs related to the issuance of the Old Notes, and the payment of additional financing costs related to an amendment of the Credit Facility.

(3) Represents the adjustment to record the issuance of 33,000,000 shares of common stock, to be issued and outstanding immediately after the exchange offer. The issuance of the stock reflects a reduction in the Old Notes at an assumed market value as of June 30, 2003 of $1.20 per share.

(4) On November 30, 2001, AirGate acquired iPCS, Inc. (together with its subsidiaries). Subsequent to November 30, 2001, the September 30, 2002 condensed consolidated statement of operations includes the results of iPCS, Inc. On February 23, 2003, iPCS filed a Chapter 11 bankruptcy petition for the purpose of effecting a court-administered reorganization. The results of iPCS have been included in the June 30, 2003 condensed consolidated statement of operations of AirGate through February 23, 2003. Subsequent to February 23, 2003, AirGate no longer consolidated the accounts and results of operations of its unrestricted subsidiary iPCS. The pro forma condensed consolidated financial

**AIRGATE PCS, INC.**

**FOOTNOTES TO PRO FORMA CONDENSED**

**CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
**(Dollars in thousands, except for share and per share amounts)**

statements do not show the effects of transferring AirGate s shares of iPCS common stock to a trust for the benefit of AirGate shareholders and ultimate disposition.

(5) Represents the adjustment to reflect the impact of removing the interest expense (including amortization of the discount and direct issue costs) related to the Old Notes.

(6) Represents the adjustment to reflect the effective interest expense (including accretion of the premium) of the New Notes. Based on the assumptions herein, the effective rate is assumed to be 4.27%; the actual cash pay rate is 9 3/8%.

(7) As a result of the recapitalization plan, the Company will realize cancellation of indebtedness income which will be absorbed by net operating loss carry forwards. Additionally, the Company may be required to pay alternative minimum taxes because net operating loss carry forwards can offset only 90% of alternative minimum taxable income. The Company has conservatively estimated alternative minimum taxes of $1,700.

(8) As part of the Recapitalization Plan, the Company is proposing to implement an approximate [ ] reverse split of its common stock.

(9) Represents amortization of financing costs capitalized on the balance sheet, which were incurred in connection with amending the Credit Facility. These costs will be amortized to interest expense over the remaining life of the Credit Facility.

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## MANAGEMENT S DISCUSSION AND ANALYSIS OF

## FINANCIAL CONDITION AND RESULTS OF OPERATIONS

**Overview**

On July 22, 1998, AirGate entered into management and related agreements with Sprint whereby it became the network partner of Sprint with the right to provide 100% digital PCS products and services under the Sprint brand names in AirGate s original territory in the southeastern United States. In January 2000, AirGate began commercial operations with the launch of four markets covering 2.2 million residents in AirGate s territory. By September 30, 2000, AirGate had launched commercial PCS service in all 21 of its markets, which comprise AirGate s original territory. At June 30, 2003, AirGate had total network coverage of approximately 6.0 million residents or 83% of the 7.2 million residents in its territory.

Under AirGate s long-term agreements with Sprint, we manage our network on Sprint s licensed spectrum and have the right to use the Sprint brand names royalty-free during our PCS affiliation with Sprint. We also have access to Sprint s national marketing support and distribution programs and are generally required to buy network equipment and subscriber handsets from vendors approved by Sprint or from Sprint directly. The agreements with Sprint generally provide that these purchases are to be made at the same discounted rates offered by vendors to Sprint based on its large volume purchases. Sprint pays AirGate a management fee which generally consists of 92% of collected revenues. We are entitled to 100% of revenues collected from the sale of handsets and accessories and on roaming revenue received when customers of Sprint and Sprint s other network partners make a wireless call on our PCS network.

On November 30, 2001, AirGate acquired iPCS, a network partner of Sprint with 37 markets in the midwestern states of Michigan, Illinois, Iowa and Nebraska. The acquisition of iPCS increased the total resident population in the Company s markets from approximately 7.1 million to approximately 14.5 million. On February 23, 2003, iPCS filed a Chapter 11 bankruptcy petition in the United States Bankruptcy Court for the Northern District of Georgia for the purpose of effecting a court-administered reorganization. In accordance with Statement of Financial Accounting Standards ( SFAS ) No. 94 Consolidation of All Majority-Owned Subsidiaries and Accounting Research Bulletin ( ARB ) No. 51 Consolidated Financial Statements, when control of a majority-owned subsidiary does not rest with the majority owners (as, for instance, where the subsidiary is in legal reorganization or in bankruptcy), ARB No. 51 precludes consolidation of the majority-owned subsidiary. As a result, subsequent to February 23, 2003, AirGate no longer consolidates the accounts and results of operations of iPCS and the accounts of iPCS are recorded as an investment using the cost method of accounting. In connection with the restructuring described in this proxy statement, we are transferring our shares of iPCS common stock to a trust organized under Delaware law for the benefit of our stockholders. For more information on this transfer, please see The Recapitalization Plan iPCS Stock Trust.

As required by the terms of AirGate s and iPCS respective outstanding indebtedness, each of AirGate and iPCS conducts its business as separate corporate entities from the other. AirGate s old notes require subsidiaries of AirGate to be classified as either restricted subsidiaries or unrestricted subsidiaries. A restricted subsidiary is defined generally as any subsidiary that is not an unrestricted subsidiary. An unrestricted subsidiary includes any subsidiary which:

- has been designated an unrestricted subsidiary by the AirGate board of directors,
- has no indebtedness which provides recourse to AirGate or any of its restricted subsidiaries,
- is not party to any agreement with AirGate or any of its restricted subsidiaries, unless the terms of the agreement are no less favorable to AirGate or such restricted subsidiary than those that might be obtained from persons unaffiliated with AirGate,
- is a subsidiary with respect to which neither AirGate nor any of its restricted subsidiaries has any obligation to subscribe for additional equity interests, maintain or preserve such subsidiary s financial condition or cause such subsidiary to achieve certain operating results,

has not guaranteed or otherwise provided credit support for any indebtedness of AirGate or any of its restricted subsidiaries, and

has at least one director and one executive officer that are not directors or executive officers of AirGate or any of its restricted subsidiaries.

AirGate s old notes impose certain affirmative and restrictive covenants on AirGate and its restricted subsidiaries and also include as events of default certain events, circumstances or conditions involving AirGate or its restricted subsidiaries. Because iPCS is an unrestricted subsidiary, the covenants and events of default under AirGate s notes generally do not apply to iPCS.

AirGate s credit facility also imposes certain restrictions on, and applies certain events of default to events, circumstances or conditions involving, AirGate and its subsidiaries. AirGate s senior credit facility, however, expressly excludes iPCS from the definition of subsidiary. Therefore, these restrictions and events of default applicable to AirGate and its subsidiaries do not generally apply to iPCS.

**Critical Accounting Policies**

The Company relies on the use of estimates and makes assumptions that impact its financial condition and results. These estimates and assumptions are based on historical results and trends as well as the Company s forecasts as to how these might change in the future. Several of the most critical accounting policies that materially impact the Company s results of operations include:

***Allowance for Doubtful Accounts***

Estimates are used in determining the allowance for doubtful accounts and are based on historical collection and write-off experience, current trends, credit policies and accounts receivable by aging category. In determining these estimates, the Company compares historical write-offs in relation to the estimated period in which the subscriber was originally billed. The Company also looks at the average length of time that elapses between the original billing date and the date of write-off in determining the adequacy of the allowance for doubtful accounts by aging category. From this information, the Company provides specific amounts to the aging categories. The Company provides an allowance for substantially all receivables over 90 days old.

The Company provides a reduction in revenues for those subscribers that it anticipates will not pay late payment fees and early cancellation fees using historical information. The reserve for late payment fees and early cancellation fees are included in the allowance for doubtful accounts balance.

For AirGate, the allowance for doubtful accounts was $4.6 million as of June 30, 2003 and $6.8 million as of September 30, 2002. If the allowance for doubtful accounts is not adequate, it could have a material adverse affect on the Company s liquidity, financial position and results of operations.

The Company also reviews current trends in the credit quality of its subscriber base. As of June 30, 2003, 30% of AirGate s subscriber base consisted of sub-prime credit quality subscribers. Sprint has a program in which subscribers with lower quality credit or limited credit history may nonetheless sign up for service subject to certain account spending limits, if the subscriber makes a deposit ranging from $125 to $250. In May 2001, Sprint introduced the no-deposit account spending limit program, in which the deposit requirement was waived except in very limited circumstances (the NDASL program ). The NDASL program was replaced in late 2001 with the Clear Pay program. The Clear Pay program re-instituted the deposit for only the lowest credit quality subscribers. The NDASL and Clear Pay programs and their associated lack of general deposit requirements increased the number of the Company s sub-prime credit subscribers. In February 2002, Sprint allowed its network partners to re-institute deposits in a program called the Clear Pay II program. The Clear Pay II program and its deposit requirements are currently in effect in all of AirGate s markets, which reinstated a deposit requirement of $125 for most sub-prime credit subscribers. In early February 2003, management increased the deposit threshold to $250 for sub-prime customers.

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***First Payment Default Subscribers***

The Company had previously reserved for subscribers that it anticipated would never pay a bill. During the three months ended March 31, 2003, the Company experienced a significant improvement in customer payment behavior for these customers as well as a significant improvement in the credit quality of new subscribers to the Company. As a result, the Company determined that the first payment default reserve is no longer necessary. At June 30, 2003, first payment default reserve was $0.

***Revenue Recognition***

The Company recognizes revenue when persuasive evidence of an arrangement exists, services have been rendered or products have been delivered, the price to the buyer is fixed and determinable, and collectibility is reasonably assured. The Company s revenue recognition polices are consistent with the guidance in Staff Accounting Bulletin ( SAB ) No. 101, Revenue Recognition in Financial Statements promulgated by the Securities and Exchange Commission.

The Company records equipment revenue from the sale of handsets and accessories to subscribers in its retail stores and to local distributors in its territories upon delivery to the subscriber. The Company does not record equipment revenue on handsets and accessories purchased by subscribers from national third-party retailers such as Radio Shack and Best Buy, or directly from Sprint by subscribers in its territories. The Company believes the equipment revenue and related cost of equipment associated with the sale of wireless handsets and accessories is a separate earnings process from the sale of wireless services to subscribers. Because such arrangements do not require a customer to subscribe to the Company s wireless services and because the Company sells wireless handsets to existing customers at a loss, the Company currently accounts for these transactions separately from agreements to provide customers wireless service.

The Company s subscribers pay an activation fee to the Company when they initiate service. The Company defers activation fee revenue over the average life of its subscribers, which is estimated to be 30 months. The Company recognizes service revenue from its subscribers as they use the service. The Company provides a reduction of recorded revenue for billing adjustments, late payment fees, and early cancellation fees. The Company also reduces recorded revenue for rebates and discounts given to subscribers on wireless handset sales in accordance with Emerging Issues Task Force ( EITF ) Issue No. 01-9 Accounting for Consideration Given by a Vendor to a Subscriber (Including a Reseller of the Vendor s Products). For industry competitive reasons, the Company sells wireless handsets at a loss. The Company participates in the Sprint national and regional distribution programs in which national retailers such as Radio Shack and Best Buy sell Sprint PCS products and services. In order to facilitate the sale of Sprint PCS products and services, national retailers purchase wireless handsets from Sprint for resale and receive compensation from Sprint for Sprint PCS products and services sold. For industry competitive reasons, Sprint subsidizes the price of these handsets by selling the handsets at a price below cost. Under the Company s Sprint agreements, when a national retailer sells a handset purchased from Sprint to a subscriber in the Company s territories, the Company is obligated to reimburse Sprint for the handset subsidy. The Company does not receive any revenue from the sale of handsets and accessories by such national retailers. The Company classifies these handset subsidy charges as a selling and marketing expense for a new subscriber handset sale and classifies these subsidies as a cost of service and roaming for a handset upgrade to an existing subscriber.

Sprint retains 8% of collected service revenue from subscribers based in the Company s markets and from non-Sprint subscribers who roam onto the Company s network. The amount of affiliation fee retained by Sprint is recorded as cost of service and roaming. Revenue derived from the sale of handsets and accessories by the Company and from certain roaming services (outbound roaming and roaming revenue from Sprint PCS and its PCS network partner subscribers) are not subject to the 8% affiliation fee from Sprint.

The Company defers direct subscriber activation costs when incurred and amortizes these costs using the straight-line method over 30 months, which is the estimated average life of a subscriber. Direct subscriber activation costs also include credit check fees and loyalty welcome call fees charged to the Company by Sprint and costs incurred by the Company to operate a subscriber activation center. In November 2002, the Emerging Issues Task Force (EITF) of the Financial Accounting Standards Board (FASB) reached a consensus on EITF No. 00-21, Accounting for Revenue Arrangements with Multiple Deliverables. The EITF guidance addresses how to account for arrangements that may involve multiple revenue-generating activities, i.e., the delivery or performance of multiple products, services, and/or rights to use assets. In applying this guidance, separate contracts with the same party, entered into at or near the same time, will be presumed to be a bundled transaction, and the consideration will be measured and allocated to the separate units based on their relative fair values. This consensus guidance will be applicable to agreements entered into in quarters beginning after June 15, 2003. AirGate will adopt this new accounting effective July 1, 2003. The adoption of EITF 00-21 will result in the majority of activation fee revenue being recognized at the time the related wireless phone is sold, and will classify it as equipment sales. Upon adopting EITF 00-21, the Company will continue to amortize previously deferred activation revenues ($7.9 million at June 30, 2003) and costs ($4.6 million at June 30, 2003) over the remaining estimated life of a subscriber not to exceed 30 months.

***Impairment of Long-Lived Assets and Goodwill***

The Company accounts for long-lived assets and goodwill in accordance with the provisions of Statement of Financial Accounting Standards ( SFAS ) No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets and SFAS No. 142, Goodwill and Other Intangible Assets. SFAS No. 144 requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. SFAS No. 142 requires annual tests for impairment of goodwill and intangible assets that have indefinite useful lives and interim tests when an event has occurred that more likely than not has reduced the fair value of such assets. The Company no longer has any assets recorded subject to SFAS 142 impairment testing. As of September 30, 2002, the Company recorded substantial write-offs of long lived assets and goodwill relating to its iPCS subsidiary. Management will continue to monitor any triggering events and perform re-evaluations, as necessary.

**New Accounting Pronouncements**

See Note 2 to the consolidated financial statements for the nine months period ended June 30, 2003 for a description of new accounting pronouncements and their impact on AirGate.

**Results of Operations**

The following discussion of the results of operations includes the results of operations of iPCS subsequent to November 30, 2001, its date of acquisition, but as a result of iPCS Chapter 11 bankruptcy filing, does not include the results of operations of iPCS subsequent to February 23, 2003. iPCS filed for Chapter 11 bankruptcy on February 23, 2003. In accordance with SFAS No. 94 and ARB No. 51, iPCS results of operations are not consolidated with AirGate s results subsequent to February 23, 2003 and the accounts of iPCS are recorded as an investment using the cost method of accounting. AirGate results include the effects of purchase accounting related to the iPCS acquisition. The comparability of the Company s results for the nine months ended June 30, 2003 to the same period for 2002 are affected by the exclusion of the results of iPCS for the periods prior to November 30, 2001 and after February 23, 2003. As a result and in addition to the other factors described below for AirGate, the exclusion of iPCS results after February 23, 2003 has the effect of lowering revenues and expenses in the nine months ended June 30, 2003 compared to the same period in 2002, which is partially offset by the exclusion of results for iPCS prior to November 30, 2001.

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***Financial Measures and Key Operating Metrics***

We use certain operating and financial measures that are not calculated in accordance with accounting principles generally accepted in the United States, or GAAP. A non-GAAP financial measure is defined as a numerical measure of a company s financial performance that (i) excludes amounts, or is subject to adjustments that have the effect of excluding amounts, that are included in the comparable measure calculated and presented in accordance with GAAP in the statement of income or statement of cash flows; or (ii) includes amounts, or is subject to adjustments that have the effect of including amounts, that are excluded from the comparable measure so calculated and presented.

Terms such as subscriber net additions, average revenue per user ( ARPU ), churn, cost per gross addition ( CPGA ) and cash cost per user ( CCPU ) are important operating metrics used in the wireless telecommunications industry. These metrics are important to compare us to other wireless service providers. ARPU, CCPU and CPGA also assist management in budgeting and CPGA also assists management in quantifying the incremental costs to acquire a new subscriber. Except for churn and net subscriber additions, we have included a reconciliation of these metrics to the most directly comparable GAAP financial measure. Churn and subscriber net additions are operating statistics with no comparable GAAP financial measure. ARPU, CPGA and CCPU are supplements to GAAP financial information and should not be considered an alternative to, or more meaningful than, revenues, expenses or net loss as determined in accordance with GAAP.

Earnings before interest, taxes, depreciation and amortization, or EBITDA, is a performance metric we use and which is used by other companies. Management believes that EBITDA is a useful adjunct to net loss and other measurements under GAAP because it is a meaningful measure of a company s performance, as interest, taxes, depreciation and amortization can vary significantly between companies due in part to differences in accounting policies, tax strategies, levels of indebtedness, capital purchasing practices and interest rates. EBITDA also assists management in evaluating operating performance and is sometimes used to evaluate performance for executive compensation. We have included below a presentation of the GAAP financial measure most directly comparable to EBITDA, which is net loss, as well as a reconciliation of EBITDA to net loss. We have also provided a reconciliation to net cash provided by (used in) operating activities as supplemental information. EBITDA is a supplement to GAAP financial information and should not be considered an alternative to, or more meaningful than, net loss, cash flow or operating loss as determined in accordance with GAAP. EBITDA has distinct limitations as compared to GAAP information such as net loss, cash flow or operating loss. By excluding interest and tax payments for example, an investor may not see that both represent a reduction in cash available to the Company. Likewise, depreciation and amortization, while non-cash items, represent generally the devaluation of assets that produce revenue for the Company.

EBITDA, ARPU, churn, CPGA and CCPU as used by the Company may not be comparable to a similarly titled measure of another company.

The following terms used in this report have the following meanings:

EBITDA means earnings before interest, taxes, depreciation and amortization.

ARPU summarizes the average monthly service revenue per user, excluding roaming revenue. ARPU is computed by dividing service revenue for the period by the average subscribers for the period.

Churn is the average monthly rate of subscriber turnover that both voluntarily and involuntarily discontinued service during the period, expressed as a percentage of the average subscriber base. Churn is computed by dividing the number of subscribers that discontinued service during the period, net of 30-day returns, by the average subscribers for the period.

CPGA summarizes the average cost to acquire new subscribers during the period. CPGA is computed by adding the income statement components of selling and marketing, cost of equipment and activation costs (which are included as a component of cost of service) and reducing that

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amount by the equipment revenue recorded. That net amount is then divided by the total new subscribers acquired during the period.

CCPU is a measure of the average monthly cash costs to operate the business on a per user basis consisting of subscriber support, network operations, service delivery, roaming expense, bad debt expense, wireless handset upgrade subsidies (but not commissions) and other general and administrative costs, divided by average subscribers for the period.

***For the Nine Months Ended June 30, 2003 Compared to the Nine Months Ended June 30, 2002:***

The table below sets forth key operating metrics for the Company for the nine months ended June 30, 2003 and 2002.

| | Nine Months Ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2003 | | | 2002 | | |
| | AirGate | iPCS** | Combined | AirGate | iPCS** | Combined |
| Subscriber Gross Additions | 137,543 | 59,403 | 196,946 | 198,945 | 82,196 | 281,141 |
| Subscriber Net Additions | 25,018 | 14,199 | 39,217 | 102,280 | 45,521 | 147,801 |
| Total Subscribers | 364,157 | 228,893 | 593,050 | 337,303 | 195,143 | 532,446 |
| ARPU | $ 58.47 | $ 53.40 | $ 57.33 | $ 63.25 | $ 55.44 | $ 60.95 |
| Churn (with subscriber reserve) | 3.3% | 4.0% | 3.7% | 3.0% | 2.4% | 2.7% |
| Churn (without subscriber reserve) | 3.8% | 4.9% | 4.4% | 3.9% | 3.4% | 3.6% |
| CPGA | $ 351 | $ 356 | $ 355 | $ 354 | $ 399 | $ 370 |
| CCPU | $ 48 | $ 58 | $ 51 | $ 59 | $ 67 | $ 62 |
| Capital Expenditures (cash) (in thousands) | $ 10,369 | $ 8,469 | $ 18,838 | $ 32,280 | $ 45,125 | $ 77,405 |
| EBITDA (in thousands) | $ 31,910 | $ (7,225) | $ 24,655 | $(268,990) | $ (23,961) | $(292,951) |

The reconciliation of EBITDA to our reported net loss, as determined in accordance with GAAP, is as follows (dollar amounts in thousands):

| | Nine Months Ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2003 | | | 2002 | | |
| | AirGate | iPCS** | Combined | AirGate | iPCS** | Combined |
| Net Loss | $(39,958) | $(36,984) | $(76,942) | $(321,461) | $(60,172) | $(381,633) |
| Depreciation and amortization | 41,145 | 14,677 | 55,822 | 55,645 | 21,596 | 77,241 |
| Interest income | (52) | (42) | (94) | (156) | (374) | (530) |
| Interest expense | 30,775 | 15,094 | 45,869 | 25,743 | 14,989 | 40,732 |
| Income tax benefit | | | | (28,761) | | (28,761) |
| EBITDA | $ 31,910 | $ (7,255) | $ 24,655 | $(268,990) | $(23,961) | $(292,951) |

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The reconciliation of EBITDA to net cash provided by (used in) operating activities, as determined in accordance with GAAP, is as follows (dollar amounts in thousands):

| | Nine Months Ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2003 | | | 2002 | | |
| | AirGate | iPCS** | Combined | AirGate | iPCS** | Combined |
| Net cash provided by (used in) operating activities | $ 29,736 | $ (9,086) | $ 20,650 | $ (24,294) | $(24,503) | $ (48,797) |
| Change in operating assets and liabilities | 290 | 541 | 831 | 30,725 | 6,744 | 37,469 |
| Interest expense | 30,775 | 15,094 | 45,869 | 25,743 | 14,989 | 40,732 |
| Accretion of interest | (24,158) | (11,589) | (35,747) | (21,323) | (15,118) | (36,441) |
| Goodwill impairment | | | | (261,212) | | (261,212) |
| Interest income | (52) | (42) | (94) | (156) | (374) | (530) |
| Provision for doubtful accounts | (3,724) | (1,693) | (5,417) | (16,968) | (5,374) | (22,342) |
| Other expense | (957) | (480) | (1,437) | (1,505) | (325) | (1,830) |
| EBITDA | $ 31,910 | $ (7,255) | $ 24,655 | $(268,990) | $(23,961) | $(292,951) |

The reconciliation of ARPU to service revenue, as determined in accordance with GAAP, is as follows (dollar amounts in thousands, except per unit data):

| | Nine Months Ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2003 | | | 2002 | | |
| | AirGate | iPCS** | Combined | AirGate | iPCS** | Combined |
| Average Revenue per User (ARPU): | | | | | | |
| Service revenue | $185,032 | $ 57,896 | $242,928 | $162,886 | $ 67,536 | $230,422 |
| Average subscribers | 351,648 | 222,794 | 470,798 | 286,163 | 172,383 | 420,028 |
| ARPU | $ 58.47 | $ 53.40 | $ 57.33 | $ 63.25 | $ 55.44 | $ 60.95 |

The reconciliation of CCPU to cost of service expense and general and administrative expense as determined in accordance with GAAP, is calculated as follows (dollar amounts in thousands, except per unit data):

| | Nine Months Ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2003 | | | 2002 | | |
| | AirGate | iPCS** | Combined | AirGate | iPCS** | Combined |
| Cash Cost per User (CCPU): | | | | | | |
| Cost of service expense | $138,208* | $ 56,191* | $193,956 | $144,182* | $ 73,199* | $216,698 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Less: Activation expense | (747) | (194) | (941) | (1,260) | (596) | (1,856) |
| Plus: General and administrative expense | 15,029 | 6,881 | 21,910 | 9,057 | 9,220 | 18,277 |
| Total cash costs | $152,490 | $ 62,878 | $214,925 | $151,979 | $ 81,823 | $233,119 |
| Average subscribers | 351,648 | 222,794 | 470,798 | 286,163 | 172,383 | 420,028 |
| CCPU | $ 48 | $ 58 | $ 51 | $ 59 | $ 67 | $ 62 |

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The reconciliation of CPGA to selling and marketing expense, as determined in accordance with GAAP, is calculated as follows (dollar amounts in thousands, except per unit data):

| | Nine Months Ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2003 | | | 2002 | | |
| | AirGate | iPCS** | Combined | AirGate | iPCS** | Combined |
| Selling and marketing expense | $ 40,863 | $ 16,417 | $ 57,280 | $ 59,925 | $ 25,643 | $ 85,568 |
| Plus: Activation expense | 747 | 194 | 941 | 1,260 | 596 | 1,856 |
| Plus: Cost of equipment | 15,271 | 7,129 | 22,400 | 20,129 | 9,853 | 29,982 |
| Less: Equipment revenue | (8,641)* | (2,575)* | (10,773) | (10,934)* | (3,272)* | (13,523) |
| Total acquisition costs | $ 48,240 | $ 21,165 | $ 69,848 | $ 70,380 | $ 32,820 | $ 103,883 |
| Gross Additions | 137,543 | 59,403 | 196,946 | 198,945 | 82,196 | 281,141 |
| CPGA | $ 351 | $ 356 | $ 355 | $ 354 | $ 399 | $ 370 |

* Amounts are reflected prior to the elimination of intercompany transactions.

** For 2003, iPCS amounts represent the period between October 1, 2002 and February 23, 2003. For 2003, average subscribers for the combined entity is a weighted average. For 2002, iPCS amounts represent the period between December 1, 2002 and June 30, 2002. For 2002, average subscribers for the combined entity is a weighted average.

*Subscriber Net Additions.* For AirGate, subscriber net additions decreased for the nine months ended June 30, 2003, compared to the same period in 2002. This decline is due to the decrease in subscriber gross additions and the increased number of subscribers who churned during the period. Reported net additions during the nine months ended June 30, 2003 for AirGate were positively impacted by the Company s elimination of its subscriber reserve. The net impact of this change for the nine months ending June 30, 2003 is an increase in net additions of 3,717 for AirGate and 2,251 for iPCS.

*Subscriber Gross Additions.* For AirGate, subscriber gross additions decreased for the nine months ended June 30, 2003 compared to the same period in 2002. This decline is due to increases in the deposit for sub-prime credit quality customers and actions taken to reduce acquisition costs.

*EBITDA.* For AirGate, EBITDA for the nine months ended June 30, 2003 increased from the same period in 2002. The increase is a result of an overall decrease in spending, particularly in cost of services and selling and marketing. EBITDA for AirGate was favorably impacted by special settlements from Sprint, including $4.9 million in credits reflected as a reduction in cost of service and $1.8 million in E911 amounts, reflected as an increase in revenues.

*Average Revenue Per User.* For AirGate, the decrease in ARPU for the nine months ended June 30, 2003, compared to the same period in 2002 is primarily the result of an overall reduction in revenue from customers using minutes in excess of their subscriber usage plans. The decrease also reflects the cessation of recognizing terminating long-distance access revenue. Until June 30, 2002, the Company recorded terminating long-distance access revenues billed by Sprint PCS to long distance carriers.

*Churn.* Churn without subscribers reserve decreased for the nine months ended June 30, 2003, compared to the same period for 2002. The Company has focused on improving the credit quality of the subscriber base. In February 2003, management increased the deposit required for a sub-prime credit customer to begin service to $250 in an effort to reduce churn and bad debt and increase the percentage of prime credit customers in AirGate s customer base. We believe these and other factors may have influenced the reduction in churn for the nine months ended June 30, 2003 compared to the same period in 2002.

*Cost Per Gross Addition.* For AirGate, CPGA decreased for the nine months ended June 30, 2003, compared to the same period in 2002. The decrease is the result of reduced acquisition costs, partially offset by fewer subscriber gross additions.

*Cash Cost Per User.* For AirGate, the decrease in CCPU for the nine months ended June 30, 2003, compared to the same period in 2002 reflects lower costs resulting from a lower reciprocal roaming rate charged among Sprint and its PCS network partners, decreased bad debt expenses reflecting an improved customer base, and the affect of the fixed network and administrative support costs being spread over a greater number of average subscribers.

*Revenues*

| | Nine Months Ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2003 | | | 2002 | | |
| | AirGate | iPCS | Combined | AirGate | iPCS | Combined |
| | (In thousands) | | | | | |
| Service Revenue | $185,032 | $57,896 | $242,928 | $162,886 | $67,536 | $230,422 |
| Roaming Revenue | 48,126 | 18,893 | 67,019 | 52,291 | 23,167 | 75,458 |
| Equipment Revenue | 8,641* | 2,575* | 10,773 | 10,934* | 3,272* | 13,523 |
| Total | $241,799 | $79,364 | $320,720 | $226,111 | $93,975 | $319,403 |

* Amounts are reflected prior to the elimination of intercompany transactions.

We derive our revenue from the following sources:

*Service.* We sell wireless personal communications services. The various types of service revenue associated with wireless communications services include monthly recurring access and feature charges and monthly non-recurring charges for local, wireless long distance and roaming airtime usage in excess of the subscribed usage plan.

*Roaming.* The Company receives roaming revenue at a per-minute rate from Sprint and other Sprint PCS network partners when Sprint s or its network partner s PCS subscribers from outside of AirGate s territory use AirGate s network. The Company pays the same reciprocal roaming rate when subscribers from our territories use the network of Sprint or its other PCS network partners. The Company also receives non-Sprint roaming revenue when subscribers of other wireless service providers who have roaming agreements with Sprint roam on the Company s network.

*Equipment.* We sell wireless personal communications handsets and accessories that are used by our subscribers in connection with our wireless services. Equipment revenue is derived from the sale of handsets and accessories from Company owned stores, net of sales incentives, rebates and an allowance for returns. The Company s handset return policy allows subscribers to return their handsets for a full refund within 14 days of purchase. When handsets are returned to the Company, the Company may be able to reissue the handsets to subscribers at little additional cost. When handsets are returned to Sprint for refurbishing, the Company receives a credit from Sprint, which is approximately equal to the retail price of the refurbished handset.

For AirGate, service revenue for the nine months ended June 30, 2003 increased over the same period in the prior year. The increase in service revenue reflects a higher average number of subscribers using its network. This increase is partially offset by an overall reduction in average revenue per subscriber.

For AirGate, roaming revenue for the nine months ended June 30, 2003 decreased over the same period in the prior year. The decrease is attributable to the lower reciprocal roaming rate charged among Sprint and its PCS network partners. For the nine months ended June 30, 2003, roaming revenue from Sprint and its PCS network partners attributable to AirGate was $44.0 million or 92% of the roaming revenue recorded.

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For AirGate, equipment revenue for the nine months ended June 30, 2003 decreased over the same period in the prior year. This decrease is primarily due to the lower number of subscriber gross additions compared to the same period in the prior year.

*Cost of Service and Roaming*

| | Nine Months Ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2003 | | | 2002 | | |
| | AirGate | iPCS | Combined | AirGate | iPCS | Combined |
| | (In thousands) | | | | | |
| Roaming expense | $ 39,259* | $13,673* | $ 52,489 | $ 41,220* | $18,405* | $ 58,942 |
| Network operating costs | 91,136 | 39,036 | 130,172 | 85,019 | 48,491 | 133,510 |
| Bad debt expense | 3,724 | 1,694 | 5,418 | 16,821 | 5,617 | 22,438 |
| Wireless handset upgrades | 4,089 | 1,788 | 5,877 | 1,122 | 686 | 1,808 |
| Total cost of service and roaming | $138,208 | $56,191 | $193,956 | $144,182 | $73,199 | $216,698 |

* Amounts are reflected prior to the elimination of intercompany transactions.

Cost of service and roaming principally consists of costs to support the Company s subscriber base including:

- roaming expense;
- network operating costs (including salaries, cell site lease payments, fees related to the connection of the Company s switches to the cell sites that they support, inter-connect fees and other expenses related to network operations);
- back office services provided by Sprint such as customer care, billing and activation;
- the 8% of collected service revenue representing the Sprint affiliation fee;
- long distance expense relating to inbound roaming revenue and the Company s own subscriber s long distance usage and roaming expense when subscribers from the Company s territory place calls on Sprint s or its network partners networks;
- bad debt related to estimated uncollectible accounts receivable; and
- wireless handset subsidies on existing subscriber upgrades through national third-party retailers.

For AirGate, roaming expense decreased for the nine months ended June 30, 2003, compared to the same period in 2002 primarily as a result of a decrease in the reciprocal roaming rate charged among Sprint and its network partners, partially offset by an increase in roaming usage. For AirGate, 94% and 93% of the cost of roaming was attributable to Sprint and its network partners for the nine months ended June 30, 2003 and 2002, respectively, prior to the elimination of intercompany transactions.

For AirGate, bad debt expense decreased by $13.1 million for the nine months ended June 30, 2003, compared to the same period in 2002. The decrease in bad debt expense is attributable primarily to improvements in the credit quality and payment profile of our subscriber base since we re-imposed deposits for sub-prime credit subscribers in early 2002 and increased them again in February 2003. This resulted in a significant improvement in accounts receivable write-offs and corresponding bad debt expense for the nine months ended June 30, 2003.

For AirGate, wireless handset upgrade expenses increased $3.0 million for the nine months ended June 30, 2003, compared to the same period in 2002. In April 2002, Sprint began billing upgrade costs to AirGate for national third party and certain other channels. Prior to April

2002, these charges were not passed through to AirGate from Sprint.

*Cost of Equipment and Operating Expenses*

| | Nine Months Ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2003 | | | 2002 | | |
| | AirGate | iPCS | Combined | AirGate | iPCS | Combined |
| | (In thousands) | | | | | |
| Cost of Equipment | $15,271 | $ 7,129 | $22,400 | $20,129 | $ 9,853 | $29,982 |
| Selling and Marketing | 40,863 | 16,417 | 57,280 | 59,925 | 25,643 | 85,568 |
| General and Administrative | 15,029 | 6,881 | 21,910 | 9,057 | 9,220 | 18,277 |
| Non-Cash Stock Compensation | 530 | | 530 | 597 | | 597 |
| Depreciation and Amortization | 34,799 | 14,168 | 48,967 | 28,419 | 19,445 | 47,864 |
| Amortization of Intangible Assets | 6,346 | 509 | 6,855 | 27,226 | 2,151 | 29,377 |
| Interest Expense | 31,577 | 14,292 | 45,869 | 25,743 | 14,989 | 40,732 |

*Cost of Equipment.* We are currently required to purchase handsets and accessories to resell to our subscribers for use in connection with our services. To remain competitive in the marketplace, we subsidize handset sales and therefore the cost of handsets is higher than the resale price to the subscriber. For AirGate, cost of equipment decreased for the nine months ended June 30, 2003, compared to the same period in 2002 primarily as a result of the decrease in the number of subscriber gross additions.

*Selling and Marketing.* Selling and marketing expense includes retail store costs such as salaries and rent in addition to promotion, advertising and commission costs, and handset subsidies on units sold by national third-party retailers for which the Company does not record revenue. Under the management agreement with Sprint, when a national retailer sells a handset purchased from Sprint to a subscriber from AirGate s territory, AirGate is obligated to reimburse Sprint for the handset subsidy and commissions that Sprint originally incurred. For AirGate, selling and marketing expense decreased for the nine months ended June 30, 2003, compared to the same period in 2002 reflecting the effect of reduced subscriber gross additions, staff reductions, store closings and reduced advertising and promotions expense.

*General and Administrative.* For AirGate, general and administrative expense increased for the nine months ended June 30, 2003, compared to the same period in 2002 reflecting increased spending for relocation costs and spending for outside consultants providing services to AirGate as it relates to identifying cost saving opportunities that we believe will provide future long term savings to the Company.

*Non-Cash Stock Compensation.* Non-cash stock compensation expense was approximately the same for the nine months ended June 30, 2003 and 2002. The Company applies the provisions of APB Opinion No. 25 Accounting for Stock Issued to Employees in accounting for its stock option plans. Unearned stock compensation is recorded for the difference between the exercise price and the fair market value of the Company s common stock and restricted stock at the date of grant and is recognized as non-cash stock compensation expense in the period for which the related services are rendered.

*Depreciation.* The Company capitalizes network development costs incurred to ready our network for use and costs to build-out our retail stores and office space. Depreciation of these costs begins when the equipment is ready for its intended use and is amortized over the estimated useful life of the asset. For AirGate, depreciation and amortization expense increased to $34.8 million for the nine months ended June 30, 2003, compared to $28.4 million for same period in 2002, an increase of $6.4 million. The increase in depreciation and amortization expense primarily relates to additional network assets placed in service in fiscal year 2002. AirGate incurred capital expenditures of $10.4 million in the nine months ended June 30, 2003, which included approximately $0.4 million of capitalized interest as compared to capital expenditures of $32.2 million and capitalized interest of $6.2 million in the same period in 2002.

*Amortization of Intangible Assets.* Amortization of intangible assets relates to the amounts recorded from the iPCS acquisition for the acquired subscriber base, non-competition agreements, and the right to provide service under iPCS Sprint agreements. Amortization of intangible assets primarily related to iPCS for the nine months ended June 30, 2003 and 2002 was approximately $6.9 million and $29.4 million, respectively. The Company recorded an impairment charge of $261.2 million in fiscal year 2002 to write-down intangible assets in accordance with SFAS No. 144 and 142.

*Goodwill Impairment.* The wireless telecommunications industry experienced significant declines in market capitalization throughout most of 2002. These significant declines in market capitalization resulted from concerns surrounding anticipated weakness in future subscribers growth, increased subscribers churn, anticipated future lower ARPU and liquidity concerns. As a result of these industry trends, the Company experienced significant declines in its market capitalization subsequent to its acquisition of iPCS. Additionally, there have been adverse changes to the strategic business plan for iPCS. These changes include lower new subscribers, lower ARPU, higher churn, increased service and pass through costs from Sprint and lower roaming margins from Sprint. Wireless industry acquisitions subsequent to the Company s acquisition of iPCS have been valued substantially lower on a price per population and price per subscriber basis. As a result of these transactions and industry trends, the Company believed that the fair value of iPCS and its assets had been reduced. Accordingly, the Company engaged a nationally recognized valuation expert during 2002 to perform a fair value assessment of iPCS. The Company recorded a goodwill impairment of approximately $261.2 million.

*Interest Expense.* For AirGate, interest expense for the nine months ended June 30, 2003 increased compared to the same period in 2002 primarily as a result of increased debt related to accreted interest on the AirGate notes and increased borrowings under the AirGate credit facility. The increase was partially offset by lower commitment fees on undrawn balances of the AirGate credit facility and a lower interest rate on the variable rate for borrowings under the AirGate credit facility.

*Income Tax Benefit.* No income tax benefit was realized for the nine months ended June 30, 2003. Income tax benefit of $28.8 million was realized for the nine months ended June 30, 2002.

*Net Loss.* For the nine months ended June 30, 2003, the net loss for the Company was $76.9 million, compared to a net loss of $381.6 million for the same period in 2002. For the nine months ended June 30, 2002, net loss attributable to AirGate and iPCS was $321.4 million and $60.2 million, respectively. The nine months ended June 30, 2002 included $261.2 million related to goodwill impairment.

***For the year ended September 30, 2002 compared to the year ended September 30, 2001:***

*Subscriber Net Additions.* As of September 30, 2002, the Company provided personal communication services to 554,833 subscribers compared to 235,025 subscribers as of September 30, 2001, an increase of 319,808 subscribers. The increased net subscribers include 149,622 subscribers acquired from iPCS on November 30, 2001. For the year ended September 30, 2002, the Company added 104,115 net new AirGate subscribers and 66,072 net new iPCS subscribers. The increase in net subscribers is due primarily to subscribers attracted from other wireless carriers and demand for wireless services from new subscribers.

The Company does not include in its subscriber base an estimate of first payment default subscribers. At September 30, 2002 and 2001, the estimated first payment default subscribers were 7,126 and 7,811, respectively. Estimated first payment default subscribers at September 30, 2002 for AirGate and iPCS were 3,717 and 3,409, respectively.

*Subscriber Gross Additions.* Subscriber gross additions for the years ended September 30, 2002 and 2001 were 374,249 and 233,390, respectively. For the year ended September 30, 2002, subscriber gross additions from AirGate and iPCS were 247,221 and 127,028, respectively. The increase in subscriber gross additions were attributable to the acquisition of iPCS and the removal of deposit requirements in the NDASL and certain Clear Pay programs, additional network build out and retail sales distribution from AirGate.

*Average Revenue Per User.* For the years ended September 30, 2002 and 2001, ARPU was $59 and $62, respectively. For the year ended September 30, 2002, iPCS had an ARPU of $55, compared to $61 for AirGate. The decrease in ARPU for the Company is primarily the result of the acquisition of iPCS, cessation of recognizing terminating access revenue and declines in the average monthly recurring revenue per user. Until March 2002, the Company recorded terminating long-distance access revenues billed by Sprint PCS to long distance carriers. Sprint PCS has made a claim to these historical revenues based upon its current litigation with AT&T and other long distance carriers. While we continue to examine rights we may have against Sprint PCS, the Company recorded a reserve to accrue for terminating access charges previously paid by Sprint on behalf of long distance carriers and for which Sprint PCS has made a claim.

*Churn.* Churn for the year ended September 30, 2002 was 3.4%, compared to 2.8% for the year ended September 30, 2001. For the year ended September 30, 2002, churn attributable to AirGate and iPCS was 3.5% and 3.0%, respectively. The increase in churn is primarily a result of an increase in the number of sub-prime credit quality subscribers whose service was involuntarily discontinued during the period. Without the subscriber reserve, churn for the year ended September 30, 2002 and 2001 would be 4.0% and 2.8%, respectively. Churn without the subscriber reserve for the year ended September 30, 2002 attributable to AirGate and iPCS would be 4.2% and 3.6%, respectively.

*Cost Per Gross Addition.* CPGA was $386 for the year ended September 30, 2002, compared to $361 for the year ended September 30, 2001. For the year ended September 30, 2002, CPGA for AirGate and iPCS was $386 and $387, respectively. The increase in CPGA is the result of greater handset sales incentives, rebates and marketing costs.

*Cash Cost Per User.* CCPU was $60 for the year ended September 30, 2002, compared to $76 for the year ended September 30, 2001. For the year ended September 30, 2002, CCPU for AirGate and iPCS was $59 and $61, respectively. The decrease in CCPU is the result of the fixed network and administrative support costs of CCPU being spread over a greater number of average subscribers, including those acquired in the merger with iPCS.

*Revenues.* Service revenue and equipment revenue was $327.4 million and $18.0 million, respectively, for the year ended September 30, 2002, compared to $106.0 million and $10.8 million, respectively, for the year ended September 30, 2001, an increase of $221.4 million and $7.2 million, respectively. For the year ended September 30, 2002, service revenue attributable to AirGate and iPCS was $226.5 million and $100.9 million, respectively. These increased revenues reflect the substantially higher average number of subscribers using the Company s network, including subscribers acquired in the iPCS acquisition. For the year ended September 30, 2002, the Company s service revenue was reduced because the Company did not record revenues from terminating long-distance access charges. In addition, the Company recorded a revenue adjustment for terminating long-distance access revenue previously paid to the Company by Sprint PCS on behalf of long distance carriers. Sprint PCS has made a claim to these historical revenues that were previously paid by Sprint PCS to Company for the period from January 2000 to March 2002. Terminating access revenue for which the Company provided a revenue adjustment was approximately $2.0 million for the period January 2000 to September 2001. Revenue adjustments for terminating access revenue attributable to AirGate and iPCS for the year ended September 30, 2002 was $4.3 million and $1.1 million, respectively.

The Company recorded roaming revenue of $111.2 million during the year ended September 30, 2002 (see roaming expense in Cost of Service and Roaming below), compared to $55.3 million for the year ended September 30, 2001, an increase of $55.9 million. The increase is attributable to the larger wireless subscriber base for Sprint and other Sprint PCS network partners, the additional covered territory acquired with iPCS, increased roaming revenue to iPCS from Verizon Wireless and increased roaming revenue from other third-party carriers, partially offset by a lower average roaming rate. For the year ended September 30, 2002, roaming revenue from Sprint and its PCS network partners was $103.1 million, or 93% of the roaming revenue recorded. For the year ended September 30, 2002, roaming revenue from Sprint and its PCS network partners attributable to AirGate and iPCS was $70.0 million and $33.1 million, respectively.

The reciprocal roaming rate among Sprint and its PCS network partners, including the Company, has declined over time, from $0.20 per minute of use prior to June 1, 2001, to $0.10 per minute of use in 2002. See Sprint Relationship and Agreements -The Management Agreements Service pricing, roaming and fees. Sprint reduced the reciprocal roaming rate to $0.058 per minute of use in 2003.

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*Cost of Service and Roaming.* The cost of service and roaming was $311.1 million for the year ended September 30, 2002, compared to $116.7 million for the year ended September 30, 2001, an increase of $194.4 million. For the year ended September 30, 2002, cost of service and roaming attributable to AirGate and iPCS was $203.2 million and $107.9 million, respectively. The increase in the cost of service and roaming is attributable to the increase in the number of subscribers due to the acquisition of iPCS and additional subscriber growth.

Roaming expense included in the cost of service and roaming was $85.5 million for the year ended September 30, 2002, compared to $35.4 million for the year ended September 30, 2001, an increase of $50.6 million as a result of the substantial increase in the Company s subscriber base, the acquired iPCS subscriber base and an increase in the average roaming minutes per month for each subscriber, partially offset by a lower average rate per minute. 92% and 88% of the cost of roaming was attributable to Sprint and its network partners for the years ended September 30, 2002 and 2001, respectively. For the year ended September 30, 2002, roaming expense attributable to AirGate and iPCS was $57.3 million and $28.2 million, respectively. As discussed above, the per-minute rate the Company pays Sprint when subscribers from the Company s territory roam onto the Sprint network decreased beginning June 1, 2001 for AirGate and January 1, 2002 for iPCS.

Bad debt included in the cost of service and roaming was $26.9 million for the year ended September 30, 2002, compared to $10.9 million for the year ended September 30, 2001, an increase of $16.0 million. This increase in bad debt expense is attributable to the acquisition of iPCS and the increase in payment defaults resulting from the increase in sub-prime credit quality customers.

For the year ended September 30, 2002, the network operating costs were $85.8 million, compared to $37.5 million at September 30, 2001, an increase of $48.3 million. This increase resulted from the acquisition of iPCS and its subscriber base and network assets. The Company was supporting 554,833 subscribers at September 30, 2002, compared to 235,025 subscribers at September 30, 2001. At September 30, 2002, the Company s network, including the territory of iPCS, consisted of 1,435 active cell sites and seven switches compared to 719 active cell sites and four switches at September 30, 2001. There were approximately 144 employees performing network operations functions at September 30, 2002, compared to 79 employees at September 30, 2001.

At September 30, 2002, the number of subscribers at AirGate and iPCS was 339,139 and 215,694, respectively. The number of active cell sites at September 30, 2002 for AirGate and iPCS was 802 and 633, respectively. The number of employees performing network operations functions at September 30, 2002 for AirGate and iPCS was 89 and 55, respectively.

Excluding sales commissions, the Company experienced approximately $4.8 million associated with wireless handset upgrade costs for the year ended September 30, 2002. The Company did not experience wireless handset upgrade costs during the year ended September 30, 2001.

*Cost of Equipment.* Cost of equipment was $43.6 million for the year ended September 30, 2002, and $20.2 million for year ended September 30, 2001, an increase of $23.4 million. This increase is attributable to the increase in the number of subscribers added during the period, including subscribers added as a result of the iPCS acquisition, as cost of equipment includes the cost of handsets and accessories sold to subscribers from the Company s stores. For the year ended September 30, 2002, cost of equipment attributable to AirGate and iPCS was $27.5 million and $16.1 million, respectively.

*Selling and Marketing.* The Company incurred selling and marketing expenses of $116.5 million during the year ended September 30, 2002, compared to $71.6 million in the year ended September 30, 2001, an increase of $44.9 million. For the year ended September 30, 2002, selling and marketing expense attributable to AirGate and iPCS was $79.0 million and $37.5 million, respectively. For the year ended September 30, 2002, national third-party handset subsidy costs attributable to AirGate and iPCS was $11.7 million and $7.4 million, respectively. Handset subsidies on units sold by third parties totaled approximately $19.1 million for the year ended September 30, 2002, compared to $12.8 million for the

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year ended September 30, 2001, an increase of $6.3 million that is attributable to the acquisition of iPCS and increased subscriber additions.

At September 30, 2002, there were approximately 710 employees performing sales and marketing functions, compared to 388 employees as of September 30, 2001. The majority of the increase in employees is a result of the acquisition of iPCS. At September 30, 2002, employees performing sales and marketing functions for AirGate and iPCS was approximately 480 and 230, respectively. Selling and marketing expenses include retail store costs such as salaries and rent in addition to promotion, advertising and commission costs, and handset subsidies on units sold by national third-party retailers for which the Company does not record revenue. Under the management agreements with Sprint, when a national retailer sells a handset purchased from Sprint to a subscriber from the Company s territories, the Company is obligated to reimburse Sprint for the handset subsidy that Sprint originally incurred. The national retailers sell Sprint wireless services under the Sprint brands and trademarks.

*General and Administrative.* For the year ended September 30, 2002, the Company incurred general and administrative expenses of $25.3 million, compared to $15.7 million for the year ended September 30, 2001, an increase of $9.6 million. This increase resulted from the growth in the number of employees and service providers providing general and administrative services and the acquisition of iPCS. Of the 973 employees at September 30, 2002, approximately 126 employees were performing corporate support functions compared to 62 employees as of September 30, 2001. For the year ended September 30, 2002, general and administrative expense attributable to AirGate and iPCS was $17.6 million and $7.7 million, respectively.

*Non-Cash Stock Compensation.* Non-cash stock compensation expense was $0.8 million for the year ended September 30, 2002, and $1.7 million for the year ended September 30, 2001. The Company applies the provisions of APB Opinion No. 25 and related interpretations in accounting for its stock option plans. Unearned stock compensation is recorded for the difference between the exercise price and the fair market value of the Company s common stock and restricted stock at the date of grant and is recognized as non-cash stock compensation expense in the period in which the related services are rendered.

*Depreciation.* We capitalize network development costs incurred to ready our network for use and costs to build-out our retail stores and office space. Depreciation of these costs begins when the equipment is ready for its intended use and is amortized over the estimated useful life of the asset. For the year ended September 30, 2002, depreciation increased to $70.2 million, compared to $30.7 million for the year ended September 30, 2001, an increase of $39.5 million. The increase in depreciation expense relates primarily to additional network assets placed in service in 2002 and 2001 and approximately $29.5 million of depreciation from the acquired iPCS property and equipment. During the fiscal fourth quarter of 2002, the Company placed into service the 1XRTT network hardware costs in association with the commercial launch of 1XRTT. For the year ended September 30, 2002, depreciation attributable to AirGate and iPCS was $40.7 million and $29.5 million, respectively.

The Company incurred capital expenditures of $97.1 million in the year ended September 30, 2002, which included approximately $7.1 million of capitalized interest, compared to capital expenditures of $71.3 million and capitalized interest of $2.9 million in the year ended September 30, 2001. Capital expenditures incurred by AirGate and iPCS were $41.4 million and $55.7 million, respectively, for the year ended September 30, 2002.

*Amortization of Intangible Assets.* Amortization of intangible assets relates to the amounts recorded from the iPCS acquisition for the acquired subscriber base, non-competition agreements, and the right to provide service under iPCS Sprint agreements. Amortization for the year ended September 30, 2002, was approximately $39.3 million. Amortization of intangible assets for the year ended September 30, 2002 was attributable to AirGate as the Company did not elect pushdown accounting for the acquisition of iPCS.

*Loss on Disposal of Property and Equipment.* For the year ended September 30, 2002, the Company recognized a loss of $1.1 million on disposal of property and equipment. This loss is the result of the abandonment of eleven cell sites in AirGate s territory that were in process of being constructed.

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*Goodwill Impairment.* The wireless telecommunications industry experienced significant declines in market capitalization throughout most of 2002. These significant declines in market capitalization resulted from concerns surrounding anticipated weakness in future subscriber growth, increased subscriber churn, anticipated future lower ARPU and liquidity concerns. As a result of these industry trends, the Company experienced significant declines in its market capitalization subsequent to its acquisition of iPCS. Additionally, there have been adverse changes to the strategic business plan for iPCS. These changes include lower new subscribers, lower ARPU, higher churn, increased service and pass through costs from Sprint and lower roaming margins from Sprint. Wireless industry acquisitions subsequent to the Company s acquisition of iPCS have been valued substantially lower on a price per population and price per subscriber basis. As a result of these transactions and industry trends, the Company believed that the fair value of iPCS and its assets had been reduced. Accordingly, the Company engaged a nationally recognized valuation expert on two occasions during 2002 to perform fair value assessments of iPCS. The Company recorded a goodwill impairment of approximately $261.2 million and $199.7 million during the quarter ended March 31, 2002 and the quarter ended September 30, 2002, respectively, as a result of these fair value assessments. The total goodwill impairment for the year ended September 30, 2002 was $460.9 million.

*Impairment of Fixed Assets.* During the quarter ended September 30, 2002, the Company recorded an asset impairment of $44.5 million associated with the fixed assets (principally wireless networking infrastructure) of iPCS. This impairment was recorded under the requirements of SFAS No. 144 Accounting for the Impairment or Disposal of Long-Lived Assets. As discussed above, this impairment arose from significant adverse changes to the business plan for iPCS as well as a generally weak secondary market for telecommunications equipment. Accordingly, the Company engaged a nationally recognized valuation expert to determine the fair value of the assets which were valued at $185.4 million as of September 30, 2002.

*Impairment of Intangible Assets.* The Company recorded an intangible asset impairment of $305.4 million associated with iPCS right to provide services under the Sprint agreements. The right to provide service under iPCS Sprint agreements was recorded by the Company as a result of the purchase price allocation for the acquisition of iPCS. The original value and life assigned to this intangible was $323.3 million and 205 months, respectively. As discussed previously in the goodwill impairment section, this impairment arose from significant adverse changes to the business plan for iPCS. Accordingly, the Company adjusted the carrying value of the right to provide services under the Sprint agreements to its fair value at September 30, 2002. The Company engaged a nationally recognized valuation expert to determine the fair value of the right to provide services under the Sprint agreements.

*Interest Income.* For the year ended September 30, 2002, interest income was $0.6 million, compared to $2.5 million for the year ended September 30, 2001. The Company had higher average cash and cash equivalent balances and higher average interest rates on deposits for the year ended September 30, 2001, which resulted in higher interest income for year ended September 30, 2001, when compared to the year ended September 30, 2002. For the year ended September 30, 2002, interest income attributable to AirGate and iPCS was $0.2 million and $0.4 million, respectively.

*Interest Expense.* For the year ended September 30, 2002, interest expense was $57.2 million, compared to $28.9 million for the year ended September 30, 2001, an increase of $28.3 million. The increase is primarily attributable to increased debt related to the iPCS notes, accreted interest on the AirGate notes and increased borrowings under the AirGate and iPCS credit facilities, partially offset by lower commitment fees on undrawn balances of the AirGate credit facility, and a lower interest rate on variable rate borrowings under the AirGate credit facility. The Company had borrowings of $709.8 million as of September 30, 2002, including debt of iPCS, compared to $266.3 million at September 30, 2001. For the year ended September 30, 2002, interest expense attributable to AirGate and iPCS was $34.3 million and $22.9 million, respectively.

*Income Tax Benefit.* Income tax benefits of $28.8 million were recognized for the year ended September 30, 2002. Income tax benefits will be recognized in the future only to the extent management believes recoverability of deferred tax assets is more likely than not.

*Net Loss.* For the year ended September 30, 2002, the net loss was $996.6 million, an increase of $885.6 million from a net loss of $111.0 million for the year ended September 30, 2001. The increase was attributable to the results of operations of iPCS, which had a reported net loss of $133.2 million, the goodwill impairment associated with AirGate s investment in iPCS of $460.9 million, the fixed asset impairment associated with AirGate s investment in iPCS of $44.5 million, and the intangibles impairment associated with AirGate s investment in iPCS of $312.0 million. For the year ended September 30, 2002, net loss attributable to AirGate and iPCS was $863.4 million and $133.2 million, respectively.

***For the year ended September 30, 2001 compared to the year ended September 30, 2000:***

*Subscriber Gross Additions.* Subscriber gross additions for the years ended September 30, 2001 and 2000 were 233,390 and 62,007, respectively. The increase in subscriber gross additions was attributable to additional network build out and retail sales distribution from AirGate and the removal of the deposit for subscribers selecting the NDASL plan.

*Subscriber Net Additions.* As of September 30, 2001, the Company provided personal communication services to 235,025 subscribers compared to 56,689 subscribers as of September 30, 2000, an increase of 178,336 net subscribers. At September 30, 2001 and 2000 the estimated first payment default subscribers were 7,811 and 0, respectively. The increase in net subscribers acquired during the year ended September 30, 2001 was attributable to having all of the Company s 21 markets fully launched during fiscal 2001 and increased demand for wireless services in the United States.

*Average Revenue Per User.* For the year ended September 30, 2001, ARPU was $62. For the year ended September 30, 2000, ARPU was $59. The increase in ARPU primarily resulted from subscribers selecting rate plans with higher monthly recurring charges.

*Churn.* Churn for the year ended September 30, 2001 was 2.8%, the same as for the year ended September 30, 2000. Without the subscriber reserve, churn for each of the years ended September 30, 2001 and 2000 would have been 2.8%.

*Cost Per Gross Addition.* CPGA was $361 for the year ended September 30, 2001, compared to $501 for the year ended September 30, 2000. The decrease in CPGA was the result of greater gross subscriber additions covering the fixed cost components of CPGA such as advertising, salaries and store rents.

*Cash Cost Per User.* CCPU was $76 for the year ended September 30, 2001 compared to $162 for the year ended September 30, 2000. The decrease in CCPU was the result of the fixed network and administrative support costs of CCPU being spread over a greater number of average subscribers.

*Revenues.* Service revenue, roaming revenue and equipment revenue were $106.0 million, $55.3 million and $10.8 million, respectively, for the year ended September 30, 2001, compared to $9.7 million, $12.3 million and $3.0 million, respectively, for the year ended September 30, 2000, an increase of $96.3 million, $43.0 million and $7.8 million, respectively. These increased revenues reflected all of the Company s markets being commercially operational in fiscal year 2001. In fiscal year 2000, our markets were being launched in phases and were not operational on a full fiscal year basis.

*Cost of Service and Roaming.* The cost of service and roaming was $116.7 million for the year ended September 30, 2001, compared to $27.8 million for the year ended September 30, 2000, an increase of $88.9 million. Roaming expense included in the cost of service and roaming was $35.4 million for the year ended September 30, 2001, compared to $2.5 million for the year ended September 30, 2000, an increase of $32.9 million resulting from the substantial increase in the Company s subscriber base.

The Company was supporting 235,025 subscribers at September 30, 2001, compared to 56,689 subscribers at September 30, 2000. At September 30, 2001, the Company s network consisted of 719 active cell sites and four switches compared to 567 active cell sites and three switches at September 30, 2000. There were approximately 79 employees performing network operations functions at September 30, 2001, compared to 59 employees at September 30, 2000.

The Sprint affiliation fee totaled $7.6 million in the year ended September 30, 2001, compared to $0.8 million for the year ended September 30, 2000, a $6.8 million increase related to the growth in service revenues. Fees paid to Sprint for customer support and retention totaled $15.5 million for the year ended September 30, 2001, compared to $1.5 million at September 30, 2000. Long distance fees paid to Sprint totaled $6.5 million for the year ended September 30, 2001, compared to $1.1 million at September 30, 2000. The increases for customer support and retention and long distance fees resulted from the increase in the Company s subscriber base.

*Cost of Equipment.* Cost of equipment was $20.2 million for the year ended September 30, 2001, and $5.7 million for the year ended September 30, 2000, an increase of $14.5 million. This increase was attributable to the increase in the number of subscribers.

*Selling and Marketing.* The Company incurred selling and marketing expenses of $71.6 million during the year ended September 30, 2001 compared to $28.4 million in the year ended September 30, 2000, an increase of $43.2 million. At September 30, 2001, there were approximately 388 employees performing sales and marketing functions, compared to 246 employees as of September 30, 2000. A net 178,336 subscribers were added in the year ended September 30, 2001 compared to 56,689 net subscribers added in the year ended September 30, 2000. Handsets subsidies on units sold by third parties totaled $12.8 million for the year ended September 30, 2001, compared to $3.7 million for the year ended September 30, 2000, an increase of $9.1 million.

*General and Administrative.* For the year ended September 30, 2001, the Company incurred expenses of $15.7 million, compared to $14.1 million for the year ended September 30, 2000, an increase of $1.6 million. Increased compensation and benefit amounts related to the growth in employees were partially offset by lower amounts earned under the retention bonus agreement with our chief executive officer. Of the 529 employees at September 30, 2001, approximately 62 employees were performing corporate support functions compared to 36 employees as of September 30, 2000.

*Non-Cash Stock Compensation.* Non-cash stock compensation expense was $1.7 million for each of the years ended September 30, 2001 and 2000.

*Depreciation.* For the year ended September 30, 2001, depreciation and amortization expense increased to $30.6 million, compared to $12.0 million for the year ended September 30, 2000, an increase of $18.6 million. The increase in depreciation and amortization expense related primarily to the completion of our network build-out during fiscal year 2000 to support the Company s commercial launch. The Company incurred capital expenditures of $56.1 million in the year ended September 30, 2001, which included approximately $2.9 million of capitalized interest compared to capital expenditures of $151.4 million and capitalized interest of $5.9 million in the year ended September 30, 2000.

*Interest Income.* For the year ended September 30, 2001, interest income was $2.5 million compared to $9.3 million for the year ended September 30, 2000, a decrease of $6.8 million. The Company had higher cash and cash equivalent balances for the year ended September 30, 2000, resulting from the higher amount of proceeds that remained from our September 1999 equity and debt offerings. As capital expenditures were required to complete the build-out of the Company s PCS network, and as working capital and operating losses were funded, decreasing cash balances and a lower short-term interest rate environment resulted in lower levels of interest income.

*Interest Expense.* For the year ended September 30, 2001, interest expense was $28.9 million, compared to $26.1 million for the year ended September 30, 2000, an increase of $2.8 million. The increase was primarily attributable to increased debt related to accreted interest on the AirGate notes and increased borrowings under the AirGate credit facility, partially offset by lower commitment fees on undrawn balances of the AirGate credit facility, a lower interest rate on variable rate borrowings under the

AirGate credit facility and lower capitalized interest. The Company had borrowings of $266.3 million as of September 30, 2001, compared to $180.7 million as of September 30, 2000.

*Net Loss.* For the year ended September 30, 2001, net loss was $111.0 million, an increase of $29.7 million over a net loss of $81.3 million for the year ended September 30, 2000.

**Liquidity and Capital Resources**

As of June 30, 2003, AirGate had $30.8 million in cash and cash equivalents compared to $4.9 million in cash and cash equivalents at September 30, 2002. The increase in cash is attributable to improvements in working capital, reduced operating expenses and borrowings, net of repayments under the AirGate credit facility. The improved cash position during the nine months ended June 30, 2003 for AirGate is primarily attributable to the following:

Sprint special settlements and other items of $10.5 million that were not previously remitted to AirGate (See Note 3 to the Consolidated Financial Statements for the nine-months period ended June 30, 2003);

Net borrowings of $6.5 million under the AirGate credit facility; and

Reduced operating expenses as a result of cost containment initiatives eliminating certain personnel positions, retail location closures and reductions in advertising and promotion spending.

The Company s working capital balance was $2.6 million at June 30, 2003, compared to a working capital deficit of $364.4 million at September 30, 2002. The improvement in the Company s working capital position is primarily attributable to the deconsolidation of iPCS working capital components subsequent to February 23, 2003.

***Net Cash Provided By (Used In) Operating Activities***

The $20.7 million of cash provided by operating activities in the nine months ended June 30, 2003 was the result of the Company s $76.9 million net loss offset by non-cash items including depreciation, amortization of note discounts, financing costs, amortization of intangibles, provision for doubtful accounts, and non-cash stock compensation totaling $98.4 million. These non-cash items were partially offset by net cash working capital changes of $0.8 million. The net working capital changes were driven primarily by an increase in prepaid expenses along with decreases in payables due to Sprint, trade accounts payable and accrued expenses. The $48.8 million of cash used in operating activities in the nine months ended June 30, 2002 was the result of the Company s $381.6 million net loss offset by $370.4 million of goodwill impairment, depreciation, amortization of note discounts, financing costs, amortization of intangibles, deferred tax benefit, provision for doubtful accounts and non-cash stock option compensation, that was partially offset by negative net cash working capital changes of $37.6 million.

The $45.2 million of cash used in operating activities in the year ended September 30, 2002 was the result of the Company s $996.6 million net loss offset by $978.8 million of goodwill impairment, fixed asset impairment, impairment of intangible assets, depreciation, amortization of note discounts, financing costs, amortization of intangibles, deferred tax benefit provision for doubtful accounts and non-cash stock compensation, that was partially offset by negative net cash working capital changes of $27.4 million. The negative net working capital changes were primarily a result of timing of payments principally to Sprint, the increase in interest payable related to the increase in the balance of the AirGate and iPCS credit facilities, and the increase in the current maturities of long-term debt at September 30, 2002, compared to September 30, 2001, resulting from the acquisition of iPCS and growth in the Company s subscriber base. The $40.9 million of cash used in operating activities in the year ended September 30, 2001 was the result of the Company s $111.0 million net loss being partially offset by a net $4.6 million in cash provided by changes in net working capital and $65.5 million of depreciation, amortization of note discounts, provision for doubtful accounts, amortization of financing costs and non-cash stock option compensation. The $41.6 million of cash used in operating activities in the year ended September 30, 2000 was the result of the Company s $81.3 million net loss being partially offset by $38.5 million of depreciation, amortization of note discounts, provision for doubtful accounts, amortization of financing costs, non-cash stock compensation and positive working capital changes of $1.2 million. For the year ended September 30, 2002, cash used in operating activities attributable to AirGate and iPCS was $24.5 million and $20.9 million, respectively.

***Net Cash Used in Investing Activities***

The $28.9 million of cash used in investing activities during the nine months ended June 30, 2003 represents $18.9 million for purchases of property and equipment. Purchases of property and equipment during the nine months ended June 30, 2003 related to investments for the expansion of switch capacity and expansion of service coverage. In addition, $10.0 million of cash was deconsolidated subsequent to February 23, 2003 relating to the iPCS bankruptcy. For the nine months ended June 30, 2002, cash used in investing activities of $59.1 million represented $77.4 million for purchases of equipment and $6.1 million of acquisition costs related to the merger with iPCS offset by $24.4 million of cash acquired from iPCS. For the nine months ended June 30, 2003, cash used in investing activities attributable to AirGate and iPCS was $10.4 million and $18.5 million, respectively.

The $78.7 million of cash used in investing activities during the year ended September 30, 2002 represents $97.1 million for purchases of property and equipment and $6.0 million of cash acquisition costs related to the acquisition of iPCS, partially offset by $24.4 million of cash acquired from iPCS. Purchases of property and equipment during the year ended September 30, 2002 related to investments to upgrade the Company s network to 1XRTT, expansion of switch capacity and expansion of service coverage in the Company s territories. For the year ended September 30, 2001, cash outlays of $71.8 million represented cash payments of $71.3 million made for purchases of equipment and $0.5 million to purchase certain assets of one of the Company s agents. For the year ended September 30, 2000, cash outlays of $152.4 million represented cash payments made for purchases of property and equipment. For the year ended September 30, 2002, cash used in investing activities attributable to AirGate and iPCS was $23.0 million and $55.7 million, respectively.

***Net Cash Provided by Financing Activities***

The $6.5 million in cash provided by financing activities during the nine months ended June 30, 2003, consisted of $8.0 million in borrowings under the AirGate credit facility offset by $1.5 million for principal payments associated with the AirGate credit facility. The $117.4 million of cash provided by financing activities in the nine months ended June 30, 2002 consisted of $56.2 million borrowed under the AirGate credit facility and $60.0 million under the iPCS senior credit facility, and $0.7 million of proceeds received from exercise of options and warrants and $0.5 million received from stock issued to the employee stock purchase plan. For the nine months ended June 30, 2003, the $6.5 million in cash provided by financing activities was attributable solely to AirGate.

The $142.1 million in cash provided by financing activities during the year ended September 30, 2002, consisted of $61.2 million in borrowings under the AirGate credit facility and $80.0 million under the iPCS credit facility, $0.7 million of proceeds received from the exercise of options and warrants and $0.6 million received from stock issued under the employee stock purchase plan, offset by $0.3 million for payments associated with the amendment to the iPCS credit facility. The $68.5 million of cash provided by financing activities in the year ended September 30, 2001 consisted of $61.8 million borrowed under the AirGate credit facility and $6.7 million of proceeds received from exercise of options and warrants. The $6.5 million of cash used in financing activities in the year ended September 30, 2000 consisted of the repayment of a $7.7 million unsecured promissory note partially offset by $1.2 million received from the exercise of options to purchase common stock by employees and the exercise of common stock purchase warrants. For the year ended September 30, 2002, cash provided by financing activities attributable to AirGate and iPCS was $62.5 million and $79.8 million, respectively.

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*Liquidity Before the Restructuring*

Due to the factors described herein under AirGate Current Operating Environment and its Impact on Us, management made changes to the assumptions underlying the long-range business plans for AirGate and iPCS. These changes included fewer new subscribers, lower ARPU, higher subscriber churn, increased service and pass through costs from Sprint in the near-term and lower roaming margins from Sprint.

On February 23, 2003 iPCS, Inc. and its subsidiaries, iPCS Wireless, Inc. and iPCS Equipment, Inc., filed a Chapter 11 bankruptcy petition in the United States Bankruptcy Court for the Northern District of Georgia for the purpose of effecting a court-administered reorganization. Immediately prior to iPCS bankruptcy filing, the lenders under the iPCS credit facility accelerated iPCS payment obligations as a result of existing defaults under the credit facility.

Based on our current business plan and assuming that we meet our debt covenants, we believe that we will have sufficient cash flow to cover our debt service and other capital needs through March 2005. After that time, our ability to generate operating cash flow to pay debt service and meet our other capital needs is much less certain. In addition, based on current assumptions, we anticipate that we will meet our covenant obligations under our credit facility through March 2005. However, if actual results differ significantly from these assumptions and/or if the recapitalization plan is not completed and the credit facility is not further amended, then the costs incurred in connection with the recapitalization will make it challenging to meet certain covenants under our credit facility at March 31, 2004. Further, under our current business plan, we believe that we will not be in compliance with certain covenants under our credit facility at April 1, 2005.

*Liquidity After the Restructuring*

We are completely dependent on available cash and operating cash flow to operate our business and fund our capital needs. We expect that the completion of the financial restructuring will improve our capital structure and reduce the financial risk in our business plan by substantially reducing the required payments under our outstanding indebtedness. Subsequent to the proposed financial restructuring, we expect that AirGate will have sufficient cash and cash equivalents and funds from operations to satisfy its working capital requirements, capital expenditures, and other liquidity requirements for the foreseeable future.

**AirGate Capital Resources**

As of June 30, 2003, AirGate had $30.8 million of cash and cash equivalents. As of June 30, 2003, $9.0 million remained available for borrowing under the AirGate credit facility. On August 8, 2003, AirGate drew the remaining $9.0 million available under the AirGate credit facility, leaving no further borrowing availability.

**Future Trends That May Affect Operating Results, Liquidity and Capital Resources**

See Risk Factors for a description of the trends and risks that may affect our operating results, liquidity and capital resources.

**Contractual Obligations**

The Company is obligated to make future payments under various contracts it has entered into, including amounts pursuant to the AirGate credit facility, the old notes, capital leases and non-cancelable operating lease agreements for office space, cell sites, vehicles and office equipment. Future expected

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minimum contractual cash obligations for the next five years and in the aggregate at September 30, 2002 are as follows (dollar amounts in thousands):

| | Payments Due By Period Years Ending September 30, | | | | | | |
|---|---|---|---|---|---|---|---|
| Contractual Obligation | Total | 2003 | 2004 | 2005 | 2006 | 2007 | Thereafter |
| AirGate credit facility(1) | $136,500 | $ 2,024 | $15,863 | $21,150 | $26,920 | $35,400 | $ 35,143 |
| AirGate notes | 300,000 | | | | | | 300,000 |
| AirGate operating leases(2) | 78,628 | 18,646 | 18,539 | 14,256 | 9,604 | 6,632 | 10,951 |
| Total | $515,128 | $20,670 | $34,402 | $35,406 | $36,524 | $42,032 | $346,094 |

(1) Total repayments are based upon borrowings outstanding as of September 30, 2002, not projected borrowings under the AirGate credit facility.

(2) Does not include payments due under renewals to the original lease term.

(3) We will be required to make the following approximate principal and interest payments on our credit facility and old notes: approximately $25.8 million during fiscal 2004; approximately $71.0 million in fiscal 2005; approximately $75.9 million in fiscal 2006; approximately $83.8 million in fiscal 2007; approximately $81.7 million in fiscal 2008; and approximately $340.5 million in fiscal 2009. This assumes an interest rate on our credit facility of 5.5%. As of September 4, 2003, the interest rate on our credit facility was 5.13%.

The AirGate credit facility is comprised of two senior secured loan commitments ( tranches ) totaling $153.5 million. Tranche 1 provides for a $13.5 million senior secured term loan commitment (of which $12.0 million is outstanding as of June 30, 2003), which matures on June 6, 2007. Tranche II provides for a $140.0 million senior secured term loan commitment (of which $131.0 million is outstanding as of June 30, 2003), which matures on September 30, 2008. The AirGate credit facility requires quarterly principal payments, which began on December 31, 2002 for tranche I and begins on June 30, 2004 for tranche II, initially in the amount of 3.75% of the loan balance then outstanding and increasing thereafter. As of June 30, 2003, AirGate had cumulative borrowings under the AirGate credit facility totaling $144.5 million and has made cumulative quarterly principal repayments in the amount of $1.5 million. As of August 8, 2003, AirGate had cumulative borrowings under the AirGate credit facility totaling $153.5 million. The old notes will require cash payments of interest beginning on April 1, 2005.

There are provisions in the agreements governing the AirGate credit facility and the old notes providing for an acceleration of repayment upon an event of default, as defined in the respective agreements. AirGate is currently in material compliance with its obligations under these agreements.

As of July 31, 2003, two major credit rating agencies rate AirGate s unsecured debt. The ratings were as follows:

| Type of facility | Moody s | S&P |
|---|---|---|
| AirGate notes | Caa2 | CC |

The Company has no off-balance sheet arrangements and has not entered into any transactions involving unconsolidated, limited purpose entities or commodity contracts.

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## MANAGEMENT

### Our Executive Officers and Directors

The following table presents information with respect to our executive officers and directors:

| Name | Age | Position |
|---|---|---|
| Thomas M. Dougherty | 59 | President and Chief Executive Officer and Director |
| Robert A. Ferchat | 68 | Chairman |
| Stephen R. Stetz | 61 | Director |
| Barbara L. Blackford | 46 | Vice President, General Counsel and Secretary |
| Charles S. Goldfarb | 39 | Vice President of Sales  Southeast Region |
| Dennis D. Lee | 53 | Vice President, Human Resources |
| Jonathan M. Pfohl | 37 | Vice President, Finance |
| David C. Roberts | 41 | Vice President of Engineering and Network Operations |
| William H. Seippel | 47 | Vice President and Chief Financial Officer |

Thomas M. Dougherty has been our president and chief executive officer since April 1999. From March 1997 to April 1999, Mr. Dougherty was a senior executive of Sprint PCS. From June 1996 to March 1997, Mr. Dougherty served as executive vice president and chief operating officer of Chase Telecommunications, a personal communications services company. Mr. Dougherty served as president and chief operating officer of Cook Inlet BellSouth PCS, L.P., a start-up wireless communications company, from November 1995 to June 1996. Prior to October 1995, Mr. Dougherty was vice president and chief operating officer of BellSouth Mobility DCS Corporation, a PCS company.

Robert A. Ferchat has served as the chairman of our board of directors since June 2003 and as one of our directors since October 1999. From November 1994 to January 1999, Mr. Ferchat served as the chairman of the board of directors, president and chief executive officer of BCE Mobile Communications, a wireless telecommunications company. From January 1999 until May 1999, Mr. Ferchat was chairman of BCE Mobile Communications. Mr. Ferchat is also a director and non-executive chairman of GST Telecommunications and a director of Brookfield Properties Corp., as well as one other company that is traded on the Toronto Exchange.

Stephen R. Stetz is President and Managing Director of Matterhorn Strategic Partners, LLC, a strategic and financial advisory firm co-founded by Mr. Stetz that specializes in mergers and acquisitions, and has held such position since May 2002. From July 2000 to April 2002, Mr. Stetz consulted on strategic and financial issues with a number of companies. From 1965 until June 2000, Mr. Stetz served in various positions at Monsanto Company. From September 1999 until June 2000, Mr. Stetz served as Vice President, Strategic Initiatives. From November 1998 until August 1999, Mr. Stetz served as Vice President and Chief Financial Officer of Monsanto s Agriculture Company and from October 1996 until September 1998, Mr. Stetz served as Vice President, Mergers & Acquisitions/ Licensing. During this time, Monsanto announced more than fifty transactions with an aggregate value of over $75 billion. Prior to 1996, Mr. Stetz held various positions at Monsanto Company in Corporate Finance and Budgeting, Treasury, International, Strategic Planning, Research and Development and Manufacturing. He has a Bachelor of Science in Chemical Engineering from the University of Notre Dame and a Masters in Business Administration from the University of West Florida.

Barbara L. Blackford has been our vice president, general counsel and secretary since September 2000. From October 1997 to September 2000, Ms. Blackford was associate general counsel and assistant secretary with Monsanto Company, serving in a variety of roles, including head of the corporate securities and mergers and acquisitions law groups and general counsel of Cereon Genomics. Prior to joining Monsanto Company, Ms. Blackford was a partner with the private law firm McKenna, Long & Aldridge in Atlanta, Georgia. Ms. Blackford spent twelve years with the law firm Kutak Rock, which is consistently ranked among the top ten public finance firms nationally.

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Charles S. Goldfarb has been our vice president of sales, southeast region, since January 2000. From September 1991 to January 2000, Mr. Goldfarb worked at Paging Network Inc., most recently as its area vice president and general manager for the Virginia, North Carolina and South Carolina region. Mr. Goldfarb has over 10 years of wireless experience and has been successful in numerous start-up markets. Prior to his wireless experience, Mr. Goldfarb worked at ITT Financial Services as its assistant vice president of operations in the Washington, D.C. area.

Dennis D. Lee has been our vice president of human resources since September 2002. Prior to joining AirGate, from May 2000 to August 2002, Mr. Lee was senior vice president of compensation and executive benefits at SunTrust Banks, Inc., where he was responsible for the design, development and administration of all broad-based employee compensation and executive benefits programs. From May 1978 to May 2000, Mr. Lee served in a number of leadership roles at Wachovia Corporation, including manager of direct compensation, director of compensation and benefits, human resources manager for the Corporate Financial Services Division and senior consultant in the Executive Services Group. From 1973 to 1978 Mr. Lee held various positions at John Harland Company in the Printing Operations Division and the Personnel Department. Mr. Lee has 29 years of diversified human resources experience. SunTrust Banks, Inc. and Wachovia Corporation are both parent companies. Mr. Lee holds a B.B.A. (1973) from the University of Georgia.

Jonathan M. Pfohl has been our vice president, finance, since December 2002 and was vice president sales and operations from January 2001 to December 2002. Mr. Pfohl joined us in June 1999 as our vice president, financial operations. Prior to joining AirGate, Mr. Pfohl was responsible for oversight of regional financial and planning activities at Sprint PCS. He has over 13 years of wireless telecommunications industry experience, including financial and strategic planning roles at Frontier Corporation.

David C. Roberts has been our vice president of engineering and network operations since July 1998. From July 1995 to July 1998, Mr. Roberts served as director of engineering for AirLink II LLC, an affiliate of our predecessor company.

William H. Seippel joined the Company as its vice president and chief financial officer in October 2002. From 2000 until joining the Company, Mr. Seippel provided merger and acquisition and strategic business and financial planning consulting services to various boards of directors and senior executives. From 1999 to 2000, Mr. Seippel served as chief financial officer and chief operating officer of Digital Commerce Corporation, where he recruited and led a core team of six upper-level management executives in finance, marketing and sales and managed a staff of over 350 individuals in supporting roles. Beginning in 1996, Mr. Seippel was employed with Global Telesystems as executive vice president and director of strategic planning and marketing, moving on to become Global s executive vice president and chief financial officer from 1997 to 1999. From 1992 to 1996, Mr. Seippel served as vice president of finance and chief financial officer of Landmark Graphics Corporation. Early in his career, Mr. Seippel held a number of senior management positions with Midcon Corporation, Digital Equipment Corporation and Covia Partnerships-United Airlines, respectively.

**Directors Compensation**

In 2001, our board adopted the AirGate PCS, Inc. 2001 Non-Employee Director Compensation Plan (the Director Plan ). Under the Director Plan, non-employee directors receive an annual retainer for each plan year, which may be comprised of cash, restricted stock or options to purchase shares of our common stock. A director may elect to receive 50% or more of such amount in the form of restricted stock or options to purchase shares of our common stock.

In addition, under the Director Plan, each non-employee director that joins our board of directors receives an initial grant of options to acquire shares of our common stock. The options vest in three equal annual installments beginning on the first day of the plan year following the year of grant. Each participant also receives an annual grant of options to acquire our common stock, which vest on the first day of the plan year following the year of grant. In lieu of this annual grant, the recipient may elect to receive three year s worth of annual option grants in a single upfront grant of options to acquire our common stock

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exercisable in three equal annual installments on the first day of each of the three succeeding plan years. All options have an exercise price equal to the fair market value of our common stock on the date of grant. We also reimburse each of our non-employee directors for reasonable travel expenses to board and committee meetings and for approved continuing director education. We do not pay retirement, charitable contributions or other benefits to our directors.

A combination of factors, including the loss of three independent directors during 2002, led us to engage an outside compensation consulting firm to review the adequacy of the compensation to be paid under our Director Plan. Some of the factors that led to this review are the same as those facing every public company, including the increased demand on directors time required to satisfy increasing requirements for process and oversight of management of public companies, and the greater demand for independent directors and directors with financial and accounting expertise. In addition to these general conditions are factors specific to our industry and company, including the turmoil in the telecommunications industry in general and the challenges facing partners or affiliates of wireless carriers in particular.

The consulting firm reviewed, among other things, director compensation practices of similarly sized companies within and outside our industry and factors specific to us. Based on this review and the recommendations of management and the consulting firm, we amended the Director Plan on January 22, 2003 to increase compensation for non-employees directors. As amended, for each plan year (beginning on the day of an annual meeting of our shareowners and ending on the day before our next annual meeting) each non-employee director that chairs one or more committees of our board of directors will receive an annual retainer of $15,000, up from $12,000, and all other non-employee directors will receive $10,000. The amendment also added meeting fees for board and committee meetings as follows: (i) full-day (more than 4 hours) meetings, $3,000; half-day meetings, $1,500; full-day telephonic meetings, $1,500 and half-day telephonic meetings, $750. In addition, as an inducement for and recognition of board service during this difficult period in our development, current directors who continue to serve will be paid an additional retainer every six months of $12,500 until December 1, 2004. Finally, the initial option grant to non-employee directors has been increased to 10,000 from 5,000 and the annual option grant to 7,500 from 5,000.

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**Summary Compensation Table**

The following table shows the cash compensation paid by us, as well as certain other compensation paid or accrued, to the chief executive officer and our four other highest paid executive officers who were serving as such on September 30, 2002 and who received compensation in excess of $100,000. We refer to each of these persons as Named Executive Officers and set forth their compensation information for the fiscal years ended September 30, 2002, 2001 and 2000.

| | | Annual Compensation | | Long Term Compensation Awards | |
|---|---|---|---|---|---|
| | Year | Salary ($) | Bonus ($) | Restricted Stock Award(s) ($)(3) | Securities Underlying Options/ SARs(#) |
| Thomas M. Dougherty | 2002 | $314,038 | $ 785,800(1) | $70,040 | 75,000 |
| President and Chief Executive Officer | 2001 | 272,789 | 1,020,000(1) | | 41,408 |
| | 2000 | 231,250 | 1,432,125(1) | | |
| Barbara L. Blackford | 2002 | 212,808 | 28,100 | 28,016 | 27,000 |
| Vice President, General Counsel and | 2001 | 201,126 | 148,500 | | 46,056 |
| Secretary | 2000 | 3,912 | | | 90,000 |
| Alan B. Catherall | 2002 | 208,211 | 27,700(2) | 31,518 | 27,000 |
| Chief Financial Officer | 2001 | 186,509 | 142,500 | | 13,944 |
| | 2000 | 160,750 | 105,866 | | |
| Jonathan M. Pfohl | 2002 | 183,000 | 24,000 | 38,522 | 27,000 |
| Vice President, Finance | 2001 | 164,769 | 123,600 | | 49,225 |
| | 2000 | 115,773 | 94,080 | | |
| David C. Roberts | 2002 | 196,199 | 25,500 | 28,016 | 27,000 |
| Vice President of Engineering and Network | 2001 | 179,231 | 135,000 | | 13,521 |
| Operations | 2000 | 154,250 | 103,819 | | |

(1) For fiscal year 2002, includes a $65,800 performance-based annual incentive award and $720,000 earned under a retention bonus agreement. For fiscal year 2001, includes a $300,000 performance-based annual incentive award and $720,000 earned under a retention bonus agreement. For fiscal year 2000, includes a $202,125 performance-based annual incentive award and $1,230,000 earned under a retention bonus agreement, $900,000 of which was paid during fiscal 2000 and $330,000 of which was paid during fiscal 2001.

(2) This bonus amount will be paid to Mr. Catherall as provided in his separation agreement which is described more fully below under Employment and Severance Agreements . In addition, Mr. Catherall is also entitled to receive $300,000 in severance payments pursuant to his separation agreement which are not included in the bonus amount above. Mr. Catherall resigned as Chief Financial Officer effective October 21, 2002.

(3) Amounts included above represent the fair value of the restricted stock on the date they were awarded, January 10, 2002, based upon the closing price of our common stock on that date, which was $35.02. 50% of these restricted stock awards vested on November 1, 2002 and the remaining 50% will vest on November 30, 2003. Dividends will not be paid on the restricted stock. As of September 30, 2002, Mr. Dougherty held 2000 shares of restricted stock worth $880, Ms. Blackford held 800 shares of restricted stock worth $352, Mr. Catherall held 900 shares of restricted stock worth $396, Mr. Pfohl held 1,100 shares of restricted stock worth $484 and Mr. Roberts held 800 shares of restricted stock worth $352. These values are based on the closing price of our common stock on September 30, 2002, which was $0.44.

**Employment and Severance Agreements**

We have entered into an employment agreement with Thomas M. Dougherty, our chief executive officer. Mr. Dougherty s employment agreement is for a five-year term ending April 15, 2004. Mr. Dougherty is eligible under his employment agreement to receive an annual bonus of at least 50% of his base salary. Mr. Dougherty s base salary was set at $275,000 by the compensation committee of our board of directors. Under his employment agreement, Mr. Dougherty has a minimum guaranteed annual increase in his base salary of at least $20,000. Mr. Dougherty may participate in any executive benefit/perquisite we establish at a minimum aggregate payment of $15,000 per year. Pursuant to his employment agreement, Mr. Dougherty initially was awarded a stock option exercisable for 300,000 shares of common stock. Under the agreement, the initial stock option vested with respect to 25% of the underlying shares of common stock on the date Mr. Dougherty commenced his employment with us, April 15, 1999, and such vested options became exercisable on April 15, 2000. The remaining 75% of the shares of common stock subject to the initial stock option vest in 15 equal quarterly installments beginning June 30, 2000. Upon a change in control, Mr. Dougherty s options will become vested with respect to 50% of the underlying shares of common stock that remain unvested at the time of the change in control. The exercise price of the initial stock option granted to Mr. Dougherty is $14.00 per share. In addition, Mr. Dougherty is eligible to participate in all employee benefit plans and policies.

The employment agreement provides that Mr. Dougherty s employment may be terminated with or without cause, as defined in the agreement, at any time upon four weeks prior written notice. If Mr. Dougherty is terminated without cause, he is entitled to receive (1) six months base salary, plus one month s salary for each year employed, (2) all stock options vested on the date of termination and (3) six months of health and dental benefits. In the event of Mr. Dougherty s death, Mr. Dougherty s legal representative is entitled to twelve months base pay, plus a bonus of 20% of base pay. Under the employment agreement, Mr. Dougherty agreed to a restriction on his present and future employment. Mr. Dougherty agreed not to (1) disclose confidential information or trade secrets during employment with us and for two years after termination, (2) compete in the business of wireless telecommunications services either directly or indirectly in our territory during his employment and for a period of 18 months after his employment is terminated and (3) solicit our employees to terminate their employment with us or solicit certain of our customers to purchase competing products during his employment with us and for a period of 18 months after termination of his employment.

On May 4, 2000, we entered into a retention bonus agreement with Mr. Dougherty. Unless Mr. Dougherty voluntarily terminates employment or is terminated for cause, he is entitled to periodic retention bonuses totaling $3.6 million, payable on specified payment dates from April 15, 2000 to January 15, 2004, which are generally paid quarterly. In fiscal year 2002, Mr. Dougherty earned $720,000 under this agreement. Under the terms of the retention bonus agreement, 50% of unpaid retention bonus payments would be accelerated upon a change of control of the company.

We have also entered into an employment agreement with Barbara L. Blackford, our vice president, general counsel and secretary. Ms. Blackford is eligible under her employment agreement to receive an annual bonus based upon our incentive plans and policies, but at a target of not less than 35% of her then current base pay. Ms. Blackford may participate in any executive benefit/perquisite program we establish on the same terms as other executives, at a minimum aggregate benefit of $10,000 per year. Ms. Blackford s base salary pursuant to the agreement is currently $208,500 per year. Such amount is subject to review for an increase at least annually. Pursuant to her employment agreement, Ms. Blackford initially was awarded a stock option exercisable for 90,000 shares of our common stock, which option became vested with respect to 25% of the underlying shares of common stock at the end of Ms. Blackford s first year with us and the remainder of the shares vest in 5% increments for each three month period after the initial year that she remains employed by us. If, however, Ms. Blackford s employment is actually or constructively terminated upon a change of control of us, the initial stock option will vest with respect to 50% of the underlying shares of common stock that remain unvested at the time of the change in control, and additional vesting may occur as provided in the agreement. The exercise price of the initial stock option granted to Ms. Blackford is $66.94 per share. In addition, Ms. Blackford is eligible to participate in all employee benefit plans and policies.

The employment agreement provides that Ms. Blackford s employment may be terminated with or without cause, as defined in the agreement, at any time upon four weeks prior written notice. If Ms. Blackford is terminated without cause, she is entitled to receive six months base salary, plus one month s salary for each year employed by us. Under the employment agreement, Ms. Blackford agreed, during her employment with us and for a period of two years after the termination of her employment, not to (1) disclose confidential information or trade secrets, (2) solicit certain of our employees to terminate their employment with us or (3) solicit certain of our customers to purchase competing products during her employment with us and for a period of two years after the termination of her employment. Ms. Blackford s agreement further provides that if we enter into an agreement with any member of our senior management other than our chief executive officer which agreement contains change of control provisions more favorable than those given to Ms. Blackford pursuant to her agreement, then such provisions (other than with respect to salary, bonus, and other dollar amounts) will be made available to Ms. Blackford.

We have also entered into an employment agreement with David C. Roberts, our vice president of engineering and network operations. Mr. Roberts is eligible under his employment agreement to receive an annual bonus based upon our incentive plans and policies but at a target of not less than 35% of his then current base salary. Mr. Roberts may participate in any executive benefit/perquisite program that we establish for a minimum aggregate benefit equal to $10,000 per year. Mr. Roberts base salary pursuant to the agreement is currently $189,000 per year. Such amount shall be adjusted annually to increase it by the greater of the consumer price index for all urban consumers, U.S. City Average, All Items or 5%. Pursuant to his employment agreement, Mr. Roberts initially was awarded a stock option exercisable for 75,000 shares of our common stock, which option became vested with respect to 25% of the underlying shares of common stock after the first two years Mr. Roberts was employed by us and the remainder of the underlying shares vest in 6 1/4% quarterly increments thereafter. The exercise price of the initial stock option granted to Mr. Roberts is $14.00 per share. In addition, Mr. Roberts is eligible to participate in all employee benefit plans and policies.

Mr. Roberts employment may be terminated with or without cause at any time by Mr. Roberts or us upon four weeks prior written notice, except that if termination is for cause, no notice by us is required. If we terminate Mr. Roberts employment without cause, he is entitled to receive (1) six months base salary and (2) six months of health, disability, life and dental benefits. Any unvested options granted to Mr. Roberts fully vest and become exercisable upon Mr. Roberts involuntary termination other than for cause. Cause is limited to breach of the noncompete obligations described below. In the event of Mr. Roberts death, Mr. Roberts legal representative is entitled to twelve months base pay, plus a bonus of 20% of base pay.

Under the employment agreement, Mr. Roberts agreed to a restriction on his present and future employment. Mr. Roberts agreed not to (1) disclose confidential information or trade secrets during employment with us and for two years after termination, (2) compete in the business of wireless telecommunications either directly or indirectly in our territory during his employment and for a period of 18 months after his employment is terminated and (3) solicit our employees to terminate their employment with us or solicit certain of our customers to purchase competing products during his employment with us and for a period of 18 months after termination of his employment.

Effective October 24, 2002, the Company hired William H. Seippel as vice president and chief financial officer, pursuant to the terms of an offer letter. Mr. Seippel s initial base salary pursuant to the offer letter is $250,000 per year. Mr. Seippel s performance will be evaluated during the first six months of his employment and if he has successfully achieved or made satisfactory progress towards the achievement of agreed upon performance objectives and expectations during this period, his annual base salary will be increased to $275,000. Mr. Seippel is eligible under his offer letter to receive an annual bonus based on our incentive plans and policies, but at a target of not less than 50% of his base salary. The offer letter

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guarantees Mr. Seippel an annual incentive award payment for the 2003 plan year equal to 50% of his base earnings during the 2003 plan year, even if the Company terminates his employment prior to October 1, 2003. This award payment would be made on November 30, 2003. If Mr. Seippel terminates his employment with the Company prior to October 1, 2003, he will not be eligible for any portion of this award payment. Pursuant to his offer letter, Mr. Seippel initially received a grant of 70,000 non-qualified stock option shares and an award of 30,000 shares of time-based restricted stock. Mr. Seippel s stock option shares will vest in four equal annual installments with the initial 25% annual installment vesting on October 24, 2003 and each remaining 25% annual installment vesting on each anniversary thereafter. The time restrictions on Mr. Seippel s restricted stock award will lapse over a four-year period such that 25% of the shares will vest on October 24, 2003 and the remaining shares will vest in 25% annual installments on each anniversary. The exercise price of the initial stock option granted to Mr. Seippel is $0.64 per share. In addition, Mr. Seippel is eligible to participate in all employee benefit plans and policies. Pursuant to the offer letter, the Company will pay Mr. Seippel s relocation expenses to Atlanta, Georgia.

The offer letter provides that Mr. Seippel s employment may be terminated with or without cause. If Mr. Seippel s employment is terminated prior to October 23, 2003, the Company is required to pay him an amount equal to his annual base salary and target bonus until October 31, 2003, payable bi-weekly. If Mr. Seippel continues to remain employed with the Company after May 1, 2003 and he and the CEO agree that his employment will continue and that he will relocate to Atlanta, Mr. Seippel is entitled to severance payments if he is terminated without cause in an amount equal to six months base salary and a pro-rated bonus at target. It is a condition to the payment of this severance that Mr. Seippel agree not to directly or indirectly (1) engage in a senior management capacity in the business of wireless telecommunications in our territory for a period of six months after his employment is terminated or (2) solicit our employees to terminate their employment with us or solicit certain of our customers to purchase competing products for a period of one year after termination of his employment.

Mr. Seippel s offer letter further provides that if Mr. Seippel continues to remain employed with the Company after May 1, 2003 and he and the CEO agree that his employment will continue and that he will relocate to Atlanta, the Company will enter into an agreement with him entitling him to receive certain payments if his employment is terminated (voluntarily or involuntarily) for specified reasons, other than for cause, as a result of a change of control of the Company. The change of control agreement would provide that if such termination occurs during the first year of the agreement, he would receive two times his annual base salary and bonus at target, less the amounts already paid since employment, and continuation of benefits for two years. If such termination occurred after the first year of the agreement, he would receive his annual base salary and bonus at target and continuation of benefits for one year. In either case, Mr. Seippel would also receive unpaid salary and accrued and unpaid bonus for the year in which termination occurs and outplacement services for up to one year.

We have entered into a separation agreement and release with Alan B. Catherall, who was employed by the Company as chief financial officer. Mr. Catherall resigned as our chief financial officer effective October 21, 2002, and as our employee effective October 31, 2002. Pursuant to the separation agreement, we agreed to pay to Mr. Catherall a severance payment in the amount equal to $300,000, half of which was paid bi-weekly for six months. The remainder will be paid in a lump sum payment at the end of the six-month period. Mr. Catherall received a bonus for fiscal year 2002 in the same percentage of base salary as paid on average to all senior management who report directly to our chief executive officer. If Mr. Catherall elects the continuation of coverage under our group health plans, we will pay the COBRA premium on his behalf for twelve months following the separation date, provided that Mr. Catherall does not obtain comparable health benefits from another source during the twelve-month period.

The separation agreement provides that certain options granted to Mr. Catherall will continue to be exercisable in accordance with their terms, but will automatically convert to nonqualified stock options on January 30, 2003. Mr. Catherall is entitled to any vested benefits he may have under the AirGate PCS 401(k) Retirement Plan. In addition, we agreed to provide Mr. Catherall with certain career transition services until the earlier of acceptance of new employment or a period of twelve months.

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Mr. Catherall agreed to cooperate and provide assistance on transitional and other matters until October 31, 2003 without additional compensation, other than reimbursement of any out-of-pocket expenses. After October 31, 2003 the Company agreed to pay Mr. Catherall an hourly rate of compensation commensurate with his base salary as of the separation date for these services. It is a condition to the receipt of these payments and benefits that Mr. Catherall agree not to directly or indirectly (1) engage in a senior management capacity in the business of wireless telecommunications in our territory for a period of one year after the separation date, (2) disclose or use confidential information or trade secrets for a period of two years after the separation date and (3) solicit our employees to terminate their employment with us or solicit certain of our customers to purchase competing products for a period of two years after the separation date. The separation agreement provides that in consideration of payments and promises in the agreement, Mr. Catherall releases the Company from all claims, liabilities, contracts, contractual obligations, attorney s fees, demands and causes of action, whether known or unknown, fixed or contingent.

**Option/SAR Grants During the Last Fiscal Year**

The following table sets forth information regarding option grants to the Named Executive Officers during the last fiscal year.

**Option/ SAR Grants in Last Fiscal Year**

| Name | Number of Securities Underlying Options | % of Total Options Granted | Exercise Price | Expiration Date | Potential Realized Value at Assumed Annual Rates of Stock Price Appreciation for Option Term (10 Years)(1) 5% | 10% |
|---|---|---|---|---|---|---|
| Thomas M. Dougherty | 50,000 | 7.0% | $46.66 | 12/2011 | $1,467,211 | $3,718,201 |
| | 25,000 | 3.5% | $60.00 | 12/2011 | $ 400,106 | $1,525,601 |
| Barbara L. Blackford | 18,000 | 2.5% | $46.66 | 12/2011 | $ 528,196 | $1,338,552 |
| | 9,000 | 1.3% | $60.00 | 12/2011 | $ 144,038 | $ 549,216 |
| Alan B. Catherall | 18,000 | 2.5% | $46.66 | 12/2011 | $ 528,196 | $1,338,552 |
| | 9,000 | 1.3% | $60.00 | 12/2011 | $ 144,038 | $ 549,216 |
| Jonathan M. Pfohl | 18,000 | 2.5% | $46.66 | 12/2011 | $ 528,196 | $1,338,552 |
| | 9,000 | 1.3% | $60.00 | 12/2011 | $ 144,038 | $ 549,216 |
| David C. Roberts | 18,000 | 2.5% | $46.66 | 12/2011 | $ 528,196 | $1,338,552 |
| | 9,000 | 1.3% | $60.00 | 12/2011 | $ 144,038 | $ 549,216 |
| | 183,000 | 25.6% | | | | |

(1) Assumes stock price appreciation from the value on the date of grant, which is the exercise price.

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**Aggregated Option Exercises in Last Fiscal Year and FY-End Option Value Table**

The following table sets forth information concerning the value as of September 30, 2002 of options held by the Named Executive Officers.

**Aggregated Option Exercises in Last Fiscal Year**

| Name | Shares Acquired on Exercise | Value Realized | Number of Securities Underlying Unexercised Options at Fiscal Year-End (exercisable/ unexercisable) | Value of Unexercised In-the-Money Options at Fiscal Year-End (exercisable/ unexercisable)(1) |
|---|---|---|---|---|
| Thomas M. Dougherty | | $ | 131,066/181,056 | $ |
| Barbara L. Blackford | | $ | 52,014/111,042 | $ |
| Alan B. Catherall | | $ | 54,844/68,958 | $ |
| Jonathan M. Pfohl | | $ | 21,806/74,419 | $ |
| David C. Roberts | | $ | 22,131/55,891 | $ |

(1) Based upon the closing market price of our common stock on September 30, 2002, which was $0.44, and the option exercise price, there were no unexercised in-the-money options as of September 30, 2002.

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## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS, DIRECTORS AND OFFICERS

On June 30, 2003, there were approximately 25,939,836 shares of our common stock outstanding. The following table presents certain information regarding the beneficial ownership of our common stock, as of June 30, 2003 with respect to:

each person who, to our knowledge, is the beneficial owner of 5% or more of our outstanding common stock;

and as of September 30, 2002 with respect to:

each of our directors and nominees for directors;

each of the Named Executive Officers; and

all of our executive officers and directors as a group.

| Name of Beneficial Owner(1) | Number of Shares Beneficially Owned(2) | Percentage of Outstanding Common Stock |
|---|---|---|
| Barbara A. Blackford(3) | 94,008 | * |
| Alan B. Catherall | 95,487 | * |
| Thomas M. Dougherty(4) | 272,003 | 1.05% |
| Robert A. Ferchat(5) | 16,250 | * |
| Jonathan M. Pfohl(6) | 59,919 | * |
| David C. Roberts(7) | 145,405 | * |
| William H. Seippel | 30,000 | * |
| Stephen R. Stetz | 0 | * |
| Franklin Resources, Inc.(8) | 1,435,500 | 5.56% |
| Geneseo Communications, Inc.(9) | 2,115,253 | 8.19% |
| Cambridge Telcom, Inc.(10) | 1,863,074 | 7.21% |
| The Blackstone Group(11) | 2,578,379 | 9.98% |
| Prudential Financial Group(12) | 2,645,435 | 10.24% |
| Cramer Rosenthal McGlynn, LLC(13) | 2,828,437 | 10.95% |
| All executive officers and directors as a group (11 persons)(14) | 806,280 | 3.12% |

* Less than one percent.

(1) Except as indicated, the address for each executive officer and director is 233 Peachtree Street, N.E., Harris Tower, Suite 1700, Atlanta, Georgia 30303.

(2) Beneficial ownership is determined in accordance with Rule 13d-3 of the Securities Exchange Act. A person is deemed to be the beneficial owner of shares of common stock if such person has or shares voting or investment power with respect to such common stock, or has the right to acquire beneficial ownership at any time within 60 days of the date of the table. As used herein, voting power is the power to vote or direct the voting of shares and investment power is the power to dispose or direct the disposition of shares.

(3) Includes 4,499 shares of common stock subject to options which are exercisable within 60 days of the date of this table.

(4) Includes 4,100 shares of common stock owned by Mr. Dougherty s wife and 750 shares of common stock owned by Mr. Dougherty s children.

(5) Includes 6,250 shares of common stock subject to options which are exercisable within 60 days of the date of this table.

(6) Includes 90 shares of common stock owned by Mr. Pfohl s children.

(7) Includes 676 shares of common stock subject to options which are exercisable within 60 days of the date of this table.

(8) Information presented is based on an Amended Schedule 13G dated February 1, 2002 by Franklin Resources, Inc., Charles B. Johnson, and Rupert H. Johnson. The Amended Schedule 13G indicates that Franklin Resources, Inc. beneficially owns and has sole voting and dispositive power over 1,184,800 shares of our common stock and that Fiduciary Trust Company International has sole voting and dispositive power over 250,700 shares of our common stock. According to the Amended Schedule 13G, both entities advise one or more open or closed-end investment companies or other managed accounts which beneficially own the shares. The Amended Schedule 13G further indicates that each of Franklin Resources, Inc. ( FRI ), as the parent holding company of the advisers, Charles B. Johnson, as a principal shareholder of FRI, and Rupert H. Johnson, Jr., as a principal shareholder of FRI, beneficially owns those 1,435,500 shares of our common stock. Each of the reporting persons disclaim any economic interest or beneficial ownership of these shares of our common stock. The business address of this shareowner is One Franklin Parkway, San Mateo, CA, 94403-1906. Franklin Resources, Inc., Charles B. Johnson, and Rupert H. Johnson recently filed Amendment No. 2 to the Schedule 13G, dated January 15, 2003, in which they reported that their beneficial ownership of our common stock had been reduced to zero shares.

(9) Information presented is based on a Schedule 13G dated November 30, 2001 by Geneseo Communications, Inc. ( Geneseo ). Geneseo reported that it has sole voting power and sole dispositive power over 2,115,253 of our common stock. The business address of this shareowner is 111 E. 1st Street, P.O. Box 330, Geneseo, Illinois, 61254.

(10) Information presented is based on a Schedule 13G dated November 30, 2001 by Cambridge Telcom, Inc. ( Cambridge ). Cambridge reported that it has sole voting power and sole dispositive power over 1,863,074 of our common stock. The business address of this shareowner is 111 E. 1st Street, P.O. Box 330, Geneseo, Illinois, 61254.

(11) Information presented is based on a Schedule 13G dated December 31, 2001 by certain members of The Blackstone Group. Of the 2,578,379 shares, 1,153,648 are held by Blackstone Communications Partners I L.P. ( BCOM ), 992,328 are held by Blackstone iPCS Capital Partners L.P. ( BICP ), 348,398 are held by Blackstone/iPCS L.L.C. ( BLLC ), 4,780 are shares issuable to Blackstone Management Partners III pursuant to currently vested options, 71,302 are shares issuable upon exercise of warrants by Blackstone Mezzanine Partners L.P. ( BMP ) and 7,923 are shares issuable upon exercise of warrants by Blackstone Mezzanine Holdings L.P. ( BMH ). Blackstone Communications Management Associates I L.L.C. is the general partner of BCOM. Blackstone Media Management Associates III, L.L.C. is the general partner of BICP. Blackstone Media Management Associates III, L.L.C. is the manager of BLLC. Blackstone Mezzanine Associates L.P. is the general partner of BMP and BMH. Messrs. Peter G. Peterson and Stephen A. Schwarzman are the founding members of Blackstone, and as such may also be deemed to share beneficial ownership of the shares held by each of these entities. The address of The Blackstone Group is 345 Park Avenue, New York, New York, 10154.

(12) Information presented is based on a Schedule 13G dated September 10, 2002 by Prudential Financial, Inc ( Prudential ). Prudential reported that it has sole voting power and sole dispositive power over 441,800 shares of our common stock; and shared voting power and shared dispositive power over 2,203,635 shares of our common stock. The business address of this shareowner is 751 Broad Street Newark, New Jersey, 07102-3777. Prudential disclaims beneficial ownership of these shares of our common stock. Jennison Associates LLC ( Jennison ) a wholly-owned subsidiary of Prudential, also reported that it has sole voting power and shared dispositive power over 2,643,100 of the 2,645,435 shares reported by Prudential. Prudential may be deemed to have the power to exercise or to direct the exercise of such voting and/or dispositive power that Jennison may have. Jennison does not file jointly with Prudential, as such, shares of our common stock reported on Jennison s 13G may be included in the shares reported on the 13G filed by Prudential. The business

address of Jennison Associates LLC is 466 Lexington Avenue, New York, New York, 10017. Jennison disclaims beneficial ownership of these shares of our common stock. Information with regard to Jennison is based on a Schedule 13G dated September 10, 2002.

(13) Information presented is based on a Schedule 13G dated July 25, 2002 by Cramer Rosenthal McGlynn, LLC. The business address of this shareowner is 707 Westchester Ave, White Plains, New York, 10604. The Schedule 13G indicates that Cramer Rosenthal McGlynn, LLC has shared voting and shared dispositive power over 2,828,437 shares of our common stock. Cramer Rosenthal McGlynn, LLC recently filed Amendment No. 1 to the Schedule 13G, dated January 10, 2003, in which it reported that its beneficial ownership of our common stock had been reduced to 2,121,319 shares.

(14) Includes 11,425 shares of common stock subject to options which are exercisable within 60 days of the date of this table.

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## THE PREPACKAGED PLAN

**WE HAVE NOT COMMENCED A CASE IN THE BANKRUPTCY COURT, WHICH WE REFER TO HEREIN AS A REORGANIZATION CASE , UNDER CHAPTER 11 OF THE BANKRUPTCY CODE NOR HAVE WE TAKEN ANY CORPORATE ACTION AUTHORIZING THE COMMENCEMENT OF SUCH A CASE. THIS PROXY STATEMENT SOLICITS ADVANCE ACCEPTANCE OF THE PREPACKAGED PLAN IN THE EVENT THAT A REORGANIZATION CASE IS COMMENCED AND THE PREPACKAGED PLAN IS FILED, AND CONTAINS INFORMATION RELEVANT TO A DECISION TO ACCEPT OR REJECT THE PREPACKAGED PLAN.**

We do not intend to file a petition for relief under Chapter 11 of the Bankruptcy Code and seek confirmation of the prepackaged plan if the conditions to the recapitalization plan are satisfied or waived, including the exchange offer minimum tender condition and related consents.

For a summary of our financial condition, the background of and reasons for the restructuring and the reasons why we are seeking acceptance of the prepackaged plan, see The Restructuring Background of and Reasons for the Restructuring on pages 33 through 47.

In order to enhance the likelihood that AirGate will succeed in its restructuring efforts, AirGate has formulated the prepackaged plan for the reorganization of AirGate under Chapter 11 of the Bankruptcy Code. The prepackaged plan generally provides the same benefits to AirGate and the holders of the old notes and our common stock as would the consummation of the Exchange Offer. In the event that sufficient tenders and consents have not been received from the holders of the old notes to permit consummation of the recapitalization, but sufficient ballots signifying acceptance of the prepackaged plan, in the judgment of the Boards of Directors of AirGate, are received to confirm the prepackaged plan, AirGate may file a voluntary petition under Chapter 11 of the Bankruptcy Code and use such acceptances to confirm the prepackaged plan.

We are soliciting acceptances of the prepackaged plan from the holders of our common stock pursuant to this proxy statement. We are soliciting acceptances of the prepackaged plan from holders of our old notes pursuant to a prospectus and solicitation statement on Form S-4.

**UNDER THE PREPACKAGED PLAN, THE HOLDERS OF OUR OLD NOTES (AS WELL AS THE HOLDERS OF ALL OTHER CLAIMS AND INTERESTS EXCEPT HOLDERS OF BELOW MARKET WARRANTS AND BELOW MARKET OPTIONS) WILL RECEIVE THE SAME CONSIDERATION IN EXCHANGE FOR THEIR CLAIMS AND INTERESTS AS THEY WOULD RECEIVE IN THE EXCHANGE OFFER IN THE EVENT THE PREPACKAGED PLAN IS CONFIRMED AND BECOMES EFFECTIVE. MOREOVER, UPON CONFIRMATION, THE PREPACKAGED PLAN WILL BE BINDING ON ALL OF OUR CREDITORS REGARDLESS OF WHETHER SUCH CREDITORS VOTED TO ACCEPT THE PLAN.**

Because below market warrants and below market options will be cancelled and deemed extinguished under the prepackaged plan, the holders of such interests are deemed to have not accepted the plan, and we will nevertheless seek to have the prepackaged plan confirmed under the cram down provisions of Section 1129(b) of the Bankruptcy Code described below if we file the prepackaged plan. The cram down provisions ensure that holders of junior claims or interests cannot recover or retain any property on account of that claim or interest in the debtor under a plan that has been rejected by a senior class of impaired claims or interests. Because there are no interests that are junior to the below market warrants and the below market options, we believe that Section 1129(b) of the Bankruptcy Code will be met if that class of interests is the only impaired, dissenting class of claims and interests.

**HOWEVER, IN THE EVENT THAT ANY OTHER IMPAIRED CLASS OF CLAIMS OR INTERESTS DOES NOT ACCEPT THE PREPACKAGED PLAN AND WE SEEK CONFIRMATION OF THE PREPACKAGED PLAN UNDER THE CRAM DOWN PROVISIONS, WE MAY BE REQUIRED TO AMEND THE PREPACKAGED PLAN.**

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The form of the prepackaged plan is attached to this proxy statement as Annex E. The prepackaged plan and this proxy statement should be read and studied in their entirety prior to voting on the prepackaged plan. See Risk Factors Risks Related to the Prepackaged Plan for a discussion of risks associated with the prepackaged plan and the transactions contemplated thereunder. You are urged to consult your counsel about the prepackaged plan and its effect on your legal rights before voting.

**Anticipated Events in a Reorganization Case**

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. Pursuant to Chapter 11, a debtor may remain in possession of its assets and business and attempt to reorganize its business for the benefit of the debtor, its creditors and other parties in interest.

The commencement of a reorganization case creates an estate comprising all the legal and equitable interests of a debtor in property as of the date the petition is filed. Sections 1107 and 1108 of the Bankruptcy Code provide that a debtor may continue to operate its business and remain in possession of its property as a debtor in possession, unless the bankruptcy court orders the appointment of a trustee. The filing of a reorganization case also triggers the automatic stay provisions of the Bankruptcy Code. Section 362 of the Bankruptcy Code provides, among other things, for an automatic stay of all attempts to collect prepetition claims from the debtor or otherwise interfere with its property or business. Except as otherwise ordered by the bankruptcy court, the automatic stay generally remains in full force and effect until confirmation of a plan of reorganization.

The Bankruptcy Code provides that upon commencement of a Chapter 11 bankruptcy case, the Office of the United States Trustee may appoint a committee of unsecured creditors and may, in its discretion, appoint additional committees of creditors or of equity security holders if necessary to assure adequate representation. The Bankruptcy Code provides that, once appointed, each official committee may appear and be heard on any issue in the Chapter 11 case and may also consult with the trustee or debtor in possession concerning the administration of the case and perform such other services as are in the interest of those represented.

Upon commencement of a Chapter 11 bankruptcy case, all creditors and equity security holders have standing to be heard on any issue in the Chapter 11 proceedings pursuant to Section 1109(b) of the Bankruptcy Code.

The formulation and confirmation of a plan of reorganization is the principal objective of a Chapter 11 case. The plan sets forth the means for satisfying the claims against and interests in the debtor. The prepackaged plan we propose provides for the reorganization of our capital structure, thereby enabling us to continue as a viable business enterprise.

**Solicitations of Acceptances of the Prepackaged Plan**

Usually, a plan of reorganization is filed and votes to accept or reject the plan are solicited after the filing of a reorganization case. Nevertheless, a debtor may solicit votes prior to the commencement of a reorganization case in accordance with Section 1126(b) of the Bankruptcy Code and Bankruptcy Rule 3018(b). In accordance with such provisions, we are soliciting acceptances from holders of impaired claims and interests in connection with our reorganization case.

Bankruptcy Rule 3018(b) requires that:

- the plan of reorganization be transmitted to substantially all creditors and interest holders entitled to vote on the plan;
- the time prescribed for voting to reject or accept such plan not be unreasonably short; and
- the solicitation of votes be in compliance with any applicable nonbankruptcy law, rule or regulation governing the adequacy of disclosure in such solicitation or, if no such law, rule or regulation exists, votes be solicited only after the disclosure of adequate information.

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Section 1125(a)(1) of the Bankruptcy Code describes adequate information as information of a kind and in sufficient detail as would enable a hypothetical reasonable investor typical of holders of claims and interests to make an informed judgment about the plan. With regard to a solicitation of votes prior to the commencement of a reorganization case, Bankruptcy Rule 3018(b) specifically provides that acceptances or rejections of the plan by holders of claims or interests prior to the commencement of a reorganization case will not be deemed acceptances or rejections of the plan, if the bankruptcy court determines, after notice and a hearing, that the plan was not transmitted to substantially all creditors and equity security holders entitled to vote on the plan, that an unreasonably short time was prescribed for such creditors and equity security holders to vote on the plan, or that the solicitation was not otherwise in compliance with Section 1126(b) of the Bankruptcy Code. If the conditions of the Bankruptcy Code and Bankruptcy Rules are met, all acceptances and rejections received prior to the commencement of the reorganization case and within the prescribed solicitation period will be deemed to be acceptances and rejections of the plan for purposes of confirmation of the plan under the Bankruptcy Code.

We may file a reorganization case seeking approval of the prepackaged plan if all the conditions of the recapitalization plan cannot be satisfied and/or waived on or before , (or such earlier or later date as we and the other parties to the support agreement may agree), so long as we have received acceptances from those impaired classes of claims and interests necessary to confirm the plan (unless we decide to rely on the cram down provisions of the Bankruptcy Code).

However, the bankruptcy court may conclude that the requirements of Section 1129 of the Bankruptcy Code for confirmation of the prepackaged plan have not been met. The bankruptcy court may find that the holders of impaired claims and interests have not accepted the prepackaged plan if the bankruptcy court finds that the prepackaged plan solicitation (the prospectus and solicitation statement sent to noteholders or this proxy statement sent to equity interest holders) did not comply with all of the applicable provisions of the Bankruptcy Code and the Bankruptcy Rules (including the requirement under Section 1126(b) of the Bankruptcy Code that the prepackaged plan solicitation comply with any applicable nonbankruptcy law, rule or regulation governing the adequacy of disclosure or that the prepackaged plan solicitation is made after disclosure of adequate information). In such an event, we may be required to resolicit votes on the prepackaged plan before seeking confirmation of the prepackaged plan, in which case confirmation of the prepackaged plan could be delayed and possibly jeopardized.

Bankruptcy Rule 3016(b) provides that either a disclosure statement under Section 1125 of the Bankruptcy Code or evidence showing compliance with Section 1126(b) of the Bankruptcy Code shall be filed with the prepackaged plan or within the time fixed by the court. This proxy statement is presented to holders of our impaired equity interests to satisfy the requirements of Section 1126(b) of the Bankruptcy Code and Bankruptcy Rules 3016(b) and 3018(b). Disclosure statements in substantially similar form and content will be distributed to other classes of impaired claims. We believe that the prospectus and solicitation statement to be sent to holders of our old notes and this solicitation process will meet these requirements.

This prepackaged plan solicitation is being conducted at this time to obtain the acceptance of each impaired class of claims and interests entitled to vote. If we seek relief under Chapter 11 of the Bankruptcy Code, we will attempt to use such acceptances to obtain confirmation of the prepackaged plan as promptly as practicable. If we commence a reorganization case, we will promptly seek to obtain an order of the bankruptcy court finding that the prepackaged plan solicitation was in compliance with Section 1126(b) of the Bankruptcy Code and Bankruptcy Rule 3018(b) and that the acceptance of each class of impaired claims and interests can be used for purposes of confirmation of the prepackaged plan under Chapter 11 of the Bankruptcy Code. We reserve the right to use the acceptances to seek confirmation of any permitted amendment or modification of the prepackaged plan, provided that we may not make any amendment or modification to the prepackaged plan prohibited by the prepackaged plan or the support agreement or the Bankruptcy Code.

As more fully described below, we are soliciting acceptances of the prepackaged plan from holders of each class of claims and interests in classes 3 and 7.

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**SUMMARY OF CLASSIFICATION AND TREATMENT**

**OF CLAIMS AND EQUITY INTERESTS UNDER THE PREPACKAGED PLAN(1)**

| Class or Subclass | Type of Claim or Equity Interest | Treatment | Approximate Allowed Amount(2) | Approximate Percentage Recovery(3) |
|---|---|---|---|---|
| | Administrative Claims | Unclassified; paid in full in cash on the distribution date or such later date that the claims become due and owing in the ordinary course of business | $ | 100% |
| | Priority Tax Claims | Unclassified; paid in full in cash on the distribution date or such later date as the claims become due and owing in the ordinary course of business | $ | 100% |
| 1 | Other Priority Claims | Unimpaired; paid in full in cash on the distribution date or such later date as the claims become due and owing in the ordinary course of business | $ | 100% |
| 2 | Senior Credit Facility Claims | Unimpaired; cured and reinstated | $ | 100% |
| 3 | Senior Secured Claims Senior Secured Discount Note Claims | Impaired; a pro rata share of shares of our common stock, representing approximately 56% of our outstanding common stock as of the effective date of the prepackaged plan, and $160 million in aggregate principal amount of new notes. | $ | % |
| 4 | Other Secured Claims | Unimpaired; at our option, collateral returned to creditor or claim cured and reinstated. | $ | 100% |
| 5 | Insured Claims | Unimpaired; legal, equitable and contractual rights of Insured Claims are unaffected by the prepackaged plan. | $ | 100% |
| 6 | General Unsecured Claims | Unimpaired; paid in full in cash, on the distribution date or such later date as the claims become due and owing in the ordinary course of business. | $ | 100% |
| 7 | Common Stock Interests | Impaired; interest retained but diluted as a result of the issuance of additional shares of our common stock. | N/A | N/A |
| 8 | Above Market Warrants and Above Market Options | Unimpaired; the legal, equitable and contractual rights of such holders will be unaltered by the prepackaged plan. | N/A | 100% |
| 9 | Other Interests | Impaired; Other Interests are deemed cancelled and extinguished under the prepackaged plan. | N/A | N/A |

(1) This table is only a summary of the classification and treatment of claims and interests under the prepackaged plan. Reference should be made to this proxy statement and the prepackaged plan attached to this proxy statement as Annex D for a complete description of the classification and treatment of claims and interests.

(2) The amounts are solely estimates; the actual allowed amounts may vary materially, depending on the nature and extent of claims actually asserted and the final reconciliation of all administrative expenses and other claims.

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(3) The approximate percentage recovery for class 3 claims is the aggregate value of all common stock and new notes to be distributed to that class. Solely for purposes of calculating approximate percentage recovery, the value of our common stock has been based on the closing bid price as reported on the Over-The-Counter Bulletin Board on , 2003.

**Holders of Claims Entitled to Vote; Voting Record Date**

Chapter 11 does not require that each holder of a claim against or interest in a debtor vote in favor of a plan of reorganization in order for the bankruptcy court to confirm the plan. The Bankruptcy Code requires that each claim or interest be placed in a class with claims or interests that are substantially similar . Consents to a plan of reorganization are then solicited and tallied for each class. At a minimum, at least one class of impaired claims (without including any acceptance of the plan by any insider of the debtor) under the plan must vote to accept the plan. An impaired class of claims will be deemed to accept the prepackaged plan if the holders of claims in that class casting votes in favor of acceptance of the prepackaged plan (1) hold at least two-thirds in aggregate dollar amount of the claims of the holders in such class who cast votes with respect to the prepackaged plan, and (2) constitute more than one-half in number of holders of allowed claims in such class who cast votes with respect to the prepackaged plan. An impaired class of interests will be deemed to accept the prepackaged plan if the holders of interests in that class casting votes in favor of acceptance of the prepackaged plan hold at least two-thirds in amount of the allowed interests in such class who cast votes with respect to the prepackaged plan.

Classes of claims or interests that are not impaired under a plan of reorganization are conclusively presumed to have accepted the plan of reorganization and are not entitled to vote. By contrast, classes of claims or interests that do not receive or retain any property under a plan on account of such claims or interests are deemed to have rejected the plan and do not vote. Acceptances of the prepackaged plan are being solicited only from those persons who hold claims or interests in a class which may be impaired under the prepackaged plan and who are not deemed by the Bankruptcy Code to have rejected the prepackaged plan. A class of claims or interests is impaired if the legal, equitable, or contractual rights to which the claims or interests entitle the holders of claims or interests of that class are altered.

The following classes of claims and interests are impaired under the prepackaged plan, and all holders of claims and interests in such classes as of the voting record date are entitled to vote to accept or reject the prepackaged plan:

CLASS 3 Senior Secured Claims

CLASS 7 Common Stock Interests

**CLASSES 1, 2, 4, 5, 6 AND 8 ARE UNIMPAIRED UNDER THE PREPACKAGED PLAN IN ACCORDANCE WITH SECTION 1124 OF THE BANKRUPTCY CODE AND, ACCORDINGLY, HOLDERS OF CLAIMS OR INTERESTS IN SUCH CLASSES ARE DEEMED TO HAVE ACCEPTED THE PREPACKAGED PLAN AND ARE NOT ENTITLED TO VOTE ON THE PREPACKAGED PLAN.**

**CLASS 9 IS IMPAIRED UNDER THE PREPACKAGED PLAN IN ACCORDANCE WITH SECTION 1124 OF THE BANKRUPTCY CODE. BECAUSE CLASS 9 IS DEEMED TO HAVE NOT ACCEPTED THE PLAN, IN ACCORDANCE WITH SECTION 1126(g) OF THE BANKRUPTCY CODE, IT IS NOT ENTITLED TO VOTE ON THE PREPACKAGED PLAN.**

To be entitled to vote to accept or reject the prepackaged plan, a holder of an allowed claim or interest in any such Class 3 or 7 must have been the beneficial owner of such claim or interest at the close of business on [ ], 2003, the voting record date, regardless of whether such claim is held of record on the voting record date in such holder s name or in the name of such holder s broker, dealer, commercial bank, trust company or other nominee. If a claim is held in the name of a holder s broker, dealer, commercial bank, trust company or other nominee, the beneficial owner will vote on the prepackaged plan by completing the information requested on the ballot, voting and signing the ballot and then providing the ballot to the record holder holding the claim for the beneficial owner s benefit if the ballot has not already been signed by the beneficial owner s nominee or agent. If the ballot has already been signed by the beneficial owner s agent or nominee, the beneficial owner can vote on the prepackaged plan by completing the information requested on the ballot, indicating their vote on the ballot and returning their ballot in the enclosed, pre-addressed postage paid envelope so it is actually received by the voting agent before the solicitation expiration date. No appraisal rights are available to holders of claims or interests in connection with the prepackaged plan.

Each holder of a claim or interest in an impaired class of claims or interests should refer to the detailed instructions contained in The Prepackaged Plan Solicitation on page [ ] which describes the voting procedures for such class and in the other materials delivered with this proxy statement.

**Vote Required for Class Acceptance of the Prepackaged Plan**

As a condition to confirmation, the Bankruptcy Code requires that, except to the extent the prepackaged plan meets the nonconsensual confirmation standards discussed below under Confirmation of the Prepackaged Plan Without Acceptance by all Classes of Impaired Claims and Interests, each impaired class of claims and interests must accept the prepackaged plan.

For a class of impaired claims or interests to accept the prepackaged plan, Section 1126 of the Bankruptcy Code requires acceptance by:

- in the case of claims, holders of claims that hold at least two-thirds in amount and over one-half in number of holders of the allowed claims of such class, and

- in the case of interests, holders of interests that hold at least two-thirds in amount of the allowed interests of such class,

in each case counting only those holders who actually vote to accept or reject the prepackaged plan. Holders of claims or interests which fail to vote or abstain from voting are not counted as either accepting or rejecting the prepackaged plan. Accordingly, the prepackaged plan could be approved by any impaired class of claims with the affirmative vote of significantly less than two-thirds in amount and one-half in number of the claims in such class and any impaired class of interests with the affirmative vote of significantly less than two-thirds in amount of the interests in such class.

Pursuant to the support agreement, approximately 67% in aggregate principal amount of holders of Class 3 claims have agreed to vote to accept the prepackaged plan.

If the prepackaged plan is confirmed, each holder of a claim or interest in a class will receive the same consideration as the other members of the class, and the prepackaged plan will be binding with respect to all holders of claims and interests of each class, including members who did not vote or who voted to reject the prepackaged plan.

**Classifications Under the Prepackaged Plan**

The principal provisions of the prepackaged plan are summarized below. This summary is qualified in its entirety by reference to the prepackaged plan. WE URGE ALL CLAIM HOLDERS AND OTHER PARTIES IN INTEREST TO READ AND STUDY CAREFULLY THE PREPACKAGED PLAN.

**Classification and Allowance of Claims and Interests**

Section 1123 of the Bankruptcy Code provides that a plan of reorganization must classify claims against, and interests in, a debtor. Under Section 1122 of the Bankruptcy Code, a plan of reorganization may classify claims and interests only into classes containing claims and interests which are substantially similar to such claims or interests. The prepackaged plan designates six classes of claims and three classes of interests. A plan of reorganization cannot be confirmed if there has been an improper classification of claims and interests.

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We believe that we have classified all claims and interests in compliance with the provisions of Section 1122 of the Bankruptcy Code. However, once our reorganization case has been commenced, a claim holder or interest holder could challenge our classification of claims and interests, and the bankruptcy court could determine that a different classification is required for the prepackaged plan to be confirmed. In such event, it is our intention to seek to modify the prepackaged plan to provide for whatever classification might be required by the bankruptcy court and to use the sufficient acceptances received, to the extent permitted by the bankruptcy court, to demonstrate the acceptance of the class or classes which are affected. Any such reclassification could affect a class s acceptance of the prepackaged plan by changing the composition of such class and the required vote for acceptance of the prepackaged plan and could potentially require a resolicitation of votes on the prepackaged plan.

The prepackaged plan provides for the classification and treatment of claims and our interest holders allowed under Section 502 of the Bankruptcy Code. Only the holder of an allowed claim or an allowed interest is entitled to receive a distribution under the prepackaged plan.

An allowed claim or allowed interest is:

- any claim or interest that is scheduled as liquidated in an amount and not disputed nor contingent and no objection to the allowance of the claim or interest or request to estimate the claim or interest, has been interposed within any time period provided under the plan or under applicable law; or
- any disputed claim or disputed interest that has been adjudicated as an allowed claim or interest; or
- any claim or interest that is specified as an allowed claim or allowed interest under the prepackaged plan or the confirmation order.

A disputed claim or disputed interest is a claim or interest that is not an allowed claim or allowed interest and:

- the claim or interest is not contained on a schedule to the prepackaged plan;
- the claim or interest is scheduled as unliquidated, disputed, contingent or unknown;
- the claim or interest is the subject of a timely objection or request for estimation in accordance with the Bankruptcy Code, the Bankruptcy Rules, any applicable order of the bankruptcy court, the prepackaged plan or applicable non-bankruptcy law, which objection or request for estimation has not been withdrawn or resolved; or
- the claim or interest is otherwise specified as disputed or as a disputed claim pursuant to the prepackaged plan.

**Summary of Distributions Under the Prepackaged Plan**

**THE FOLLOWING SUMMARY OF DISTRIBUTIONS UNDER THE PREPACKAGED PLAN IS SUBJECT, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE, TO THE PREPACKAGED PLAN.**

If the prepackaged plan is confirmed by the bankruptcy court, each holder of an allowed claim or allowed interest in a particular class will receive the same treatment as the other holders in the same class of claims or interests, whether or not such holder voted to accept the prepackaged plan. Moreover, upon confirmation, the prepackaged plan will be binding on all of our creditors and stockholders regardless of whether such creditors or stockholders voted to accept the prepackaged plan (unless such holder agrees to accept less favorable treatment). Such treatment will be in full satisfaction, release and discharge of and in exchange for such holder s claims against or interests in us, except as otherwise provided in the prepackaged plan.

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*Treatment of Unclassified Claims.* The Bankruptcy Code does not require classification of certain priority claims against a debtor. In this case, these unclassified claims include administrative claims and priority tax claims as set forth below.

1. *Administrative Claims.* An administrative claim is any cost or expense of administration of our reorganization case allowed under Section 503(b), and referred to in Section 507(a)(1), of the Bankruptcy Code. These claims include, without limitation:

- any actual and necessary costs and expenses of preserving our estate and operating our business during our reorganization case, including any indebtedness or obligations incurred or assumed by us as debtor in possession in connection with our conduct of our business or for the acquisition or lease of property or for the rendition of services, and any of our costs and expenses for the management, preservation, sale or other disposition of assets during our reorganization case, the administration, prosecution or defense of claims by or against us and for distributions under the prepackaged plan; and

- any allowances of compensation or reimbursement of expenses to the extent allowed by final order of the bankruptcy court under Sections 327, 328, 330, 331, 503(b)(2) and/or 1103 of the Bankruptcy Code.

Subject to the bar date provisions contained in the prepackaged plan, each holder of an allowed administrative claim will, in full satisfaction, release, and discharge of such allowed administrative claim: (a) to the extent such claim is due and owing on the effective date of the prepackaged plan, be paid in full, in cash, on the distribution date; (b) to the extent such claim is not due and owing on the effective date of the prepackaged plan, be paid in full, in cash, in accordance with the terms of any agreement between us and such holder, or as may be due and owing under applicable nonbankruptcy law or in the ordinary course of business; or (c) be treated on such other terms and conditions as are acceptable to the parties.

If the bankruptcy court confirms the prepackaged plan within the time frame anticipated by us, we expect that the amount of administrative claims will be significantly less than if we had commenced a reorganization case without prior receipt of the approvals necessary to confirm the prepackaged plan. In the event the bankruptcy court confirms the prepackaged plan within 45 days after the commencement of our reorganization case, and assuming there is no significant litigation initiated or objections filed with respect to the prepackaged plan, we estimate that the aggregate allowed amount of administrative claims (other than those discharged or to be satisfied by us in the ordinary course of business) will be approximately $[ ] million as of the date the prepackaged plan becomes effective.

2. *Priority Tax Claims.* A priority tax claim is that portion of any claim against us for unpaid taxes which is entitled to priority in right of payment under Section 507(a)(7) of the Bankruptcy Code. We are now current and anticipate that we will continue to be current on our tax obligations at the time we commence our reorganization case. Assuming the bankruptcy court confirms the prepackaged plan within 45 days after the commencement of our reorganization case, we estimate that the aggregate allowed amount of priority tax claims (other than those discharged by us in the ordinary course of business) will be less than $ on the date the prepackaged plan becomes effective.

Pursuant to the prepackaged plan, each holder of a priority tax claim that is an allowed claim will, in full satisfaction, release, and discharge of such allowed priority tax claim: (a) to the extent such claim is due and owing on the effective date of the prepackaged plan, be paid in full, in cash, on the distribution date; (b) to the extent such claim is not due and owing on the effective date of the prepackaged plan, be paid in full, in cash, in accordance with the terms of any agreement between the parties, or as may be due and owing under applicable nonbankruptcy law, or in the ordinary course of business; or (c) be treated on such other terms and conditions as are acceptable to the parties.

*Treatment of Classified Claims.* The following describes the prepackaged plan s classification of the claims and interests that are required to be classified under the Bankruptcy Code and the treatment that the holders of allowed claims or allowed interests will receive for such claims or interests:

*Class 1 Other Priority Claims.* Class 1 consists of all other priority claims. An other priority claim is any claim against us for an amount entitled to priority under Section 507(a) of the Bankruptcy Code, other than an administrative claim or a priority tax claim. These claims are primarily for employee wages, vacation pay, severance pay, contributions to benefit plans and other similar amounts. We estimate that the aggregate allowed amount of other priority claims will be less than $ million on the date the prepackaged plan becomes effective.

We intend to seek an order approving the pre-effective date payment of priority claims. To the extent such an order is not entered or such claims are not paid prior to the date the prepackaged plan becomes effective, pursuant to the prepackaged plan, the legal, equitable and contractual rights of the holders of allowed Class 1 claims are unaltered by the plan. Each holder of an allowed Class 1 claim, will, in full satisfaction of and in exchange for such allowed Class 1 claim: (a) to the extent such claim is due and owing on the effective date of the prepackaged plan, be paid in full, in cash, on the distribution date; (b) to the extent such claim is not due and owing on the effective date of the prepackaged plan, be paid in full, in cash, in accordance with the terms of any agreement between the parties, or as may be due and owing under applicable non-bankruptcy law or in the ordinary course of business; or (c) be treated on such other terms and conditions as are acceptable to the parties.

**CLASS 1 IS UNIMPAIRED, AND THE HOLDERS OF CLAIMS IN CLASS 1 ARE CONCLUSIVELY PRESUMED PURSUANT TO SECTION 1126(f) OF THE BANKRUPTCY CODE TO HAVE ACCEPTED THE PREPACKAGED PLAN.**

*Class 2 Senior Credit Facility Claims.* Class 2 consists of the senior credit facility claims. As to the senior credit facility claims, our records reflect 22 participating lenders and a total obligation at , 2003, which includes principal and accrued interest, of $ . The allowed claims of the holders of the senior credit facility claims under the credit facility, as amended will be cured and reinstated on the effective date of the prepackaged plan.

**CLASS 2 IS UNIMPAIRED, AND THE HOLDERS OF CLAIMS IN CLASS 2 ARE CONCLUSIVELY PRESUMED PURSUANT TO SECTION 1126(f) OF THE BANKRUPTCY CODE TO HAVE ACCEPTED THE PREPACKAGED PLAN.**

*Class 3 Senior Secured Claims.* Class 3 consists of all senior secured claims. The senior secured claims are comprised of the old notes claims.

As to the old notes claims, our records reflect approximately beneficial holders and a total obligation at , 2003, which indicates accreted value, of $ .

Each holder of an allowed Class 3 claim will receive a pro rata distribution of our common stock and new notes, equal to approximately 110 shares of our pre-reverse split common stock and $533.33 in aggregate principal amount of new notes for each $1,000 of aggregate principal amount due at maturity of old notes as of , 2003.

**CLASS 3 IS IMPAIRED, AND THE HOLDERS OF CLAIMS IN CLASS 3 ARE ENTITLED TO VOTE ON THE PREPACKAGED PLAN.**

*Class 4 Other Secured Claims.* Class 4 consists of all secured claims other than the claims in Classes 2 and 3. For purposes of the prepackaged plan each such allowed other secured claim will be deemed a separate subclass. We estimate that the amount of such claims will not exceed $ million in the aggregate. At our option, each holder of an allowed Class 4 claim will either (a) have the property that serves as collateral for its claim returned, or (b) have its claim cured and reinstated , in accordance with Section 1124(2) of the Bankruptcy Code.

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**CLASS 4 IS UNIMPAIRED, AND THE HOLDERS OF CLAIMS IN CLASS 4 ARE CONCLUSIVELY PRESUMED PURSUANT TO SECTION 1126(f) OF THE BANKRUPTCY CODE TO HAVE ACCEPTED THE PREPACKAGED PLAN AND ARE NOT ENTITLED TO VOTE.**

*Class 5 Insured Claims.* Class 5 consists of all claims that are covered by insurance policies maintained by or for our benefit, but only to the extent of insurance coverage under such insurance policies. We are presently unable to determine the amount of such claims (if any) that will be asserted in this class. Under the prepackaged plan, holders of insured claims that become allowed claims will have their legal, equitable and contractual rights unaltered by the plan.

**CLASS 5 IS UNIMPAIRED, AND THE HOLDERS OF CLAIMS IN CLASS 5 ARE CONCLUSIVELY PRESUMED PURSUANT TO SECTION 1126(f) OF THE BANKRUPTCY CODE TO HAVE ACCEPTED THE PREPACKAGED PLAN AND ARE NOT ENTITLED TO VOTE.**

*Class 6 General Unsecured Claims.* Class 6 consists of all unsecured claims, except for administrative claims, priority tax claims or claims in Classes 1 through 5, inclusive. General unsecured claims will include trade and vendor claims. Our records indicate approximately $ million in accounts payable that would be included in Class 6. To the extent any allowed general unsecured claim has not been paid or satisfied by performance in full prior to the date the prepackaged plan becomes effective, the legal, equitable and contractual rights of the holders of allowed Class 6 claims are unaltered by the prepackaged plan. In full satisfaction of and in exchange for each allowed Class 6 claim, the holder will: (a) to the extent such claim is due and owing on the effective date of the prepackaged plan, be paid in full, in cash, on the distribution date; (b) to the extent such claim is not due and owing on the effective date of the prepackaged plan, be paid in full, in cash, in accordance with the terms of any agreement between the parties, or as may be due and owing under applicable nonbankruptcy law or in the ordinary course of business; or (c) be treated on such other terms and conditions as are acceptable to the parties.

**CLASS 6 IS UNIMPAIRED, AND THE HOLDERS OF CLAIMS IN CLASS 6 ARE CONCLUSIVELY PRESUMED PURSUANT TO SECTION 1126(f) OF THE BANKRUPTCY CODE TO HAVE ACCEPTED THE PREPACKAGED PLAN AND ARE NOT ENTITLED TO VOTE.**

*Class 7 Common Stock Interests.* Class 7 consists of all interests of holders of our common stock issued and outstanding on the date the petition for relief is filed with the bankruptcy court. We estimate that, as of the date of this proxy statement, there are approximately beneficial holders of Class 7 interests. Each holder of a Class 7 interest will retain its interest as it existed on the date the petition for relief is filed with the bankruptcy court; however, the issuance of common stock in exchange for the impaired classes of claims and interests under the prepackaged plan will substantially dilute the ownership interest of each holder of a Class 7 interest.

**CLASS 7 IS IMPAIRED AND THE HOLDERS OF INTERESTS IN CLASS 7 ARE ENTITLED TO VOTE ON THE PREPACKAGED PLAN.**

*Class 8 Above Market Warrants and Above Market Options.* Class 8 consists of all interests of holders of our above market warrants and above market options issued and outstanding on the date the petition for relief is filed with the bankruptcy court. These interests include certain warrants issued in connection with the old notes as well as certain options issued to employees, consultants, and members of our board of directors. We estimate that, as of the date of this proxy statement, there are approximately beneficial holders of Class 8 interests. Under the prepackaged plan, these interests will be retained by their holders.

**CLASS 8 IS UNIMPAIRED AND THE HOLDERS OF INTERESTS IN CLASS 8 ARE CONCLUSIVELY PRESUMED PURSUANT TO SECTION 1126(f) OF THE BANKRUPTCY CODE TO HAVE ACCEPTED THE PREPACKAGED PLAN.**

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*Class 9 Other Interests.* Class 9 consists of all interests except for interests in Classes 7 and 8. Such interests include those of holders of below market warrants and below market options. We estimate that, as of the date of this proxy statement, there are approximately beneficial holders of Class 9 interests. Under the prepackaged plan, these interests will be cancelled, and deemed extinguished.

**CLASS 9 IS IMPAIRED AND THE HOLDERS OF INTERESTS IN CLASS 9 ARE DEEMED PURSUANT TO SECTION 1126(g) OF THE BANKRUPTCY CODE NOT TO HAVE ACCEPTED THE PREPACKAGED PLAN.**

**Confirmation of the Prepackaged Plan**

If we seek to implement the prepackaged plan by commencing a reorganization case, we will promptly request that the bankruptcy court hold a confirmation hearing, including a determination that the prepackaged plan solicitation was in compliance with any applicable nonbankruptcy law, rule or regulation governing the adequacy of disclosure or, if there is not any such law, rule or regulation, was made after disclosure of adequate information as defined in the Bankruptcy Code, upon such notice to parties in interest as is required by the Bankruptcy Code and the bankruptcy court. Rule 2002(b) of the Bankruptcy Rules requires no less than 25 days notice by mail of the time for filing objections to confirmation of the prepackaged plan and of the time and place of the confirmation hearing, unless the bankruptcy court shortens or lengthens this period. Parties in interest, including all holders of impaired claims and interests, will be provided notice by mail, or by publication if required by the bankruptcy court, of the date and time fixed by the bankruptcy court for the confirmation hearing. Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to confirmation of the prepackaged plan. The bankruptcy court will also establish procedures for the filing and service of objections to confirmation of the prepackaged plan. Such procedures will be described to parties in interest in the notice informing them of the time for filing objections to confirmation of the prepackaged plan.

**ANY OBJECTIONS TO CONFIRMATION OF THE PREPACKAGED PLAN MUST BE FILED WITH THE BANKRUPTCY COURT IN ACCORDANCE WITH APPLICABLE BANKRUPTCY RULES AND ANY PROCEDURES ESTABLISHED BY THE BANKRUPTCY COURT.**

In order for the prepackaged plan to be confirmed, and regardless of whether all impaired classes of claims and interests vote to accept the prepackaged plan, the Bankruptcy Code requires that the bankruptcy court determine that the prepackaged plan complies with the requirements of Section 1129 of the Bankruptcy Code. Section 1129 of the Bankruptcy Code requires for confirmation, among other things, that:

- except to the extent the prepackaged plan meets the nonconsensual confirmation standards discussed below under Confirmation of the Prepackaged Plan Without Acceptance by all Classes of Impaired Claims and Interests, the prepackaged plan be accepted by each impaired class of claims and interests by the requisite votes of holders of claims or interests in such impaired classes;

- the prepackaged plan is feasible (that is, there is a reasonable probability that we will be able to perform our obligations under the prepackaged plan and continue to operate our business without the need for further financial reorganization) (see Feasibility of the Prepackaged Plan ); and

- the prepackaged plan meets the requirements of Section 1129(a)(7) of the Bankruptcy Code, which requires that, with respect to each impaired class, each holder of a claim or interest in such class either (a) accepts the prepackaged plan or (b) receives at least as much pursuant to the prepackaged plan as such holder would receive in our liquidation under Chapter 7 of the Bankruptcy Code (see The Best Interests Test ).

In addition, we must demonstrate in accordance with Section 1129 of the Bankruptcy Code that:

- the prepackaged plan is proposed in good faith;

- the prepackaged plan complies with the Bankruptcy Code;

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payments for services or costs and expenses in or in connection with the case, or in connection with the prepackaged plan, have been approved by or are subject to the approval of the bankruptcy court;

the individuals to serve as our officers and directors have been disclosed and their appointment or continuance in such office is consistent with the interests of creditors and interest holders;

the identity of any insider that will be employed or retained by us is disclosed, as well as any compensation to be paid to such insider;

all statutory fees have been or will be paid; and

the prepackaged plan provides for the continued maintenance of retiree benefits, if any, at a certain level.

**Acceptance of the Prepackaged Plan**

As a condition to confirmation, the Bankruptcy Code requires that each impaired class of claims or interests accept a plan of reorganization, unless the cram down requirements of Section 1129(b) of the Bankruptcy Code are met. Classes of claims or interests that are not impaired under a plan are deemed to have accepted the plan and are not entitled to vote.

**Feasibility of the Prepackaged Plan**

The Bankruptcy Code requires that, in order to confirm the prepackaged plan, the bankruptcy court must find that confirmation of the prepackaged plan will not likely be followed by liquidation or the need for further financial reorganization. For the prepackaged plan to meet the feasibility test, the bankruptcy court must find that we will possess the resources and working capital necessary to fund our operations and that we will be able to meet our obligations under the prepackaged plan.

We have analyzed our ability to meet our obligations under the prepackaged plan. As part of our analysis, we have considered our forecasts of our financial performance after completion of our reorganization case contained herein. These projections and the significant assumptions on which they are based are included in this proxy statement. See Unaudited Projected Consolidated Financial Information. We believe, based on our analysis, that the prepackaged plan provides a feasible means of reorganization from which there is a reasonable expectation that, following the effective date of the prepackaged plan, we will possess the resources and working capital necessary to fund our operations and to meet our obligations under the prepackaged plan.

In connection with confirmation of the prepackaged plan, the bankruptcy court will have to determine that the prepackaged plan is feasible. The bankruptcy court may not agree with our determination or accept the projections or the assumptions underlying our determination.

**The Best Interests Test**

Even if the prepackaged plan is accepted by each impaired class of claims and interests, Section 1129(a)(7) of the Bankruptcy Code requires that in order to confirm the prepackaged plan, the bankruptcy court must determine that either:

each member of an impaired class of claims or interests has accepted the prepackaged plan; or

the prepackaged plan will provide each nonaccepting member of an impaired class of claims or interests a recovery that has a value at least equal to the value of the distribution that such member would receive if we were liquidated under Chapter 7 of the Bankruptcy Code.

If all members of an impaired class of claims or interests accept the prepackaged plan, the best interests test does not apply with respect to that class.

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The first step in meeting the best interests test is to determine the dollar amount that would be generated from the liquidation of our assets and properties in a Chapter 7 liquidation case. The total amount available would be the sum of the proceeds from the disposition of our assets and the cash held by us at the time of the commencement of the Chapter 7 case. The next step is to reduce that total by the amount of any claims secured by such assets, the costs and expenses of the liquidation, and such additional administrative expenses and priority claims that may result from the termination of our business and the use of Chapter 7 for the purposes of liquidation. Finally, the present value of that amount (taking into account the time necessary to accomplish the liquidation) is allocated to creditors and stockholders in the strict order of priority in accordance with Section 726 of the Bankruptcy Code which requires that no junior creditor receive any distribution until all senior creditors are paid in full and can be compared to the value of the property that is proposed to be distributed under the prepackaged plan on the date the prepackaged plan becomes effective.

After consideration of the effects that a Chapter 7 liquidation would have on the ultimate proceeds available for distribution to creditors in a Chapter 11 case, including:

- the increased costs and expenses of a liquidation under Chapter 7 arising from fees payable to a trustee in bankruptcy and professional advisors to such trustee;

- the erosion in value of assets in a Chapter 7 case in the context of the expeditious liquidation required under Chapter 7 and the forced sale atmosphere that would prevail; and

- substantial increases in claims which would be satisfied on a priority basis or on a parity with creditors in a Chapter 11 case,

and as illustrated in the following liquidation analysis, prepared with the assistance of Masson & Co., we have determined that confirmation of the prepackaged plan will provide each creditor and equity holder with a recovery that is not less than it would receive pursuant to our liquidation under Chapter 7 of the Bankruptcy Code. Moreover, we believe that the value of any distributions from the liquidation proceeds to each class of allowed claims and interests in a Chapter 7 case would be less than the value of distributions under the prepackaged plan because such distributions in Chapter 7 may not occur for a substantial period of time. In this regard, it is possible that distribution of the proceeds of the liquidation could be delayed for a substantial time after the completion of such liquidation to resolve all objections to claims and prepare for distributions.

**Liquidation Analysis**

**THE FOLLOWING LIQUIDATION ANALYSIS IS AN ESTIMATE OF THE PROCEEDS THAT MAY BE GENERATED AS A RESULT OF THE HYPOTHETICAL CHAPTER 7 LIQUIDATION OF OUR ASSETS. THE ANALYSIS IS BASED UPON A NUMBER OF SIGNIFICANT ASSUMPTIONS WHICH ARE DESCRIBED BELOW. THE LIQUIDATION ANALYSIS IS NOT BASED ON APPRAISALS AND DOES NOT PURPORT TO BE A VALUATION OF OUR ASSETS AND IS NOT NECESSARILY INDICATIVE OF THE VALUES THAT MAY BE REALIZED IN AN ACTUAL LIQUIDATION.**

The accompanying Unaudited Schedule of Assets and Liquidation Proceeds, which assumes a Chapter 7 liquidation beginning June 30, 2003, has been prepared by our management for the purposes of this proxy statement. The schedule presents a computation of the estimated proceeds that may be generated as a result of a hypothetical Chapter 7 liquidation in which a court-appointed trustee liquidates the business under the assumptions described below.

The following liquidation analysis is based upon a number of estimates and assumptions that are inherently subject to significant uncertainties and contingencies, many of which would be beyond our control. Therefore, we can give no assurance that the assumptions and estimates employed in analyzing the liquidation values of our assets will result in an accurate estimate of the proceeds that would be realized were we to undergo an actual liquidation. The liquidation analysis does not purport to be a valuation of our assets and is not necessarily indicative of the values that may be realized in an actual liquidation that

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could, therefore, vary materially from the estimates provided herein. Moreover, the following liquidation analysis does not reflect or give consideration to the possibility of liquidating our company as a going concern in a Chapter 11 case. The fair value of assets on a going concern basis may be significantly higher.

The liquidation analysis assumes an orderly, yet expedited sale, such as an auction or other similar sale of our assets, occurring over a period of six months starting June 30, 2003. The computations are based on our estimated balance sheet information as of June 30, 2003. Liquidation of our current assets is expected to occur over a period of three months. The analysis assumes that all operating entities cease to operate as a going concern and the network goes dark. It is assumed that all leased facilities are closed and surrendered to the landlords and that the machinery and equipment will be removed from these locations and sold by a professional liquidator.

**Unaudited Schedule of Assets and Liquidation Proceeds as of June 30, 2003**

| | **Book Value as of June 30, 2003** | **Liquidation Analysis Estimated Recovery Rate** | | **Estimated Liquidation Range** | |
|---|---|---|---|---|---|
| | | **Low** | **High** | **Low** | **High** |
| | | **(Dollars in thousands)** | | | |
| **ASSETS** | | | | | |
| Current Assets: | | | | | |
| Cash and cash equivalents | $ 30,793 | 100.0% | 100.0% | $30,793 | $ 30,793 |
| Trade receivables, net | 23,388 | 70.0% | 90.0% | 16,372 | 21,049 |
| Receivable from Sprint PCS | 13,709 | 100.0% | 100.0% | 13,709 | 13,709 |
| Inventories | 2,043 | 15.0% | 35.0% | 306 | 715 |
| Prepaid expense | 4,403 | 0.0% | 0.0% | 0 | 0 |
| Intercompany receivable | 22 | 0.0% | 0.0% | 0 | 0 |
| Other current assets | 452 | 0.0% | 0.0% | 0 | 0 |
| Total current assets | $ 74,810 | | | $61,180 | $ 66,266 |
| Property and equipment, net | $184,493 | 8.0% | 15.0% | $14,759 | 27,674 |
| Intangible Assets(a) | | 0.0% | | 0 | 52,500 |
| Financing costs | 6,985 | 0.0% | 0.0% | 0 | 0 |
| Direct subscriber activation costs | 4,600 | 0.0% | 0.0% | 0 | 0 |
| Other assets | 1,148 | 0.0% | 0.0% | 0 | 0 |
| **Estimated Gross Proceeds from Liquidation of Airgate** | **$272,036** | | | **$79,939** | **$146,440** |
| Estimated Liquidation Expenses(b) | | 10.0% | 7.0% | (7,126) | (10,184) |
| **Estimated Liquidation Proceeds Available for Distribution** | | | | **$68,813** | **$136,256** |

(a) Assumes 350,000 subscribers at $150.00 per subscriber.
(b) Includes fees to Chapter 7 trustee, accountants, other professionals and wind down costs.

**THESE ESTIMATED LIQUIDATION VALUES ARE SPECULATIVE AND COULD VARY DRAMATICALLY FROM THE AMOUNTS THAT MAY ACTUALLY BE RECOVERED IN AN ACTUAL LIQUIDATION UNDER CHAPTER 7 OF THE BANKRUPTCY CODE. IN MANY CASES, OUR ASSETS MIGHT NOT COMMAND SIGNIFICANT PRICES IF PURCHASED FOR USES OTHER THAN WIRELESS PCS.**

Because this liquidation analysis was prepared for purposes of the prepackaged plan of reorganization, and reflects our estimates of potential recoveries that could be realized in a liquidation, the amounts

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disclosed are not likely to be meaningful for us as a going concern or indicative of actual returns that may eventually be realized by our stakeholders in a non-liquidation context.

As described above, to estimate the liquidation proceeds we assumed that our assets are disposed of in a straight liquidation during a six-month wind-down period.

Our belief that confirmation of the prepackaged plan will provide each holder of a claim in an impaired class with a recovery at least equal to the recovery that such holder would receive pursuant to a liquidation under Chapter 7 of the Bankruptcy Code is based on a comparison of the liquidation values set forth in the liquidation analysis above with our estimate of the value of the distributions to the holders of claims pursuant to the prepackaged plan.

In preparing this liquidation analysis, Masson & Co. assisted us in valuing certain contracts and reviewed liquidation values of our assets using data and assumptions supplied by us. Masson & Co. did not prepare a valuation report or opinion regarding our company or any of our assets.

**Alternatives to Confirmation of the Prepackaged Plan**

If the exchange offer is not consummated and the prepackaged plan is not confirmed, we or, subject to further determination by the bankruptcy court as to extensions of our exclusive period within which to propose a plan of reorganization (which is the first 120 days after the commencement of reorganization case, subject to reduction or extension by the bankruptcy court), any other party in interest in our reorganization case could attempt to formulate and propose a different plan or plans of reorganization. Such plans could involve a reorganization and continuation of our businesses, a sale of our business as a going concern, an orderly liquidation of our assets, or any combination thereof. If no plan of reorganization is confirmed by the bankruptcy court, our reorganization case may be converted to a liquidation case under Chapter 7 of the Bankruptcy Code. In that event, the bankruptcy court may grant holders of secured claims relief from the automatic stay to foreclose on their collateral and, accordingly, our valuable assets may be lost.

In a Chapter 7 case, a trustee would be appointed or elected with the primary duty of liquidating our assets. Typically, in a liquidation, assets are sold for less than their going concern value and, accordingly, the return to creditors would be reduced. Proceeds from liquidation would be distributed to our creditors in accordance with the priorities set forth in the Bankruptcy Code.

Because of the difficulties in estimating what our assets would bring in a liquidation and the uncertainties concerning the aggregate claims to be paid and their priority in liquidation, it is not possible to predict with certainty what return, if any, each class of claims or interests might receive in a liquidation. Nevertheless, we believe that the most likely result would be the sale of our assets at a price which is significantly less than needed to pay our debts in full. We believe that holders of impaired claims and interests would realize a greater recovery under the prepackaged plan than would be realized under a Chapter 7 liquidation.

**Means for Implementing the Prepackaged Plan**

***Management***

On the date the prepackaged plan becomes effective, our estate will revest in us as the reorganized debtor and our management, control and operation will continue to be the general responsibility of our board of directors in accordance with Delaware law. Our board of directors on the effective date is described under Management. For a description of the directors and officers backgrounds, affiliations, salary compensation and whether or not such persons are also insiders, see Management.

We will disclose, prior to the hearing on the confirmation of the prepackaged plan, such additional information as is necessary to satisfy Section 1129(a)(5) of the Bankruptcy Code including (1) the identity and affiliation of any other individual who is proposed to serve as one of our officers or directors, to the extent it is different than disclosed herein, and (2) the identity of any other insider that will be employed or retained by us and said insider s compensation.

**Restated Corporate Documents**

On the date the prepackaged plan becomes effective, our certificate of incorporation will be amended and restated to include (1) the amendments necessary to effect the restructuring and (2) in accordance with Section 1123(a)(6) of the Bankruptcy Code, a prohibition on the issuance of non-voting equity securities.

**Cancellation of Existing Securities and Indebtedness**

As a general matter, on the effective date, all notes, indentures, instruments and other documents evidencing the claims or interests classified in Class 3 of the prepackaged plan will be cancelled and any collateral security with respect to such claims will be released. Without limiting the generality of the foregoing, on the effective date of the plan, each of the following will be cancelled:

- the senior secured discount notes, i.e., the old notes;
- the old notes indenture; and
- the collateral agreements relating to our senior secured discount notes.

**Stockholder Approval**

Pursuant to this proxy statement, we are seeking the approval of our existing stockholders to the issuance of common stock in accordance with the terms of the prepackaged plan, an amendment and restatement of our certificate of incorporation and an increase in the number of shares available under our 2002 AirGate PCS, Inc. Incentive Plan. If we do not receive the required stockholder approval, then we may seek confirmation of the prepackaged plan under the cram down provisions of Section 1129 of the Bankruptcy Code.

**Issuance of Common Stock and New Notes**

On the effective date of the prepackaged plan, we will issue, in accordance with the terms of the prepackaged plan, an aggregate of up to 33,000,000 newly issued shares of our common stock, prior to taking into account the effect of the reverse stock split, and $160.0 million in aggregate principal amount of the new notes. All shares to be issued pursuant to the prepackaged plan will be, upon issuance, fully paid and non-assessable. The holders of this common stock will have no preemptive or other rights to subscribe for additional shares. We expect that the confirmation order of the bankruptcy court will provide that the issuance of common stock and new notes will be exempt from the registration requirements of the Securities Act in accordance with Section 1145 of the Bankruptcy Code.

**Confirmation of the Prepackaged Plan Without Acceptance by all Classes of Impaired Claims and Interests**

The Bankruptcy Code contains provisions for confirmation of a plan even if the plan is not accepted by all impaired classes, as long as at least one impaired class of claims has accepted the plan. These cram down provisions are set forth in Section 1129(b) of the Bankruptcy Code. Under the cram down provisions, upon the request of a plan proponent, the bankruptcy court will confirm a plan despite the lack of acceptance by an impaired class or classes if the bankruptcy court finds that:

- the plan does not discriminate unfairly with respect to each non-accepting impaired class; and
- the plan is fair and equitable with respect to each non-accepting impaired class.

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These standards ensure that holders of junior interests, such as stockholders, cannot retain any interest in the debtor under a plan that has been rejected by a senior class of impaired claims or interests unless such impaired claims or interests are paid in full.

As used by the Bankruptcy Code, the phrases discriminate unfairly and fair and equitable have narrow and specific meanings unique to bankruptcy law. A plan does not discriminate unfairly if claims or interests in different classes but with similar priorities and characteristics receive or retain property of similar value under a plan. By establishing separate classes for the holders of each type of claim or interest and by treating each holder of a claim or interest in each class identically, the prepackaged plan has been structured so as to meet the unfair discrimination test of Section 1129(b) of the Bankruptcy Code.

The Bankruptcy Code sets forth different standards for establishing that a plan is fair and equitable with respect to a dissenting class, depending on whether the class is comprised of secured or unsecured claims or interests. In general, Section 1129(b) of the Bankruptcy Code permits confirmation notwithstanding non-acceptance by an impaired class if that class and all junior classes are treated in accordance with the absolute priority rule, which requires that the dissenting class be paid in full before a junior class may receive any distributions under the plan. In addition, case law surrounding Section 1129(b) requires that no class senior to a non-accepting impaired class receives more than payment in full on its claims.

With respect to a class of unsecured claims that does not accept the prepackaged plan, we must demonstrate to the bankruptcy court that either:

- each holder of an unsecured claim in the dissenting class receives or retains under such plan property of a value equal to the allowed amount of its unsecured claim; or
- the holders of claims or holders of interests that are junior to the claims of the holders of such unsecured claims will not receive or retain any property under the prepackaged plan.

Additionally, we must demonstrate that the holders of claims or interests that are senior to the claims or interests of the dissenting class of unsecured claims or interests receive no more than payment in full on their claims or interests under the prepackaged plan.

Neither we nor any of our advisors, including Broadview and Masson & Co., have undertaken to value our assets or our business. We also have not engaged any person to conduct a valuation of our assets or business in connection with the prepackaged plan. Our common stock is traded on the Over-The-Counter Bulletin Board, and a valuation for our company can be derived from trading information relating to our common stock.

We believe that the prepackaged plan satisfies the cram down requirements of the Bankruptcy Code. If all classes of impaired claims and interests, other than the interests held by our common stockholders (Class 7) and the holders of Other Interests (Class 9), accept the prepackaged plan, we may pursue confirmation of the prepackaged plan under the cram down provisions of the Bankruptcy Code. However, the bankruptcy court may determine that the prepackaged plan does not meet the requirements of Section 1129(b) of the Bankruptcy Code and we may be required to amend the prepackaged plan.

**Distributions**

All distributions required under the prepackaged plan to holders of allowed claims and interests shall be made by a disbursing agent pursuant to a disbursing agreement. The disbursing agent may designate, employ or contract with other entities to assist in or perform the distributions. The disbursing agent and such other entities will serve without bond.

The distribution date will mean the date, occurring on or as soon as practicable after the later of:

- the effective date; and
- the date when a claim becomes an allowed claim or an interest becomes an allowed interest.

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Only holders of record of old note claims as of the distribution record date shall be entitled to receive the distributions provided for in the prepackaged plan. As of the close of business on the distribution record date, the respective transfer ledgers in respect of the old notes will be closed, for purposes of making the distributions required in accordance with the provisions of the prepackaged plan. We and the disbursing agent will have no obligation to recognize any transfer of old notes occurring after the distribution record date for purposes of such distributions. We and the disbursing agent will recognize and, for purposes of making such distributions under the prepackaged plan, deal only with those holders of record reflected on the transfer ledgers maintained by the registrars for the old notes as of the close of business on the distribution record date, provided that nothing contained in the prepackaged plan will be deemed to prohibit or otherwise restrict the right of any such holder to transfer such securities at any time.

Distributions to holders of allowed claims and allowed interests will be made at the address of each such holder as set forth on the schedules filed by us with the bankruptcy court unless superseded by the address as set forth on the proofs of claim or proofs of interest filed by such holder or other writings notifying us of a change of address (or at the last known address of such holder if no proof of claim or proof of interest is filed or if we have not been notified in writing of a change of address), or in the case of holders of old note claims may be made at the addresses of the registered holders contained in the records of the registrar as of the distribution record date, except as provided below. If any holder s distribution is returned as undeliverable, no further distributions to such holder will be made, unless and until we or the disbursing agent are notified of such holder s then current address, at which time all missed distributions will be made to such holder together with any interest or dividends earned thereon. Amounts in respect of undeliverable distributions made through a disbursing agent will be returned to such disbursing agent making such distribution until such distributions are claimed. All claims for undeliverable distributions will be made on or before the later of the second anniversary of the date the prepackaged plan becomes effective and the date 90 days after such claim is allowed. After such date all unclaimed property held by a disbursing agent for distribution to holders will be returned to us and the claim of any holder with respect to such property will be discharged and forever barred.

**Conditions to Effective Date of the Prepackaged Plan**

The effective date of the prepackaged plan will not occur until the conditions set forth below have been satisfied or waived:

- the confirmation order is a final order;

- any waiting period applicable to the consummation of the prepackaged plan and occurrence of the effective date under the Hart-Scott-Rodino Act shall have expired or be terminated; and

- the support agreement conditions have been satisfied.

Only the debtor may waive the final order condition in its sole and absolute discretion, by filing a written waiver. The requirement of the support agreement conditions having been satisfied may be waived by the persons having such rights under, and in accordance with, the support agreement, by filing a written waiver.

**Modification of Prepackaged Plan**

The proponent of the prepackaged plan reserves the right in accordance with the support agreement and Section 1127(a) of the Bankruptcy Code and Bankruptcy Rule 3019, after hearing on notice to the committee(s) and such other entities designated by the bankruptcy court, to amend or modify the prepackaged plan prior to the entry of the confirmation order of the bankruptcy court by amending or modifying or supplementing the prepackaged plan, the indentures, instruments or agreements to be executed and delivered pursuant to the prepackaged plan or any other documents.

To the extent the bankruptcy court finds that the proposed modification does not adversely change the treatment of a creditor or interest holder, the modification will be deemed accepted by all those who previously accepted the plan. If the proposed modification adversely changes the treatment of a creditor or interest holder who has accepted the plan prior to the modification, we will solicit the acceptance of such modification from such creditors or equity holders, unless such holders have:

- consented in writing to the modification;
- been deemed to accept pursuant to Section 1126(f) of the Bankruptcy Code; or
- been deemed to have rejected pursuant to Section 1126(g) of the Bankruptcy Code.

**Withdrawal of Prepackaged Plan**

We reserve the right to revoke and withdraw the prepackaged plan at any time prior to the entry of the confirmation order of the bankruptcy court. After withdrawal, or if entry of the confirmation order of the bankruptcy court does not occur, the prepackaged plan, including any settlement or compromise embodied in the prepackaged plan and any assumption or rejection of any executory contract, will be deemed null and void. In that event, nothing contained in the prepackaged plan or in any letter of transmittal or ballot shall be deemed to constitute a waiver or release of any claims by or against or any interests in us, or to prejudice in any manner our rights or the rights of holders of any claim or interest in any further proceedings.

**Effects of Prepackaged Plan Confirmation**

***Discharge***

The rights afforded in the plan and the treatment of all claims and interests therein shall be in exchange for and in complete satisfaction, discharge and release of all claims and interests of any nature, whatsoever, including any interest accrued on such claims from and after the petition date. Except as otherwise provided in the plan or the confirmation order, on or after the effective date: (i) we will be discharged and released to the fullest extent permitted by Section 1141 of the Bankruptcy Code from all claims and interests, including claims and interests that arose before the effective date and all debts of the kind specified in Sections 502(g), 502(h) or 502(i) of the Bankruptcy Code whether or not: (a) a proof of claim or proof of interest based on such claim or interest is filed or deemed filed pursuant to Section 501 of the Bankruptcy Code, (b) a claim or interest based on such claim or interest is allowed pursuant to Section 502 of the Bankruptcy Code, or (c) the holder of a claim or interest based on such claim or interest has accepted the plan; and (ii) all persons will be precluded from asserting against us, our successors or our assets or properties any other or future claims or interests based upon any act or omission, transaction or other activity of any kind or nature that occurred before the effective date.

Except as otherwise provided in the plan or the confirmation order and in addition to the injunction provided under Sections 524(a) and 1141 of the Bankruptcy Code, on and after the effective date of the prepackaged plan, all persons who have held, currently hold or may hold a debt, claim or interest discharged under the plan are permanently enjoined from taking any of the following actions on account of any such discharged, debt, claim or interest:

- commencing or continuing in any manner any action or other proceeding against our successors or our respective assets;
- enforcing, attaching, collecting or recovering in any manner any judgment, award, decree or order against us, our successors, or our assets;
- creating, perfecting or enforcing any lien or encumbrance against us, our successors or our assets;
- asserting any setoff, right of subrogation or recoupment of any kind against any obligation due us, our successors or our assets; and
- commencing or continuing any action in any manner, in any place that does not comply with or is inconsistent with the provisions of the plan or the confirmation order.

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Any person or entity injured by any willful violation of such injunction may recover actual damages, including costs and attorneys fees and, in appropriate circumstances, may recover punitive damages from the willful violator.

***Revesting of Assets and Operations of Property***

As of the effective date, all property of the estate shall revest in us free and clear of all claims, liens, encumbrances and other interests of the holders of claims and interests, except as otherwise provided in the prepackaged plan regarding the holders of Class 2 allowed claims. All rights, privileges, entitlements, authorizations, grants, permits, licenses, easements, franchises, and other similar items which constitute part of, or are necessary or useful in the operation of our property or business now conducted by us, will be vested in us on the effective date of the prepackaged plan and will thereafter be exercisable and usable by us to the same and fullest extent they would have been exercisable and usable by us before the petition date. From and after the effective date, we may operate our business and use, acquire and dispose of property and settle and compromise claims or interests without supervision by the bankruptcy court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules, other than those restrictions expressly imposed by the plan and the confirmation order.

***Retention of Causes of Action***

Except to the extent such rights, claims, causes of action, defenses, and counterclaims are expressly and specifically released in connection with the plan, or in any settlement agreement approved during our reorganization case:

- all rights, claims, causes of action, defenses, and counterclaims of or accruing to us will remain our assets, whether or not litigation relating thereto is pending on the effective date, and whether or not any such rights, claims, causes of action, defenses, and counterclaims have been listed or referred to in the plan, the schedules, or any other document filed with the bankruptcy court, and

- we do not waive, relinquish, or abandon (nor will we be estopped or otherwise precluded from asserting) any right, claim, cause of action, defense, or counterclaim: (a) whether or not such right, claim, cause of action, defense, or counterclaim has been listed or referred to in the plan or the schedules, or any other document filed with the bankruptcy court, (b) whether or not such right, claim, cause of action, defense, or counterclaim is currently known to us, and (c) whether or not a defendant in any litigation relating to such right, claim, cause of action, defense, or counterclaim filed a proof of claim or interest in the reorganization case, filed a notice of appearance or any other pleading or notice in the reorganization case, voted for or against the prepackaged plan, or received or retained any consideration under the prepackaged plan. Without in any manner limiting the generality of the foregoing, notwithstanding any otherwise applicable principle of law or equity, including, without limitation, any principles of judicial estoppel, res judicata, collateral estoppel, issue preclusion, or any similar doctrine, the failure to list, disclose, describe, identify, or refer to a right, claim, cause of action, defense, or counterclaim, or potential right, claim, cause of action, defense, or counterclaim, in the plan, the schedules, or any other document filed with the bankruptcy court will in no manner waive, eliminate, modify, release, or alter our right to commence, prosecute, defend against, settle, and realize upon any rights, claims, causes of action, defenses, or counterclaims that we have or may have, as of the confirmation date. We may commence, prosecute, defend against, settle, and realize upon any rights, claims, causes of action, defenses, and counterclaims in our sole discretion, in accordance with what is in our best interests.

***Objections to Claims and Interests/ Distributions***

The prepackaged plan provides that we may object to the allowance of claims or interests filed with the bankruptcy court and that after the date the prepackaged plan becomes effective only we may object to the allowance of claims and interests. Such objections may be resolved by a final order or by compromise or settlement. We, on the one hand, or the holder of any disputed claim, on the other hand, may seek resolution and/or enforcement of an unimpaired disputed claim (other than a claim arising from the rejection of an unexpired lease or executory contract), if a proof of the claim is timely filed, in the bankruptcy court, or, if no proof of claim is timely filed, in any court of competent jurisdiction, either before or after the date the prepackaged plan becomes effective. Rejection claims may be resolved only in the bankruptcy court pursuant to the provisions of the prepackaged plan.

At such time as a disputed claim or disputed interest becomes an allowed claim or allowed interest, in whole or in part, the prepackaged plan provides that the holder of such claim or interest will receive on the distribution date the property that would have been distributed to such holder on the date the prepackaged plan becomes effective if such allowed claim or allowed interest was an allowed claim or allowed interest on the date the prepackaged plan becomes effective.

***Proofs of Claim and Bar Dates***

Except as otherwise expressly provided in the prepackaged plan of reorganization and except for claims or equity interests in a specific amount as being liquidated, undisputed and not contingent, anyone wishing to assert, or dispute the scheduled amount of, a claim against, or equity interest in, us must file a proof of claim or proof of interest (as appropriate) with the bankruptcy court. Proofs of claim or proofs of interest (as appropriate) must be filed on or before the date which is 10 days before the date of the initially scheduled confirmation hearing. Should a proof of claim or proof of interest (as appropriate) be required to be filed in respect of a claim or interest, but is not filed by the applicable bar date, such claim or interest shall be forever barred and may not thereafter be asserted against us or our property. If for some reason we are unable to obtain the approval of the bankruptcy court to the proposed bar date we reserve the right to seek approval to establish an alternative bar date, possibly after the date of the confirmation hearing, or to dispense with any bar date and simply resolve disputes as they arise in the ordinary course.

***Limitation of Liability***

Except as otherwise provided in the plan or the confirmation order, neither we, the committee established by the bankruptcy court, any signatory to the support agreement nor any of their respective officers, directors, members or employees (acting in such capacity), nor any professional persons employed by any of them shall have or incur any liability to any entity or person for any action taken or omitted to be taken in connection with or related to our reorganization case, the formulation, preparation, dissemination, solicitation, confirmation or consummation of the prepackaged plan, the support agreement, or any other action taken or omitted to be taken in connection with the plan or the prepetition restructuring efforts; provided that the foregoing will have no effect on the liability of any entity that would otherwise result from any such act or omission to the extent that such act or omission is determined in a final order to have constituted gross negligence or willful misconduct.

As of the effective date of the prepackaged plan, each holder of a claim or interest that expressly indicates its agreement, in any ballot demonstrating its acceptance of the prepackaged plan, shall have agreed to forever release, waive, and discharge all right, claim, cause of action, defense, or counterclaim (other than to enforce the prepackaged plan and related instruments), regardless of whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity or otherwise, based in whole or in part on any act or omission, transaction, event, or other occurrence taking place on or prior to the effective date in any way relating to us, the reorganization case, the prepackaged plan or the disclosure statement, against any of our current and former directors, officers, members, employees, agents, and professionals (other than claims unrelated to us), our lenders (acting in such capacity), the holders of old notes (acting in such capacity) who voted in favor of the prepackaged plan, committees, and the respective affiliates, and the current and former directors, officers, members, employees, agents, and professionals, of the foregoing (acting in such capacity), as of the petition date or thereafter.

***Retention of Jurisdiction***

The prepackaged plan provides that the bankruptcy court will retain and have jurisdiction of all matters arising in, arising under, and related to our reorganization case and the prepackaged plan pursuant to, and for the purposes of, Sections 105(a) and 1142 of the Bankruptcy Code.

***Executory Contracts and Unexpired Leases***

On the effective date of the prepackaged plan, and to the extent permitted by applicable law, all of our executory contracts and unexpired leases will be assumed in accordance with the provisions of Section 365 and Section 1123 of the Bankruptcy Code, excluding:

- any and all executory contracts or unexpired leases which are the subject of separate motions filed pursuant to Section 365 of the Bankruptcy Code by us prior to the commencement of the hearing on confirmation of the prepackaged plan; and

- all executory contracts or unexpired leases rejected prior to the entry of the confirmation order of the bankruptcy court.

Contracts or leases entered into after the date of commencement of our reorganization case will be performed by us in the ordinary course of business. In order to assume an executory contract or unexpired lease, we must, if there has been a default in such executory contract or unexpired lease, other than a default caused solely by the filing of our reorganization case, at the time of assumption:

- cure, or provide adequate assurance that we will cure such default;

- compensate or provide adequate assurance that we will promptly compensate, a party to such contract or lease, for any actual pecuniary loss to such party resulting from such default; and

- provide adequate assurance of future performance under such contract or lease.

Any claims arising out of the rejection of contracts or leases must be filed with the bankruptcy court within 30 days after the later of:

- the entry of a final order authorizing such rejection; and

- the confirmation date of the prepackaged plan, or be forever barred.

Each such claim will constitute a Class 6 claim, to the extent such claim is allowed by the bankruptcy court.

The prepackaged plan provides that we will assume, on the date the prepackaged plan becomes effective, our agreement with Broadview concerning the engagement of Broadview by us to render financial advisory services to us in connection with the recapitalization plan and our agreement with [ ] concerning the engagement of [ ] to act as dealer manager in connection with the exchange offer. We believe that we will be able to satisfy the requirements for assumption of these agreements on the date the prepackaged plan becomes effective.

If the prepackaged plan is confirmed, we will remain responsible to pay Broadview and [ ], subject to the approval of the bankruptcy court in accordance with the applicable provisions of the Bankruptcy Code, the transaction fee provided for under these agreements. We are also obligated to pay them reasonable out-of-pocket expenses (including counsel fees) and will retain certain indemnity obligations pursuant to these agreements. We have already paid certain fees owing under our agreement with Broadview.

We currently intend to assume substantially all other executory contracts and unexpired leases in accordance with their terms. We have not yet made a decision, however, to assume the Sprint executory contracts. In order to assume the Sprint agreements, we would be required to cure any defaults under any of those agreements that the bankruptcy court requires. While we do not believe that we are in default of any obligation under any agreement with Sprint, Sprint may take a different position.

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**Miscellaneous Prepackaged Plan Provisions**

***Unclaimed Distributions***

If any person entitled to receive common stock and new notes directly from the disbursing agent cannot be located on the date the prepackaged plan becomes effective, such common stock and new notes will be set aside and held by us. If such person is located within two years after the date the prepackaged plan becomes effective, such common stock and new notes will be paid or distributed to such person. If such person is not located within two years after the date the prepackaged plan becomes effective all unclaimed property held by the disbursing agent for holders of allowed old note claims will be returned to us, and we will retain such property representing securities allocable to such holders of old note claims (excluding such property as may be reserved by the indenture trustee pursuant to an indenture trustee charging lien). All such property which is so returned to us will be cancelled, and all other unclaimed property will be returned to us, and the claim of any holder with respect to such property will be discharged and forever barred.

**Sources and Uses of Funds**

We estimate that approximately $ million will be required to make the cash payments that are to be made pursuant to the provisions of the prepackaged plan, i.e., the cash required to pay administrative claims, trade claims and employee expenses during our reorganization case. We estimate that our existing cash will be sufficient to cover our cash obligations under the prepackaged plan, as well as provide us with sufficient working capital to meet our ongoing obligations and any additional cash needs.

**Treatment of Trade Creditors and Employees During our Reorganization Case**

**WE INTEND PROMPTLY FOLLOWING THE COMMENCEMENT OF ANY REORGANIZATION CASE TO SEEK BANKRUPTCY COURT APPROVAL OF VARIOUS MEASURES DESIGNED TO ENSURE THAT OUR TRADE CREDITORS AND EMPLOYEES ARE UNAFFECTED BY THE FILING.**

We intend to seek the approval of the bankruptcy court, promptly following the commencement of our reorganization case, to make payments in the ordinary course of business in respect of claims of trade creditors. However, the bankruptcy court may not permit an early payment of the claims of trade creditors. **IN ANY EVENT, THE PREPACKAGED PLAN PROVIDES THAT VALID CLAIMS OF TRADE CREDITORS ARE TO BE PAID IN FULL.**

We intend that salaries, wages, expense reimbursements, accrued paid vacations, health-related benefits, severance benefits and similar benefits of our employees will be unaffected by the prepackaged plan. To ensure the continuity of our work force and to further accommodate the unimpaired treatment of employee benefits, we intend to seek the approval of the bankruptcy court, promptly following the commencement of our reorganization case, to pay all accrued prepetition salaries or wages, expense reimbursements and severance benefits, to permit employees to utilize their paid vacation time which accrued prior to the commencement of our reorganization case (so long as they remain our employees) and to continue paying medical benefits under our health plans. However, the bankruptcy court may not permit early payment of employee claims and health benefits.

**IN ANY EVENT, THE PREPACKAGED PLAN PROVIDES FOR ALL VALID EMPLOYEE CLAIMS AND BENEFITS TO BE PAID OR HONORED NO LATER THAN THE DATE THE PREPACKAGED PLAN BECOMES EFFECTIVE OR THE DATE WHEN SUCH PAYMENT OR OTHER OBLIGATION BECOMES DUE AND PERFORMABLE.**

We estimate that payments to trade creditors and employees will total approximately $ million over 45 days.

In addition to any orders relating to the payment of prepetition claims of trade creditors, customers and employees, before the date the bankruptcy petition is filed, we intend to seek certain orders very shortly after commencement of our reorganization case, including the following (if necessary):

- an order authorizing the retention of professionals (including accountants, attorneys and financial advisors) in connection with our reorganization case;
- an order authorizing the retention of ordinary course professionals without the filing of individual retention applications and affidavits;
- an order authorizing us (a) to continue our current cash management system, (b) to maintain prepetition bank accounts and (c) to continue use of existing business forms and existing books and records;
- an order to permit us to use our current internal financial records and to be relieved from the filing of certain forms and schedules otherwise required by the United States Trustee Operating Guidelines and Reporting Requirements (the Guidelines ) to the extent the Guidelines are inconsistent with such current internal financial records;
- an order authorizing us to continue our current investment guidelines and invest our available cash in the customary manner and consistent with past practices;
- an order fixing the dates for the hearings on approval of this proxy statement and the prepackaged plan solicitation and confirmation of the prepackaged plan;
- an order enjoining the continuation of collection or other enforcement actions against us pending confirmation of the prepackaged plan; and
- such other orders as are typical in reorganization cases or that may be necessary for the preservation of our assets or for confirmation of the prepackaged plan.

This list is subject to change depending upon our needs in connection with our operations during our reorganization case. Failure of the bankruptcy court to enter one or more of these orders, or a delay in doing so, could result in our reorganization case becoming protracted and could delay, perhaps materially, the hearing on, and the ultimate confirmation of, the prepackaged plan.

**Treatment of Holders of Certain Indemnity Claims**

We believe that our obligations to indemnify our present and former directors, controlling persons, officers, affiliates, employees, advisors or agents against any obligation pursuant to our certificate of incorporation, bylaws, applicable state law or any specific agreement, or any combination of the foregoing, would constitute general unsecured claims in Class 6 under the prepackaged plan, which are unimpaired and which survive the confirmation of the prepackaged plan. The prepackaged plan provides specifically with regard to such indemnity claims that they will survive confirmation of the prepackaged plan, remain unaffected thereby, and not be discharged, regardless of whether indemnification is owed in connection with an event occurring before or after the commencement of our reorganization case. We currently have obligations pursuant to our certificate of incorporation, bylaws and by specific agreement to indemnify such persons against any and all claims that may be made against them as a result of their services to us to the extent permitted by the laws of the State of Delaware. It is our intention that this obligation to indemnify extend to the fullest extent permitted by Sections 1123 and 1141 of the Bankruptcy Code. This indemnification is in addition to, and does not supersede, the safe harbor from liability provided by Section 1125(e) of the Bankruptcy Code for violation of applicable laws governing the solicitation of votes on a plan or the offer, issuance, sale or purchase of securities in connection with a plan.

Pursuant to Section 502(e) of the Bankruptcy Code, the bankruptcy court will disallow any claim for reimbursement or contribution of an entity that is liable with the debtor on or has secured the claim of a creditor, to the extent that such claim is contingent as of the time of allowance or disallowance. Although we are unaware of any indemnification claims discussed above which may be for reimbursement or

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contribution of an entity that is liable with us on or has secured the claim of a creditor and which are contingent, should any such claims arise before the commencement of our reorganization case, and should the holder of any such claim elect to file proof of their claim pursuant to the prepackaged plan, then such claim should be disallowed if contingent at the time of its consideration by the bankruptcy court. However, should the holder of any such claim elect not to file proof of their claim pursuant to the prepackaged plan, then the holder of such claim will be entitled to enforce their claim outside the bankruptcy court at such time as their claim becomes non-contingent, in which case the provisions of Section 502(e) of the Bankruptcy Code will have no application.

**The Prepackaged Plan Solicitation**

Upon the terms and subject to the conditions set forth herein, we are soliciting acceptances of the prepackaged plan from beneficial holders on the voting record date of Classes 3 and 7. Procedures for voting by beneficial owners of securities in these classes and, if a beneficial owner is not also the record holder, procedures for voting in conjunction with such record holder, are discussed below. The term beneficial owner includes any person who has or shares, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise, the power to vote or direct the voting of a security or other claim and/or dispose or direct the disposition of a security even though such person may not be the registered holder or holder of record on our books as of the close of business on the voting record date. For purposes hereof, record holder means a holder in whose name a security is registered or held of record on our books as of the close of business on the voting record date. The voting record date for purposes of voting on the prepackaged plan is the close of business on , 2003.

**Voting by Shareholders**

Record holders of the securities in Class 7 will receive with this disclosure statement a form of ballot to be used for voting to accept or reject the prepackaged plan. In addition, record holders who are likely to be brokerage firms, commercial banks, trust companies or other nominees (collectively, nominees ) will receive a form of master ballot which is to be used by nominees to record the votes of the beneficial owners for whom they hold the common stock. Beneficial owners who are not the record holders of our common stock on the voting record date will vote on the prepackaged plan through their respective record holders by returning to the nominee a completed ballot for inclusion by such nominee in the total shares of common stock voted by such nominee on the corresponding master ballot.

Record holders of the securities who are also beneficial owners should complete the ballot they receive and return it to the voting agent in the envelope provided so that it is received by the voting agent no later than the solicitation expiration date.

Nominees will receive, in addition to this proxy statement, a form of ballot which beneficial owners will use to instruct their nominees to cast their votes for or against the prepackaged plan. Nominees should:

- promptly provide copies of this proxy statement and the ballot to their beneficial owners who are their customers or who are the beneficial owners for whose account they hold; and

- request such beneficial owners to vote on the prepackaged plan and to forward a properly completed ballot, as instructed by such nominee, to the nominee.

A nominee collecting the ballots of its customers should instruct its customers to return their ballots to the nominee and should compile the votes of the beneficial owners who return executed ballots. Any such nominee should complete a master ballot indicating the total amount of securities and number of beneficial owners of such securities for which it received ballots, and the total amount of securities and the number of beneficial owners of such securities voted to accept or to reject the prepackaged plan, and return such master ballot to the voting agent, prior to the solicitation expiration date. The nominee should also retain all ballots it receives from its beneficial owners for disclosure to the bankruptcy court if necessary. A nominee who is also the beneficial owner of securities, registered in its own name on the voting record date, should execute a ballot to cast its own vote and then record that vote on the master ballot to be returned.

**THE DECISION TO VOTE ON THE PREPACKAGED PLAN IS COMPLETELY INDEPENDENT FROM THE DECISION TO VOTE IN FAVOR OF OR AGAINST PROPOSALS 1, 2 AND 3 DESCRIBED IN THIS PROXY STATEMENT. VOTES FOR OR AGAINST SUCH PROPOSALS WILL NOT CONSTITUTE ACCEPTANCE OR REJECTION OF THE PREPACKAGED PLAN. THEREFORE, ALL HOLDERS OF OUTSTANDING COMMON STOCK ARE ENCOURAGED TO VOTE TO ACCEPT OR REJECT THE PREPACKAGED PLAN REGARDLESS OF WHETHER THEY CHOOSE TO VOTE ON THE PROPOSALS.**

**PLEASE NOTE THAT A VOTE BY A HOLDER OF OUTSTANDING SECURITIES TO ACCEPT THE PREPACKAGED PLAN OR A FAILURE TO OBJECT TO CONFIRMATION OF THE PREPACKAGED PLAN DOES NOT CONSTITUTE THE ACCEPTANCE OR ACKNOWLEDGEMENT BY THE HOLDER OF THE ACCURACY OF ANY OF THE STATEMENTS, REPRESENTATIONS, VALUATIONS, FORECASTS OR OTHER INFORMATION CONTAINED IN THIS PROXY STATEMENT AND MAY NOT BE USED BY US OR ANY OTHER PERSON AS AN ADMISSION OF ANY KIND ON THE PART OF THE HOLDER. A VOTE BY ANY SUCH HOLDER TO ACCEPT THE PREPACKAGED PLAN MAY BE USED BY US SOLELY FOR PURPOSES OF DETERMINING AND REPRESENTING TO THE BANKRUPTCY COURT THE ACCEPTANCE OR REJECTION OF THE PREPACKAGED PLAN BY THE CLASS INTO WHICH SUCH HOLDER S CLAIM HAS BEEN PLACED.**

Any beneficial owner of a security who acquired such security after the voting record date and who wishes to vote on the prepackaged plan must arrange to vote with its transferor by delivery to it of the ballot duly executed in blank by (or a duly executed proxy from) the beneficial owner of such security on the voting record date.

Please see the ballots, master ballots and accompanying instructions for more detailed instructions for completing and executing the ballots and master ballots.

**Solicitation Expiration Date; Extensions; Amendments**

The solicitation of votes on the prepackaged plan pursuant to this proxy statement will expire on the solicitation expiration date, which is 5:00 p.m., New York City time, on , unless such date is extended as set forth below, in which case the date to which it is extended will be the solicitation expiration date. Except to the extent we so determine and as permitted by the bankruptcy court, ballots that are received after 5:00 p.m., New York City time, on the solicitation expiration date will not be accepted or used by us in connection with our request for confirmation of the prepackaged plan.

We expressly reserve the right, at any time or from time to time, to extend the period of time for which the solicitation of acceptances of the prepackaged plan is to remain open by giving oral or written notice to the voting agent of such extension. Any extension of the expiration of the solicitation period will be followed by a public announcement thereof prior to 9:00 a.m., New York City time, on the next business day after the previously scheduled solicitation expiration date. Without limiting the manner in which we may choose to make the public announcement, we will not have any obligation, unless otherwise required by law, to publish, advertise or otherwise communicate any such public announcement other than by making a timely release to the Business Wire. During any extension of the prepackaged plan solicitation, all ballots previously given will remain subject to all the terms and conditions of the prepackaged plan solicitation, including the withdrawal and revocation rights specified herein.

We expressly reserve the right to amend, at any time and from time to time, the terms of the prepackaged plan solicitation or to terminate the prepackaged plan solicitation and not accept any ballots or master ballots. If we make a material change in the terms of the prepackaged plan solicitation, we will

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disseminate additional solicitation materials and will extend the solicitation period, in each case to the extent required by law.

**Termination**

Notwithstanding any provisions of the prepackaged plan solicitation, we will not be required to accept any ballot or master ballot and we may terminate this prepackaged plan solicitation at our option at any time on or after the date of the commencement of the prepackaged plan solicitation. Any termination of the prepackaged plan solicitation prior to the solicitation expiration date will be followed by a public announcement thereof not later than 9:00 a.m., New York City time, on the next business day after such termination.

**Agreements upon Furnishing Ballots**

The delivery of a ballot by a beneficial owner or record holder in accordance with the procedures set forth herein will constitute an agreement between such person or entity and us to accept all the terms of, and conditions to, this prepackaged plan solicitation.

In addition, by executing and delivering a ballot to a brokerage firm, commercial bank, trust company or other nominee for the purpose of reflecting a vote in such nominee s master ballot, a beneficial owner will authorize and consent to the delivery of such beneficial owner s ballot to the voting agent by such brokerage firm, commercial bank, trust company, or other nominee upon the written request therefor by us or the voting agent.

**Miscellaneous**

**ANY BALLOT THAT IS EXECUTED AND RETURNED BUT DOES NOT INDICATE AN ACCEPTANCE OR REJECTION OF THE PREPACKAGED PLAN (OR THAT INDICATES BOTH AN ACCEPTANCE AND A REJECTION OF THE PREPACKAGED PLAN) WILL BE DEEMED TO CONSTITUTE AN ABSTENTION WITH RESPECT TO THE PREPACKAGED PLAN. FAILURE BY A BENEFICIAL OWNER OR RECORD HOLDER TO SEND A SIGNED BALLOT WILL ALSO BE DEEMED TO CONSTITUTE AN ABSTENTION WITH RESPECT TO THE PREPACKAGED PLAN.**

**ANY BALLOT OR MASTER BALLOT THAT IS EXECUTED, RETURNED AND INDICATES EITHER AN ACCEPTANCE OR REJECTION OF THE PREPACKAGED PLAN BUT IN WHICH THE INFORMATION PERTAINING TO THE SECURITIES BEING VOTED HAS BEEN MISSTATED OR IS NOT STATED BY THE OWNER WILL BE DEEMED TO CONSTITUTE A VOTE OF THE TOTAL AMOUNT OF THE SECURITIES OF THAT TYPE HELD OF RECORD OR HELD THROUGH A NOMINEE BY THE OWNER AND WHICH COULD VALIDLY HAVE BEEN VOTED BY SAID BALLOT OR MASTER BALLOT, AS INDICATED.**

Unless a ballot or master ballot is completed acceptably and timely submitted to the voting agent on or prior to the solicitation expiration date, together with any other documents required by such ballot, we may, unless the bankruptcy court determines otherwise, in our sole discretion, reject such ballot or master ballot as invalid and, therefore, decline to utilize it in connection with seeking confirmation of the prepackaged plan by the bankruptcy court. For more specific information regarding the address to which the ballot(s) should be returned, refer to the instructions accompanying the ballot(s) or master ballot(s) or contact the voting agent at any of its addresses or phone numbers set forth on the back cover of this proxy statement.

**IN NO CASE SHOULD A BALLOT BE DELIVERED TO US OR THE TRANSFER AGENT.**

**IF YOU HAVE ANY QUESTIONS AS TO VOTING ON THE PREPACKAGED PLAN, CONTACT THE INFORMATION AGENT AT ITS ADDRESS OR PHONE NUMBER SET FORTH ON THE BACK COVER OF THIS PROXY STATEMENT.**

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**Certifications**

By executing and returning a ballot, a person or entity:

will certify that such person or entity is the beneficial owner on the voting record date (or has a duly executed proxy from such beneficial owner) of the claims or interests being voted and that such person or entity has full power and authority to vote to accept or to reject the prepackaged plan;

will certify that such person or entity has received and/or has had an opportunity to review a copy of this proxy statement and the other applicable solicitation materials and will acknowledge that the prepackaged plan solicitation is being made pursuant to the terms and conditions set forth therein;

in the case of a ballot for a class of equity interests, will certify that such person or entity either (a) is not submitting any other ballots with respect to securities of the same class, held in other accounts or other record names, or (b) is providing the names of, aggregate number of accounts with, and number of shares of common stock held by each record holder on its behalf on the voting record date and the number of ballots submitted on its behalf, and, in each case, that such person or entity has cast the same vote on all ballots to be submitted on its behalf with respect to the securities that it owns within a given class, and acknowledges that its vote with respect to such securities within a given class will be counted once in determining whether the requisite number of beneficial owners of such class voted to accept the prepackaged plan; and

will acknowledge that the submission of a ballot will constitute a request of the beneficial owner to be treated as the holder of record of the securities to which such ballot related within the meaning of Bankruptcy Rule 3018(b).

A broker, dealer, commercial bank, trust company or other nominee which is a record holder of common stock will prepare, execute and deliver master ballot(s) to the voting agent to reflect the votes of the beneficial owners for whom it holds securities. By executing and returning a master ballot(s) such nominee:

will certify that each such master ballot is an accurate compilation of the information included in the completed and executed ballots received from its beneficial owners;

will certify that such nominee will retain in its files for disclosure to the bankruptcy court, if ordered, all ballots submitted to it, or copies thereof, until the earlier to occur of the entry of a final order confirming the prepackaged plan or the entry of a final decree closing our reorganization case;

will certify that such nominee has provided a copy of the proxy statement and other applicable solicitation materials to each beneficial owner included in such master ballot and will acknowledge that the solicitation is subject to all the terms and conditions set forth in the proxy statement;

will certify that such nominee has received a duly completed and executed ballot, including all certifications required therein, from each beneficial owner included in such master ballot;

will certify that such nominee is the record holder (or holds a written proxy to vote on behalf of such record holder) of the securities included in each such master ballot and/or has full power and authority to vote to accept or to reject the prepackaged plan and will acknowledge that the submission of such master ballot will constitute a request of such nominee to be treated as the holder of record of the securities to which such master ballot relates within the meaning of Bankruptcy Rule 3018(b); and

will provide the total number of shares of common stock in each respective master ballot voted to accept and voted to reject the prepackaged plan.

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**Waiver of Irregularities**

Unless otherwise directed by the bankruptcy court, all questions as to the validity, form, eligibility (including time of receipt), acceptance and revocation or withdrawal of master ballots or ballots will be determined in our sole discretion, which determination will be final and binding. We also expressly reserve the right to reject any and all master ballots or ballots not in proper form the acceptance of which would, in our opinion or in the opinion of our counsel, be unlawful. We further expressly reserve the right to waive any defects or irregularities or conditions of delivery as to any particular master ballot or ballot. Our interpretation (including of the master ballot or ballot and the respective instructions thereto), unless otherwise directed by the bankruptcy court, will be final and binding on all parties. Unless waived, any defects or irregularities in connection with deliveries of master ballots or ballots must be cured within such time as we (or the bankruptcy court) determine. Neither we nor any other person will be under any duty to provide notification of defects or irregularities with respect to deliveries of, nor notices of revocation or withdrawal of master ballots or ballots, nor will any of them incur any liabilities for failure to provide such notifications. Unless otherwise directed by the bankruptcy court, delivery of such master ballots or ballots will not be deemed to have been made until such irregularities have been cured or waived. Master ballots or ballots previously furnished (and as to which any irregularities have not been cured or waived) will be invalidated.

**Withdrawal; Revocation Rights**

Acceptances or rejections may be withdrawn or revoked at any time prior to the solicitation expiration date by the beneficial owner on the voting record date who completed the original master ballot or ballot, or by the nominee who completed the master ballot in such beneficial owner s name, as the case may be. We do not intend to commence a reorganization case prior to the solicitation expiration date, although we reserve the right to do so in our sole discretion. After commencement of our reorganization case, withdrawal or revocation of votes accepting or rejecting the prepackaged plan may be effected only with the approval of the bankruptcy court.

Acceptances or rejections in regard to the prepackaged plan may be withdrawn or revoked prior to commencement of our reorganization case by complying with the following procedures: (1) a beneficial owner of common stock should deliver a written notice of withdrawal or revocation to such record holder for endorsement and delivery to the voting agent and (2) a record holder of common stock who voted securities held for their own account should deliver a written notice of withdrawal or revocation to the voting agent. To be effective, a notice of revocation and withdrawal must:

- be timely received by the voting agent at its address specified on the back cover of this proxy statement;
- specify the name and/or customer account number of the beneficial owner whose vote on the prepackaged plan is being withdrawn or revoked;
- contain the description of the interest as to which a vote on the prepackaged plan is withdrawn or revoked; and
- be signed by the beneficial owner of the interest who executed the ballot reflecting the vote being withdrawn or revoked, or by the nominee who executed the master ballot reflecting the vote being withdrawn or revoked, as applicable, in each case in the same manner as the original signature on the ballot or master ballot, as the case may be.

After the commencement of our reorganization case, a notice of withdrawal of a previously furnished ballot or master ballot will not be effective without the approval of the bankruptcy court.

**Fees and Expenses**

Arrangements may be made with brokerage firms and other custodians, nominees and fiduciaries to forward the material regarding the prepackaged plan solicitation to beneficial owners.

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We will reimburse such agents for reasonable out-of-pocket expenses incurred by them, but no compensation will be paid for their services.

The voting agent will act as ballot agent with respect to votes by all classes that are voting. The voting agent will receive reasonable and customary compensation for its services, will be reimbursed for reasonable out-of-pocket expenses and will be indemnified against certain expenses in connection therewith. All questions regarding the prepackaged plan solicitation should be directed to the information agent. All deliveries to the voting agent relating to the prepackaged plan solicitation should be directed to the address set forth on the back cover of this proxy statement and included in the solicitation materials.

**REQUESTS FOR INFORMATION OR ADDITIONAL COPIES OF THIS PROXY STATEMENT, VOTING INSTRUCTIONS, MASTER BALLOTS OR BALLOTS SHOULD BE DIRECTED TO THE INFORMATION AGENT AT ITS ADDRESS OR PHONE NUMBER SET FORTH ON THE BACK COVER OF THIS PROXY STATEMENT.**

**Restriction on Transfer of Securities**

The securities to be issued pursuant to the prepackaged plan may be freely transferred by most recipients thereof, and all resales and subsequent transactions in the new securities will be exempt from registration under federal and state securities laws, unless the holder is an underwriter with respect to such securities. Section 1145(b) of the Bankruptcy Code defines four types of underwriters :

(1) persons who purchase a claim against, an interest in, or a claim for administrative expense against the debtor with a view to distributing any security received in exchange for such a claim or interest;

(2) persons who offer to sell securities offered under a plan for the holders of such securities;

(3) persons who offer to buy such securities for the holders of such securities, if the offer to buy is (a) with a view to distributing such securities or (b) made under a distribution agreement; and

(4) a person who is an issuer with respect to the securities, as the term issuer is defined in Section 2(11) of the Securities Act.

Under Section 2(11) of the Securities Act, an issuer includes any person directly or indirectly controlling or controlled by the issuer, or any person under direct or indirect common control with the issuer.

To the extent that persons deemed to be underwriters receive securities pursuant to the prepackaged plan, resales by such persons would not be exempted by Section 1145 of the Bankruptcy Code from registration under the Securities Act or other applicable law. Persons deemed to be underwriters, however, may be able to sell such securities without registration, subject to the provisions of Rule 144 under the Securities Act, which permits the public sale of securities received pursuant to the prepackaged plan by underwriters, subject to the availability to the public of current information regarding the issuer, volume limitations and certain other conditions.

Whether or not any particular person would be deemed to be an underwriter with respect to any security to be issued pursuant to the prepackaged plan would depend upon various facts and circumstances applicable to that person. Accordingly, we express no view as to whether any person would be an underwriter with respect to any security to be issued pursuant to the prepackaged plan.

**Securities Law Matters**

To the extent that the issuance, transfer or exchange of the securities to be issued under the prepackaged plan are not exempt under Section 1145 of the Bankruptcy Code, the issuance, transfer and exchange of the securities to be issued under the prepackaged plan will be made by us in reliance upon other exemptions from the registration requirements of the Securities Act.

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**Certain Transactions by Stockbrokers**

Under Section 1145(a)(4) of the Bankruptcy Code, stockbrokers are required to deliver a copy of the prospectus (and supplements hereto, if any, if ordered by the bankruptcy court) pursuant to which the new notes and common stock are being offered at or before the time of delivery of securities issued under the prepackaged plan to their customers for the first 40 days after the date the prepackaged plan becomes effective. This requirement specifically applies to trading and other aftermarket transactions in such securities.

**Unaudited Projected Consolidated Financial Information**

Set forth below are financial projections with respect to the estimated effect of the transactions contemplated by the restructuring on our results of operations and cash flows for the years ending September 30, 2003, 2004, 2005 and 2006. We do not, as a matter of course, publicly disclose projections as to our future revenues, earnings or cash flow. In connection with our consideration of the restructuring, certain projections of our future financial performance of our operating businesses were prepared. Accordingly, we do not intend to review, update or otherwise revise the projections. Significant assumptions underlying the financial projections are set forth below and should be read in conjunction with Unaudited Pro Forma Consolidated Financial Data.

**THE PROJECTIONS ARE BASED UPON A NUMBER OF SIGNIFICANT ASSUMPTIONS. ACTUAL OPERATING RESULTS WILL VARY.**

We prepared these projections to analyze our ability to meet our obligations under the restructuring and to assist each holder of a claim in determining whether to vote to accept or reject the prepackaged plan. These projections are contained in this proxy statement as required in connection with the filing of the prepackaged plan. The projections were not prepared to conform to the guidelines established by the American Institute of Certified Public Accountants regarding financial forecasts and were neither audited, compiled nor reviewed by our independent public auditors. While presented with numerical specificity, these projections are based upon a variety of assumptions (which we believe are reasonable), and are subject to significant business, economic, and competitive uncertainties and contingencies, many of which are beyond our control. Consequently, the inclusion of the projections should not be regarded as a representation by us (or any other person) that the projections will be realized, and actual results will vary materially from those presented below. See Risk Factors beginning on page **[ ]**. The financial projections are based on assumptions which we believe are reasonable but inherently contain significant uncertainties. Furthermore, such projections do not give effect to any savings or costs that may be associated with a settlement or resolution of our disputes with Sprint. Shareowners are cautioned not to place undue reliance on these financial projections.

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**FIVE YEAR PROJECTIONS**

**AIRGATE PCS, INC.**

**CONSOLIDATED BALANCE SHEETS**

| | As of September 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| | (Dollars in thousands) | | | | | |
| **ASSETS** | | | | | | |
| Current assets: | | | | | | |
| Cash and cash equivalents | $ 50,255 | $ 35,519 | $ 34,261 | $ 31,211 | $ 23,201 | $ 15,016 |
| Accounts receivable, net | 37,907 | 40,445 | 42,187 | 43,455 | 45,499 | 47,134 |
| Inventories | 2,844 | 2,585 | 2,585 | 2,585 | 2,585 | 2,585 |
| Other current assets | 4,373 | 4,373 | 4,373 | 4,373 | 4,373 | 4,373 |
| Total current assets | 95,379 | 82,922 | 83,406 | 81,624 | 75,658 | 69,108 |
| Property and equipment, net | 177,595 | 144,130 | 109,514 | 74,169 | 53,793 | 51,792 |
| Financing costs | 6,682 | 2,562 | 1,911 | 1,261 | 611 | |
| Other non-current assets | 5,475 | 4,992 | 4,564 | 4,184 | 3,848 | 3,549 |
| Total assets | $ 285,131 | $ 234,606 | $ 199,395 | $ 161,238 | $ 133,910 | $ 124,449 |
| **LIABILITIES & STOCKHOLDERS EQUITY** | | | | | | |
| Current liabilities | $ 84,518 | $ 88,918 | $ 96,621 | $ 107,804 | $ 111,004 | $ 73,703 |
| Long-term debt, net | 386,509 | 269,310 | 239,319 | 199,553 | 159,693 | 159,847 |
| Other long-term liabilities | 9,209 | 8,670 | 8,086 | 7,510 | 6,970 | 6,474 |
| Investment in iPCS | 184,115 | 184,115 | 184,115 | 184,115 | 184,115 | 184,115 |
| Total liabilities | 664,351 | 551,014 | 528,141 | 498,982 | 461,782 | 424,139 |
| Stockholders equity | (379,220) | (316,408) | (328,746) | (337,744) | (327,872) | (299,690) |
| Total liabilities & stockholders equity | $ 285,131 | $ 234,606 | $ 199,395 | $ 161,238 | $ 133,910 | $ 124,449 |

See Accompanying Summary of Significant Projection Assumptions.

As the projections are subject to significant estimates, actual results will differ from the projections.

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**AIRGATE PCS, INC.**

**CONSOLIDATED STATEMENT OF OPERATIONS**

| | For the Years Ended September 30, | | | | | |
|---|---|---|---|---|---|---|
| | **2003*** | **2004** | **2005** | **2006** | **2007** | **2008** |
| | (Dollars in thousands, except per share amounts) | | | | | |
| Revenue | | | | | | |
| Service revenue | $306,682 | $259,277 | $267,411 | $276,875 | $283,070 | $285,952 |
| Roaming revenue | 86,255 | 72,589 | 77,191 | 80,207 | 86,437 | 93,188 |
| Equipment revenue | 13,737 | 10,250 | 10,073 | 10,073 | 10,073 | 10,072 |
| Total revenue | 406,674 | 342,116 | 354,675 | 367,155 | 379,580 | 389,212 |
| Operating Expense | | | | | | |
| Cost of service and roaming | 243,068 | 200,347 | 208,196 | 217,068 | 226,483 | 234,726 |
| Cost of equipment | 28,198 | 20,500 | 20,145 | 20,145 | 20,145 | 20,145 |
| Sales and marketing | 68,471 | 46,258 | 47,541 | 48,168 | 48,505 | 48,850 |
| General and administrative expense | 29,195 | 28,379 | 19,329 | 19,659 | 20,068 | 20,480 |
| Non cash stock compensation expense | 707 | 346 | | | | |
| Depreciation and amortization | 67,686 | 48,965 | 49,616 | 50,345 | 35,376 | 19,501 |
| Total operating expense | 437,325 | 344,795 | 344,827 | 355,385 | 350,577 | 343,702 |
| Operating income (loss) | (30,651) | (2,679) | 9,848 | 11,770 | 29,003 | 45,510 |
| Other Income (Expense): | | | | | | |
| Interest income | 229 | 393 | 337 | 336 | 292 | 203 |
| Interest expense | (56,615) | (29,391) | (22,522) | (21,105) | (19,220) | (16,956) |
| Income (loss) before taxes | (87,037) | (31,677) | (12,337) | (8,999) | 10,075 | 28,757 |
| Income tax | | (1,700) | | | (202) | (575) |
| Net income (loss) | $ (87,037) | $ (33,377) | $ (12,337) | $ (8,999) | $ 9,873 | $ 28,182 |
| Earnings (loss) per share: | | | | | | |
| Basic | $ (3.36) | $ (0.54) | $ (0.21) | $ (0.15) | $ 0.17 | $ 0.48 |
| Diluted | (3.36) | (0.54) | (0.21) | (0.15) | 0.17 | 0.48 |

* Includes results of iPCS from October 1, 2002 through February 23, 2003, the date that iPCS filed for bankruptcy. Results of iPCS subsequent to February 23, 2003 are no longer consolidated.

See Accompanying Summary of Significant Projection Assumptions.

As the projections are subject to significant estimates, actual results will differ from the projections.

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**AIRGATE PCS, INC.**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

| | For the Years Ended September 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2003* | 2004 | 2005 | 2006 | 2007 | 2008 |
| | (Dollars in thousands) | | | | | |
| Cash Flow from Operations: | | | | | | |
| Net income (loss) | $ (87,037) | $ (33,377) | $ (12,337) | $ (8,999) | $ 9,873 | $ 28,182 |
| Adjustments to reconcile net income (loss): | | | | | | |
| Depreciation and amortization | 67,686 | 48,965 | 49,616 | 50,345 | 35,376 | 19,501 |
| Interest expense associated with accretion of discounts | 45,395 | 9,359 | 116 | 127 | 140 | 153 |
| Non cash stock compensation | 707 | 346 | | | | |
| Provision for bad debts | 5,503 | 9,166 | 9,549 | 9,838 | 9,984 | 10,036 |
| Net changes in assets and liabilities | 4,334 | (12,236) | (9,502) | (9,254) | (8,489) | (8,558) |
| Cash flow provided by operations | 36,588 | 22,223 | 37,442 | 42,057 | 46,884 | 49,314 |
| Cash Flow from Investing: | | | | | | |
| Capital expenditures, net | (23,808) | (15,500) | (15,000) | (15,000) | (15,000) | (17,500) |
| Deconsolidation of iPCS | (10,031) | | | | | |
| Cash flow used in investing | (33,839) | (15,500) | (15,000) | (15,000) | (15,000) | (17,500) |
| Cash Flow from Financing: | | | | | | |
| Borrowings on credit facility | 17,000 | | | | | |
| Repayments of credit facility | (2,024) | (17,775) | (23,700) | (30,107) | (39,894) | (39,999) |
| Equity issuance costs | | (3,157) | | | | |
| Other | 55 | | | | | |
| Deferred financing costs | | (527) | | | | |
| Cash flow provided by (used in) financing | 15,031 | (21,459) | (23,700) | (30,107) | (39,894) | (39,999) |
| Net increase (decrease) in cash and cash equivalents | 17,780 | (14,736) | (1,258) | (3,050) | (8,010) | (8,185) |
| Cash and cash equivalents at beginning of period | 32,475 | 50,255 | 35,519 | 34,261 | 31,211 | 23,201 |
| Cash and cash equivalents at end of period | $ 50,255 | $ 35,519 | $ 34,261 | $ 31,211 | $ 23,201 | $ 15,016 |
| Supplemental disclosure of noncash financing and investing activities: | | | | | | |
| Cancellation of Old Notes | $ | $ (262,088) | $ | $ | $ | $ |
| Unamortized financing costs of old notes | | 3,858 | | | | |
| Issuance of New Notes | | 160,000 | | | | |
| Carrying value difference on new notes | | (813) | | | | |

| | |
|---|---|
| Common stock issued in exchange for Old Notes | 99,043 |

* Includes results of iPCS from October 1, 2002 through February 23, 2003, the date that iPCS filed for bankruptcy. Results of iPCS subsequent to February 23, 2003 are no longer consolidated.

See Accompanying Summary of Significant Projection Assumptions.

As the projections are subject to significant estimates, actual results will differ from the projections.

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**AIRGATE PCS, INC.**

**SCHEDULE OF SIGNIFICANT ASSUMPTIONS**

| | For the Years Ended September 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| Subscriber Gross Activations | 176,437 | 164,012 | 164,012 | 165,280 | 165,280 | 165,280 |
| Subscriber Net Additions | 17,502 | 18,446 | 22,000 | 16,742 | 11,892 | 8,447 |
| Total Subscribers | 360,343 | 378,788 | 400,788 | 417,530 | 429,422 | 437,869 |
| ARPU | $ 58.97 | $ 58.46 | $ 57.17 | $ 56.39 | $ 55.70 | $ 54.95 |
| Churn | 3.56% | 3.10% | 2.86% | 2.86% | 2.86% | 2.86% |
| CCPU | $ 49 | $ 49 | $ 48 | $ 48 | $ 48 | $ 49 |
| CPGA | $ 358 | $ 354 | $ 360 | $ 361 | $ 363 | $ 366 |

See Accompanying Summary of Significant Projection Assumptions.

As the projections are subject to significant estimates, actual results will differ from the projections.

This financial projection presents, to the best of management s knowledge and belief, the Company s financial position, results of operations, and cash flows for the projection period, giving effect to the recapitalization plan and using assumptions described in Impact of Recapitalization Plan. The assumptions described herein are those that management believes are significant to the projections. It is highly likely that there will be differences between projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. Events that could cause actual results to differ materially from these projections are described herein under Risk Factors and Management s Discussion and Analysis Forward Looking Statements. These projections may also be significantly impacted if the recapitalization plan does not occur and AirGate seeks to forego the recapitalization plan and instead seeks to accomplish the restructuring by means of the prepackaged plan. Management expressly disclaims a duty to update any of the financial projections.

**Financial Measures and Key Operating Metrics**

The use of Financial Measures and Key Operating Metrics incorporated into these projections are consistent with the use of Financial Measures and Key Operating Metrics in the Company s historical consolidated financial statements for the fiscal year ended September 30, 2002 and the unaudited financial statements for the nine months ended June 30, 2003 as described herein under Management s Discussion and Analysis of Financial Condition and Results of Operations Financial Measures and Key Operating Metrics. Readers should refer to that detailed description of the Company s Financial Measures and Key Operating Metrics.

*Summary of Significant Accounting Policies*

The significant accounting policies incorporated into these financial projections are consistent with the significant accounting policies used in the Company s historical consolidated financial statements for the year ended September 30, 2002 and the unaudited financial statements for the nine months ended June 30, 2003 as described herein under Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies . Readers should refer to that detailed description of the Company s significant accounting policies.

*Impact of Recapitalization Plan*

The projected consolidated balance sheet, consolidated statement of operations and consolidated statement of cash flows for the fiscal year ended September 30, 2004 reflects the impact of the proposed recapitalization plan with an assumed effective transaction date of December 31, 2003. In connection with the recapitalization plan for purposes of these projections, the fair value included for the new notes is

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assumed to be equal to the stated value and the fair value of the common stock is assumed to be $3.00 per share.

The exchange of old notes for our common stock and new notes will be accounted for as a troubled debt restructuring pursuant to Statement of Financial Accounting Standards No. 15, Accounting by Debtors and Creditors for Troubled Debt Restructurings ( SFAS No. 15 ). Our outstanding old notes will be exchanged for 33,000,000 shares of our common stock and $160.0 million in aggregate principal amount of new notes. The carrying value of our old notes represents the face value of the debt adjusted for unamortized original issue discounts, unamortized debt issuance costs and the unamortized value of warrants issued in connection with the debt. In accordance with SFAS No. 15, a gain will not be recorded when the restructuring is complete, because the adjusted carrying amount of the old notes is less than the maximum future cash payments (including future interest payments) of the new notes. The effects of the restructuring will therefore be accounted for prospectively as an increase in the effective interest rate on the new notes.

In addition to the accounting treatment of the recapitalization plan, the projections assume that direct cash costs of the transaction are approximately $8.3 million. These estimated costs have been allocated to three components of the transaction as follows. Approximately $0.5 million is allocated to financing costs in the balance sheet because it relates to costs incurred in connection with amending the existing covenants for the credit facility. These costs are amortized to interest expense over the remaining life of our credit facility. Approximately $6.2 million is expensed as incurred. The remaining $1.5 million in costs have been allocated to the common stock issued in the transaction as a reduction to the carrying amount of the common stock.

*Income Taxes.*

The consummation of the recapitalization plan is expected to result in an ownership change under the provisions of Section 382 of the Internal Revenue Code. Accordingly, AirGate would be subject to an annual limitation on the use of net operating losses generated prior to the ownership change. Based on this limitation, and excluding potential built-in gains that may be realized after the consummation of the recapitalization plan, the projections for the year ended September 30, 2004 assumes that approximately $153.0 million in net operating losses would expire unused based on an assumed fair value of the Company s common stock at the transaction date of $3.00 per share. Additionally, as a result of the recapitalization plan, the Company may not receive a tax deduction for interest that had been accreted on the old notes that would be tendered as part of the recapitalization plan. The non-cash interest that accreted on these notes has been reflected as a deferred tax asset in the Company s historical financial statements, but has had a full valuation allowance against it.

*Statement of Operations*

The projected statements of operations have been prepared based on certain assumptions shown in the Schedule of Significant Assumptions prepared by management. These assumptions are based on and include stable gross subscriber additions and slightly lower average revenue per user. Our assumptions do not take into account declines or improvements of general economic conditions or their impact on our operations.

*Service Revenue* is derived from various types of typically recurring services associated with wireless communications services including monthly recurring access and feature charges and monthly non-recurring charges for local, wireless long distance and roaming airtime usage in excess of the subscribed usage plan. Service revenues are calculated based upon the projected number of subscribers in AirGate s territory and the projected ARPU in the Schedule of Significant Assumptions. Subscriber growth over the projected period is based on AirGate s current experience and business plans and current trends in the markets in which AirGate operates. Key drivers for this assumption are projected gross subscriber additions and churn. ARPU in the accompanying Schedule of Significant Assumptions represents the average revenue per subscriber generated by AirGate subscribers and excludes inbound travel and roaming

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revenue. The declining trend in projected ARPU is based on recent trends in the marketplace of increased competition, which has resulted in increasingly higher bundles of minutes being offered at lower prices.

*Roaming Revenue* is generated when subscribers from other wireless service providers travel or roam onto AirGate s PCS network. AirGate receives roaming revenue at a per-minute rate from Sprint and other Sprint PCS network partners when Sprint s or its network partner s PCS subscribers from outside of AirGate s territory use AirGate s network. AirGate pays the same reciprocal roaming rate when subscribers from our territory use the network of Sprint or its other PCS network partners. AirGate also receives non-Sprint roaming revenue when subscribers of other wireless service providers who have roaming agreements with Sprint roam on AirGate s network. The projected travel revenues are based on projected minutes of inbound travel or roaming traffic taking into account the number of expected sites on air, the growth in the number of subscribers for other carriers who would potentially roam onto AirGate s network and estimates of roaming rates per minute of use.

*Equipment Revenue* is generated when we sell wireless personal communications handsets and accessories that are used by our subscribers in connection with our wireless services. Equipment revenue is derived from the sale of handsets and accessories from AirGate owned stores, net of sales incentives, rebates and an allowance for returns. AirGate s handset return policy allows subscribers to return their handsets for a full refund within 14 days of purchase. When handsets are returned to AirGate, AirGate may be able to reissue the handsets to subscribers at little additional cost. When handsets are returned to Sprint for refurbishing, AirGate receives a credit from Sprint, which is approximately equal to the retail price of the refurbished handset. Equipment revenue is driven primarily by handset sales to new customers and our existing subscriber base.

*Cost of Service and Roaming* principally consists of costs to support AirGate s subscriber base including:

- roaming expense;
- network operating costs (including salaries, cell site lease payments, fees related to the connection of AirGate s switches to the cell sites that they support, inter-connect fees and other expenses related to network operations);
- back office services provided by Sprint such as customer care, billing and activation;
- the 8% of collected service revenue retained by Sprint as an affiliation fee;
- long distance expense relating to inbound roaming revenue and AirGate s subscriber s long distance usage and roaming expense when subscribers from our territory place calls on Sprint s or its network partners networks;
- bad debt related to estimated uncollectible accounts receivable; and
- wireless handset subsidies on existing subscriber upgrades through national third-party retailers.

These costs along with general and administrative expenses are used in determining CCPU. The projected CCPU amounts included in the Schedule of Significant Assumptions are based on historical experience as well as the AirGate s expectation of the increased travel usage for our subscriber base.

*Cost of Equipment* includes the costs of handsets and accessories we resell to our subscribers for use in connection with our services. To remain competitive in the marketplace, we subsidize handset sales and therefore the cost of handsets is higher than the resale price to the subscriber. Equipment costs are driven primarily by the number of handset sales to new customers and our existing customer base, as well as the subsidy required to be competitive in the marketplace.

*Sales and Marketing Expense* includes retail store costs such as salaries and rent in addition to promotion, advertising and commission costs, and handset subsidies on units sold by national third-party retailers for which AirGate does not record revenue. Under the management agreement with Sprint, when a national retailer sells a handset purchased from Sprint to a subscriber from AirGate s territory, AirGate is obligated to reimburse Sprint for the handset subsidy and commissions that Sprint originally incurred. Sales and Marketing expense is measured against gross subscriber additions in determining CPGA. The projected CPGA set forth in the Schedule of Significant Assumptions is based on AirGate s historical CPGA and assumes that there is no further consolidation within the wireless industry to mitigate the intense competition that has been experienced to date.

*General and Administrative Expense* includes corporate costs and expenses such as administration and finance. Various expenses related to the transaction are included in this expense category. Projected general and administrative expense in 2004, excluding expenses related to the transaction, are expected to decline slightly in 2004 and grow approximately 2% annually thereafter in the projection. Selling, general and administrative expense includes projected costs relating to restructuring the current capitalization of AirGate, estimated costs that may arise out of dispute resolution with Sprint and costs associated with outsourcing customer service functions. The aggregate amount of these costs are projected to be $1.3 million in 2003, $8.9 million in 2004, and $0.7 million in subsequent years.

*Non Cash Stock Compensation Expense* is calculated according to the provisions of APB Opinion No. 25 Accounting for Stock Issued to Employees in accounting for its stock option plans. Unearned stock compensation is recorded for the difference between the exercise price and the fair market value of AirGate s common stock and restricted stock at the date of grant and is recognized as non-cash stock compensation expense in the period for which the related services are rendered. We assume no additional non-cash stock compensation expense during the period.

*Depreciation and Amortization* includes the expensing of capitalized network development costs incurred to ready our network for use and costs to build out our retail stores and office space, as well as amortization of intangibles. Depreciation of these costs begins when the equipment is ready for its intended use and is amortized over the estimated useful life of the asset. Depreciation expense in these financial projections is based on projected capital expenditures as discussed below along with the historic depreciable lives of similar assets.

*Interest Income* represents amounts earned on the investment of excess cash balances. The trend in interest income over the projection period is consistent with the trend in available cash balances discussed in the assumptions for the Statement of Cash Flows.

*Interest Expense* includes interest on the new notes issued in the recapitalization plan as well as interest on our credit facility. Interest expense also reflects the increase related to the amortization of the difference on the transaction as discussed in Impact of Recapitalization Plan above.

*Earnings (Loss) Per Share* has been calculated based on the projected number of shares outstanding prior to the effects of a reverse stock split. Basic and diluted earnings per share calculations assume option and warrant exercise prices are at above market prices and outstanding common stock shares remain constant subsequent to the Recapitalization Plan. We have assumed an increase in our weighted average common shares outstanding as a result of the conversion of our old notes into common stock and new notes in the restructuring.

*Balance Sheet*

Accounts receivable balances are based on projected subscriber revenue and represent approximately 40 days of revenue, which is consistent with current and historical levels. Inventory balances are based on projected costs of equipment sold and represent less than 30 days of inventory on hand which is consistent with historic carrying levels. Other current and non-current assets are based on historic levels taking into account generally inflationary increases. Property and equipment balances in the projections have been impacted by the capital expenditure assumptions discussed below as well as the depreciation expense assumptions discussed previously. Financing costs in the fiscal year ended September 30, 2004 reflect the reclassification of approximately $3.9 million in unamortized deferred financing costs to the old notes to be tendered as part of the recapitalization plan. The remaining financing costs relate to our credit facility and

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$0.5 million being capitalized as part of the transaction are amortized over the remaining term of our credit facility.

Current liabilities in the projections primarily consist of trade accounts payable, payable to Sprint PCS, other accrued expenses, deferred revenue and the current maturities of long term debt. Accounts payable and accrued expenses in the projections are based on the historical relationship with operating expenses and represent slightly over one month of expenses throughout the projection period. In addition, the payable to Sprint is projected based upon historical trends. The projections assume AirGate does not pay disputed items payable to Sprint, which are described in greater detail in Note 3 to the financial statements for the nine months ended June 30, 2003.

Long-term liabilities in the projections include the investment in AirGate s wholly-owned subsidiary iPCS. On February 23, 2003, iPCS filed a Chapter 11 bankruptcy petition and AirGate no longer consolidates the accounts and results of operations of iPCS and the accounts are recorded as an investment using the cost method of accounting. Accordingly, the projected balance sheets do not include the consolidated accounts of iPCS; it does however include AirGate s investment in iPCS at cost. The accompanying projected consolidated statement of operations and projected statement of cash flows for the fiscal year ended September 30, 2003 includes the results and activity of iPCS through February 23, 2003. The periods subsequent to February 23, 2003 in the projections do not include the results nor the activity of iPCS. When AirGate no longer has an ownership interest in iPCS, the investment in iPCS will be reduced to zero. The projections assume there is no change in the status of iPCS bankruptcy proceedings.

*Statement of Cash Flows*

Capital expenditures in the projected statement of cash flows are based on assumptions for capital expenditures on a per-POP basis to effectively replenish assets as they depreciate, thereby maintaining current network service and capacity levels. Forecasted capital expenditures do not include funding for next-generation CDMA technology. The impact of the recapitalization plan is reflected in the projected statement of cash flow for the fiscal year ended 2004. The cancellation of the old notes and issuance of new notes as well as the issuance of common stock are reflected as non cash financing activities.

The repayment of the credit facility is based on the current amortization schedule for our credit facility, which provides that the credit facility will be repaid in full in 2008. The new notes to be issued in an aggregate principal amount of $160 million are due in 2009.

The prospective financial information included in this proxy statement has been prepared by, and is the responsibility of, AirGate s management. KPMG LLP has neither examined, reviewed, nor compiled the accompanying prospective financial information and, accordingly, does not express an opinion or any other form of assurance with respect thereto. The KPMG LLP report incorporated by reference in this proxy statement relates to the Company s historical financial information. It does not extend to the prospective financial information and should not be read to do so.

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## SHAREOWNER PROPOSALS FOR NEXT YEAR S ANNUAL MEETING

You may submit proposals for consideration at future shareowners meetings, including director nominations. For business to be considered at next year s annual meeting, a shareowner must submit timely notice in writing to Barbara L. Blackford, Corporate Secretary, 233 Peachtree St., N.E., Suite 1700, Harris Tower, Atlanta, GA 30303. For shareowner proposals, such written notice must be received by our Corporate Secretary by the close of business on December 5, 2003.

Our by-laws, which are publicly available through our reports filed with the SEC or may be obtained from our Corporate Secretary upon request, state the specific requirements that must be included in any notice of business to be brought before the next annual meeting.

## DELIVERY OF THIS PROXY STATEMENT

SEC rules permit companies and intermediaries (e.g., brokers) to satisfy the delivery requirements for proxy statements with respect to two or more security holders sharing the same address by delivering a single proxy statement addressed to those security holders. This process, which is commonly referred to as householding, potentially means extra convenience for securityholders and cost savings for companies.

This year, a number of brokers with accountholders who are AirGate PCS, Inc. shareowners will be householding our proxy materials. A single proxy statement will be delivered to multiple shareowners sharing an address unless contrary instructions have been received from the affected shareowner. Once you have received notice from your broker or us that they will be householding communications to your address, householding will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in householding and would prefer to receive a separate proxy statement, please notify your broker, direct your written request to AirGate PCS, Inc., Barbara L. Blackford, Corporate Secretary, 233 Peachtree Street, N.E., Suite 1700, Atlanta, Georgia 30303 or contact Ms. Blackford at (404) 525-7272.

Shareowners who currently receive multiple copies of the proxy statement at their address and would like to request householding of their communications should contact their broker or, if a shareowner is a *shareowner of record* of our shares, they should submit a written request to American Stock Transfer & Trust Company, our transfer agent, at 6201 15th Avenue, 3rd Floor, Brooklyn, New York, 11219, Attention: Donna Ansbro.

## WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and special reports, proxy statements and other information with the SEC. You may read and copy any document we file at the SEC s public reference room located at 450 5th Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Our SEC filings are also available to the public from commercial document retrieval services and at the web site maintained by the SEC at: http://www.sec.gov.

You should rely only on the information or representations provided in this proxy statement. We have note authorized anyone else to provide you with different information. The delivery of this proxy statement does not, under any circumstances, mean that there has not been a change in our affairs since the date of this proxy statement. It also does not mean that the information in this proxy statement is correct after this date.

Our address on the world wide web is http://www.airgatepcsa.com. The information on our web site is not a part of this document.

We have not authorized anyone to give any information or make any representation about the restructuring or us that is different from, or in addition to, that contained in this document. Therefore, if anyone does give you information of this sort, you should not rely on it. The information contained in this

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document speaks only as of the date of this document unless the information specifically indicates that another date applies.

## OTHER MATTERS

Our board of directors does not intend to present, or have any reason to believe others will present, any items of business other than those stated above. If other matters are properly brought before the special meeting, the person named in the accompanying proxy will vote the shares represented by it in accordance with the recommendation of our board of directors.

By Order of the Board of Directors,

Barbara L. Blackford
*Vice President, General Counsel, and*
*Corporate Secretary*

Atlanta, Georgia
, 2003

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## INDEX TO CONSOLIDATED FINANCIAL STATEMENTS OF AIRGATE PCS, INC. AND ITS SUBSIDIARIES

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**INDEPENDENT AUDITORS REPORT**

The Board of Directors

AirGate PCS, Inc.:

We have audited the accompanying consolidated balance sheets of AirGate PCS, Inc. and subsidiaries as of September 30, 2002 and 2001, and the related consolidated statements of operations, stockholders equity (deficit), and cash flows for each of the years in the three-year period ended September 30, 2002. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of AirGate PCS, Inc. and subsidiaries as of September 30, 2002 and 2001, and the results of their operations and their cash flows for each of the years in the three-year period ended September 30, 2002, in conformity with accounting principles generally accepted in the United States of America.

As discussed in notes 1 and 6 to the consolidated financial statements, the Company s wholly-owned, unrestricted subsidiary, iPCS, Inc., is in default under provisions of its credit agreements, and substantially all of its debt is classified as a current liability. iPCS, Inc. has been unable to restructure its debt and secure additional financing necessary to fund its operations and, accordingly, iPCS, Inc. intends to file for reorganization and protection from its creditors under Chapter 11 of the United States Bankruptcy Code in early 2003 either as a part of a consensual restructuring or in an effort to effect a court administered reorganization. iPCS, Inc. represents approximately 32% of total consolidated revenues for the year ended September 30, 2002 and 50% of the total consolidated assets at September 30, 2002. AirGate PCS, Inc. and its restricted subsidiaries are generally precluded by its credit agreements from providing financial support to iPCS, Inc. Although the ultimate impact of the planned iPCS, Inc. bankruptcy filing is not presently determinable, management believes that the bankruptcy proceedings will not have a significant adverse effect on the liquidity of AirGate PCS, Inc. and its restricted subsidiaries through fiscal 2003.

/s/ KPMG LLP

Atlanta, Georgia
January 10, 2003

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**AIRGATE PCS, INC. AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

| | September 30, 2002 | September 30, 2001 |
|---|---|---|
| | (Dollars in thousands, except share and per share amounts) | |
| **ASSETS:** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 32,475 | $ 14,290 |
| Accounts receivable, net of allowance for doubtful accounts of $11,256 and $2,759, respectively | 38,127 | 23,798 |
| Receivable from Sprint (note 4) | 44,953 | 10,200 |
| Inventories | 6,733 | 4,639 |
| Prepaid expenses | 7,159 | 3,428 |
| Other current assets | 326 | 91 |
| Total current assets | 129,773 | 56,446 |
| Property and equipment, net of accumulated depreciation and amortization of $112,913 and $43,621, respectively (note 5) | 399,155 | 209,326 |
| Financing costs | 8,118 | 9,088 |
| Direct subscriber activation costs | 8,409 | 3,693 |
| Intangible assets, net of accumulated amortization of $39,378 and $46, respectively (note 10) | 28,327 | 113 |
| Other assets | 512 | 2,344 |
| | $ 574,294 | $ 281,010 |
| **LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT):** | | |
| Current liabilities: | | |
| Accounts payable | $ 18,152 | $ 10,210 |
| Accrued expenses | 20,950 | 13,840 |
| Payable to Sprint (note 4) | 88,360 | 32,564 |
| Deferred revenue | 11,775 | 5,384 |
| Current maturities of long-term debt and capital lease obligations (note 6) | 354,936 | |
| Total current liabilities | 494,173 | 61,998 |
| Deferred subscriber activation fee revenue | 14,973 | 5,101 |
| Other long-term liabilities | 3,267 | 309 |
| Long-term debt and capital lease obligations, excluding current maturities (note 6) | 354,828 | 266,326 |
| Total liabilities | 867,241 | 333,734 |
| Commitments and contingencies (notes 1, 6, and 12) | | |
| Stockholders equity (deficit) (notes 6 and 8): | | |
| Preferred stock, par value, $.01 per share; 5,000,000 shares authorized; no shares issued and outstanding | | |
| Common stock, par value, $.01 per share; 150,000,000 shares authorized; 25,806,520 and 13,364,980 shares issued and outstanding at September 30, 2002 and 2001, respectively | 258 | 134 |
| Additional paid-in-capital | 924,008 | 168,255 |
| Accumulated deficit | (1,216,184) | (219,567) |

| | | |
|---|---|---|
| Unearned stock compensation | (1,029) | (1,546) |
| Total stockholders equity (deficit) | (292,947) | (52,724) |
| | $ 574,294 | $ 281,010 |

See accompanying notes to the consolidated financial statements.

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**AIRGATE PCS, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF OPERATIONS**

| | Years Ended September 30, | | |
|---|---|---|---|
| | **2002** | **2001** | **2000** |
| | (Dollars in thousands, except share and per share amounts) | | |
| Revenues (note 4): | | | |
| Service revenue | $ 327,365 | $ 105,976 | $ 9,746 |
| Roaming revenue | 111,162 | 55,329 | 12,338 |
| Equipment revenue | 18,030 | 10,782 | 2,981 |
| Total revenues | 456,557 | 172,087 | 25,065 |
| Operating expenses (note 4): | | | |
| Cost of service and roaming (exclusive of depreciation and amortization, as shown separately below) | (311,135) | (116,732) | (27,770) |
| Cost of equipment | (43,592) | (20,218) | (5,685) |
| Selling and marketing | (116,521) | (71,617) | (28,357) |
| General and administrative | (25,339) | (15,742) | (14,078) |
| Non-cash stock compensation (In 2002, $512 related to general and administrative, $168 related to cost of service and roaming, and $89 related to selling and marketing. In 2001, $1,399 related to general and administrative, $177 related to cost of service and roaming, and $89 related to selling and marketing. In 2000, $1,260 related to general and administrative, $223 related to cost of service and roaming, and $182 related to selling and marketing.) | (769) | (1,665) | (1,665) |
| Depreciation and amortization of property and equipment (note 5) | (70,197) | (30,621) | (12,034) |
| Amortization of intangible assets (note 10) | (39,332) | (46) | |
| Loss on disposal of property and equipment | (1,074) | | |
| Impairment of goodwill (note 2) | (460,920) | | |
| Impairment of property and equipment (note 2) | (44,450) | | |
| Impairment of intangible assets (note 2) | (312,043) | | |
| Total operating expenses | (1,425,372) | (256,641) | (89,589) |
| Operating loss | (968,815) | (84,554) | (64,524) |
| Interest income | 590 | 2,463 | 9,321 |
| Interest expense | (57,153) | (28,899) | (26,120) |
| Loss before income tax benefit | (1,025,378) | (110,990) | (81,323) |
| Income tax benefit | 28,761 | | |
| Net loss | $ (996,617) | $ (110,990) | $ (81,323) |
| Basic and diluted net loss per share of common stock | $ (41.96) | $ (8.48) | $ (6.60) |
| | 23,751,507 | 13,089,285 | 12,329,149 |

| | | | |
|---|---|---|---|
| Basic and diluted weighted-average outstanding common shares | | | |

See accompanying notes to the consolidated financial statements.

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**AIRGATE PCS, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY (DEFICIT)**

| | Years ended September 30, 2002, 2001, and 2000 | | | | | |
|---|---|---|---|---|---|---|
| | Common Stock | | Additional paid-in capital | Accumulated deficit | Unearned stock compensation | Total stockholders equity (deficit) |
| | Shares | Amount | | | | |
| | (Dollars in thousands, except share amounts) | | | | | |
| Balance at September 30, 1999 | 11,957,201 | $ 120 | $ 157,880 | $ (27,254) | $ (2,900) | $ 127,846 |
| Conversion of notes payable to stockholders to common stock including beneficial conversion feature (note 8) | 12,533 | | 213 | | | 213 |
| Exercise of common stock purchase warrants (note 8) | 762,444 | 8 | (3) | | | 5 |
| Unearned compensation related to grant of compensatory stock options (note 8) | | | 2,231 | | (2,231) | |
| Issuance of stock purchase warrants in connection with senior credit facility (note 8) | | | 282 | | | 282 |
| Exercise of stock options (note 8) | 84,605 | | 1,185 | | | 1,185 |
| Forfeiture of compensatory stock options (note 8) | | | (213) | | 213 | |
| Stock option compensation (note 8) | | | | | 1,665 | 1,665 |
| Net loss | | | | (81,323) | | (81,323) |
| Balance at September 30, 2000 | 12,816,783 | 128 | 161,575 | (108,577) | (3,253) | 49,873 |
| Exercise of common stock purchase warrants (note 8) | 80,641 | 1 | | | | 1 |
| Exercise of stock options (note 8) | 467,556 | 5 | 6,722 | | | 6,727 |
| Forfeiture of compensatory stock options (note 8) | | | (81) | | 81 | |
| Stock compensation expense (note 8) | | | 39 | | 1,626 | 1,665 |
| Net loss | | | | (110,990) | | (110,990) |
| Balance at September 30, 2001 | 13,364,980 | 134 | 168,255 | (219,567) | (1,546) | (52,724) |
| Issuance of common stock in merger with iPCS, Inc. (note 11) | 12,362,571 | 124 | 706,521 | | | 706,645 |
| Stock options and warrants assumed in merger with iPCS, Inc. (notes 8 and 11) | | | 47,727 | | | 47,727 |
| Exercise of stock options (note 8) | 33,558 | | 685 | | | 685 |
| | 12,067 | | 252 | | (252) | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Issuance of restricted common stock (note 8) | | | | | | |
| Exercise of common stock purchase warrants (note 8) | 15,001 | | | | | |
| Issuance of common stock to employee stock purchase plan (note 8) | 18,343 | | 568 | | | 568 |
| Stock compensation expense (note 8) | | | | | 769 | 769 |
| Net loss | | | | (996,617) | | (996,617) |
| Balance at September 30, 2002 | 25,806,520 | $ 258 | $ 924,008 | $ (1,216,184) | $ (1,029) | $ (292,947) |

See accompanying notes to the consolidated financial statements.

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**AIRGATE PCS, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

| | Years Ended September 30 | | |
|---|---|---|---|
| | **2002** | **2001** | **2000** |
| | (Dollars in thousands) | | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Net loss | $(996,617) | $(110,990) | $ (81,323) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | | |
| Impairment of goodwill | 460,920 | | |
| Impairment of property and equipment | 44,450 | | |
| Impairment of intangible assets | 312,043 | | |
| Loss on disposal of property and equipment | 1,074 | | |
| Depreciation and amortization of property and equipment | 70,197 | 30,621 | 12,034 |
| Amortization of intangible assets | 39,332 | 46 | |
| Amortization of financing costs into interest expense | 1,211 | 1,210 | 1,192 |
| Provision for doubtful accounts | 26,933 | 8,125 | 563 |
| Interest expense associated with accretion of discounts | 50,670 | 23,799 | 23,043 |
| Non-cash stock compensation | 769 | 1,665 | 1,665 |
| Deferred income tax benefit | (28,761) | | |
| Changes in assets and liabilities: | | | |
| Accounts receivable | (29,669) | (26,995) | (5,491) |
| Receivable from Sprint | (36,008) | (6,432) | (3,768) |
| Inventories | 2,985 | (1,737) | (2,902) |
| Prepaid expenses, other current and non-current assets | (2,708) | (4,470) | (2,473) |
| Accounts payable, accrued expenses and other long-term liabilities | (15,777) | 8,741 | 8,060 |
| Payable to Sprint | 45,397 | 27,272 | 5,292 |
| Deferred revenue | 8,317 | 8,295 | 2,499 |
| Net cash used in operating activities | (45,242) | (40,850) | (41,609) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Purchases of property and equipment | (97,060) | (71,270) | (152,397) |
| Cash acquired from iPCS, Inc. | 24,402 | | |
| Acquisition of iPCS, Inc. | (6,058) | | |
| Purchase of business assets | | (502) | |
| Net cash used in investing activities | (78,716) | (71,772) | (152,397) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Proceeds from borrowings under senior credit facilities | 141,200 | 61,800 | |
| Payments made under capital lease obligations | (4) | | |
| Proceeds from stock issued to employee stock purchase plan | 568 | | |
| Payments of note payable to Sprint PCS | | | (7,700) |
| Payments for iPCS credit facility amendment | (306) | | |
| | | 1 | 5 |

| | | | |
|---|---|---|---|
| Proceeds from exercise of common stock purchase warrants | | | |
| Proceeds from exercise of employee stock options | 685 | 6,727 | 1,185 |
| Net cash provided by (used in) financing activities | 142,143 | 68,528 | (6,510) |
| Net increase (decrease) in cash and cash equivalents | 18,185 | (44,094) | (200,516) |
| Cash and cash equivalents at beginning of period | 14,290 | 58,384 | 258,900 |
| Cash and cash equivalents at end of period | $ 32,475 | $ 14,290 | $ 58,384 |
| Supplemental disclosure of cash flow information cash paid for interest | $ 10,176 | $ 3,846 | $ 2,609 |
| Supplemental disclosure of non-cash investing and financing activities: | | | |
| Capitalized interest | $ 7,118 | $ 2,917 | $ 5,938 |
| Grant of common stock purchase warrants related to senior credit facility | | | 282 |
| Convertible notes payable to stockholders and accrued interest converted to equity | | | 102 |
| Beneficial conversion feature of convertible notes payable to stockholders | | | 111 |
| Grant of restricted common stock and compensatory stock options | 252 | | 2,231 |
| Forfeiture of compensatory stock options | | (81) | (213) |
| Modification of stock options | | 39 | |
| Purchases of property and equipment under capital leases | 191 | | |
| iPCS acquisition (note 11): | | | |
| Fair value of stock issued | $ 706,645 | $ | $ |
| Fair value of common stock options and warrants assumed | 47,727 | | |
| Liabilities assumed | 394,165 | | |
| Fair value of tangible assets acquired | 313,843 | | |

See accompanying notes to the consolidated financial statements.

**AIRGATE PCS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. Business, Basis of Presentation and Liquidity**

***(a) Business and Basis of Presentation***

AirGate PCS, Inc. and its restricted and unrestricted subsidiaries (the Company ) were created for the purpose of providing wireless Personal Communication Services ( PCS ). AirGate PCS, Inc. and its restricted subsidiaries ( AirGate ) collectively are a network partner of Sprint with the exclusive right to market and provide Sprint PCS products and services in a defined network territory. AirGate is licensed to use the Sprint brand names in its original 21 markets located in the southeastern United States.

On November 30, 2001, AirGate acquired iPCS, Inc. (together with its subsidiaries, iPCS ), a network partner of Sprint with 37 markets in the midwestern United States. The accompanying consolidated financial statements include the accounts of AirGate PCS, Inc. and its wholly-owned restricted subsidiaries, AGW Leasing Company, Inc., AirGate Service Company, Inc., and AirGate Network Services, LLC for all periods presented. The accounts of iPCS are included as of September 30, 2002, and for the period from November 30, 2001 through September 30, 2002. These consolidated financial statements and related footnotes have been prepared in accordance with accounting principles generally accepted in the United States of America. All significant intercompany accounts and transactions have been eliminated in consolidation.

The PCS market is characterized by significant risks as a result of rapid changes in technology, intense competition and the costs associated with the build-out of a PCS network. The Company s operations are dependent upon Sprint s ability to perform its obligations under the agreements between the Company and Sprint (see note 4) under which the Company has agreed to construct and manage its Sprint PCS networks (the Sprint Agreements ). Additionally, the Company s ability to attract and maintain a subscriber base of sufficient size and credit quality is critical to achieving sufficient positive cash flow to meet its financial covenants under its credit agreements. Changes in technology, increased competition, economic conditions or inability to achieve sufficient positive cash flow to meet its financial covenants under its credit agreements, among other factors, could have an adverse effect on the Company s financial position, results of operations, and liquidity.

***(b) Liquidity***

The Company has generated significant net losses since inception. For the year ended September 30, 2002, the Company s net loss amounted to $996.6 million, including goodwill and asset impairment charges of $817.4 million. As of September 30, 2002, the Company had a working capital deficit of $366.4 million. As of December 31, 2002, AirGate has available credit amounting to approximately $12.0 million under its senior credit facility.

As described in Note 6, iPCS is not in compliance with certain provisions of its debt agreements and has no remaining credit availability under its senior credit facility. As a result of these covenant defaults, substantially all of iPCS debt is classified as a current liability.

iPCS also has incurred significant net losses during the year ended September 30, 2002, which are included in the accompanying consolidated financial statements (see note 16 for condensed consolidating financial information of the Company s restricted and unrestricted subsidiaries, which does not reflect push-down accounting with respect to the iPCS financial information). Because current conditions in the capital markets make additional financing unlikely, iPCS has undertaken efforts to restructure its relationship with its secured lenders, its public noteholders and Sprint, and we have begun restructuring discussions with informal committees of these creditors. While the lenders and noteholders have expressed willingness to work with iPCS, Sprint has informed us it is unwilling to restructure its agreements with iPCS. iPCS, Inc. has been unable to restructure its debt and secure additional financing necessary to fund its operations and, accordingly, iPCS, Inc. intends to file for reorganization and protection from its

**AIRGATE PCS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

creditors under Chapter 11 of the United States Bankruptcy Code in early 2003 either as part of a consensual restructuring or in an effort to effect a court administered reorganization.

Because iPCS is an unrestricted subsidiary, AirGate is generally unable to provide capital or other financial support to iPCS. Further, iPCS lenders, noteholders and creditors do not have a lien on or encumbrance on assets of AirGate. We believe AirGate operations will continue independent of the outcome of the iPCS restructuring. However, it is likely that AirGate s ownership interest in iPCS will have no value after the restructuring is complete.

The carrying value of iPCS long-lived assets in these consolidated financial statements (principally property and equipment, goodwill and intangible assets) has been written down to reflect impairment charges as required by SFAS No. 144 and SFAS No. 142. See note 2 for a discussion of these impairment charges.

While the ultimate and long-term affect on AirGate of iPCS proposed bankruptcy proceedings cannot be determined, management believes that AirGate and its restricted subsidiaries will continue to operate and that iPCS bankruptcy proceedings, and related outcomes, will not have a material adverse effect on the liquidity of AirGate.

In addition to its capital needs to fund operating losses, the Company has invested large amounts to build-out its networks and for other capital assets. For the three years ended September 30, 2002, the Company invested $320.7 million to purchase property and equipment. While much of the Company s networks are now complete, and capital expenditures are expected to decrease significantly in the future, such expenditures will continue to be necessary.

AirGate has initiated a number of action steps to lower its operating costs and capital needs. The following are some of the more significant steps:

- a plan to improve the credit quality of new subscribers and its subscriber base by restricting availability of programs for sub-prime subscribers;
- a plan to reduce subscriber churn;
- the elimination of certain personnel positions;
- a significant reduction in capital expenditures; and
- a reduction in spending for advertising and promotions.

In addition to these steps, AirGate is initiating or investigating a number of other actions that could further reduce operating expenses and capital needs. These include additional reductions in staff; the outsourcing of certain functions now performed by AirGate; further deferrals or reductions in capital spending and seeking ways to lower fees and charges from services now provided by Sprint. AirGate management believes that existing cash, fiscal 2003 results of operations and cash flows, and credit available under its senior credit facility will provide sufficient resources to fund its activities through fiscal 2003.

The following reflects condensed balance sheet information and statement of operations information of AirGate and its unrestricted subsidiary, separately identifying the investment in iPCS including the effects

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**AIRGATE PCS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

of purchase accounting as of September 30, 2002 and the historical equity basis loss of iPCS, the related effects of purchase accounting, and income tax benefit for the year ended September 30, 2002.

| | |
|---|---|
| **Condensed Balance Sheet Information:** | |
| Cash and cash equivalents | $ 4,887 |
| Other current assets | 62,819 |
| Total current assets | 67,706 |
| Property and equipment, net | 213,777 |
| Investment in iPCS | (141,543) |
| Other noncurrent assets | 13,732 |
| | $ 153,672 |
| Current liabilities | $ 82,175 |
| Long-term debt | 354,264 |
| Other long-term liabilities | 10,180 |
| Total liabilities | 446,619 |
| Stockholders deficit | (292,947) |
| | $ 153,672 |
| **Condensed Statement of Operations Information:** | |
| Revenues | $ 313,544 |
| Costs of revenues | (231,763) |
| Selling and marketing expenses | (79,010) |
| General and administrative expenses | (17,631) |
| Depreciation and amortization | (40,758) |
| Other expense, net | (37,162) |
| Total expenses | (406,324) |
| Loss before equity in loss of iPCS and effects of purchase accounting, and income tax benefit | (92,780) |
| Historical equity basis loss of iPCS | (133,192) |
| Effects of purchase accounting | (799,406) |
| Income tax benefit | 28,761 |
| Net loss | $ (996,617) |

**(2) Goodwill and Asset Impairments**

On November 30 2001, the Company completed the acquisition of iPCS. Significant amounts of goodwill and other intangible assets were recorded as part of this acquisition (note 11). The original purchase price allocation of this acquisition was made in the quarter ended December 31, 2001. In the quarter ended March 31, 2002, the original purchase price allocation was adjusted, which resulted in a reclassification of amounts between goodwill, deferred income tax liabilities, the amount assigned to the right to provide service under the Sprint Agreements and other assets and liabilities. The Company recorded a goodwill impairment charge of $261.2 million during the quarter ended March 31, 2002, and $199.7 million during the quarter ended September 30, 2002. During the quarter ended September 30, 2002, the Company recorded an impairment of property and equipment totaling $44.5 million and intangible assets totaling $312.0 million. The purchase of iPCS and the accounting that resulted from this acquisition are described below and in notes 10 and 11.

The wireless telecommunications industry has experienced significant declines in market capitalization throughout most of 2002. These significant declines in market capitalization resulted from concerns surrounding anticipated weakness in future subscriber growth, increased subscriber churn, anticipated future lower average revenue per unit (ARPU) and liquidity concerns. As a result of these industry trends,

**AIRGATE PCS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

the Company experienced significant declines in its market capitalization subsequent to its acquisition of iPCS. Additionally, there have been significant adverse changes to the business plan for iPCS. These changes include lower new subscribers, lower ARPU, increased service and pass through costs from Sprint and lower roaming margins from Sprint. Wireless industry acquisitions subsequent to the Company s acquisition of iPCS have been valued substantially lower on a price per population and price per subscriber basis. As a result of these transactions and industry trends, the Company believed that the fair value of iPCS and its assets had been reduced. Accordingly, the Company engaged a nationally recognized valuation expert on two occasions during 2002 to perform fair value assessments of iPCS and its assets. The Company recorded goodwill impairments of approximately $261.2 million and $199.7 million during the quarter ended March 31, 2002 and the quarter ended September 30, 2002, respectively, as a result of these fair value assessments.

During the quarter ended September 30, 2002, the Company recorded an intangible asset impairment of $312.0 million associated with iPCS right to provide service under the Sprint Agreements and the acquired subscriber base. The right to provide service under iPCS Sprint Agreements and the acquired subscriber base were recorded by the Company as a result of the purchase price allocation for the acquisition of iPCS. The values and lives assigned to these intangibles were $323.3 million and 205 months and $52.4 million and 30 months, respectively. As discussed above, these impairments arose from significant adverse changes to the business plan for iPCS. As a result, the Company adjusted the carrying value of the right to provide service under the Sprint Agreements and the acquired subscriber base to their fair values at September 30, 2002. The Company engaged a nationally recognized valuation expert to assist the Company in determining the fair value of the right to provide services under the Sprint Agreements.

During the quarter ended September 30, 2002, the Company recorded an asset impairment of $44.5 million associated with property and equipment (principally network assets) of iPCS. As discussed above, this impairment arose from significant adverse changes to the business plan for iPCS as well as a generally weak secondary market for telecommunications equipment. The Company engaged a nationally recognized valuation expert to assist the Company in determining the fair value of iPCS property and equipment.

**(3) Summary of Significant Accounting Policies**

***(a) Revenue Recognition***

The Company recognizes revenues when persuasive evidence of an arrangement exists, services have been rendered or products have been delivered, the price to the buyer is fixed and determinable, and collectibility is reasonably assured. The Company s revenue recognition polices are consistent with the guidance in Staff Accounting Bulletin ( SAB ) No. 101, Revenue Recognition in Financial Statements promulgated by the Securities and Exchange Commission.

The Company records equipment revenue from the sale of handsets and accessories to subscribers in its retail stores and to local distributors in its territories upon delivery. The Company does not record equipment revenue on handsets and accessories purchased from national third-party retailers such as Radio Shack, Best Buy and Circuit City, or directly from Sprint by subscribers in our territories. The Company believes the equipment revenue and related cost of equipment associated with the sale of wireless handsets and accessories is a separate earnings process from the sale of wireless services to subscribers. For industry competitive reasons, the Company sells wireless handsets at a loss. Because such arrangements do not require a customer to subscribe to the Company s wireless services and because the Company sells wireless handsets to existing customers at a loss, the Company accounts for these transactions separately from agreements to provide customers wireless service.

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**AIRGATE PCS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The Company s subscribers pay an activation fee to the Company when they initiate service. The Company defers activation fee revenue over the average life of its subscribers, which is estimated to be 30 months. The Company recognizes service revenue from its subscribers as they use the service. The Company provides a reduction of recorded revenue for billing adjustments, first payment default customers, late payment fees, and early cancellation fees. The Company also reduces recorded revenue for rebates and discounts given to subscribers on wireless handset sales in accordance with Emerging Issues Task Force ( EITF ) Issue No. 01-9 Accounting for Consideration Given by a Vendor to a Subscriber (Including a Reseller of the Vendor s Products). The Company participates in the Sprint national and regional distribution programs in which national retailers such as Radio Shack, Best Buy and Circuit City sell Sprint PCS products and services. In order to facilitate the sale of Sprint PCS products and services, national retailers purchase wireless handsets from Sprint for resale and receive compensation from Sprint for Sprint PCS products and services sold. For industry competitive reasons, Sprint subsidizes the price of these handsets by selling the handsets at a price below cost. Under the Company s Sprint Agreements, when a national retailer sells a handset purchased from Sprint to a subscriber in the Company s territories, the Company is obligated to reimburse Sprint for the handset subsidy. The Company does not receive any revenues from the sale of handsets and accessories by national retailers. The Company classifies these handset subsidy charges as a selling and marketing expense for a new subscriber handset sale and classifies these subsidies as a cost of service and roaming for a handset upgrade to an existing subscriber. Handset subsidy charges included in selling and marketing for the years ended September 30, 2002, 2001, and 2000 were $19.1 million, $12.8 million, and $3.7 million, respectively. Excluding sales commissions, handset subsidy upgrade charges in cost of service and roaming for the year ended September 30, 2002 were $4.8 million. The Company did not incur handset subsidy upgrade charges for the years ended September 30, 2001 and 2000.

Sprint retains 8% of collected service revenues from subscribers based in the Company s markets and from non-Sprint subscribers who roam onto the Company s network. The amount of affiliation fees retained by Sprint is recorded as cost of service and roaming. Revenues derived from the sale of handsets and accessories by the Company and from certain roaming services (outbound roaming and roaming revenues from Sprint PCS and its PCS network partner subscribers) are not subject to the 8% affiliation fee from Sprint.

The Company defers direct subscriber activation costs when incurred and amortizes these costs using the straight-line method over 30 months, which is the estimated average life of a subscriber. Direct subscriber activation costs also include credit check fees and loyalty welcome call fees charged to the Company by Sprint and costs incurred by the Company to operate a subscriber activation center.

For the years ended September 30, 2002, 2001 and 2000 the Company recognized approximately $6.3, $3.4 and $0.1 million, respectively, of activation fee revenue. For the years ended September 30, 2002, 2001 and 2000 the Company recognized approximately $3.7, $2.8 and $0.1 million, respectively, of direct subscriber activation costs. As of September 30, 2002, the Company has deferred approximately $15.0 million of subscriber activation fee revenue and $8.4 million of direct subscriber activation costs to future periods.

***(b) Allowance for Doubtful Accounts***

Estimates are used in determining the allowance for doubtful accounts and are based on historical collection and write-off experience, current trends, credit policies and accounts receivable by aging category. In determining these estimates, the Company compares historical write-offs in relation to the estimated period in which the subscriber was originally billed. The Company also looks at the average length of time that elapses between the original billing date and the date of write-off in determining the adequacy of the allowance for doubtful accounts by aging category. From this information, the Company

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**AIRGATE PCS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

provides specific amounts to the aging categories. The Company provides an allowance for substantially all receivables over 90 days old.

The allowance for doubtful accounts as of September 30, 2002 and September 30, 2001 was $11.3 million and $2.8 million, respectively. At September 30, 2002, $6.8 million and $4.5 million was attributable to AirGate and iPCS, respectively.

The Company also reviews current trends in the credit quality of its subscriber base and periodically changes its credit policies. As of September 30, 2002, 35% of the combined Company s, 36% of AirGate s and 35% of iPCS subscriber base consisted of sub-prime credit quality subscribers. From May 2001 to February 2002, Sprint required AirGate and iPCS to remove the deposit requirement for most sub-prime credit quality subscribers under certain Sprint PCS programs. On February 24, 2002, Sprint allowed the Company to re-institute the deposit requirement across all new sub-prime credit quality subscribers. The Company removed the deposit requirement in iPCS territory from all but the lowest sub-prime credit quality subscribers at certain times during the period between June 2002 and November 2002. During November 2002, the Company re-instituted the deposit requirement in iPCS territory across all new sub-prime credit quality subscribers. The deposit requirement is currently in effect for most of AirGate s and iPCS markets.

***(c) Reserve for First Payment Default Subscribers***

The Company reserves a portion of its new subscribers and provides a reduction in revenues from those subscribers that it anticipates will never pay a bill. Using historical information of the percentage of subscribers whose service was cancelled for non-payment without ever making a payment, the Company estimates the number of subscribers activated in the current period that will never pay a bill. For these subscribers, the Company provides a reduction of revenue and removes them from subscriber additions and churn. At September 30, 2002 and September 30, 2001, the Company had approximately 7,126 and 7,811 such subscribers, respectively.

***(d) Cash and Cash Equivalents***

Cash and cash equivalents include cash on hand, demand deposits and money market accounts with original maturities of three months or less.

***(e) Inventories***

Inventories consist of wireless handsets and related accessories held for resale. Inventories are carried at the lower of cost or market determined using replacement costs.

***(f) Property and Equipment***

Property and equipment are stated at original cost, less accumulated depreciation and amortization. Depreciation and amortization are provided using the straight-line method over the estimated useful lives of the assets. Estimated useful lives used by the Company are as follows:

| | Estimated Useful Life |
|---|---|
| Network assets | 7 years |
| Computer equipment | 3 years |
| Furniture, fixtures, and office equipment | 5 years |
| Towers (included within network assets) | 15 years |

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**AIRGATE PCS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Assets held under capital lease obligations are amortized over their estimated useful life or the lease term, whichever is shorter. Amortization of assets held under capital lease obligations is included in depreciation and amortization of property and equipment.

Construction in progress includes expenditures for the purchase of network assets. The Company capitalizes interest on its construction in progress activities. Interest capitalized for the years ended September 30, 2002, 2001 and 2000 totaled $7.1 million, $2.9 million and $5.9 million, respectively.

When network assets are placed in service, the Company transfers the related assets from construction in progress to network assets and depreciates those assets over their estimated useful life.

***(g) Financing Costs***

Costs incurred in connection with both the AirGate and iPCS credit facilities and AirGate notes were deferred and are amortized into interest expense over the term of the respective financing using the straight-line method.

***(h) Income Taxes***

Income taxes are accounted for under the asset and liability method. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is provided for deferred income tax assets based upon the Company s assessment of whether it is more likely than not that the deferred income tax assets will be realized.

***(i) Basic and Diluted Net Loss Per Share***

Basic net loss per share is computed by dividing net loss by the weighted-average number of common shares outstanding during the period. All potentially dilutive securities have been excluded from the computation of dilutive net loss per share for all periods presented because their effect would have been antidilutive. The effect of potentially dilutive common stock equivalents computed using the treasury stock method excluded from the dilutive net loss per share computations because they were antidilutive are as follows:

| | Years ended September 30, | | |
|---|---|---|---|
| | **2002** | **2001** | **2000** |
| Common stock options | 222,671 | 510,620 | 777,758 |
| Stock purchase warrants | 50,345 | 65,346 | 145,987 |
| Total | 273,016 | 575,966 | 923,745 |

***(j) Impairment of Long-Lived Assets and Goodwill***

The Company accounts for long-lived assets and goodwill in accordance with the provisions of Statement of Financial Accounting Standards ( SFAS ) No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets and SFAS No. 142, Goodwill and Other Intangible Assets. SFAS No. 144 requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying

**AIRGATE PCS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. SFAS No. 142 requires annual tests for impairment of goodwill and intangible assets that have indefinite useful lives and interim tests when an event has occurred that more likely than not has reduced the fair value of such assets.

Purchase price accounting requires extensive use of accounting estimates and judgments to allocate the purchase price to the fair market value of the assets acquired and liabilities assumed. In recording the purchase of iPCS, the Company engaged a nationally recognized valuation expert to assist in determining the fair value of these assets and liabilities. Included in the asset valuation for this purchase was the valuation of three intangible assets: the iPCS subscriber base, non-compete agreements for certain former iPCS employees, and the right to be the exclusive provider of Sprint PCS products and services in the 37 markets in which iPCS operates. For the subscriber base, the non-compete agreements, and the right to provide Sprint PCS products and services in the iPCS territory, finite useful lives of 30 months, six months and 205 months, respectively, have been assigned. The Company evaluates its intangible assets for potential impairment indicators whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

***(k) New Accounting Pronouncements***

In December 2002, the Financial Accounting Standards Board ( FASB ) issued SFAS No. 148 Accounting for Stock-Based Compensation Transition and Disclosure an amendment of FASB Statement No. 123. SFAS No. 148 provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation from the intrinsic value-based method of accounting prescribed by Accounting Principles Board ( APB ) Opinion No. 25, Accounting for Stock Issued to Employees. As allowed by SFAS No. 123, the Company has elected to continue to apply the intrinsic value-based method of accounting, and has adopted the disclosure requirements of SFAS No. 123. The Company currently does not anticipate adopting the provisions of SFAS No. 148.

In July 2002, the FASB issued SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities. SFAS No. 146 provides new guidance on the recognition of costs associated with exit or disposal activities. The standard requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of commitment to an exit or disposal plan. SFAS No. 146 supercedes previous accounting guidance provided by the EITF Issue No. 94-3 Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring). EITF Issue No. 94-3 required recognition of costs at the date of commitment to an exit or disposal plan. SFAS No. 146 is to be applied prospectively to exit or disposal activities initiated after December 31, 2002. Early application is permitted. The adoption of SFAS No. 146 by the Company on October 1, 2002 is not expected to have a material impact on the Company s financial position, results of operations, or cash flows as the Company has not recorded any significant restructurings in past periods, but the adoption may impact the timing of charges in future periods.

In April 2002, the FASB issued SFAS No. 145, Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections. Among other things, this statement rescinds FASB Statement No. 4, Reporting Gains and Losses from Extinguishment of Debt which required all gains and losses from extinguishment of debt to be aggregated and, if material, classified as an extraordinary item, net of related income tax effect. As a result, the criteria in APB Opinion No. 30, Reporting the Results of Operations Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions, will now be used to classify

**AIRGATE PCS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

those gains and losses. The adoption of SFAS No. 145 by the Company on October 1, 2002 is not expected to have a material impact on the Company s financial position, results of operations, or cash flows.

In November 2001, the EITF of the FASB issued EITF 01-9 Accounting for Consideration Given by a Vendor to a Subscriber (Including a Reseller of the Vendor s Products). EITF 01-9 provides guidance on when a sales incentive or other consideration given should be a reduction of revenue or an expense and the timing of such recognition. The guidance provided in EITF 01-9 is effective for financial statements for interim or annual periods beginning after December 15, 2001. The Company occasionally offers rebates to subscribers that purchase wireless handsets in its retail stores. The Company s historical policy regarding the recognition of these rebates in the consolidated statement of operations is a reduction in the revenue recognized on the sale of the wireless handset by an estimate of the amount of rebates expected to be redeemed. The Company s policy is in accordance with the guidance set forth in EITF 01-9. Therefore, the adoption of EITF 01-9 by the Company on January 1, 2002 did not have a material impact on the Company s financial statements.

In August 2001, the FASB issued SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. SFAS No. 144 provides new guidance on the recognition of impairment losses on long-lived assets with definite lives to be held and used or to be disposed of and also issued the definition of what constitutes a discontinued operation and how the results of a discontinued operation are to be measured and presented. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001. The Company elected early adoption of SFAS No. 144 as of the beginning of its fiscal year on October 1, 2001. The Company s adoption of SFAS No. 144 did not have a material impact on the Company s financial position, results of operations, or cash flows. However, as discussed in note 2, the application of the provisions of SFAS No. 144 resulted in a $356.5 million impairment during the quarter ended September 30, 2002.

In June 2001, the FASB issued SFAS No. 143, Accounting for Asset Retirement Obligations. SFAS No. 143 requires the fair value of a liability for an asset retirement obligation to be recognized in the period that it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002. The adoption of SFAS No. 143 on October 1, 2002 is not expected to have a material impact on the Company s financial position, results of operations or cash flows.

In June 2001, the FASB issued SFAS No. 142, Goodwill and Other Intangible Assets, which provides for non-amortization of goodwill and intangible assets that have indefinite useful lives, annual tests of impairments of those assets and interim tests of impairment when an event occurs that more likely than not has reduced the fair value of such assets. The statement also provides specific guidance about how to determine and measure goodwill impairments, and requires additional disclosure of information about goodwill and other intangible assets. The provisions of this statement are required to be applied starting with fiscal years beginning after December 15, 2001, and applied to all goodwill and other intangible assets recognized in the financial statements at that date. Goodwill and intangible assets acquired after June 30, 2001 will be subject to the non-amortization provisions of the statement. Early application is permitted for entities with fiscal years beginning after March 15, 2001, provided that the first interim financial statements had not been issued previously. The Company met the criteria for early application and adopted SFAS No. 142 on October 1, 2001. The Company s adoption of the provisions of SFAS No. 142 did not have a material impact on the Company s financial position, results of operations or cash flows. However, as discussed in note 2, the application of the provisions of SFAS No. 142 resulted in an impairment charge of $460.9 million during the fiscal year ended September 30, 2002.

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AIRGATE PCS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In June 2001, the FASB issued SFAS No. 141, Business Combinations, which is effective for all business combinations initiated after June 30, 2001. SFAS No. 141 requires companies to account for all business combinations using the purchase method of accounting, recognize intangible assets if certain criteria are met, as well as provide additional disclosures regarding business combinations and allocation of purchase price. The Company adopted SFAS No. 141 as of July 1, 2001, prior to AirGate recording any significant business acquisitions and such adoption did not have a material impact on the Company s financial position, results of operations or cash flows.

***(l) Use of Estimates***

Management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent liabilities at the dates of the consolidated balance sheets and revenues and expenses during the reporting periods to prepare these consolidated financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

***(m) Concentration of Risk***

The Company s cell sites are located on towers which are leased from a limited number of tower companies, with one company owning approximately 20% of the Company s leased towers. Additionally, the Company derives substantial revenues and expenses from Sprint and Sprint PCS (see note 4).

The Company maintains cash and cash equivalents in accounts with financial institutions in excess of the amount insured by the Federal Deposit Insurance Corporation. Management does not believe there is significant credit risk associated with deposits in excess of federally insured amounts. Further, the Company maintains accounts with nationally recognized investment managers. Such deposits are not insured by the Federal Deposit Insurance Corporation. Management does not believe there is significant credit risk associated with these uninsured deposits.

A significant amount of the Company s financial transactions result from the Company s relationship with Sprint. Additionally, Sprint holds approximately four to eleven days of the Company s subscriber lockbox receipts prior to remitting those receipts to the Company weekly. Refer to note 4 for information on the Company s transactions with Sprint.

Concentrations of credit risk with respect to accounts receivables are limited due to a large subscriber base. Initial credit evaluations of subscribers financial condition are performed and security deposits are generally obtained for subscribers with a high credit risk profile. The Company maintains an allowance for doubtful accounts for potential credit losses.

***(n) Comprehensive Income (Loss)***

No statements of comprehensive income (loss) have been included in the accompanying consolidated financial statements since the Company does not have any elements of other comprehensive income (loss) to report.

***(o) Advertising Expenses***

The Company expenses advertising costs when the advertisement occurs. Total advertising expenses amounted to approximately $30.9 million in 2002, $13.0 million in 2001 and $7.5 million in 2000 and are included in selling and marketing expenses in the accompanying consolidated statements of operations.

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**AIRGATE PCS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

***(p) Segments***

AirGate and its unrestricted subsidiary, iPCS, provide wireless PCS services as network partners of Sprint. Both AirGate and iPCS offer similar products and services through similar retail channels to a broad range of wireless customers in their respective markets. Consequently, these entities have been aggregated into a single operating segment in accordance with the provisions of SFAS No. 131 Disclosures about Segments of an Enterprise and Related Information.

***(q) Stock Compensation***

The Company applies the intrinsic value-based method of accounting prescribed by APB Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations including FASB Interpretation No. 44, Accounting for Certain Transactions involving Stock Compensation, an interpretation of APB Opinion No. 25 issued in March 2000, to account for its fixed stock option grants. Under this method, compensation expense is recorded on the date of grant only if the current market price of the underlying stock exceeded the exercise price. SFAS No. 123, Accounting for Stock-Based Compensation, established accounting and disclosure requirements using a fair value-based method of accounting for stock-based employee compensation plans. As allowed by SFAS No. 123, the Company has elected to continue to apply the intrinsic value-based method of accounting described above, and has adopted the disclosure requirements of SFAS No. 123.

***(r) Reclassifications***

Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

**(4) Sprint Agreements**

Under the Sprint Agreements, Sprint provides the Company significant support services such as billing, collections, long distance, customer care, network operations support, inventory logistics support, use of the Sprint and Sprint PCS brand names, national advertising, national distribution and product development. Additionally, the Company derives substantial roaming revenue and expenses when Sprint s and Sprint s network partners PCS wireless subscribers incur minutes of use in the Company s territories and when the Company s subscribers incur minutes of use in Sprint and other Sprint network partners PCS territories. These transactions are recorded in roaming revenue, cost of service and roaming, cost of equipment and selling and marketing expense captions in the accompanying consolidated statements of operations. Cost of service and roaming transactions include the 8% affiliation fee, long distance charges, roaming expense and the costs of services such as billing, collections, and customer service and other pass-through expenses. Cost of equipment transactions relate to inventory purchased by the Company from Sprint under the Sprint Agreements. Selling and marketing transactions relate to subsidized costs on handsets and commissions paid by the Company under Sprint s national distribution program. Amounts

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**AIRGATE PCS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

recorded relating to the Sprint Agreements for the years ended September 30, 2002, 2001 and 2000, are as follows (dollars in thousands):

| | Years Ended September 30, | | |
|---|---|---|---|
| | 2002 | 2001 | 2000 |
| Amounts included in the Consolidated Statement of Operations: | | | |
| AirGate roaming revenue | $ 70,002 | $53,863 | $11,798 |
| AirGate cost of service and roaming: | | | |
| Roaming | $ 52,746 | $40,472 | $ 3,171 |
| Customer service | 40,454 | 15,526 | 1,542 |
| Affiliation fees | 15,815 | 7,603 | 757 |
| Long distance | 13,846 | 6,556 | 1,119 |
| Other | 2,115 | 1,252 | 145 |
| Total cost of service and roaming | $124,976 | $71,409 | $ 6,734 |
| AirGate purchased inventory | $ 23,662 | $19,405 | $ 7,571 |
| AirGate selling and marketing | $ 21,728 | $20,827 | $ 5,716 |
| iPCS roaming revenue | $ 33,137 | $ | $ |
| iPCS cost of service and roaming: | | | |
| Roaming | $ 25,723 | $ | $ |
| Customer service | 19,367 | | |
| Affiliation fees | 8,011 | | |
| Long distance | 7,686 | | |
| Other | 781 | | |
| Total cost of service and roaming | $ 61,568 | $ | $ |
| iPCS purchased inventory | $ 17,097 | $ | $ |
| iPCS selling and marketing | $ 9,970 | $ | $ |

Amounts included in the Consolidated Balance Sheet

| | As of September 30, | |
|---|---|---|
| | 2002 | 2001 |
| Receivable from Sprint | $ 44,953 | $ 10,200 |
| Payable to Sprint | (88,360) | (32,564) |

The Sprint Agreements require the Company to maintain certain minimum network performance standards and to meet other performance requirements. The Company was in compliance in all material respects with these requirements at September 30, 2002.

The Company has reclassified approximately $10.0 million of subscriber accounts receivable for the fiscal year ended September 30, 2002 to a receivable from Sprint. The Company believes at least $10.0 million is payable from Sprint, but Sprint has acknowledged only $5.8 million is owed to AirGate. The Company is in discussions with Sprint regarding these differences and has provided for these discussions in our consolidated financial statements.

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**AIRGATE PCS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

## (5) Property and Equipment

Property and equipment consists of the following at September 30 (dollars in thousands):

| | 2002 | 2001 |
|---|---|---|
| Network assets | $ 461,806 | $ 217,788 |
| Computer equipment | 10,723 | 3,684 |
| Furniture, fixtures, and office equipment | 14,985 | 11,592 |
| Vehicles | 891 | |
| Construction in progress | 23,663 | 19,883 |
| Total property and equipment | 512,068 | 252,947 |
| Less accumulated depreciation and amortization | (112,913) | (43,621) |
| Total property and equipment, net | $ 399,155 | $ 209,326 |

Depreciation and amortization of property and equipment for the years ended September 30, 2002, 2001, and 2000 was $70,197, $30,621, and $12,034, respectively.

Costs and accumulated amortization associated with assets held under capital lease obligations as of September 30, 2002 are as follows:

| | |
|---|---|
| Cost | $ 571 |
| Accumulated amortization | (28) |
| | $ 543 |

## (6) Long Term Debt and Capital Lease Obligations

Long-term debt includes the assumption of the iPCS long term debt on November 30, 2001 and consists of the following at September 30 (dollars in thousands):

| | 2002 | 2001 |
|---|---|---|
| AirGate credit facility, net of unaccreted original issue discounts of $376 and $574, respectively | $ 136,124 | $ 74,726 |
| AirGate notes, $300,000 due at maturity: | | |
| Accreted carrying value | 228,813 | 201,124 |
| Unaccreted original issue discount | (8,649) | (9,524) |
| Net AirGate notes | 220,164 | 191,600 |
| iPCS credit facility | 130,000 | |
| iPCS notes, $300,000 due at maturity, at accreted carrying value, net of unamortized premium of $38,060 | 222,908 | |
| iPCS capital lease obligations | 568 | |
| Total long-term debt and capital lease obligations | 709,764 | 266,326 |
| Current maturities of long-term debt and capital lease obligations | 354,936 | |

| | | |
|---|---|---|
| Long-term debt and capital lease obligations, excluding current maturities | $354,828 | $266,326 |

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**AIRGATE PCS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

As of September 30, 2002, future scheduled principal payments under indebtedness and future minimum capital lease payments for the next five years and thereafter are as follows (in thousands):

| Years Ending September 30, | AirGate credit facility | AirGate notes | iPCS credit facility | iPCS notes | Capital leases | Total |
|---|---|---|---|---|---|---|
| 2003 | $ 2,024 | $ | $ | $ | $ 4 | $ 2,028 |
| 2004 | 15,863 | | 9,750 | | 74 | 25,687 |
| 2005 | 21,150 | | 17,875 | | 77 | 39,102 |
| 2006 | 26,920 | | 29,250 | | 81 | 56,251 |
| 2007 | 35,400 | | 32,500 | | 84 | 67,984 |
| Thereafter | 35,143 | 300,000 | 40,625 | 300,000 | 965 | 676,733 |
| Total future principal payments on long-term debt and future minimum lease payments on capital leases | $136,500 | $300,000 | $ 130,000 | $ 300,000 | $1,285 | $ 867,785 |
| Less amount representing interest and unaccreted discounts | (376) | (79,836) | | (77,092) | (717) | (158,021) |
| Total future principal payments on long-term debt, net of unaccreted discounts, and present value of future lease payments on capital leases | 136,124 | 220,164 | 130,000 | 222,908 | 568 | 709,764 |
| Less current maturities* | (2,024) | | (130,000) | (222,908) | (4) | (354,936) |
| Long-term debt and capital lease obligations, excluding current maturities | $134,100 | $220,164 | $ | $ | $ 564 | $ 354,828 |

* Amounts in this table do not reflect the current classification of the iPCS credit facility and iPCS notes as discussed below, except in the classification of current maturities.

***AirGate Credit Facility***

On August 16, 1999, AirGate entered into a $153.5 million senior credit facility. The AirGate credit facility provides for (i) a $13.5 million senior secured term loan (the Tranche I Term Loan ) which matures on June 6, 2007, and (ii) a $140.0 million senior secured term loan (the Tranche II Term Loan ) which matures on September 30, 2008. Mandatory quarterly payments of principal are required beginning December 31, 2002 for the Tranche I Term Loan and March 31, 2004 for the Tranche II Term Loan initially in the amount of 3.75% of the loan balance then outstanding and increasing thereafter. A commitment fee of 1.50% on unused borrowings under the AirGate credit facility is payable quarterly and included in interest expense. For the years ended September 30, 2002, 2001 and 2000, commitment fees totaled $0.6 million, $1.5 million and $6.0 million, respectively. $17.0 million remained available for borrowing under the AirGate credit facility as of September 30, 2002 and $12.0 million as of

**AIRGATE PCS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

December 31, 2002. December 31, 2002. The AirGate credit facility is secured by all the assets of AirGate, other than assets of its unrestricted subsidiary, iPCS. In connection with this financing, AirGate issued to Lucent Technologies, in its capacity as administrative agent and arranger, warrants to purchase 139,035 shares of common stock that were exercisable upon issuance. Additionally, AirGate incurred origination fees and expenses of $5.0 million, which have been recorded as financing costs and are amortized to interest expense using the straight-line method, over the life of the agreement. The interest rate for the AirGate credit facility is determined on a margin above either the prime lending rate in the United States or the London Interbank Offer Rate. At September 30, 2002 and 2001, the weighted average interest rate on outstanding borrowings was 5.6% and 7.3%, respectively.

The AirGate credit facility contains ongoing financial covenants, including reaching defined subscriber growth and covered population targets, maximum annual spending on capital expenditures, attaining minimum subscriber revenues, and maintaining certain leverage and other ratios such as debt to total capitalization, debt to EBITDA and EBITDA to fixed charges. The AirGate credit facility restricts the ability of AirGate and its subsidiaries, other than iPCS to: create liens; incur indebtedness; make certain payments, including payments of dividends and distributions in respect of capital stock; consolidate, merge and sell assets; engage in certain transactions with affiliates; and fundamentally change its business. As of September 30, 2002, AirGate was in compliance with all operational and financial covenants governing the AirGate credit facility. As discussed in Note 15, however, AirGate was in default as of December 30, 2002, which is cured with the filing of these consolidated financial statements.

***AirGate Notes***

On September 30, 1999, the Company received proceeds of $156.1 million from the issuance of 300,000 units, each unit consisting of $1,000 principal amount at maturity of 13.5% senior subordinated discount notes due 2009 (the AirGate notes ) and one warrant to purchase 2.148 shares of common stock at a price of $0.01 per share (see Note 8). The accreted value outstanding as of September 30, 2002 of the AirGate notes was $220.2 million. The Company incurred expenses, underwriting discounts and commissions of $6.6 million related to the notes, which have been recorded as financing costs and are amortized to interest expense using the straight-line method, over the life of the agreement. The notes contain certain covenants relating to limitations on AirGate s ability to, among other acts, sell assets, incur additional indebtedness, and make certain payments. The AirGate notes restrict the ability of AirGate and its subsidiaries, other than iPCS to: create liens; incur indebtedness; make certain payments, including payments of dividends and distributions in respect of capital stock; consolidate, merge and sell assets; engage in certain transactions with affiliates; and fundamentally change its business. As of September 30, 2002, AirGate was in compliance with all covenants governing the AirGate notes. As discussed in Note 15, however, AirGate was in default as of December 30, 2002, which is cured with the filing of these consolidated financial statements.

***iPCS Credit Facility***

The iPCS credit facility provides for a $80.0 million senior secured term loan which matures on December 31, 2008, which is the first installment of the loan, or tranche A. The second installment, or tranche B, under the iPCS credit facility is for a $50.0 million senior secured term loan, which also matures on December 31, 2008. The iPCS credit facility requires quarterly payments of principal beginning March 31, 2004 for tranche A and tranche B, initially in the amount of 2.5% of the loan balance then outstanding and increasing thereafter. The commitment fee on unused borrowing ranges from 1.00% to 1.50%, payable quarterly and is included in interest expense. For the ten months ended September 30, 2002 commitment fees totaled $0.5 million. iPCS obligations under the iPCS credit facility are secured by all of iPCS operating assets, but not any assets of AirGate. The interest rate for the iPCS credit facility is determined on a margin above either the prime lending rate in the United States or the London Interbank

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**AIRGATE PCS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Offer Rate. At September 30, 2002 and 2001, the weighted average interest rate on outstanding borrowings was 5.7% and 6.8%, respectively.

Following the merger with iPCS, the Company proposed a new business plan for iPCS for fiscal year 2002 which would have violated the EBITDA loss covenants of the iPCS credit facility in the second half of the fiscal year 2002. On February 14, 2002, iPCS entered into an amendment, which provided relief under the EBITDA covenant and modified certain other requirements. The iPCS credit facility was also amended during November 2002, reducing the availability of the iPCS credit facility by $10.0 million to $130.0 million. In exchange, iPCS liquidity covenant was waived, as well as the minimum subscriber covenant at December 31, 2002.

The iPCS credit facility contains ongoing financial covenants, including reaching defined subscriber levels, maximum annual spending on capital expenditures, attaining minimum subscriber revenues and certain levels of EBITDA, and maintaining certain leverage and other ratios such as debt to total capitalization, debt to EBITDA and EBITDA to fixed charges. The iPCS credit facility restricts the ability of iPCS and its subsidiaries to: create liens; incur indebtedness; make certain payments, including payments of dividends and distributions in respect of capital stock; consolidate, merge and sell assets; engage in certain transactions with affiliates; and fundamentally change its business. As of September 30, 2002, iPCS was in compliance in all material respects with all operational and financial covenants governing the iPCS credit facility. As discussed in Note 15, however, as of December 30, 2002, iPCS was in default of certain of these covenants. Because of iPCS inability to cure such default, all amounts under the iPCS credit facility have been classified as current liabilities in the accompanying consolidated balance sheet.

***iPCS Notes***

On July 12, 2000, iPCS received proceeds of $152.3 million from the issuance of 300,000 units, each unit consisting of $1,000 principal amount at maturity of 14.0% senior subordinated discount notes due 2010 (the iPCS notes ) and warrants to purchase 2,982,699 shares of common stock at $5.50 per share. These warrants were subsequently exchanged for warrants on approximately 475,351 shares of the Company s common stock (see note 8(b)). The accreted value outstanding as of September 30, 2002 of the iPCS notes was $222.9 million. The iPCS notes contain certain covenants relating to limitations on iPCS s ability to, among other acts, sell assets, incur additional indebtedness, and make certain payments.

The iPCS notes restrict the ability of iPCS and its subsidiaries to: create liens; incur indebtedness; make certain payments, including payments of dividends and distributions in respect of capital stock; consolidate, merge and sell assets; engage in certain transactions with affiliates; and fundamentally change its business. As of September 30, 2002, iPCS was in compliance in all material respects with all covenants governing the iPCS notes. As discussed in Note 15, however, as of December 30, 2002, iPCS was in default of certain of these covenants. Because of iPCS inability to cure such default, all amounts under the iPCS notes have been classified as a current liability in the accompanying consolidated balance sheet.

**(7) Fair Value of Financial Instruments**

Fair value estimates and assumptions and methods used to estimate the fair value of the Company s financial instruments are made in accordance with the requirements of SFAS No. 107, Disclosure about Fair Value of Financial Instruments. The Company has used available information to derive its estimates. However, because these estimates are made as of a specific point in time, they are not necessarily

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**AIRGATE PCS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

indicative of amounts the Company could realize currently. The use of different assumptions or estimating methods may have a material effect on the estimated fair value amounts (dollars in thousands).

| | September 30, 2002 | | September 30, 2001 | |
|---|---|---|---|---|
| | Carrying amount | Estimated fair value | Carrying amount | Estimated fair value |
| Cash and cash equivalents | $ 32,475 | $ 32,475 | $ 14,290 | $ 14,290 |
| Accounts receivable, net | 38,127 | 38,127 | 23,798 | 23,798 |
| Receivable from Sprint PCS | 44,953 | 44,953 | 10,200 | 10,200 |
| Accounts payable | 18,152 | 18,152 | 10,210 | 10,210 |
| Accrued expenses | 20,950 | 20,950 | 13,840 | 13,840 |
| Payable to Sprint PCS | 88,360 | 88,360 | 32,564 | 32,564 |
| AirGate credit facility | 136,124 | 112,302 | 74,726 | 74,726 |
| iPCS credit facility | 130,000 | 81,250 | | |
| AirGate notes | 220,164 | 25,125 | 191,600 | 192,574 |
| iPCS notes | 222,908 | 13,500 | | |

***(a) Cash and cash equivalents, accounts receivable net, receivable from Sprint PCS, accounts payable, accrued expenses and payable to Sprint PCS.***

Management believes that the carrying amounts of these items are a reasonable estimate of their fair value due to the short-term nature of the instruments.

***(b) Long-term debt***

Long-term debt is comprised of the AirGate credit facility, AirGate notes, iPCS credit facility and iPCS notes. The fair value of the AirGate notes and the iPCS notes are stated at quoted market prices as of September 30, 2002 and 2001. As there is no active market for the AirGate and iPCS credit facilities, management has estimated the fair values of the AirGate and iPCS credit facilities based upon the Company s analysis and discussions with individuals knowledgeable about such matters.

**(8) Stockholders Equity (Deficit)**

***(a) Common stock***

On May 26, 2000, at a Special Meeting of the stockholders of AirGate, the stockholders voted to amend AirGate s Amended and Restated Certificate of Incorporation to increase the number of authorized shares of its common stock, par value $0.01 per share, from 25,000,000 to 150,000,000 shares.

In October 1999, the Company s Board of Directors authorized the issuance of 12,533 additional shares of common stock to the affiliates of Weiss, Peck & Greer Venture Partners and the affiliates of JAFCO America Ventures, Inc. pursuant to a previously authorized promissory note issued by the Company. The shares were authorized for issuance in consideration of $0.1 million of interest that accrued from the period June 30, 1999 to September 28, 1999 on promissory notes issued to the affiliates of Weiss, Peck & Greer Venture Partners and the affiliates of JAFCO America Ventures, Inc. The promissory notes and related accrued interest were converted into shares of common stock at a price 48% less than the price of a share of common stock sold in the Company s initial public offering of common stock in accordance with their original terms. The amount related to the fair value of the beneficial conversion feature of $0.1 million has been recorded as additional paid-in-capital and recognized as interest expense in the year ended September 30, 2000.

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**AIRGATE PCS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

***(b) Common Stock Purchase Warrants***

In August 1998, the Company issued stock purchase warrants to stockholders in consideration for: (1) loans made by the stockholders to the Company which have been converted to common stock, (2) guarantees of certain bank loans provided by the stockholders, and (3) in connection with $4.8 million in convertible notes provided by the stockholders.

In connection with a refinancing of the convertible notes payable to stockholders in May 1999, the Company cancelled the August 1998 warrants and issued new warrants to Weiss, Peck & Greer Venture Partners Affiliated Funds to purchase shares of common stock for an aggregate amount up to $2.7 million at an exercise price 25% less than the price of a share of common stock sold in the initial public offering, or $12.75 per share. The warrants for 214,413 shares were exercisable upon issuance. The Company allocated $1.7 million of the proceeds (calculated using the Black-Scholes option pricing model) from this refinancing to the fair value of the warrants and recorded a discount on the related debt, which was recognized as interest expense from the date of issuance (May 1999) to the expected date of conversion (August 1999). In July 2000, all of such warrants were exercised.

On August 16, 1999, AirGate issued stock purchase warrants to Lucent Technologies in consideration of the AirGate credit facility. The exercise price of the warrants equals 120% of the price of one share of common stock at the closing of the initial public offering, or $20.40 per share, and the warrants were exercisable for an aggregate of 128,860 shares of AirGate s common stock. AirGate allocated $0.7 million of the proceeds from the AirGate credit facility to the fair value of the warrants calculated using the Black-Scholes option pricing model and recorded an original issue discount on the AirGate credit facility, which is recognized as interest expense over the period from the date of issuance to the maturity date using the effective interest method. In September 2000, all of such warrants were exercised.

In June 2000, AirGate issued stock purchase warrants to Lucent Technologies to acquire 10,175 shares of common stock on terms identical to those discussed in the previous paragraph, all of which were outstanding as of September 30, 2002. These warrants expire on August 15, 2004. The Company recorded a discount on the AirGate credit facility of $0.3 million, which represents the fair value of the warrants on the date of grant using a Black-Scholes option pricing model. The discount is recognized as interest expense over the period from the date of issuance to maturity using the effective interest method.

Interest expense relating to both grants of Lucent Technologies warrants for the year ended September 30, 2002 was $0.2 million and for each of the years ended September 30, 2001 and 2000 was $0.2 million.

On September 30, 1999, as part of offering the AirGate notes, the Company issued warrants to purchase 2.148 shares of common stock for each unit at a price of $0.01 per share. In January 2000, the Company s registration statement on Form S-1 relating to warrants to purchase 644,400 shares of common stock issued together, as units, with AirGate s $300 million of 13.5% senior subordinated discount notes due 2009, was declared effective by the Securities and Exchange Commission. The Company allocated $10.9 million of the proceeds from the units offering to the fair value of the warrants and recorded an original issue discount on the notes, which is recognized as interest expense over the period from issuance to the maturity date using the effective interest method. For the years ended September 30, 2002, 2001 and 2000, accretion of the discount from the warrants totaling $0.9 million, $0.8 million and $0.7 million, respectively, was recorded as interest expense. The warrants became exercisable beginning upon the effective date of the registration statement registering such warrants, for an aggregate of 644,400 shares of common stock. The warrants expire October 1, 2009. As of September 30, 2002, warrants representing 604,230 shares of common stock had been exercised (15,001 in 2002, 80,641 in 2001 and 508,588 in 2000), and warrants representing 40,170 shares of common stock remain outstanding.

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**AIRGATE PCS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

As part of the acquisition of iPCS by AirGate, AirGate assumed warrants previously issued by iPCS in connection with the iPCS notes in exchange for warrants on 475,351 shares of Company common stock with an exercise price of $34.51 per share, all of which were outstanding on September 30, 2002. Additionally, the Company assumed warrants on 183,584 shares of the Company s common stock previously issued by iPCS in connection with iPCS amendment of its management agreement with Sprint with an exercise price of $31.06 per share. The warrants related to the iPCS notes became exercisable on July 15, 2001 for a period of ten years after the date of issuance. The warrants related to the Sprint Agreements were issued as part of an amendment to the management agreement iPCS had with Sprint in connection with iPCS purchase of Sprint owned PCS territories in Michigan, Iowa and Nebraska and became exercisable by Sprint on July 15, 2001 and expire on July 15, 2007. Certain of the warrants outstanding at September 30, 2002 require liability classification measured at fair value. The fair value at September 30, 2002 was approximately $0.1 million.

The following is a summary of activity in the Company s warrants from date of issuance through September 30, 2002:

**Warrants as of September 30, 2002**

| | Issued | Exercised | Outstanding as of September 30 |
|---|---|---|---|
| AirGate Weiss, Peck & Greer May 1999 | 214,413 | (214,413) | |
| AirGate Lucent Warrants August 1999 | 128,860 | (128,860) | |
| AirGate Lucent Warrants June 2000 | 10,175 | | 10,175 |
| AirGate note warrants September 1999 | 644,400 | (604,230) | 40,170 |
| iPCS note warrants July 2000 | 475,351 | | 475,351 |
| iPCS Sprint Warrants July 2000 | 183,584 | | 183,584 |
| Total warrants outstanding | 1,656,783 | (947,503) | 709,280 |

***(c) Stock Compensation Plans***

In July 1999, the Board of Directors approved the 1999 Stock Option Plan, an incentive stock option plan whereby 2,000,000 shares of common stock were reserved for issuance to current and future employees. Options issued under the plan vest at various terms up to a five-year period beginning at the grant date and expire ten years from the date of grant. During the year ended September 30, 2000, unearned stock compensation of $2.2 million was recorded for grants of common stock options made during that period representing the difference between the exercise price at the date of grant and the fair value at the date of grant. Non-cash stock compensation is recognized over the period in which the related services are rendered.

The Company issued 12,067 shares of restricted stock to employees of the Company during fiscal year 2002. The shares vest at various rates over a 5-year period. The Company has recorded the fair value of the shares issued of $252,000 as unearned stock compensation and is amortizing such amount to non-cash stock compensation over the vesting period.

On January 31, 2001, the Board of Directors approved the 2001 Non-Executive Stock Option Plan, whereby 150,000 shares of common stock were reserved for issuance to current and future employees who were not eligible for grants under the 1999 Stock Option Plan. Options issued under the plan vest ratably over a four-year period beginning at the grant date and expire ten years from the date of grant.

On July 31, 2001, the Board of Directors approved the AirGate PCS, Inc. 2001 Non-Employee Director Compensation Plan. Pursuant to the plan, non-employee directors receive an annual retainer,

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**AIRGATE PCS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

which may be comprised of cash, restricted stock or options to purchase shares of Company common stock. For each plan year, each non-employee director of the Company that chairs one or more committees of the board of directors receives an annual retainer of $12,000 and all other non-employee directors receive an annual retainer of $10,000. The recipient may elect to receive up to 50% of such amount in the form of restricted stock or options to purchase shares of Company common stock.

Each non-employee director that joins the Company s Board of Directors also receives an initial grant of options to acquire 5,000 shares of Company common stock. The options vest in three equal annual installments beginning on the first day of the plan year following the year of grant. In addition, each participant receives an annual grant of options to acquire 5,000 shares of Company common stock. In lieu of this annual grant, the recipient may elect to receive three year s worth of annual option grants in a single upfront grant of options to acquire 15,000 shares of Company common stock that vest in three equal annual installments. All options are issued at an exercise price equal to the fair market value of the Company s common stock on the date of grant. The Company also reimburses each of the non-employee directors for reasonable travel expenses to board and committee meetings.

On December 18, 2001, the Board of Directors approved the AirGate PCS, Inc. 2002 Long-Term Incentive Plan (the 2002 Plan ), whereby 1,500,000 shares of Company common stock were reserved for issuance as incentive awards to select employees and officers, directors and consultants of the Company, on such vesting terms as the Company s compensation committee determines. The 2002 Plan was approved by shareholders and became effective on February 26, 2002. Upon approval of the 2002 Plan by the Company s shareholders, no future issuances of options under the 1999 Stock Option Plan or 2001 Non-Executive Stock Option Plan were permitted, and shares issued under the Non-Employee Director Plan are reserved under the authority of the 2002 Plan.

On January 31, 2001, the Board of Directors approved the 2001 Employee Stock Purchase Plan, which made available for issuance 200,000 shares of common stock. The 2001 Employee Stock Purchase Plan allows employees to make voluntary payroll contributions towards the purchase of Company common stock. At the end of the offering period, initially the calendar year, the employee will be able to purchase common stock at a 15% discount to the market price of the Company s common stock at the beginning or end of the offering period, whichever is lower. For the year ended September 30, 2002, 18,343 shares of common stock were issued to the 2001 Employee Stock Purchase Plan in exchange for $568,000 in cash, and 181,657 shares remain reserved for future issuance.

The Company applies the provisions of APB Opinion No. 25 and related interpretations in accounting for its stock option plans. Had compensation costs for the Company s stock option plans been determined in accordance with SFAS No. 123, the Company s net loss and basic and diluted net loss per share of common stock for the year ended September 30, 2002, 2001 and 2000 would have increased to the pro forma amounts indicated below (dollars in thousands, except for per share amounts):

| | Years Ended September 30, | | |
|---|---|---|---|
| | 2002 | 2001 | 2000 |
| Net loss: | | | |
| As reported | $ (996,617) | $ (110,990) | $ (81,323) |
| Pro forma | $ (1,005,755) | $ (117,017) | $ (84,521) |
| Basic and diluted net loss per share of common stock: | | | |
| As reported | $ (41.96) | $ (8.48) | $ (6.60) |
| Pro forma | $ (42.34) | $ (8.94) | $ (6.86) |

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**AIRGATE PCS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The fair value of stock option grants for the years ended September 30, 2002, 2001, and 2000 was $26.29, $31.10, and $20.02, respectively. The fair value of stock options granted was estimated as of the date of the grant using the Black-Scholes option pricing model with the following assumptions:

| | Years Ended September 30, | | |
|---|---|---|---|
| | 2002 | 2001 | 2000 |
| Risk-free interest return | 2.3% | 3.5% | 6.5% |
| Volatility | 180.0% | 100.0% | 120.0% |
| Dividend yield | 0% | 0% | 0% |
| Expected life in years | 4 | 4 | 5 |

The following table summarizes activity under the Company s stock option plans:

| | Number of options | Weighted-average exercise price |
|---|---|---|
| Options outstanding as of September 30, 1999 | 1,075,000 | $14.00 |
| Granted | 600,500 | 51.63 |
| Exercised | (84,605) | 14.00 |
| Forfeited | (86,250) | 19.15 |
| Options outstanding as of September 30, 2000 | 1,504,645 | 28.72 |
| Granted | 502,587 | 41.35 |
| Exercised | (467,556) | 14.39 |
| Forfeited | (82,741) | 36.66 |
| Options outstanding as of September 30, 2001 | 1,456,935 | 37.23 |
| Options assumed in acquisition of iPCS | 478,069 | 31.99 |
| Granted | 637,689 | 27.45 |
| Exercised | (33,558) | 26.86 |
| Forfeited | (279,372) | 35.30 |
| Options outstanding as of September 30, 2002 | 2,259,763 | $33.95 |

As previously discussed, the Company maintains several stock option plans with total reserved shares of approximately 3,500,000. Shares of the Company s common stock available for future grant under the Company s stock option plans were 1,268,961 at September 30, 2002.

**AIRGATE PCS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following table summarizes information for stock options outstanding and exercisable at September 30, 2002:

| | Options outstanding | | | Options exercisable | |
|---|---|---|---|---|---|
| Range of exercise prices | Number outstanding | Weighted average remaining contractual life (in years) | Weighted average exercise price | Number exercisable | Weighted average exercise price |
| $0.88 14.00 | 734,937 | 7.91 | $ 11.48 | 239,320 | $ 14.00 |
| 15.95 34.52 | 379,249 | 6.99 | 31.57 | 266,617 | 32.02 |
| 35.63 36.75 | 231,266 | 8.12 | 36.65 | 62,527 | 36.61 |
| 39.22 46.62 | 230,912 | 7.83 | 42.86 | 102,788 | 42.94 |
| 46.66 46.88 | 256,577 | 9.01 | 46.71 | 16,275 | 46.88 |
| 47.50 65.13 | 266,822 | 8.09 | 55.94 | 94,069 | 54.20 |
| 66.94 | 150,000 | 7.92 | 66.94 | 67,499 | 66.94 |
| 98.50 | 10,000 | 7.44 | 98.50 | 5,750 | 98.50 |
| $0.88 $98.50 | 2,259,763 | 7.91 | $ 33.95 | 854,845 | $ 34.59 |

At September 30, 2001, 406,445 options were exercisable and the weighted average exercise price was $30.05. At September 30, 2000, 285,395 options were exercisable and the weighted average exercise price was $14.00.

***(d) Preferred Stock***

The Company s articles of incorporation authorize the Company s Board of Directors to issue up to 5 million shares of preferred stock without stockholder approval. The Company has not issued any preferred stock as of September 30, 2002.

**(9) Income Taxes**

The provision for income taxes includes income taxes currently payable and those deferred because of temporary differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future and any increase or decrease in the valuation allowance for deferred income tax assets.

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**AIRGATE PCS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Income tax benefit for the years ended September 30, 2002, 2001 and 2000, differed from the amounts computed by applying the statutory U.S. Federal income tax rate of 34% to loss before income tax benefit as a result of the following (dollars in thousands):

| | Years ended September 30, | | |
|---|---|---|---|
| | 2002 | 2001 | 2000 |
| Computed expected income tax benefit | $(348,629) | $(37,737) | $(27,650) |
| (Increase) decrease in income tax benefit resulting from: | | | |
| Stock option deductions | (1,585) | (2,224) | |
| State income tax benefits, net of Federal effect | (23,466) | (6,120) | (5,116) |
| Increase in the valuation allowance for deferred income tax assets | 184,197 | 44,697 | 31,000 |
| Nondeductible interest expense | 4,244 | 1,308 | 1,224 |
| Asset impairments | 154,015 | | |
| Other, net | 2,463 | 76 | 542 |
| Total income tax benefit | $ (28,761) | $ | $ |

Differences between financial accounting and tax bases of assets and liabilities giving rise to deferred income tax assets and liabilities are as follows at September 30 (in thousands):

| | 2002 | 2001 |
|---|---|---|
| Deferred income tax assets: | | |
| Net operating loss carryforwards | $ 156,544 | $ 67,818 |
| Capitalized start-up costs | 2,576 | 3,942 |
| Accrued expenses | 14,145 | 409 |
| Deferred interest expense | 36,133 | 15,735 |
| Gross deferred income tax assets | 209,398 | 87,904 |
| Less valuation allowance for deferred income tax assets | (184,197) | (81,459) |
| Net deferred income tax assets | 25,201 | 6,445 |
| Deferred income tax liabilities, principally due to differences in depreciation and amortization | (25,201) | (6,445) |
| Net deferred income tax assets | $ | $ |

Deferred income tax assets and liabilities are recognized for differences between the financial statement carrying amounts and the tax basis of assets and liabilities which result in future deductible or taxable amounts and for net operating loss and tax credit carryforwards. In assessing the realizability of deferred income tax assets, management considers whether it is more likely than not that some portion of the deferred income tax assets will be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management has provided a valuation allowance against all of its deferred income tax assets because the realization of those deferred tax assets is uncertain.

The valuation allowance for deferred income tax assets as of September 30, 2002 and 2001 was $184.2 million and $81.5 million, respectively. The net change in the total valuation allowance for the years ended September 30, 2002, 2001 and 2000 was an increase of $184.2 million, $44.7 million and $31.0 million, respectively. The increase in valuation allowance is offset by $81.5 million of valuation allowance associated with the acquisition of iPCS.

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**AIRGATE PCS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

At September 30, 2002, the Company has net operating loss carryforwards for Federal income tax purposes of approximately $445 million, which will expire in various amounts beginning in the year 2019. The net operating loss carryforwards that the Company may use to offset taxable income in future years is limited as a result of an ownership change, as defined under Internal Revenue Code Section 382, which occurred effective with the Company s acquisition of iPCS on November 30, 2001. The amount of this annual limitation is approximately $74.3 million per year. At September 30, 2002, the Company also has a South Carolina general business credit carryforward of approximately $0.5 million available to offset income tax expense from this state that will expire in the year 2009.

The net operating loss carryforward of $445 million includes deductions of approximately $8.6 million related to the exercise of stock options, which will be credited to additional paid in capital if recognized.

**(10) Goodwill and intangible assets**

The changes in the carrying amount of goodwill between September 30, 2001 and September 30, 2002 are as follows (dollars in thousands):

| | |
|---|---|
| Balance of goodwill as of September 30, 2001 | $ |
| Goodwill acquired on November 30, 2001 (preliminary purchase price allocation) | 387,392 |
| Adjustments to preliminary purchase price allocation during period ended March 31, 2002 | 73,528 |
| Goodwill impairments | (460,920) |
| Balance as of September 30, 2002 | $ |

The amortization of intangible assets for the years ended September 30, 2002 and 2001 was $39,332 and $46 (dollars in thousands), respectively.

The adjustment to the preliminary purchase price resulted from the receipt of the final purchase price allocation report from the Company s valuation expert. These adjustments reduced the intangible assigned to the right to provide service under the Sprint Agreements by $94 million, increased goodwill by $73.5 million, adjusted other assets and liabilities by $6.9 million, and reduced the deferred income tax liability by $27.4 million.

The amortization period, gross carrying amount, impairments, accumulated amortization, and net carrying amount of intangible assets at September 30, 2002, are as follows (dollars in thousands):

| | Amortization period | Gross carrying amount | Impairments | Accumulated amortization | Net carrying amount |
|---|---|---|---|---|---|
| Non-competition agreements iPCS acquisition | 6 months | $3,900 | $ | $ (3,900) | $ |
| Non-competition agreements AirGate store acquisitions | 24 months | 159 | | (127) | 32 |
| Acquired subscriber base iPCS acquisition | 30 months | 52,400 | (6,640) | (17,465) | 28,295 |
| Right to provide service under the Sprint agreements iPCS | 205 months | 323,289 | (305,403) | (17,886) | |

| | | | | |
|---|---|---|---|---|
| acquisition | | | | |
| Total | $379,748 | $(312,043) | $(39,378) | $28,327 |

The weighted average estimated useful lives of intangibles assets was approximately 178.7 months or 14.9 years for the year ended September 30, 2002 with remaining useful lives of 20 months or 1.7 years for future periods as a result of the impairments described in note 2.

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**AIRGATE PCS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**Estimated future amortization expense on intangible assets for the fiscal years ended September 30,**

| | |
|---|---|
| 2003 | $17,009 |
| 2004 | $11,318 |

**(11) Merger with iPCS, Inc.**

On November 30, 2001, the Company completed the acquisition of iPCS. In light of consolidation in the wireless communications industry in general and among Sprint PCS network partners in particular, the Company s Board of Directors believed that the merger represented a strategic opportunity to significantly expand the size and scope of the Company s operations. The Company s Board of Directors believed that, following the merger, the Company would have greater financial flexibility, operational efficiencies and growth potential than the Company would have on its own. In connection with the iPCS acquisition, the Company issued 12.4 million shares of Company common stock valued at $57.16 per share on November 30, 2001, which totaled $706.6 million. The Company reserved an additional 1.1 million shares for issuance upon exercise of outstanding iPCS options and warrants valued at $47.7 million using a Black-Scholes option pricing model. The transaction was accounted for under the purchase method of accounting. Accordingly, the Company engaged a nationally recognized valuation expert to assist in the allocation of purchase price to the fair value of identifiable assets and liabilities. Subsequently, certain former shareholders of iPCS sold 4.0 million shares of Company common stock in an underwritten offering on December 18, 2001. The accounts of iPCS are included in the Company s consolidated financial statements as of September 30, 2002 and the results of operations subsequent to November 30, 2001.

The Company considers itself the acquiring entity for the following reasons. The Company was the issuer of the equity shares in the merger, Company stockholders, subsequent to the merger, held 53 percent of the combined entity, senior management of the combined entity subsequent to the merger is comprised of former senior management of the Company, Company stockholders, subsequent to the merger, have the majority voting rights to elect the governing body of the combined company, and the Company was the larger of the two entities prior to the merger.

The total purchase price and the fair values of identifiable assets and liabilities as of November 30, 2001 are summarized below (dollars in thousands).

| | |
|---|---|
| Stock issued | $ 706,645 |
| Value of options and warrants converted | 47,727 |
| Costs associated with acquisition | 7,730 |
| Liabilities assumed | 394,165 |
| Total purchase price | $1,156,267 |
| Tangible assets | $ 313,843 |
| Intangible assets | 379,589 |
| Goodwill | 462,835 |
| Total | $1,156,267 |

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**AIRGATE PCS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

As a result of the acquisition of iPCS, the Company recorded goodwill of $462,835 and intangible assets of $379,589 (dollars in thousands):

| | Value Assigned | Amortization Period |
|---|---|---|
| Acquired subscriber base | $ 52,400 | 30 months |
| Non-competition agreements | 3,900 | 6 months |
| Right to provide service under the Sprint Agreements | 323,289 | 205 months |
| | $379,589 | |

The weighted average estimated useful lives of intangibles assets was approximately 178.7 months or 14.9 years for the year ended September 30, 2002 and approximately 20 months or 1.6 years for future periods as a result of the impairments described in note 2.

All of the goodwill and the majority of the intangibles were subsequently impaired (see Note 2).

The unaudited pro forma condensed consolidated statements of operations for the years ended September 30, 2002 and 2001, set forth below, present the results of operations as if the acquisition had occurred at the beginning of each period and are not necessarily indicative of future results or actual results that would have been achieved had the acquisition occurred as of the beginning of each period (dollars in thousands).

| | Years Ended September 30, | |
|---|---|---|
| | 2002 | 2001 |
| Total revenues | $ 483,612 | $ 259,214 |
| Net loss | $(1,045,361) | $(246,032) |
| Basic and diluted net loss per share | $ (40.57) | $ (9.67) |

**(12) Commitments and Contingencies**

***(a) Operating Leases***

The Company is obligated under non-cancelable operating lease agreements for office space, cell sites, vehicles and office equipment. Future minimum annual lease payments under non-cancelable operating lease agreements with remaining terms greater than one year for the next five years and in the aggregate at September 30, 2002, are as follows (dollars in thousands):

| Years ending September 30, | |
|---|---|
| 2003 | $ 32,310 |
| 2004 | 30,906 |

| | |
|---|---|
| 2005 | 25,374 |
| 2006 | 17,462 |
| 2007 | 11,860 |
| Thereafter | 28,401 |
| Total future minimum annual lease payments | $146,313 |

Rental expense for all operating leases was $30.0 million, $15.2 million and $9.8 million for the years ended September 30, 2002, 2001 and 2000, respectively.

**AIRGATE PCS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

***(b) Employment Agreements***

The Company has entered into employment agreements with certain employees that define employment terms including salary, bonus and benefits to be provided to the respective employees.

In May 2000, the Company entered into a retention bonus agreement with Thomas M. Dougherty, its Chief Executive Officer. So long as Mr. Dougherty is not terminated for cause or does not voluntarily terminate employment, the Company must make on specified payment dates, generally quarterly, extending to January 15, 2004, periodic retention bonuses totaling $3.6 million. For the years ended September 30, 2002, 2001 and 2000, the Company has recorded compensation expense of $0.7 million, $0.7 million and $1.2 million, respectively, related to amounts earned under the retention bonus agreement. Under the terms of the agreement, partial acceleration of the future payments would occur upon a change in control of the Company. The Company s commitment with respect to future payments at September 30, 2002 was $1 million.

***(c) Litigation***

On July 3, 2002 the Federal Communications Commission (the FCC ) issued an order in Sprint PCS v. AT&T for declaratory judgment holding that PCS wireless carriers could not unilaterally impose terminating long distance access charges pursuant to FCC rules. This FCC order did not preclude a finding of a contractual basis for these charges, nor did it rule whether or not Sprint PCS had such a contract with carriers such as AT&T. AirGate and iPCS have previously received $3.9 and $1.0 million, respectively. This is comprised of $4.3 and $1.1 million, respectively, of terminating long distance access revenues, less $0.4 and $0.1 million, respectively, of associated affiliation fees held by Sprint PCS and Sprint PCS has asserted its right to recover these revenues net of the affiliation fees. As a result of this ruling, and our assessment of this contingency under SFAS No. 5, Accounting for Contingencies , the Company recorded a charge to revenues during the quarter ended June 30, 2002 to fully accrue for these amounts. However, we will continue to assess the ability of Sprint, Sprint PCS or other carriers to recover these charges and the Company is continuing to review the availability of defenses it may have against Sprint PCS claim to recover these revenues.

In May 2002, putative class action complaints were filed in the United States District Court for the Northern District of Georgia against AirGate PCS, Inc., Thomas M. Dougherty, Barbara L. Blackford, Alan B. Catherall, Credit Suisse First Boston, Lehman Brothers, UBS Warburg LLC, William Blair & Company, Thomas Wiesel Partners LLC and TD Securities. The complaints do not specify an amount or range of damages that the plaintiffs are seeking. The complaints seek class certification and allege that the prospectus used in connection with the secondary offering of Company stock by certain former iPCS shareholders on December 18, 2001 contained materially false and misleading statements and omitted material information necessary to make the statements in the prospectus not false and misleading. The alleged omissions included (i) failure to disclose that in order to complete an effective integration of iPCS, drastic changes would have to be made to the Company s distribution channels, (ii) failure to disclose that the sales force in the acquired iPCS markets would require extensive restructuring and (iii) failure to disclose that the churn or turnover rate for subscribers would increase as a result of an increase in the amount of sub-prime credit quality subscribers the Company added from its merger with iPCS. On July 15, 2002, certain plaintiffs and their counsel filed a motion seeking appointment as lead plaintiffs and lead counsel. On November 26, 2002, the Court entered an Order requiring the Plaintiffs to provide additional information in connection with their Motion for Appointment as Lead Plaintiff and in December 2002, Plaintiffs submitted Declarations in Support of Motion for Appointment of Lead Plaintiff. The Company believes the plaintiffs claims are without merit and intends to vigorously defend against these claims. However, no assurance can be given as to the outcome of the litigation.

**AIRGATE PCS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

***(d) 401(k) Plan***

Employer contributions under the Company s 401(k) plans for the years ended September 30, 2002, 2001 and 2000 were $0.7, $0.6, and $0.2 million, respectively.

***(e) Other***

The Company is committed to make expenditures for certain outdoor advertising and marketing sponsorships subsequent to September 30, 2002 totaling $1.1 million and $250,000, respectively. Additionally, the Company is committed to making a future payment under a consulting contract of $580,000.

**(13) Related Party Transactions and Transactions between AirGate and iPCS**

See Note 4 for a discussion of transactions with Sprint.

***Transactions between AirGate and iPCS***

The Company formed AirGate Service Company, Inc. ( ServiceCo ) to provide management services to both AirGate and iPCS. ServiceCo is a wholly-owned restricted subsidiary of AirGate. Personnel who provide general management services to AirGate and iPCS have been leased to ServiceCo, which includes 190 employees at September 30, 2002. Generally, the management personnel include the corporate staff in the Company s principal corporate offices in Atlanta and the accounting staff in Geneseo, Illinois. ServiceCo expenses are allocated between AirGate and iPCS based on the percentage of subscribers they contribute to the total number of Company subscribers (the ServiceCo Allocation ), which is currently 60% AirGate and 40% iPCS. Expenses that are related to one company are allocated to that company. Expenses that are related to ServiceCo or both companies are allocated in accordance with the ServiceCo Allocation. For the year ended September 30, 2002, iPCS paid ServiceCo a net total of $1.7 million for ServiceCo expenses.

AirGate has completed transactions at arms-length in the normal course of business with its unrestricted subsidiary iPCS. These transactions are comprised of roaming revenue and expenses, inventory sales and purchases and sales of network operating equipment as further described below.

In the normal course of business under AirGate s and iPCS Sprint agreements, AirGate s subscribers incur minutes of use in iPCS territory causing AirGate to incur roaming expense. In addition, iPCS subscribers incur minutes of use in AirGate s territory for which AirGate receives roaming revenue. AirGate received $0.4 million of roaming revenue from iPCS and incurred $0.4 million of roaming expense to iPCS during the year ended September 30, 2002. The reciprocal roaming rate charged and other terms are established under AirGate s and iPCS Sprint agreements.

In order to optimize the most efficient use of certain models of handset inventories in relation to regional demand, AirGate sold approximately $0.1 million of wireless handset inventories to iPCS. Additionally AirGate purchased approximately $0.2 million of wireless handset inventories from iPCS. These transactions were completed at fair value. At September 30, 2002, neither AirGate nor iPCS were carrying any wireless handset inventory purchased from each other.

AirGate sold approximately $0.2 million of network operating equipment to iPCS in fiscal 2002 at fair value. Additionally, iPCS sold to AirGate approximately $0.7 million of network operating equipment at fair value.

All of these transactions are eliminated in consolidation.

**AIRGATE PCS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The terms and conditions of each of the transactions described above are comparable to those that could have been obtained in transactions with unaffiliated entities.

***Transactions Involving Board Members***

AirGate purchases certain telecommunication services for its network from New South Communications. James Akerhielm, a member of AirGate s board of directors during the year ended September 30, 2002, is the president and chief executive officer and a member of the board of directors of New South Communications, Inc. Mr. Akerhielm was elected to the board of directors of AirGate during May 2002. For the year ended September 30, 2002, AirGate purchased $0.7 million of telecommunication services from New South Communications, less than 1% of AirGate s revenues. The terms and conditions of such transactions are comparable to those that could have been obtained in transactions with unaffiliated entities.

Pursuant to his employment agreement, iPCS purchases consulting services from Tim Yager who served on AirGate s Board of Directors during the year ended September 30, 2002. For the year ended September 30, 2002, iPCS purchased $0.3 million of consulting services from Tim Yager.

Messrs. Akerhielm and Yager have both recently resigned from the Company s Board of Directors.

**(14) Selected Quarterly Financial Data (Unaudited):**

| | First Quarter(a) | Second Quarter(b) | Third Quarter | Fourth Quarter(c) | Total |
|---|---|---|---|---|---|
| Year ended September 30, 2002: | | | | | |
| Total revenue | $ 81,699 | $ 114,897 | $ 122,809 | $ 137,152 | $ 456,557 |
| Operating loss | (36,724) | (298,856) | (34,592) | (598,643) | (968,815) |
| Net loss | (29,644) | (301,910) | (50,079) | (614,984) | (996,617) |
| Net loss per share basic and diluted | (1.68) | (11.71) | (1.94) | (23.83) | (41.96) |
| Year ended September 30, 2001: | | | | | |
| Total revenue | $ 23,019 | $ 37,078 | $ 49,738 | $ 62,252 | $ 172,087 |
| Operating loss | (27,404) | (21,338) | (16,295) | (19,517) | (84,554) |
| Net loss | (33,863) | (28,372) | (23,743) | (25,012) | (110,990) |
| Net loss per share basic and diluted | (2.64) | (2.18) | (1.80) | (1.88) | (8.48) |

(a) Includes the acquisition of iPCS (see note 11)

(b) Includes a $261.2 million goodwill impairment charge (see note 2)

(c) Includes impairment charges of $312.0 million related to intangible assets, $199.7 million related to goodwill and $44.5 million related to property and equipment (see notes 2 and 11)

**(15) Subsequent Events**

During November 2002, the Company completed an amendment to the iPCS credit facility that waived the minimum subscriber covenant for December 31, 2002 and eliminated the $10.0 million liquidity requirement. The amount of the credit facility was reduced by the same amount to $130.0 million and eliminated any further availability under the iPCS credit facility.

On October 8, 2002 iPCS retained Houlihan Lokey Howard & Zukin Capital to review iPCS revised long range business plan, the strategic alternatives available to iPCS and to assist iPCS in developing and implementing a plan to improve its capital structure. Because current conditions in the capital markets

**AIRGATE PCS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

make additional financing unlikely, iPCS has undertaken efforts to restructure its relationship with its secured lenders, its public noteholders and Sprint, and we have begun restructuring discussions with informal committees of these creditors. While the lenders and noteholders have expressed willingness to work with iPCS, Sprint has informed us it is unwilling to restructure its agreements with iPCS. Because of its deteriorating financial condition, iPCS expects to seek protection under the federal bankruptcy laws in an effort to effect a court-administered reorganization.

iPCS failed to deliver on December 30, 2002 the audited financial statements and audit opinion required by the iPCS credit facility and the indenture under which its notes are issued. Because of these events of default, the senior lenders will have the ability to accelerate iPCS payment obligations under the iPCS credit facility and the holders of the iPCS notes will have the ability to accelerate iPCS payment obligations under iPCS indenture, after giving notice and the expiration of applicable cure periods. iPCS is working with its lenders and noteholders on a forbearance agreement, however there is no assurance that these negotiations will be successful. In any event, we anticipate that iPCS will default on certain financial covenants as of March 31, 2003 and it is probable that iPCS will file for bankruptcy in the near term. Such events are also events of default under the iPCS credit facility.

On November 4, 2002, the Company was notified by Sprint that it intends to reduce the reciprocal roaming rate from its current $0.10 per minute to $0.058 per minute in 2003. Currently the roaming revenue that the Company receives from Sprint for Sprint and its network partners PCS subscribers using the Company s network exceed those that the Company pays to Sprint and its PCS network partners for the Company s subscribers using their networks. The change in the roaming rate will decrease the Company s revenues, expenses and the Company s net roaming margin, which is the difference between roaming revenue and roaming expense, increase the Company s net loss and decrease cash flow from operations.

AirGate s credit facility requires that AirGate deliver audited financial statements accompanied by an unqualified opinion of its independent auditors by December 30, 2002, along with certain related documents. Similarly, AirGate s notes require that AirGate deliver an audit opinion of its independent auditors, along with certain related documents, by December 30, 2002. Because AirGate did not deliver the required information on December 30, 2002, AirGate was in default under its credit facility and the indenture governing its notes. Under the AirGate credit facility and indenture, the default did not constitute an event of default until the giving of notice and expiration of the applicable cure period. AirGate is curing any defaults under the AirGate credit facility and indenture with the filing of these consolidated financial statements.

On December 31, 2002, Standard & Poor s ( S&P ) downgraded AirGate s corporate rating from CCC+ to CCC- and its rating of the AirGate notes from CCC-to CC. In addition, S&P downgraded iPCS corporate rating from CCC- to CC and has placed AirGate on credit watch with negative implications pending the cure of a default under its credit facility and its notes.

In October 2002, the Company entered into a separation agreement and release with its former Chief Financial Officer, who resigned as an officer of the Company effective October 21, 2002, and as an employee of the Company effective October 31, 2002. Pursuant to the separation agreement, the Company will pay to the former Chief Financial Officer a severance payment in the amount equal to $300,000, half of which will be paid bi-weekly for the first six months of fiscal 2003. The remainder will be paid in a lump sum payment at the end of the six-month period.

In addition, in connection with a reduction in workforce in October and December 2002, the Company became obligated in the three month period ended December 31, 2002 to pay a total of $1.1 million in severance payments.

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**AIRGATE PCS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(16) Condensed Consolidating Financial Information**

AGW Leasing Company, Inc. ( AGW ) is a wholly-owned restricted subsidiary of AirGate. AGW has fully and unconditionally guaranteed the AirGate notes and the AirGate credit facility. AGW was formed to hold the real estate interests for the Company s PCS network and retail operations. AGW also was a registrant under the Company s registration statement declared effective by the Securities and Exchange Commission on September 27, 1999. AGW jointly and severally guarantees the Company s long-term debt.

AirGate Network Services LLC ( ANS ) was created as a wholly-owned restricted subsidiary of AirGate. ANS has fully and unconditionally guaranteed the AirGate notes and AirGate credit facility. ANS was formed to provide construction management services for the Company s PCS network. ANS jointly and severally guarantees AirGate s long-term debt.

AirGate Service Company, Inc. ( Service Co ) is a wholly-owned restricted subsidiary of AirGate. Service Co has fully and unconditionally guaranteed the AirGate notes and the AirGate credit facility. Service Co was formed to provide management services to AirGate and iPCS. Service Co jointly and severally guarantees AirGate s long-term debt.

iPCS is a wholly-owned unrestricted subsidiary of AirGate and operates as a separate business. As an unrestricted subsidiary, iPCS provides no guarantee to either the AirGate notes or the AirGate credit facility and AirGate and its restricted subsidiaries provide no guarantee to the iPCS notes or the iPCS credit facility.

AGW, ANS, Service Co and iPCS are 100% owned by AirGate and no other persons have equity interests in such entities.

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**AIRGATE PCS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The condensed consolidating financial information for AirGate, AGW, ANS, Service Co and iPCS as of September 30, 2002 and for the year ended September 30, 2002 is as follows (dollars in thousands):

| | AirGate PCS, Inc. | AGW Leasing Company, Inc. | AirGate Network Services, LLC | AirGate Service Company, Inc. | Eliminations | AirGate Consolidated(1) | iPCS Non-Guarantor Subsidiary | Eliminations | Combined Company Consolidated |
|---|---|---|---|---|---|---|---|---|---|
| Cash and cash equivalents | $ 4,769 | $ | $ 118 | $ | $ | $ 4,887 | $ 27,588 | $ | $ 32,475 |
| Other current assets | 122,869 | | 529 | | (60,579) | 62,819 | 35,593 | (1,114) | 97,298 |
| Total current assets | 127,638 | | 647 | | (60,579) | 67,706 | 63,181 | (1,114) | 129,773 |
| Property and equipment, net | 168,163 | | 45,614 | | | 213,777 | 185,378 | | 399,155 |
| Intangible assets, net | 1,428 | | | | | 1,428 | 26,899 | | 28,327 |
| Investment in subsidiaries | (183,718) | | | | 84,506 | (99,212) | | 99,212 | |
| Other noncurrent assets | 4,924 | | | | | 4,924 | 12,115 | | 17,039 |
| Total assets | $ 118,435 | $ | $ 46,261 | $ | $ 23,927 | $ 188,623 | $ 287,573 | $98,098 | $ 574,294 |
| Current liabilities | $ 55,535 | $ 44,859 | $ 60,579 | $ 25,329 | $(60,579) | $ 125,723 | 369,564 | $ (1,114) | $ 494,173 |
| Long-term debt | 354,264 | | | | | 354,264 | $ 564 | | 354,828 |
| Other long-term liabilities | 1,583 | | | | | 1,583 | 16,657 | | 18,240 |
| Total liabilities | 411,382 | 44,859 | 60,579 | 25,329 | (60,579) | 481,570 | 386,785 | (1,114) | 867,241 |
| Stockholders equity | (292,947) | (44,859) | (14,318) | (25,329) | 84,506 | (292,947) | (99,212) | 99,212 | (292,947) |
| Total liabilities and stockholders equity (deficit) | $ 118,435 | $ | $ 46,261 | $ | $ 23,927 | $ 188,623 | $ 287,573 | $98,098 | $ 574,294 |
| Total revenues | $ 313,544 | $ | $ | $ | $ | $ 313,544 | $ 144,080 | $ (1,067) | $ 456,557 |
| Cost of revenues | (214,546) | (15,219) | | (3,140) | 1,142 | (231,763) | (124,031) | 1,067 | (354,727) |
| Selling and marketing | (73,603) | (2,754) | | (4,169) | 1,516 | (79,010) | (37,511) | | (116,521) |
| General and administrative | (5,580) | (585) | | (18,020) | 6,554 | (17,631) | (7,708) | | (25,339) |
| Depreciation and amortization | (68,124) | | (8,357) | | | (76,481) | (33,048) | | (109,529) |
| Other, net | (36,759) | | 1,891 | | | (34,868) | (22,464 | | |