AIRGATE PCS INC /DE/
Form PRER14A
December 19, 2003

Table of Contents

OMB APPROVAL	
OMB Number:	3235-0059
Expires:	August 31, 2004
Estimated average burden hours per response	14.73

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:

2) Aggregate number of securities to which transaction applies:

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:

5) Total fee paid:

o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

SEC 1913 (02-02) **Persons who potentially are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.**

AIRGATE PCS, INC.

233 Peachtree Street, N.E.
Harris Tower, Suite 1700
Atlanta, Georgia 30303

, 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 5 reverse stock split of the outstanding 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 33,041,516 shares of our common stock in the restructuring; and

- amend and restate our restated certificate of incorporation to implement the 1 for 5 reverse stock split of our outstanding common stock.

We are also asking you to:

- accept the prepackaged plan of reorganization; and

- approve an amendment and restatement of our 2002 AirGate PCS, Inc. Long-Term Incentive Plan to increase the number of shares reserved and available for issuance to 6,025,000 (pre-split) shares and add additional forms of stock-based compensation that may be issued thereunder and approve the issuance of stock units and options to certain executive officers immediately following completion of the recapitalization plan.

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 amendment and restatement of our equity incentive plan, the issuance of stock units and options to certain executive officers and your vote to accept the prepackaged plan of reorganization. **Your vote to approve the recapitalization plan, the amendment and restatement of the incentive plan, the grants made pursuant thereto 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 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, amendment and restatement of our incentive plan and the issuance of the grants thereunder. It has also unanimously approved our solicitation of your acceptance of the prepackaged plan.

Sincerely,

Robert A. Ferchat
Director

TABLE OF CONTENTS

ABOUT THE SOLICITATION OF PROXIES AND ACCEPTANCES
RISK FACTORS
THE RESTRUCTURING
THE RECAPITALIZATION PLAN
PROPOSAL 1 ISSUANCE OF OUR COMMON STOCK IN THE EXCHANGE OFFER
PROPOSAL 2 AMENDMENT AND RESTATEMENT OF OUR RESTATED CERTIFICATE OF INCORPORATION TO EFFECT A REVERSE STOCK SPLIT
PROPOSAL 3 APPROVAL OF AMENDMENTS TO AIRGATE S 2002 LONG-TERM INCENTIVE PLAN AND OPTION GRANTS TO EXECUTIVES
EQUITY COMPENSATION PLAN INFORMATION
CAPITALIZATION
ACCOUNTING TREATMENT OF THE RESTRUCTURING
SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA
PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOOTNOTES TO PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
MANAGEMENT
SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS, DIRECTORS AND OFFICERS
THE PREPACKAGED PLAN
SHAREHOLDER PROPOSALS FOR NEXT YEAR S ANNUAL MEETING
DELIVERY OF THIS PROXY STATEMENT
WHERE YOU CAN FIND MORE INFORMATION
OTHER MATTERS
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS OF AIRGATE PCS, INC. AND ITS SUBSIDIARIES
ANNEX A
ANNEX B
ANNEX C PROPOSED AMENDED AND RESTATED CERTIFICATE OF INCORPORATION OF AIRGATE PCS, INC.
ANNEX E
INSTRUCTIONS FOR COMPLETING THE MASTER BALLOT

Table of Contents

NOTICE OF SPECIAL MEETING OF SHAREOWNERS

To Be Held on , , 2004

You are cordially invited to attend our special meeting of shareowners, which will be held on , , 2004, 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 33,041,516 shares of our common stock in the restructuring transactions.

2. The amendment and restatement of our certificate of incorporation to implement the approximate 1 for 5 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 amendment and restatement of our 2002 AirGate PCS, Inc. Long-Term Incentive Plan to increase the number of shares reserved and available for issuance to 6,025,000 (pre-split) shares and to add additional forms of stock-based compensation that may be issued thereunder and to vote upon the issuance of stock units and options to certain executive officers.

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 and ballot 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.

Table of Contents

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 33,041,516 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 5 reverse stock split of shares of our outstanding 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 amendment and restatement of our 2002 AirGate PCS, Inc. Long-Term Incentive Plan to increase in the number of shares reserved and available for issuance and add additional forms of stock-based compensation that may be issued and your approval of the issuance of stock units and options to certain executive officers.

For a description of the recapitalization plan, see The Recapitalization Plan on page 54, and for a description of the prepackaged plan, see The Prepackaged Plan, beginning on page 128. 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 , 2004 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.

Table of Contents

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) 33,041,516 shares of our common stock, par value $0.01 per share, prior to the reverse stock split, representing 56% of the shares of our common stock to be issued and outstanding immediately after the financial restructuring, and (2) $160,000,000 in aggregate principal amount of our new notes, in each case assuming the exchange of all outstanding old 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, we will issue 110.1384 shares of our pre-reverse split common stock (having an approximate value of $203.76, based on the last reported bid price of $1.85 on December 12, 2003) and $533.33 in aggregate principal amount of our new notes.

Concurrently with the exchange offer, we are soliciting the consent of each holder of our old notes to amend the indenture governing the old notes, which we refer to as the old notes indenture, to amend the old notes indenture to eliminate substantially all of the restrictive covenants contained in the old notes indenture and release all of the collateral securing our obligations thereunder and to waive 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. The support agreement expires by its terms on December 31, 2003. We are currently seeking an amendment to the support agreement to extend its expiration date to February 15, 2004.

2. *Reverse Stock Split.* We are proposing to amend and restate our restated certificate of incorporation to implement a 1 for 5 reverse stock split of the outstanding shares of our common stock.

3. *Amendment and Restatement of the 2002 AirGate PCS, Inc. Long-Term Incentive Plan (the Plan) and Issuance of Awards Thereunder.* We are proposing to amend and restate the Plan to increase the number of shares reserved and available for issuance to 6,025,000 (pre-split) shares and to add additional forms of stock-based compensation that may be issued. We are also proposing to issue a total of 575,000 performance-vested restricted stock units and 1,725,000 stock options to certain executive officers immediately following the completion of the recapitalization plan. Any shares issued under the Plan will proportionately dilute existing shareowners and tendering old noteholders.

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 33,041,516 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. The amendment and restatement of our 2002 AirGate PCS, Inc. Long-Term Incentive Plan and the issuance of awards thereunder.

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 is not a condition to the consummation of the recapitalization plan.

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, subject to the terms thereof, to tender their old notes in the exchange offer and consent to certain changes in the old notes indenture. We reserve the right to waive the minimum tender condition, which, under the terms of the support agreement, we would be able to do only with the prior approval of our board of directors and holders of a majority of old notes that are parties to the support agreement.

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

September 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 September 30, 2003	
	Historical	**Pro Forma**
Common Stock:		
Existing AirGate shareholders(1)	25,961,191	25,961,191
Tendering holders of old notes		33,041,516(2)
Total shares outstanding	25,961,191	59,002,707
Stock Options:		
Shares reserved for issuance pursuant to outstanding options(3)	1,277,070	1,277,070
Shares available for issuance pursuant to future option grants	882,636	5,405,000
Total shares reserved and available for issuance under stock incentive plans(3)	2,159,706	6,682,070
Warrants:		
Total shares reserved for issuance pursuant to outstanding warrants(4)	687,800	687,800

(1) Includes 326,874 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.

Table of Contents

(3) Includes 783,595 shares reserved for issuance pursuant to outstanding options having an exercise price in excess of $5 per share.

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

Registration Rights

Upon consummation of the restructuring, one of the holders of old notes that is a party to the support agreement will hold approximately 12% of our outstanding common stock. Consequently, such noteholder has requested, and we have agreed to provide, certain registration rights to permit such noteholder s resale of our common stock and new notes.

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 (as well as the holders of all other claims) will receive the same consideration in exchange for their claims and interests as they would receive in the recapitalization plan (except for holders of below market warrants and stock options, whose interests will be cancelled under the prepackaged plan).

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 you must complete and return the enclosed ballot 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.

TABLE OF CONTENTS

	Page
About the Solicitation of Proxies and Acceptances	1
Risk Factors	4
The Restructuring	33
The Recapitalization Plan	54
The Restructuring Proposals	57
Proposal 1 Issuance of our Common Stock in the Exchange Offer	57
Proposal 2 Amendment and Restatement of our Restated Certificate of Incorporation to Effect a Reverse Stock Split	58
Proposal 3 Approval of Amendments to AirGate s 2002 Long-Term Incentive Plan and Option Grants to Executives	64
Equity Compensation Plan Information	73
Capitalization	74
Accounting Treatment of the Restructuring	75
Selected Consolidated Historical Financial Data	76
Pro Forma Condensed Consolidated Financial Statements	79
Management s Discussion and Analysis of Financial Condition and Results of Operations	86
Management	113
Security Ownership of Certain Beneficial Owners, Directors and Officers	125
The Prepackaged Plan	128
Shareholder Proposals for Next Year s Annual Meeting	168
Delivery of This Proxy Statement	168
Where You Can Find More Information	168
Other Matters	169
Index to Consolidated Financial Statements	F-1
Annex A Form of Support Agreement	A-1
Annex B Opinion of Financial Advisor	B-1
Annex C Proposed Amended and Restated Certificate of Incorporation of AirGate PCS, Inc.	C-1
Annex D AirGate PCS, Inc. Amended and Restated 2002 Long-Term Incentive Plan	D-1
Annex E Debtor s Prepackaged Plan of Reorganization	E-1

Table of Contents

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 amendment and restatement of our 2002 AirGate PCS, Inc. Long-Term Incentive Plan and the issuance of awards thereunder. You must complete and return the enclosed ballot in order to vote to accept or reject the Prepackaged Plan. Our Board of Directors recommends a vote FOR the Restructuring Proposals and the amendment and restatement of our 2002 AirGate PCS, Inc. Long-Term Incentive Plan and the issuance of awards thereunder and a vote to ACCEPT the Prepackaged Plan.

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

Proxies and ballots 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 Georgeson Shareholder Communications Inc. to assist in the solicitation of proxies and ballots. In addition to solicitation by use of the mails, proxies and ballots 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 , 2004, 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 33,041,516 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 5 reverse stock split of our common stock.

3. The amendment and restatement of our 2002 AirGate PCS, Inc. Long-Term Incentive Plan to increase the number of shares authorized for issuance to 6,025,000 (pre-split) shares, to add additional forms of stock-based compensation that may be issued and to grant a total of 575,000 performance-vested restricted stock units and 1,725,000 stock options to certain executives immediately following the completion of the recapitalization plan.

Table of Contents

Receipt of the affirmative vote of the holders of a majority of the outstanding shares of common stock to approve the amendment and restatement of our restated certificate of incorporation and receipt of the affirmative vote of holders of a majority of shares of common stock represented in person or by proxy at the special meeting to approve the issuance of our common stock in the exchange offer is a condition to the consummation of the recapitalization plan. Approval of the amendment and restatement of our 2002 AirGate PCS, Inc. Long-Term Incentive Plan and the issuance of grants thereunder 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 57.

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.

Adjournment(s)

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.

All proxies which indicate votes FOR all three proposals to be voted on at the meeting shall be deemed a vote FOR any such adjournments(s).

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 and

- the affirmative vote of shareholders holding a majority of the shares that are held by shareholders voting in person or by proxy at the special meeting is needed to approve the issuance of our common stock in the restructuring transactions, and the amendment and restatement of our 2002 AirGate PCS, Inc. Long-Term Incentive Plan and the issuance of grants thereunder.

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.

Table of Contents

Voting on the Prepackaged Plan

Procedures for Voting on the Prepackaged Plan

To vote to accept the prepackaged plan, you must properly execute a ballot in accordance with the directions on such ballot and return it by the conclusion of the special meeting of shareowners on ______, _______, 2004, 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 ballot, signing, dating, and indicating your vote on the ballot, and returning the completed original ballot in the enclosed, pre-addressed, postage-paid envelope so that it is actually received before the solicitation expiration date.

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 ballot has already been signed (or prevalidated) by your nominee, you can vote on the prepackaged plan by completing the information requested on the ballot, indicating your vote on the ballot, and returning the completed original ballot 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 ballot has not been signed (or prevalidated) by your nominee, you can vote on the prepackaged plan by completing the information requested on the ballot, indicating your vote on the ballot, and returning the completed original ballot 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

Georgeson Shareholder Communications Inc. 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.

Table of Contents

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 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 five 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 and even if we do, we cannot predict the price at which our common stock will trade after the restructuring.

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 December 12, 2003, the closing price of our common stock was $1.85 and there were 25,961,191 shares of our common stock issued and outstanding.

If we successfully consummate the financial restructuring, 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 above the $5.00 relisting minimum, 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

- 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.

Immediately after the restructuring, our common stock may experience price volatility because 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. In addition, the issuance of the shares of common stock in the exchange offer may further increase price volatility because such issuance has been registered with the SEC, which means that those shares will, in general, be freely tradeable. Such sales, or the potential for such sales, could adversely affect the price of our stock and create greater volatility in the price of our common stock.

Table of Contents

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 the attractiveness and competitiveness of Sprint PCS products and services and our ability to:

- increase our subscriber base,
- reduce 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.

Our stock price has suffered significant declines and remains volatile.

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 delisting 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;

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.

Table of Contents

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.

If we complete the restructuring, our common stock may be concentrated in a few holders.

If the restructuring is completed, 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. The largest percentage of our common stock held by any single noteholder as a result of the consummation of the financial restructuring is expected to be approximately 12.5%. This noteholder has requested, and we have agreed to provide, certain registration rights to permit such noteholder s resale of our common stock and new notes.

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.

Table of Contents

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 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 Our Indebtedness

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

Even if we complete the restructuring, we will continue to have a substantial amount of indebtedness that requires significant interest payments. As of September 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 $310.3 million 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;

Table of Contents

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

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 in other businesses or entities, including entering into and funding joint ventures with third parties;
- 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 requires us to maintain specified financial ratios and satisfy other financial condition tests. These covenants may 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 September 30, 2003, we had $151.5 million outstanding debt under our credit facility. 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). At September 30, 2003, the weighted average interest rate under variable rate borrowings was 5.05% 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.

8

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, our compliance with the financial covenants under our credit facility is not assured and, after March 2005, our ability to generate operating cash flow to pay debt service and meet our other capital needs and meet the financial covenants in our credit facility is significantly uncertain. Further, without further changes to our current business plan, we believe that we will not be in compliance with our total debt to EBITDA covenants under our credit facility at April 1, 2005. We believe we will need to generate approximately $15.5 million more in EBITDA over the preceding 12 months to be in compliance with this covenant at April 1, 2005.

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.

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 33,041,834 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 amendment and restatement of our 2002 AirGate PCS Inc. Long-Term Incentive Plan, which will, among other things, increase the number of shares reserved and available for issuance to 6,025,000 (pre-split) shares. 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 September 30, 2003, we had working capital of $12.5 million and approximately $54.1 million of available cash and cash equivalents. After drawing the remaining $9.0 million available under our credit facility in August 2003, 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, our compliance with the financial covenants under our credit facility is not assured and, after March 2005, our ability to generate operating cash flow to pay debt service and meet our other capital needs and meet the financial covenants in our credit facility is significantly uncertain.

If we do not consummate the restructuring, one alternative we could consider would be seeking protection under Chapter 11 of the Bankruptcy Code. The expenses of any such bankruptcy case 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.

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

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 Sprint s success, 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, which may be costly, to operate our business and provide other needed capital and we may be unable to do so. If we would be unable to raise such needed additional funds, we could have insufficient capital to meet our expenses and operate our business.

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

Under the terms of the support agreement, 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, which are attached to this proxy statement as Annex A. A material 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 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, a change in the terms of the restructuring may require further amendments to the credit facility.

Table of Contents

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 otherwise 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:

- the issuance of our common stock in the exchange offer, and

- an amendment and restatement of our certificate of incorporation to implement 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 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.

If the minimum tender and other conditions are 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 creditors, noteholders and equity 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 confirmation of the prepackaged plan, however, we need to receive from:

- each impaired class of claims the affirmative votes of holders of:

  - two-thirds in terms of dollar amount and

  - more than one-half in terms of the number of holders of such class who actually cast ballots, and

- 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 creditors, noteholders and equity 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 equity security holders can bind other equity 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, such as the noteholders, 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 (as modified, if appropriate) 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.

Table of Contents

We may incur substantial 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 offer 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 carryforwards.

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 or if we are considered insolvent, 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 for a bankruptcy exception under Section 382 to avoid triggering an ownership change.

Even if we successfully complete the restructuring, we may have substantial tax liability if we experience an ownership change for tax purposes prior to our completion of the restructuring.

Since our inception in 1998, we have generated significant net operating losses, or NOLs. We expect to use these NOLs to offset the cancellation of indebtedness income that we will realize as a result of the restructuring. However, if we were to experience an ownership change for tax purposes prior to our completion of the restructuring, such ownership change would severely restrict our use of the NOLs to offset the COD income. As a result, we would have insufficient NOLs to fully offset our realization of COD income upon completion of the restructuring and, therefore, could be subject to material federal income taxes. Because we will not know if we have experienced an ownership change for tax purposes until our 5% stockholders file their Schedules 13D or 13G (which may be as late as February 14, 2004), we cannot assure you that we will not be subject to tax on the COD income. If we are required to pay tax on significant COD income, we may not have sufficient funds to pay the tax or meet our other obligations. As of November 1, 2003, and based on information available to us, we estimate that we have experienced a 30% change in ownership.

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 might not be approved.

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. Any of the reasons may delay the confirmation and effectiveness of the prepackaged plan, and some of these reasons may result in the bankruptcy court non confirming the prepackaged plan. In addition, if we do not file the prepackaged plan by December 31, 2003, the holders of old notes that are parties to the support agreement will no longer be required to vote to accept the prepackaged plan.

Classification of Claims or Interests. 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 could increase and the bankruptcy court may not agree with our classification of claims and interests.

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, and we would expect that the treatment of our equity security holders, particularly our existing stockholders, under an alternate plan would be adversely affected.

Adequacy of Disclosure in Solicitation. 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 would 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.

The United States Trustee or other parties in interest could move the bankruptcy court to designate the votes of the holders of old notes that are a party to the support agreement pursuant to section 1126(e) of the Bankruptcy Code. Section 1126(e) permits a bankruptcy court to designate any entity whose acceptance or rejection of a plan was not in good faith or was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code. Designation in this context results in such

Table of Contents

party s votes not being counted for purposes of determining acceptances or rejections of the subject plan. Because Section 1125(b) of the Bankruptcy Code requires that any post-petition solicitation of votes to accept or reject a plan take place only after distribution of a court-approved disclosure statement containing adequate information, the risk that such holders votes would be designated under Section 1126(e) may increase if we are required to re-solicit votes on the prepackaged plan or to propose and solicit votes on another plan.

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.

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

If we decide to 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:

- all classes of adversely affected creditors and interest holders accepted the modification in writing or
- 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 our equity security holders.

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 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 case could disrupt our business, as well as impair the prospect for reorganization on the terms contained in the proposed plan.

We cannot be certain that a Chapter 11 bankruptcy filing solely for the purpose of implementing the prepackaged plan would be of relatively short duration (e.g., 60 to 90 days) and would not be unduly disruptive to our business. 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 security 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.

There can be no guaranty that the lenders under our credit facility will consent to the filing of the prepackaged plan in a Chapter 11 proceeding. In addition, there can be no guaranty that we would be successful in obtaining the necessary approvals of the bankruptcy court 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, provide for the payments of prepetition accounts payable.

As a result, we may be unable to make certain payments to our customers, vendors, employees and other key parties, in which event our business might suffer.

The holders of credit facility claims may not consent to our use of cash collateral in our bankruptcy 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 without the consent of the counterparty. 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, including trademarks from Sprint. 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 executory contracts, 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.

We expect that negotiations with Sprint over whether there are defaults under our agreements with Sprint 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 cure amounts under our agreements with Sprint that we may not have otherwise agreed to pay.

As more fully described below, AirGate has entered into a Service Agreement with Sprint pursuant to which Sprint provides a number of back office and other services in our service area. We believe that we could operate our business without this agreement and replace Sprint as our service provider. In that event, we would need to provide those services directly or outsource them to another service provider. Some of these services, such as customer activations, customer retention efforts and managing handset logistics, AirGate could provide directly. Others would be more difficult.

In particular, billing (which includes collections) and customer care are two of the most important services performed by Sprint that directly impact the overall performance of our company. We do not have the capability to perform these services directly. As a part of our smart growth strategy, which is fully described below, we are currently exploring terminating Sprint as the provider of these services and contracting with an outsourcing provider. Even if we do not reject the Services Agreement, we might continue these outsourcing efforts in a bankruptcy proceeding.

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.

Table of Contents

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 following factors have created a level of uncertainty that may adversely affect our ability to predict key operating metrics:

- the unsettled nature of the wireless market,
- the current economic slowdown,
- the problems in our relationship with Sprint (see Risks Related to Our Relationship with Sprint),
- increased competition in the wireless telecommunications industry,
- 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.

Another factor that may affect our operating results, liquidity and capital resources is 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, which was $54.1 million at September 30, 2003, 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.

Table of Contents

During the year ended September 30, 2002, we experienced slower net subscriber growth rates than planned. In addition, subscriber growth in fiscal 2003 has been slower than in prior years, and actually declined slightly in the quarter ending September 30, 2003. We believe slower growth is due in large part to:

- increased churn,
- increased competition and Sprint s loss of market share,
- declining rates of wireless subscriber growth in general,
- the re-imposition of and increase in deposits for most sub-prime credit subscribers, and
- the current economic slowdown.

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. 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. We estimate that every $1 reduction in monthly ARPU will increase our annual operating loss by approximately $3.9 million. In addition, based on our projections for fiscal year 2004, we estimate that every 1,000 reduction in monthly gross subscriber activations will increase our annual operating loss by approximately $800,000.

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 or through Sprint is limited. If our costs are more than we anticipate, the actual amount of funds needed 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 estimate, based on our projections for fiscal year 2004, that for every 1% that aggregate Sprint fees exceed our planned expectations, it will increase our annual operating loss by approximately $400,000.

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. We believe 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 increased in the quarter ended September 30, 2003. Due to significant competition in our industry and general economic conditions, among other things, churn may increase and our future rate

of subscriber turnover may be higher than projected or our historical rate. Factors that may contribute to higher churn include:

- the pricing and attractiveness of our competitors products and services;
- wireless local number portability;
- quality of customer service;
- network performance and coverage relative to our competitors;
- inability or unwillingness of subscribers to pay which results in involuntary deactivations, which accounted for 52% of our deactivations in the quarter ended September 30, 2003;
- subscriber mix and credit class, particularly sub-prime credit subscribers which account for approximately 28% of our subscriber base as of September 30, 2003;
- Sprint s announced billing system conversion and/or outsourcing services now provided by Sprint, including billing, collections and customer care; and
- any future changes by us in the products and services we offer, especially to the Clear Pay Program.

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. We estimate that, based on our projections for fiscal year 2004, a 0.1% increase in monthly churn will increase our annual operating loss by approximately $900,000.

Implementation of wireless local number portability requirements may increase churn, lower revenues and result in higher subscriber acquisition and retention costs.

Implementation of the Federal Communications Commission s (FCC) wireless local number portability (LNP) requirement will enable wireless subscribers to keep their telephone numbers when switching to another carrier. As of November 24, 2003, all covered CMRS providers, including broadband PCS, cellular and SMR licensees, were required to allow customers to retain, subject to geographical limitations, their existing telephone number when switching from one telecommunications carrier to another. Current rules require that covered CMRS providers 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. Porting is currently mandated in approximately 35% of our markets. We currently plan to implement WLNP in the remainder of our markets on May 24, 2004. 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 lower revenues, higher churn and higher subscriber acquisition and retention costs.

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

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 and has announced a reduction of $0.041 for calendar year 2004. Based upon historical twelve months ending September 30, 2003, roaming minutes of use by Sprint and other affiliate customers, a reduction in the roaming rate to $0.041 per minute would have reduced our roaming revenue by approximately $20.7 million and reduced our roaming expense by approximately $16.4 million, and increased our net loss by $4.3 million.

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, have forced 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 estimate that, based on our projections for fiscal year 2004, a 0.1% increase in monthly churn will increase our annual operating loss by approximately $900,000.

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 fiscal year ended September 30, 2002 and $7.8 million for the fiscal year ended September 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. The loss of our officers and skilled employees could materially adversely affect our results of operation.

In addition, we grant stock options and other equity incentives 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. Our named executive officers other than the chief financial officer, have returned, without consideration, below market options held by such officers. If our shareholders do not authorize additional shares for our 2002 Long-Term Incentive Plan, we may have insufficient equity awards available to attract and retain qualified technical and management personnel. We currently have key man life insurance for our Chief Executive Officer.

Our territory has 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 territory increases, 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. For example, if our agreement with our largest tower company were to expire without successful renegotiation, we would be required to relocate approximately 34% of our cell site locations, causing disruption to our networks 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. 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. 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.

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 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 September 30, 2003, we have disputed approximately $8.9 million in invoices for such increases and additional charges, but those issues have not been resolved. While we believe that 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. The resolution of all disputes in favor of Sprint and payment of disputed amounts will reduce our cash position at September 30, 2003 of $54.1 million by approximately $8.9 million.

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

Each month we pay Sprint expenses described in greater detail in Note 4 to the consolidated financial statements for the fiscal year ended September 30, 2003 set forth in this proxy statement. An increase in the amounts we owe Sprint may result in less use of cash for working capital purposes than the business plan currently projects.

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 agreements between Sprint and us are not perpetual. Our management agreement automatically renews at the expiration of the 20-year initial term (July 22, 2018) 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.

Table of Contents

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 on 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 can seek to further reduce the reciprocal roaming rate charged when Sprint s or other Sprint network partners PCS subscribers use our network;

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, subject to limitations in our Sprint Agreements, 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 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.

Recently, Sprint has announced that it will re-align its resources to focus on two market segments: businesses and consumers. This represents a shift away from the current organizational focus on assets groups and products: local telecommunications, global wireline voice and data services and wireless. This

initiative is often referred to as One Sprint One Solution. This realignment is designed to facilitate cross-selling and bundling of products across these product lines. This shift could:

- divert marketing, advertising and internal Sprint resources once dedicated to wireless to bundled or non-PCS Sprint products and services,
- increase the risk that Sprint will design wireless products and services in a manner that is not profitable for AirGate or other network partners, and
- reduce the significance of Sprint s wireless network partners.

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 receive unlimited buckets of minutes for little or no additional cost, 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. AirGate s ARPU has declined from $61 for the fiscal year ended September 30, 2002 to $60 for the fiscal year ended September 30, 2003, while the number of minutes used for PCS to PCS calls increased 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, which may increase our capital needs beyond what we have planned.

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 64% 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. We estimate that for every 1% that aggregate Sprint fees exceed our planned expectations, it will increase our annual operating loss by approximately $400,000.

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 into 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 upgrade handset subsidy 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 $0.4 million and $1.3 million to reimburse Sprint for 3G product- and network-related development expenses with respect to fiscal years 2002 and 2003, respectively;

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; and

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 and has notified us that the rate will decline to $0.041 in 2004.

Other ongoing disputes are described in Management s Discussion and Analysis of Financial Condition and Results of Operations. 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 64% 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. 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. 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 that we do not detect, such adjustments or charges may have a material adverse effect 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, could lead 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 currently 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 $40.0 million for AirGate for the fiscal year ended September 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 liquidity, financial condition and results of operation could be adversely affected.

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 are exploring ways to outsource billing, collections and customer care 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 make an outsourcing cost prohibitive, 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.

If Sprint s business plan does not succeed, our business may not succeed.

As a network partner of Sprint, we have the right to provide 100% digital PCS products and services under the Sprint brand names in our territory in the southeastern United States. In addition, we feature exclusively and prominently the nationally recognized Sprint brand name in our marketing effort. Consequently, our business and results of operations depend on the continued recognition of the Sprint brand name and success of Sprint s business. In recent months, Sprint s share of the market has declined, as has ours. If Sprint s business plan does not succeed, or 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, or erosion of its customer base, 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.

Changes in Sprint PCS products and services may adversely affect key operating metrics.

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, including those described herein under Management s Discussion and Analysis of Financial Condition and Results of Operations. 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 are resolved against AirGate, such resolution could have a material adverse effect on our liquidity or financial condition.

Table of Contents

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.

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 a 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.

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. Two of these companies filed petitions seeking reorganization under Chapter 11 of the Bankruptcy Code.

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.

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,

Table of Contents

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.

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.

Table of Contents

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 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.

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 territory 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.

Table of Contents

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.

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.

THE RESTRUCTURING

Background

We became a Sprint PCS network partner in 1998 and completed an initial public offering in September 1999. At that time, our business plan projected that historic high rates of growth in the wireless industry would continue through 2009 as wireless penetration rates in the United States grew to above 70%, which would in turn support pricing levels for wireless products and services. As a result, we believed that we would have sufficient cash flow to service our high level of debt. Our growth rates through mid-2002 met or exceeded our expectations, despite slower subscriber growth in the industry in 2001 than in prior years.

On November 30, 2001, we acquired iPCS in a merger. In light of consolidation in the wireless communications industry in general and among Sprint PCS network partners in particular, our board of directors believed that the merger represented a strategic opportunity to significantly expand the size and scope of our operations. Our board of directors believed that, following the merger, we would have had greater financial flexibility, operational efficiencies and growth potential than we would have had on our own. In connection with the iPCS acquisition, we issued 12.4 million shares of our common stock valued at $57.16 per share on November 30, 2001, which totaled $706.6 million. We 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. Subsequently, certain former stockholders of iPCS sold 4.0 million shares of our common stock in an underwritten offering on December 18, 2001.

Subsequent to our acquisition of iPCS, its results of operations began to decline. On February 23, 2003, iPCS filed a Chapter 11 bankruptcy petition.

Our results of operations similarly declined in this period due to many of the same factors, but not to the same degree. In particular, since the beginning of 2002, our rate of subscriber growth has slowed significantly, our industry has become more competitive than we expected and our market share has declined. Prior to calendar year 2002, our subscriber base was growing in excess of 20% per quarter. In early 2002, the quarterly subscribers growth rate declined to approximately 12% and then fell below 5% and has remained below this level since mid-2002.

Further, our dependence on Sprint has, over time, created additional challenges that have compounded the problems created by these market conditions. Among the most serious problems was Sprint s introduction of the Clear Pay program targeted at sub-prime credit quality subscribers in early 2001, which resulted in unexpectedly high levels of customer turnover or churn and higher levels of bad debt in 2002 and early 2003. Prior to the introduction of the Clear Pay program in May 2002, our average monthly customer churn rate was below 2.8%. This was due in part to a smaller subscriber base. Our quarterly churn increased to 3.2% in the last calendar quarter of 2001 and peaked at 4.3% in the third calendar quarter of 2002. In addition, Sprint has made unilateral decisions over time that have had an adverse impact on our revenue, such as the reduction in the reciprocal roaming rate paid by Sprint and its network partners. Further, we have not realized the benefits of scale that were expected when we agreed to designate Sprint as our principal service provider for various services, including billing, collections and customer care. Finally, we believe Sprint s failure to provide customer care in a manner consistent with that of our competitors has contributed to higher rates of churn.

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.

Table of Contents

As a result of our current business strategy, for the year ended September 30, 2003, AirGate has produced $50.2 million of operating cash flow. As of September 30, 2003, AirGate had working capital of $12.5 million and cash and cash equivalents of approximately $54.1 million, up from $(14.5) million and $4.9 million, respectively, at December 31, 2002. However, for the year ended September 30, 2003, AirGate had a net loss of $42.2 million and a stockholders deficit of $377.0 million as of September 30, 2003. After drawing the remaining available $9.0 million credit under our $153.5 million credit facility in August, 2003, we have no outside funding alternatives and are completely dependent on available cash and operating cash flow to operate our business and fund our capital needs. In November 2003, AirGate entered into an amendment to its credit facility. Management expects these changes to generally assist AirGate in complying with key financial covenants for the next twelve months. Based on our current business plan, our compliance with the financial covenants under our credit facility is not assured and, after March 2005, our ability to generate operating cash flow to pay debt service, meet our other capital needs, and meet the financial covenants in our credit facility is significantly uncertain. In addition, there is substantial risk under our current business plan that we would not have sufficient liquidity to meet our cash interest obligations on our old notes beginning in 2006.

We also have significant cash principal and interest payments under our indebtedness coming due during the period from 2005 through 2009. Unless the financial restructuring occurs, we will be required to make the following approximate principal and interest payments on our credit facility and old notes:

Fiscal Year	Principal	Interest
	(In millions)	
2004	$ 17.8	$ 8.0
2005	23.7	47.3
2006	30.1	45.8
2007	39.9	43.9
2008	40.0	41.7
2009	300.0	40.5

This assumes an interest rate on our credit facility of 5.5%. As of September 30, 2003, the interest rate on our credit facility was 5.05%.

The foregoing factors have led us to examine alternatives for a capital restructuring.

On February 11, 2003, Messrs. Males, McNamara, Jackman and Topchik, as representatives of Broadview International, LLC, and Mr. Duster, as the representative of Masson & Co. (collectively, the financial advisors), investment banking firms, met with our board of directors, which at that time consisted of Messrs. Dougherty, Ferchat, Schiffman and Stetz, and Mr. Seippel, our chief financial officer, and Ms. Blackford, our general counsel, for the purpose of discussing the engagement of financial advisors to assess our business plan and, if needed, to assist us in exploring restructuring alternatives. On March 3, 2003, the board formally retained the services of the financial advisors in connection with the restructuring.

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.

In the period between February and June 2003, our business began to improve over recent prior quarters. For the nine month period ended September 30, 2003, AirGate had aggregate EBITDA of $44.2 million. AirGate s cash position improved from $0.9 million as of December 31, 2002 to $54.1 million as of September 30, 2003. We concluded that our sources of capital should 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.

Table of Contents

On April 2, 2003, our board of directors, together with Mr. Seippel and Ms. Blackford, conducted a telephonic meeting, which included Messrs. Males, McNamara, Jackman, Topchik and Duster, as representatives of the financial advisors. At this meeting, the financial advisors discussed potential restructuring alternatives with our directors. This discussion included a review of specific capital structure metrics and various valuation methodologies.

At this meeting, the following specific capital structure metrics were discussed:

- a coverage ratio determined by EBITDA to interest expense;
- leverage ratios determined by debt to EBITDA, debt to subscribers, debt to covered POP and debt to total capitalization; and
- a liquidity ratio determined by cash plus borrowing capacity to total debt.

Of these metrics, the ratios of EBITDA to interest expense and debt to EBITDA were the primary focus in considering an optimal capital structure for AirGate.

Based on these discussions, the preliminary conclusions reached with respect to capital structure were as follows:

- a quantitative analysis suggested that a target capital structure for AirGate should reflect the following metrics:
  - a ratio of EBITDA to interest expense in the range of 2.9x to 3.5x; and
  - a ratio of net debt to EBITDA in the range of 3.4x to 4.0x;
- debt reduction beyond these thresholds would likely produce diminishing benefits in terms of yield/borrowing costs and overall entity value (or Total Market Capitalization);
- to gain favorable positioning in the marketplace, AirGate should seek, over time, to put in place a capital structure that yielded metrics at the conservative end of the ranges set forth above; and
- these measures would position AirGate close to national operators in terms of credit quality and significantly more conservatively than regional and other affiliate operators.

At this meeting, the following specific valuation methodologies also were discussed:

- *Guideline company/public trading comparables:* Broadview and Masson reviewed Total Market Capitalization, adjusting for cash and debt, for a set of industry comparables as a function of the following operational metrics:
  - trailing twelve month (TTM) service revenue;
  - projected September 30, 2003 service revenue;
  - covered POPs;
  - TTM EBITDA; and
  - projected September 30, 2003 EBITDA.
- *Industry comparables:* Broadview and Masson reviewed the following groups: national operators, affiliate operators (Sprint and other affiliates) and select regional wireless operators. Their valuation discussion focused on the industry dynamics and characteristics of other wireless carriers that were analyzed for the purpose of estimated valuation trading multiples.

Based on these discussions, the preliminary conclusions were as follows:

- valuation multiples across wireless telecom service providers exhibited a relatively narrow range across various types of metrics; and

with respect to entity value as a multiple of EBITDA, Broadview s analysis at the time yielded, at the medians, 7.5x on a trailing basis and 6x to 6.5x on a forward basis.

Table of Contents

Although a discussion of specific alternatives was deferred until the financial advisors could gather and analyze additional information, the financial advisors suggested that we consider a restructuring that would result in a conservative capital structure as compared to a range of industry comparable companies.

On April 29, 2003, our board of directors met to discuss restructuring alternatives with management and Messrs. McNamara, Jackman, Topchik and Duster, as representatives of the financial advisors. Also in attendance were Mr. Seippel, Ms. Blackford and Mr. Pfohl, our vice president of finance. Messrs. Seippel and Pfohl presented the board of directors 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.

On June 10, 2003, our board of directors (other than Mr. Schiffman, who had by that time resigned from the board) held a telephonic meeting with Ms. Blackford and Messrs. Dougherty and Seippel. During this meeting, Messrs. Dougherty and Seippel reviewed the status of the potential restructuring. They also discussed the possibility of borrowing funds to buy old notes in the open market, but noted that the rising market price of the old notes based on AirGate s improving financial results would make such purchases more expensive and potentially cost prohibitive. The board also considered the need to seek alternative sources of funding for the repurchase of old notes or other possible restructuring transactions and 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 then contacted approximately 17 potential new investors regarding an investment in AirGate. These investors generally fell into three categories:

- traditional secured lenders that focus on the quality of collateral;
- hybrid secured lenders that focus on enterprise value as a basis for recovering their investment; and
- private equity investors that typically invest in the telecommunications industry.

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 next held a telephonic meeting on July 22, 2003, with Ms. Blackford and Messrs. Seippel, Jackman and Duster to review the discussions with investors that had expressed potential interest in AirGate. We received an initial proposal from one interested party, which would have provided us with up to $35 million to repurchase our old notes. This proposal featured a minimum annual interest rate of 15.5%, plus additional fees for any value captured by purchasing old notes at a discount. The overall annual cost for this proposed funding was estimated to be over 20%, depending on underlying assumptions. Consequently, our board of directors concluded that this proposal was 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 representatives from AIG Global Investment Corp. (AIGGIC) and Capital Research and Management Company (Cap Re), 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 a tentative agreement with over 51% of the

Table of Contents

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.

By mid-July 2003, our discussions with potential new debt investors made it apparent that pursuing a repurchase of the old notes with newly-borrowed funds would be too expensive, both in terms of the cost of borrowed money and the trading price of the old notes. In addition, our lenders expressed concern that we would continue to be over leveraged. Similarly, our discussions with potential new equity investors and their concern with our Sprint-related risks also made it apparent that pursuing a repurchase of old notes with the proceeds from a private equity investment would be too costly, in terms of the dilution to our existing stockholders.

As a result of these discussions, representatives of AIGGIC and Cap Re expressed an interest in pursuing a transaction that would result in our stockholders retaining approximately 50% of our outstanding common stock while reducing our outstanding debt by approximately 50%. Consequently, we began to explore the possibility of exchanging our old notes for new notes and shares of our common stock. This general structure also received a positive response from the administrative agent under our credit facility.

On August 14, 2003, our board of directors met with Messrs. Jackman and Duster, as representatives of the financial advisors. Also present at this meeting were Ms. Blackford and Messrs. Seippel and Pfohl. Messrs. Jackman and Duster reported their progress on discussions with the holder of old notes.

In late August 2003, we presented a term sheet proposal for restructuring the old notes to AIGGIC, Cap Re, and other holders, who collectively held approximately 40% of the old notes. The 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 ultimately 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.

On September 3, 2003, our board conducted a telephonic meeting, which included the participation of Ms. Blackford and Mr. Seippel, as well as Messrs. Jackman and Duster, as representatives of the financial advisors. Also participating in the telephonic meeting were Messrs. Wall and Layson, as representatives of Winston & Strawn LLP and McKenna Long & Aldridge LLP, respectively. Messrs. Jackman and Duster reviewed their discussions with the noteholders and provided an update on the status of amending our credit facility. Mr. Layson then presented the board with a review of the terms of the prepackaged plan, and Mr. Wall followed with a discussion of certain securities law matters. The board concluded this meeting with a discussion of potential equity reserve for options and certain board composition matters.

During the month of September 2003, we contacted additional noteholders to explore their willingness to discuss participating in the exchange offer. On September 16, 2003, the board held a meeting to discuss the terms and status of the restructuring. In attendance were Ms. Blackford and Messrs. Dougherty and Seippel. Also in attendance were Messrs. Jackman and Duster, as representatives of the financial advisors, representatives of KPMG LLP, AirGate s independent auditors and tax advisors, and Mr. Wall of Winston & Strawn LLP. During this meeting, Messrs. Dougherty, Seippel, Jackman and Duster presented the board with an overview of the restructuring, which was followed by a discussion of certain accounting and tax matters that included representatives of KPMG LLP. Ms. Blackford and Mr. Wall then reviewed the terms of the restructuring documents, and Mr. Jackman reviewed the financial advisor s fairness opinion and supporting analyses. The meeting concluded with a review of the transaction timeline, followed by the board s consideration of specific resolutions, option grants and a proposed press release and communications plan.

On September 22 and 23, 2003, the board reviewed and approved the proposed exchange offer and supporting documentation. Because the board concluded that the recapitalization plan was, in its judgment, the best means for implementing the restructuring, the board also authorized the solicitation of acceptance

of the prepackaged plan, which fundamentally effected the same restructuring transactions as the recapitalization plan, except through a bankruptcy case. We reached agreement with holders of old notes, representing approximately 67% in principal amount of claims held by our noteholders, on September 23, 2003. On September 24, 2003, we entered into the support agreement with AIGGIC, Cap Re and the other holders of old notes named therein, at which time we also publicly announced the restructuring.

This prospectus and solicitation statement was prepared by AirGate. Accordingly, AIGGIC and Cap Re are not responsible for any of the information or disclosure contained herein. AIGGIC and Cap Re entered into the support agreement on their own behalf and make no recommendation that other noteholders tender their old notes in the exchange offer or vote to accept the prepackaged plan.

Description of Support Agreement

We entered into a support agreement, dated as of September 24, 2003, with holders of approximately 67% in amount of the outstanding old notes, pursuant to which we agreed to use our commercially reasonable best efforts to complete, and the noteholders agreed to 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. Because the support agreement expires by its terms on December 31, 2003, we currently are seeking an amendment to the support agreement to extend its expiration date to February 15, 2004.

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 each agreed, among other matters,
  - to tender its old notes in the exchange offer;
  - to vote to accept the prepackaged plan;
  - to grant its consent to the proposed amendments to the old notes indenture; and
  - 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 the holders of a majority of old notes 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,
  - offering materials,
  - indentures and agreements relating to the common stock and new notes to be issued in the exchange offer, and
  - 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 the holders of a majority of old notes 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, a form of which is included as Annex A to this prospectus and solicitation statement);

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, which we estimate will be approximately $325,000. If we commence a bankruptcy case, our payment of costs and expenses of noteholders counsel will be subject to Bankruptcy Court approval.

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

the satisfaction of all of the conditions,

there being no material breach of the covenants,

the tender in the exchange offer of 98% in outstanding principal amount of the old notes, and

there being no material adverse change.

A majority of the noteholders that are a party to the support agreement may waive any of the foregoing requirements.

Under the support agreement, the effective date of the prepackaged plan is subject to

the satisfaction of all of the conditions,

there being no material breach of the covenants,

there being no material adverse change, except to the extent such a change results from us filing the prepackaged plan, and

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.

Table of Contents

Termination

Unless the restructuring has been completed and the support agreement has been amended to extend its expiration date to February 15, 2004, 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 bankruptcy case; 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 is attached as Annex A to this prospectus and solicitation statement. We urge you to read the support agreement in its entirety.

Registration Rights Agreement

Upon consummation of the restructuring, one of the holders of old notes that is a party to the support agreement will hold approximately 12% of our outstanding common stock. Consequently, such noteholder has requested, and we have agreed to provide, certain registration rights to permit such noteholder s resale of our common stock and new notes.

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 prospectus and solicitation statement by reference. AirGate stockholders 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 this 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 stockholders 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 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 stockholders 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 (of which this prospectus and solicitation statement is a part) 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 stockholders 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.

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)

Table of Contents

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

Sprint PCS;

Triton PCS Holdings;

Centennial Communications Corp.;

US Unwired, Inc.; and

Rural Cellular Corporation.

AirGate exhibits the following multiples on a stand alone basis as of September 22, 2003:

	AirGate Multiple
TMC/TTM Service Revenues	1.4x
TMC/Projected CY 2003 Service Revenues	1.4x
TMC/Projected CY 2004 Service Revenues	1.3x
TMC/TTM EBITDA	15.2x
TMC/LQA EBITDA	7.7x
TMC/Projected CY 2003 EBITDA	8.3x
TMC/Projected CY 2004 EBITDA	8.0x
TMC/Subscribers	$1,209

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

	Median Multiple	Range of Multiples	AirGate Multiples
TMC/ TTM Service Revenues	2.4x	1.6x - 4.2x	1.4x
TMC/ Projected CY 2003 Service Revenues	2.1x	1.4x - 2.3x	1.4x
TMC/ Projected CY 2004 Service Revenues	2.0x	2.0x - 2.1x	1.3x
TMC/ TTM EBITDA	8.6x	7.2x - NM	15.2x
TMC/ LQA EBITDA	7.8x	6.5x - 13.0x	7.7x
TMC/ Projected CY 2003 EBITDA	7.9x	6.9x - NM	8.3x
TMC/ Projected CY 2004 EBITDA	6.4x	6.3x - 8.0x	8.0x
TMC/ Subscribers	$1,947	$1,425 - $2,563	$1,209

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

	Median Implied Equity Value per Share	Range of Implied Equity Value per Share	AirGate Share Price as of Sept. 22, 2003
TMC/TTM Service Revenues	$14.91	$4.98 - $37.05	$2.85
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.

Table of Contents

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.

Table of Contents

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

	Median Multiple	Range of Multiples	AirGate Multiples
TMC/TTM Service Revenues	3.0x	1.6x - 4.4x	1.4x
TMC/Projected CY 2003 Service Revenues	2.5x	1.6x - 3.8x	1.4x
TMC/Projected CY 2004 Service Revenues	2.7x	1.5x - 3.5x	1.3x
TMC/TTM EBITDA	8.9x	6.2x - NM	15.2x
TMC/LQA EBITDA	8.1x	5.6x - 25.3x	7.7x
TMC/Projected CY 2003 EBITDA	8.3x	5.8x - 22.3x	8.3x
TMC/Projected CY 2004 EBITDA	7.5x	5.2x - 11.4x	8.0x
TMC/Subscribers	$2,214	$837 - $3,317	$1,209

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

	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

(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.

Table of Contents

Comparison of Status Quo and Implied Equity Value

The table below compares the implied equity value in the Status Quo and Pro Forma scenarios based on the median metrics of the Public Company Comparables and the Discounted Cash Flow Analysis in each.

Implied Equity Value Based on Median Information:

	Status Quo Implied Equity Value Per Share	Pro Forma Implied Equity Value Per Share	AirGate Share Price as of Sept. 22, 2003
TMC/TTM Service Revenues	$14.91	$11.32	$2.85
TMC/Projected CY 2003 Service Revenues	$11.35	$ 8.64	
TMC/Projected CY 2004 Service Revenues	$12.27	$10.59	
TMC/TTM EBITDA	NEG(1)	NEG(1)	
TMC/LQA EBITDA	$ 2.96	$ 3.25	
TMC/Projected CY 2003 EBITDA	$ 2.14	$ 2.93	
TMC/Projected CY 2004 EBITDA	NEG(1)	$ 2.40	
TMC/Subscribers	$13.20	$ 9.09	
Discounted Cash Flows Analysis	$ 1.24(2)	$ 2.98(3)	

(1) NEG indicates negative value.

(2) Assumes a terminal EBITDA multiple of 7.0x and discount rate of 15.8%.

(3) Assumes a terminal EBITDA multiple of 7.0x and discount rate of 10.4%.

In arriving at its conclusion that the transaction is fair from a financial point of view to existing AirGate shareholders, Broadview, among other things, compared the results of the Status Quo Equity Value analysis and the Pro Forma Equity Value analysis. The Pro Forma and Status Quo analyses are calculated using median ratios to determine an implied equity value per share and Broadview reviewed the implied equity values per share in the context of the full range of implied equity values per share in each specific analysis. With respect to the Public Company Comparables and Discounted Cash Flow analyses, Broadview noted that the AirGate implied share value for the Pro Forma scenario (*i.e.*, taking the exchange offer into account) was below the range of values implied for the Status Quo scenario (*i.e.*, not taking the exchange offer into account) for some metrics and above the range of values implied for the Status Quo scenario for other metrics. Metrics for which the AirGate implied share value for the Pro Forma scenario was above the range of implied share value for the Status Quo scenario generally supported Broadview s fairness determination. Metrics for which the AirGate implied share value for the Pro Forma scenario was below the range of implied share value for the Status Quo scenario generally did not support Broadview s fairness determination. However, in reaching its fairness conclusion, Broadview considered the results of all analyses taken as a whole and did not necessarily place any particular reliance or weight on any individual analysis, but instead concluded that its analyses, taken as a whole, supported its determination. In addition, in analyzing an individual analysis, Broadview considered all metrics together and did not place any particular reliance or weight on any individual metric, but instead concluded that all of the analyses, taken as a whole, supported its determination. No company utilized in the Public Company Comparables analysis as a comparison is identical to AirGate. In comparing the Status Quo scenario with the Pro Forma scenario, Broadview made numerous assumptions with respect to the companies comprising the comparables set and general economic conditions, many of which are beyond the control of AirGate.

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

48

foreseeable future if the proposed restructuring is completed. The fact that AirGate is likely to be in compliance with its covenants under the amended credit facility and not in compliance with the existing credit facility generally supported Broadview s fairness determination. Broadview made particular note of the results of this analysis because, in Broadview s view, AirGate s ability to comply with its credit facility covenants is a material factor in AirGate s ability to continue operating. However, in reaching its fairness conclusion, Broadview considered the results of all analyses taken as a whole and did not necessarily place any particular reliance or weight on any individual analyses, but instead concluded that its analyses, taken as a whole, supported its determination.

Dilution Analysis

Broadview considered the dilution to existing AirGate stockholders that would result from the exchange offer. Prior to the exchange offer, the existing AirGate stockholders 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 stockholders would own 44% of the outstanding common stock and current holders of old notes would own 56% of the outstanding common stock. The dilution from incremental shares issued impacted the Pro Forma scenario analyses Broadview conducted and was considered when Broadview compared Pro Forma Equity Values with Status Quo Equity Values. Because the terms of any incentive compensation package have not been determined as of the date of its opinion, 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

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. Broadview considered the impact of such savings on AirGate s ability to comply with the covenants under the amended credit facility, compared with AirGate s potential future defaults with respect to the covenants under the existing credit facility. The cumulative cash interest savings and its positive effect on AirGate s ability to comply with the covenants under the amended credit facility generally supported Broadview s determination of fairness. However, in reaching its fairness conclusion, Broadview considered the results of all analyses taken as a whole and did not necessarily place any particular reliance or weight on any individual analyses, but instead concluded that its analyses, taken as a whole, supported its determination.

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

Table of Contents

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. The market value of the new notes to be received impacted the Pro Forma analyses Broadview conducted and was considered when Broadview compared the Pro Forma analyses with the Status Quo analyses. 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, among other things, 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 153.5%.

Broadview noted that seven of the eight analyses yielded a positive premium over an appropriate range of historical AirGate share prices. Issuing equity at an implied premium generally supported Broadview s fairness determination because the exchange offer would result in AirGate noteholders effectively paying an implied price for AirGate equity greater than the market price for such shares. However, in reaching its fairness conclusion, Broadview considered the results of all analyses taken as a whole and did not

Table of Contents

necessarily place any particular reliance or weight on any individual analyses, but instead concluded that its analyses, taken as a whole, supported its determination.

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%
Implied Premium/(Discount) to AirGate Share Price 20 Trading Days Average Prior to the Date of the Opinion	28.0%	0.7%
Implied Premium/(Discount) to AirGate Share Price 60 Trading Days Average Prior to the Date of the Opinion	80.0%	41.6%

Notes:

(1) Market value derived from Bloomberg based on a price of 75% 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 stockholders 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 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;

- 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 fact that, as a result of the transactions contemplated by the recapitalization plan, our creditors will own 56% of our common stock.

With respect to the dilutive effect of the restructuring to our existing shareholders, the board considered the fact that, although existing stockholders would retain approximately 44% of our outstanding common stock in the restructuring, they would nevertheless retain majority control of the expanded board of directors. With respect to the economic dilutive effect, the board considered the fact that our existing stockholders would have approximately 44% of the benefit of a $140 million reduction in debt ($100 million on an accreted basis). Based on the issuance of 33,000,000 shares of common stock in the restructuring, the per share price to the holders of old notes would be between $3.00 and $4.50. Given that our common stock was then trading well below that range (the 30-day average trading price was less than $2.00 per share), the board also considered the fact that, based on discussions with potential equity investors, no third party would offer as much for our common stock. Consequently, the board viewed dilution to our stockholders as the cost of holding a smaller piece of a less financially risky (from a credit standpoint) enterprise.

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 advisors 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.

Table of Contents

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

Concurrently with the solicitation of proxies subject to this proxy statement, we are conducting an exchange offer and consent solicitation by means of a separate registration statement filed with the SEC. Subject to the terms and conditions set forth in that registration statement, we are offering to exchange our outstanding old notes for an aggregate of:

- 33,041,516 shares of our common stock, representing 56% of the shares of our common stock to be issued and outstanding immediately after the financial restructuring, before giving effect to the reverse stock split, and

- $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:

- 110.1384 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:

- amend the indenture under which the old notes were issued to eliminate substantially all of the restrictive covenants contained therein and release all collateral securing our obligations thereunder and

- waive any defaults and events of default under the old notes indenture that may occur in connection with the recapitalization plan.

Conditions to the Exchange Offer

Completion of the exchange offer is subject to several conditions, which our board of directors may waive, subject to certain exceptions. These conditions include:

- the minimum tender condition;

- any legal proceeding, government action or other adverse development that enjoins the consummation of the exchange offer or the acquisition of old notes tendered pursuant to the exchange offer or prohibits, prevents, restricts, limits or delays closing of the exchange offer or that would have a material adverse effect on the exchange offer;

- the conditions to our and the holders of old notes obligations under the support agreement shall have been satisfied, as described in The Restructuring Description of Support Agreement;

- the indenture governing the new notes will be acceptable to us;

the further amendment to our credit facility will have become effective; and

any consents or approvals from government bodies and authorities which are required in order to complete the exchange offer shall have been obtained.

Waiver of the condition described in the first bullet point above also requires waiver by a majority of the notes held by parties to the support agreement. Our board of directors may waive the remaining conditions, in whole or in part, at any time prior to the tender expiration date in its sole discretion. The completion of the exchange offer is also conditioned upon the approval of our shareholders of certain aspects of the restructuring transactions pursuant to this proxy statement.

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 January 1 and July 1, beginning July 1, 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 September 30, 2003, after giving effect to the restructuring, we would have had approximately $311.5 million of outstanding indebtedness, $151.5 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 subsidiaries existing and after-acquired assets for which a first-priority lien has been granted to the lenders under our credit facility.

Optional Redemption. 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.

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 have caused an ownership change of our former wholly-owned subsidiary, iPCS, Inc. This ownership change could have a detrimental effect on the value of certain net operating losses 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 and after approval of the iPCS bankruptcy court, on October 17, 2003, we transferred all of our shares of iPCS common stock into a trust organized under Delaware law. Our stockholders on the date of transfer to the trust are the trust s sole beneficiaries. Such stockholders

Table of Contents

interest in the trust is equal to their current percentage ownership of AirGate. Distributions from the trust will only be made if directed by the iPCS board of directors and/or approved by the bankruptcy court overseeing iPCS s bankruptcy case.

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, 2003, our officers and directors and their affiliates held 359,103 shares of our common stock, which represents approximately 1.38% 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.

Table of Contents

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 implementing the 1 for 5 reverse stock split and decreasing our authorized shares accordingly is approved by our shareholders and 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.

All proxies which indicate votes FOR all three proposals to be voted on at the meeting will be deemed a vote FOR any adjournment(s) of the special meeting by any of the persons named as proxies. See About the Solicitation of Proxies and Acceptances Voting on the Restructuring Proposals Adjournment(s).

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 33,041,516 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. 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. For a discussion of the conditions to the consummation of the restructuring transactions, see The Recapitalization Plan Exchange Offer and Consent Solicitation Conditions to the Exchange Offer.

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 September 30, 2003, there were 25,961,191 shares of our common stock issued and outstanding.

Table of Contents

The following table presents certain information regarding our equity capitalization as of September 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 September 30, 2003	
	Historical	Pro Forma
Common Stock:		
Existing AirGate shareholders(1)	25,961,191	25,961,191
Tendering holders of old notes		33,041,516(2)
Total shares outstanding	25,961,191	59,002,707
Stock Options:		
Shares reserved for issuance pursuant to outstanding options(3)	1,277,070	1,277,070
Shares available for issuance pursuant to future option grants	882,636	5,405,000
Total shares reserved and available for issuance under stock incentive plans(3)	2,159,706	6,682,070
Warrants:		
Total shares reserved for issuance pursuant to outstanding warrants(4)	687,800	687,800

(1) Includes 326,874 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 783,595 shares reserved for issuance pursuant to outstanding options having an exercise price in excess of $5 per share.

(4) 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 1 for 5 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 five 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 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 September 30, 2003, we had 25,961,191 shares of common stock issued and outstanding, and following the completion of the recapitalization plan and the reverse stock split, if approved, we would have approximately 11,800,541 shares of common stock issued and outstanding.

58

Table of Contents

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 (which we currently intend to consummate either concurrently with the consummation of the exchange offer or as promptly as possible thereafter); 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.

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.

Table of Contents

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 five 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 be reduced by a factor of five 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 September 30, 2003, there were outstanding options to purchase 1,277,070 shares of common stock issued or committed to be issued pursuant to stock options granted by us (which number includes 783,595 shares reserved for issuance pursuant to outstanding options having an exercise price in excess of $5.00 per share. 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 255,414 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 20% of the shares of new common stock previously covered thereby, and the exercise price per share would be five times the previous exercise price.

Effect on Warrants

As of September 30, 2003, we had outstanding warrants currently convertible into an aggregate of 687,800 shares of common stock. The warrants include provisions for adjustments on the number of shares 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 137,560 shares of common stock. Holders of the outstanding warrants would thereafter be entitled to receive 20% of the shares of common stock previously issuable upon conversion of such outstanding warrants and the conversion price of such warrants would be five 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 25,961,191 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	150,000,000	30,000,000	30,000,000
Outstanding	25,961,191	5,192,288	11,800,655
Reserved for future issuance upon exercise of currently outstanding options	1,277,070	255,414	255,414
Reserved for issuance upon exercise of warrants	687,800	137,560	137,560

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.

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 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 decrease 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

APPROVAL OF AMENDMENTS TO AIRGATE S 2002 LONG-TERM INCENTIVE PLAN

AND OPTION GRANTS TO EXECUTIVES

Background

Equity incentive awards are a critical component of our compensation arrangements for employees. They encourage our employees to act as owners, which help align their interests with those of our stockholders. We grant equity incentives to motivate and reward our employees to accomplish strategic business objectives and achieve results that lead to profitable growth and create value for our shareowners. We also grant equity incentives to enable us to attract and retain executive talent.

For the reasons described herein under The Restructuring, since the beginning of 2002, the wireless communications industry, including us, experienced significant declines in per share equity prices and a much weaker operating environment. As a result, virtually all of our employees have stock options with exercise prices significantly higher than the current trading price of our common stock. As a result, our existing options are no longer effectively providing the employee motivation and retention that they were intended to provide.

Following completion of the financial restructuring, and without approval of this proposal, we would have less than 1.5% of our outstanding shares, or 882,636 shares available for grant to employees. Following the reverse stock split, we would have less than 1.5% of our outstanding shares, or 176,527 shares available for grant to employees.

Our board of directors believes it is critical to our success to have available adequate shares under the Plan to provide tools needed to effect its compensation strategy. Our board of directors believes the number of shares of common stock that remain available for issuance will be insufficient to achieve the purposes of the Plan unless the additional shares are authorized and approved by the stockholders.

The noteholders who are parties to the support agreement agreed with our conclusion and have approved the amendments to the Plan described below.

General

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. The Plan provided a reserve of 1,500,000 shares for grant.

As of September 30, 2003, there were 882,636 shares remaining available for awards under the plan, approximately 475 employees and directors eligible to participate in the Plan, and 687 persons holding

Table of Contents

outstanding awards covering 617,364 shares of common stock. Of the 617,364 options outstanding, approximately 125,000 have an exercise price in excess of $5 per share.

Proposed Amendments

The primary feature of the proposed amendments is to increase the number of shares available for grant under the Plan to 6,025,000 (prior to giving effect to the reverse stock split). As provided in the Support Agreement, this number is derived as follows:

10% of Outstanding Shares Following Restructuring(1)	5,900,000
Options Outstanding with Exercise Price of More Than $5.00	125,000
	6,025,000

(1) Includes approximately 495,000 options outstanding with an exercise price of $5.00 or less.

Assuming Proposal 3 is approved by the shareowners, there will be approximately 5,405,000 shares of our common stock available for new grants under the Plan (6,025,000 reserved for issuance, less approximately 620,000 options outstanding). Following the reverse stock split, there will be approximately 1,081,000 shares of common stock available for new grants under the Plan.

In addition to the increase in shares reserved and available for issuance under the Plan, we have proposed a number of additional changes to provide our compensation and governance committee with greater flexibility in light of announced changes to accounting rules applicable to stock-based compensation. The board approved, subject to shareowner approval, amendments to the Plan that would:

- provide for awards of stock appreciation rights, restricted stock units and dividend equivalent rights
- increase the limit (from 20% to 50% of the total shares authorized under the Plan) on the number of shares that may be granted under the plan as restricted stock or performance shares
- remove a mandatory vesting period for stock awards and performance shares that exceed 10% of the total shares authorized under the Plan
- increase the amount of cash-based performance units that may be granted to a participant (less any consideration paid by the participant for such award) during any one calendar year from $1,500,000 to $2,000,000

In addition to the proposed amendments to the Plan to provide greater flexibility, the board approved, subject to shareowner approval, certain other amendments to the plan that would:

- limit the term of the amended and restated Plan to ten years from the date it is approved by our shareowners
- eliminate the ability to grant options with a re-load feature
- eliminate the ability to make or arrange for loans to participants to defer payment of the exercise price of an award or the payment of any taxes payable with respect to the exercise of an award
- limit the number of shares that may be issued with respect to one or more options and/or stock appreciation rights granted to a participant during any one calendar year to 15% of the total shares authorized under the Plan
- limit the number of shares that may be issued as qualified performance-based awards (other than options and stock appreciation rights) granted to a participant during any one calendar year to 15% of the total shares authorized under the Plan
- decrease the limit (from 20% to 10% of the total shares authorized under the Plan) on the number of shares that may be granted under the Plan as unrestricted stock
- make certain non-substantive, ministerial changes to the Plan.

Table of Contents

In order to preserve the full deductibility of awards made pursuant to the plan under Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code), the Plan, as proposed to be amended and restated, is being submitted to our shareowners for approval.

A summary of the plan as proposed to be amended is set forth below. The summary is qualified in its entirety by reference to the full text of the plan, as proposed to be amended, which is attached to this proxy statement as Annex D.

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. The Plan is further intended to provide us the flexibility to use equity incentive awards to help us attract, motivate and retain executive talent.

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

- options to purchase shares of common stock, which may be non-qualified or incentive stock options under the Code
- stock appreciation rights (SARs), which give the holder the right to receive the difference between the fair market value per share on the date of exercise over the grant price
- restricted stock and restricted stock units, which may be subject to vesting and such other restrictions as the committee may impose
- performance awards, which are payable in cash or stock upon the attainment of specified performance goals
- dividend equivalents, which entitle the participant to payments equal to any dividends paid on the shares of stock underlying an award
- other stock-based awards in the discretion of the committee, including unrestricted stock grants.

Shares Available for Awards. Subject to adjustment as provided in the Plan, the aggregate number of shares of common stock reserved and available for issuance pursuant to awards granted under the plan is 6,025,000 shares. Upon implementation of reverse stock split submitted for approval to shareowners, the total number of shares reserved and available for issuance pursuant to awards granted under the Plan would be 1,205,000 shares. If an award is canceled, terminates, expires or lapses for any reason, any shares subject to the award will again be available for issuance under the Plan, and any shares subject to awards that are settled in cash will again be available for issuance under the Plan.

Limitations on Awards. No more than 50% of the shares authorized under the Plan may be granted as awards of restricted stock or performance shares, and not more than 10% of the shares authorized under the Plan may be granted as awards of unrestricted stock. The number of shares of common stock with respect to one or more options and/or SARs that may be granted during any one calendar year under the Plan to any one person may not exceed 15% of the shares authorized under the Plan. The number of shares of common stock with respect to qualified performance-based awards (other than options and stock appreciation rights) that may be granted during any one calendar year under the Plan to any one person may not exceed 15% of the total shares authorized under the Plan. 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 $2,000,000.

Administration. The plan is administered by the compensation and governance 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.

Table of Contents

Formula Grants to Non-Employee Directors. The plan provides that grants of options and restricted stock to our non-employee directors shall be made only in accordance to the parameters established in the AirGate PCS, Inc. Amended and Restated 2001 Non-Employee Director Compensation Plan, or any successor plan for the compensation of non-employee directors. The committee cannot make discretionary grants to non-employee directors under the plan.

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:

revenues,

expenses,

earnings per share,

EBITDA (earnings before interest, depreciation, taxes and amortization),

Bank EBITDA (earnings before interest, depreciation, taxes and amortization), as calculated under our credit facility,

EBIT (earnings before interest and taxes),

economic profit,

cash flow,

transaction counts,

customer turnover,

gross or net additional customers,

cost per gross additional customers,

average revenues per customer,

customer satisfaction ratings,

satisfaction of debt covenants,

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.

Table of Contents

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 over the life of the Plan 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

The plan will terminate ten years after the date on which our shareowners approve the plan, as proposed to be amended. Our board of directors or the compensation and governance 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, materially modify the requirements for eligibility, or otherwise constitute a material change requiring shareowner approval under applicable laws, policies or regulation or applicable listing or other requirements of a stock exchange, then such amendment will be subject to shareowner approval. In addition, the board or the committee may condition any amendment on the approval of 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.

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 federal income tax 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, 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 federal income tax 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.

SARs. A participant receiving a SAR will not recognize income, and we will not be allowed a tax deduction, at the time the award is granted. When the participant exercises the SAR, the amount of cash and the fair market value of any shares of common stock received 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 Section 162(m).

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 §162(m). If the participant files an election under Code §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 §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 §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 of 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 §162(m).

Grant of Equity Awards to Certain Officers

Following declines in our stock price, our board of directors became concerned about the negative effects of having a large number of below market stock options outstanding which provided little incentive value to employees. As a result, the Board urged management to find ways to reduce the number of below market stock options outstanding. The Board was reluctant to consider additional equity awards in the near future without such actions. On September 4, 2003, our chief executive officer and four of our vice-presidents (Ms. Blackford, and Messrs. Goldfarb, Pfohl and Roberts) surrendered to us, for no consideration, all stock options held by them with an exercise price of $14 or more, which represented 751,756 of the 2,191,209 stock options then outstanding. These options were issued under predecessor incentive plans, not under the Plan, and the cancellation did not increase the number of shares available for issuance under the Plan. At the time of the option surrender, there was no commitment to management that the board of directors would issue additional options or equity awards in the future.

On November , 2003, the compensation and governance committee of our board of directors unanimously adopted a resolution approving an incentive compensation program for our executive officers to be effective following completion of the financial restructuring. The terms and conditions of the incentive compensation program, including specific awards, have been approved by a majority of the noteholders who are parties to the Support Agreement.

Assuming Proposal 3 is approved by the shareowners, there will be approximately 5,400,000 shares of our common stock available for new awards under the Plan. In order to align the interests our management team with those of our shareowners, the compensation and governance committee anticipates making awards with respect to 3,000,000 shares immediately following the completion of the financial restructuring. Of this, approximately 2,300,000 shares will be awarded to our senior management team, which consists of our chief executive officer and six vice presidents. The remainder would be granted to director-level employees and key managers, as well as new directors joining the board of directors.

Each employee s initial award will consist of 75% stock options and 25% performance-vested restricted stock units. The stock options vest over a four-year period, 25% a year and have an exercise price equal to the fair market value on the date of grant. The stock options would have a ten-year term. Executives would be required to hold 50% of the post-tax gains from the exercise of options for a period of one year following the date of exercise.

Table of Contents

The performance-vested restricted stock units will vest on the third anniversary date of the award subject to the achievement of three-year cumulative EBITDA goals and other objectives established by our compensation and governance committee.

Shares reserved and available for new awards under the Plan not granted following the financial restructuring will be retained for ongoing annual grants to employees and outside directors, employment-inducement awards and other special awards.

The chief executive officer and the four vice-presidents who surrendered options to us will, subject to shareowner approval, receive new equity awards under the incentive compensation program. Because the surrendered options were below market when they were cancelled by us, any new options granted to these individuals within six months of the cancellation would be subject to variable accounting assuming we retain our current method of accounting for equity compensation. Variable accounting would require that we accrue a compensation expense over the life of the awards based on changes in the market price of the underlying stock.

Although shareowner approval is not required by law, by any regulations or by the terms of our plans, our commitment to sound corporate governance dictates that additional equity awards not be made to these officers without shareowner approval. Accordingly, the board of directors is seeking shareowner approval for the grant of the following awards upon completion of the financial restructuring:

Officer	Performance-Vested Stock Units	Options	Total Awards
Thomas M. Dougherty, Chief Executive Officer	125,000	375,000	500,000
William H. Seippel, Vice President and Chief Financial Officer	112,500	337,500	450,000
Barbara L. Blackford, Vice President, General Counsel and Corporate Secretary	100,000	300,000	400,000
Dave Roberts Vice President, Engineering and Network Operations	100,000	300,000	400,000
Jonathan M. Pfohl, Vice President, Finance	47,500	142,500	190,000
Dennis D. Lee, Vice President, Human Resources	47,500	142,500	190,000
Chuck S. Goldfarb, Vice President, Sales	42,500	127,500	170,000
Total	575,000	1,725,000	2,300,000

Benefits to Named Executive Officers and Other

The table below reflects awards granted during the fiscal year ended September 30, 2003 to the persons and groups shown in the table below. Except for equity awards expected to be made to employees immediately following the financial restructuring and described in the preceding section, any future awards under the Plan will be made at the discretion of our board of directors or the compensation and governance committee, as the case may be. Consequently, we cannot determine either the benefits or amounts that will be received in the future by any person or group pursuant to the Plan.

Table of Contents

Amended and Restated 2002 Long-Term Incentive Plan

	Stock Option Grants(1)		Restricted Stock Awards(3)	
Name and Position	Dollar Value of Options(2)	Number of Options	Dollar Value of Awards(4)	Number of Shares
Thomas M. Dougherty, President and Chief Executive Officer	$160,000	100,000	$ 0	0
Barbara L. Blackford, Vice President, General Counsel & Secretary	$ 57,600	36,000	$ 0	0
William H. Seippel Chief Financial Officer	$124,600	70,000	$72,600	30,000
Jonathan M. Pfohl Vice President, Finance	$ 57,600	36,000	$ 0	0
David C. Roberts Vice President of Engineering and Network Operations	$ 57,600	36,000	$ 0	0
All Executive Officers as a Group	$457,400	278,000	$72,600	30,000
All Non-Executive Directors as a Group	$ 84,800	40,000	$ 0	0
All Non-Executive Officer Employees as a Group	$260,950	153,500	$ 0	0

(1) The options vest 25% per year on the anniversary date of the grant. The weighted average exercise price per share for options granted to the Named Executive Officers disclosed above was $0.77 per share.

(2) The dollar value of the above options is dependent on the difference between the exercise price and the fair market value of the underlying shares on the date of exercise. As of September 30, 2003, the fair market value of the shares was $2.42, based on the closing price of the common stock on that day.

(3) The restrictions on the restricted stock lapse 25% per year on the anniversary of the date of grant.

(4) Based on the $2.42 closing price for the common stock on September 30, 2003.

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

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, 2003, 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	274,203(2)	$34.67	(1)	274,203
	336,053(3)	$31.19	(1)	336,053
	617,364(4)	$ 2.93	882,636	1,500,000
Equity Compensation Plans Not Approved by Shareowners	49,450(5)	$44.93	(1)	49,450
TOTAL	1,277,070	$18.81	882,636(6)	2,159,706

(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, 73,314 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, 2003, options to acquire 49,450 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.

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.

Table of Contents

CAPITALIZATION

The following table sets forth our capitalization, as of September 30, 2003, (1) on an actual basis and (2) on an as adjusted basis to give effect to the recapitalization plan; in each case using the September 30, 2003 closing bid price for our common stock of $2.42. 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 September 30, 2003	
	Actual	As Adjusted
	(In thousands) (Unaudited)	
Cash and cash equivalents	$ 54,078	$ 36,030
Debt securities		
Credit Facility	151,297	141,297
Old notes	252,987	
New notes offered hereby		169,001
Total debt securities	404,284	310,298
Stockholders deficit		
Common stock, $0.01 par value, 150,000,000 authorized, 25,961,191 shares issued and outstanding(1)	259	117
Additional paid-in capital	923,888	1,001,013
Preferred stock, 5,000,000 shares authorized, no shares issued and outstanding		
Deferred stock-based compensation	(203)	(203)
Accumulated deficit	(1,300,941)	(1,304,502)
Total stockholders deficit	(376,997)	(303,575)
Total capitalization	$ 81,365	$ 42,753

(1) 59,002,707 shares issued and outstanding after the recapitalization plan, before giving effect to the reverse stock split.

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 33,041,516 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 for the recapitalization plan are estimated to be $8.9 million, including financial advisor and dealer/ manager, legal, filing, printing and accounting fees. Costs attributable to the debt are estimated to be $5.9 million and will be expensed as incurred; costs of approximately $3.0 million will be offset against the carrying amount of the common stock based on values as of September 30, 2003. In addition, approximately $0.9 million relates to financing costs capitalized on the balance sheet, which were incurred in connection with amendments to the credit facility. These costs will be amortized to interest expense over the remaining life of the credit facility. 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 estimated alternative minimum taxes due of $1.7 million.

Table of Contents

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 nine months ended September 30, 1999, and the years ended September 30, 2000, 2001, 2002 and 2003. Such data includes the results of operations of iPCS subsequent to November 30, 2001, its date of acquisition, but as a result of iPCS s 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. On October 17, 2003, the Company irrevocably transferred all of its shares of iPCS common stock to a trust organized under Delaware law. As of the date of this transfer, the disposition will be accounted for as a discontinued operation.

In accordance with generally accepted accounting principles, iPCS s 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. The comparability of our results for the year ended September 30, 2003 to the year ended September 30, 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, the exclusion of iPCS results after February 23, 2003 has the effect of lowering revenues and expenses in the year ended September 30, 2003 compared to the year ended September 30, 2002, which is partially offset by the exclusion of results for iPCS prior to November 30, 2001.

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.

Table of Contents

	For the Nine Months Ended September 30, 1999	For the Year Ended September 30, 2000	2001	2002(1)	2003(2)
	(In thousands, except per share subscriber data)				
Consolidated Statements of Operations Data:					
Revenues:					
Service revenue	$	$ 9,746	$ 105,976	$ 327,365	$ 309,377
Roaming revenue		12,338	55,329	111,162	86,672
Equipment revenue		2,981	10,782	18,030	13,988
Total revenues		25,065	172,087	456,557	410,037
Operating expenses:					
Cost of services and roaming (exclusive of depreciation as shown separately below)		27,993	116,909	311,303	243,191
Cost of equipment		5,685	20,218	43,592	28,419
Selling and marketing		28,539	71,706	116,610	68,186
General and administrative	5,619	15,338	17,141	25,851	30,228
Depreciation and amortization of property and equipment	622	12,034	30,621	70,197	60,662
Amortization of intangible assets			46	39,332	6,821
Loss on disposal of property and equipment				1,074	1,969
Impairment of goodwill(3)				460,920	
Impairment of property and equipment(3)				44,450	
Impairment of intangible assets(3)				312,043	
Total operating expenses	6,241	89,589	256,641	1,425,372	439,476
Operating loss	(6,241)	(64,524)	(84,554)	(968,815)	(29,439)
Interest income		9,321	2,463	590	229
Interest expense	(9,358)	(26,120)	(28,899)	(57,153)	(55,547)
Income tax benefit				28,761	
Net loss	$ (15,599)	$ (81,323)	$ (110,990)	$ (996,617)	$ (84,757)
Basic and diluted net loss per share of common stock	$ (4.57)	$ (6.60)	$ (8.48)	$ (41.96)	$ (3.27)
Basic and diluted weighted-average outstanding common shares	3,414,276	12,329,149	13,089,285	23,751,507	25,908,414
Consolidated Other Data:					
Number of subscribers at end of period		56,689	235,025	554,833	359,460
Ratio of earnings to fixed charges(4)					
Consolidated Statements of Cash Flows Data:					
Cash provided by (used in) operating activities	$ (2,473)	$ (41,609)	$ (40,850)	$ (45,242)	$ 42,548
Cash used in investing activities	(15,706)	(152,397)	(71,772)	(78,716)	(35,975)
Cash provided by (used in) financing activities	274,783	(6,510)	68,528	142,143	15,030

Table of Contents

	As of September 30,				
	1999	2000	2001	2002(1)	2003(2)
Consolidated Balance Sheet Data (at period end):					
Cash and cash equivalents	$258,900	$ 58,384	$ 14,290	$ 32,475	$ 54,078
Total current assets	262,470	74,315	56,446	129,773	101,265
Property and equipment, net	44,206	183,581	209,326	399,155	178,070
Total assets	317,320	268,948	281,010	574,294	290,916
Total current liabilities(5)	31,507	37,677	61,998	494,173	88,747
Long-term debt and capital lease obligations	165,667	180,727	266,326	354,828	386,509
Total liabilities(6)	157,967	219,075	333,734	867,241	667,913
Stockholders equity (deficit)	127,846	49,873	(52,724)	(292,947)	(376,997)

(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) On February 23, 2003, iPCS, Inc. filed for Chapter 11 bankruptcy protection. Prior to February 23, 2003 the accounts and results of operation of iPCS were consolidated. Subsequent to filing bankruptcy, iPCS is no longer consolidated and is accounted for on the cost basis. On October 17, 2003, AirGate irrevocably transferred all of its shares of iPCS common stock into a trust organized under Delaware law. As of the date of the transfer, the disposition will be accounted for as a discontinued operation and the iPCS investment (approximately $184 million credit balance carrying amount) will be eliminated and recorded as a non-monetary gain from disposition of discontinuing operations.

(3) As a result of the Company s fair value assessments, total impairment charges of $817,413 were recorded for the impairment of goodwill and tangible and intangible assets related to iPCS as of September 30, 2002.

(4) Earnings were inadequate to cover fixed charges for the nine months ended September 30, 1999, the years ended September 30, 2000, 2001, 2002, and 2003 by $15,599, $81,323, $110,990, $1,025,378, and $84,757, respectively.

(5) As a result of an event of default, the iPCS credit facility and iPCS notes have been classified as a current liability as of September 30, 2002.

(6) As of September 30, 2003, includes the investment of iPCS of $184.1 million accounted for on the cost basis.

Table of Contents

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 (including the 1 for 5 reverse stock split) and iPCS disposition in the historical consolidated balance sheet and consolidated statements of continuing operations of the Company. The unaudited 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 recapitalization plan and iPCS disposition.

We derived this information from the audited consolidated financial statements of the Company for the years ended September 30, 2002 and 2003. These historical financial statements used in preparing the pro forma condensed consolidated 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 continuing operations for the years ended September 30, 2002 and 2003 give effect to the recapitalization plan as if it had been consummated at the beginning of the earliest period presented, and as if the disposal of iPCS occurred on November 30, 2001. The unaudited pro forma condensed consolidated balance sheet as of September 30, 2003 gives effect to the recapitalization plan as if they took place September 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. Subsequent to February 23, 2003, the Company no longer consolidated the accounts and results of operations of iPCS and the accounts of iPCS were recorded as an investment using the cost method of accounting. On October 17, 2003, AirGate irrevocably transferred all of its shares of iPCS common stock into a trust organized under Delaware law. On the date of the transfer, iPCS will be accounted for as a discontinued operation and the iPCS investment (approximately $184 million credit balance carrying amount) will be eliminated and recorded as a non-monetary gain from disposition of discontinuing operations.

Transaction costs for the recapitalization plan are estimated to be $8.9 million, including financial advisor and dealer/ manager, legal, filing, printing and accounting fees. Costs attributable to the debt are estimated to be $5.9 million and will be expensed as incurred; costs of approximately $3.0 million related to the issuance of common stock will be offset against the carrying amount of the common stock. In addition, approximately $0.9 million relates to financing costs capitalized on the balance sheet, which were incurred in connection with amendments to the credit facility. These costs will be capitalized and amortized to interest expense over the remaining life of the credit facility. 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 estimated alternative minimum taxes due of $0.6 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.

Under the prepackaged plan, except for holders of below market warrants and stock options (whose interests will be cancelled under the prepackaged plan), the holders of our debt and equity securities (as well as the holders of all other claims) will receive the same consideration in exchange for their claims and interests as they would receive in the recapitalization plan. Estimated expenses of the prepackaged

Table of Contents

plan would range from approximately $5.0 million to $10.0 million, depending on the length of time for the plan of reorganization to be approved.

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

Table of Contents

AIRGATE PCS, INC.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET

As of September 30, 2003
(Dollars in thousands)

		Pro Forma Adjustments		
	Historical	Debt Restructuring	iPCS Disposition/ Reverse Stock Split	Pro Forma
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 54,078	$ (6,543)(1)	$	$ 36,030
		(905)(2)		
		(600)(3)		
		(10,000)(4)		
Accounts receivable, net	26,994			26,994
Receivable from Sprint	15,809			15,809
Inventories	2,132			2,132
Prepaid expense	2,107			2,107
Other current assets	145			145
Total current assets	101,265	(18,048)		83,217
Property and equipment, net	178,070			178,070
Credit facility financing costs	2,656	905 (2)		3,561
Old notes financing costs	4,026	(4,026)(2)		
Direct subscriber activation costs	3,907			3,907
Other assets	992			992
Total assets	$ 290,916	$ (21,169)	$	$ 269,747
LIABILITIES AND STOCKHOLDERS DEFICIT				
Current Liabilities:				
Accounts payable	$ 5,945	$	$	$ 5,945
Accrued expenses	12,104	(605)		11,499
Payable to Sprint	45,069			45,069
Deferred revenue	7,854			7,854
Current maturities of long-term debt	17,775			17,775
Total current liabilities	88,747	(605)		88,142
Long-term debt, excluding current maturities				
Credit Facility	133,522	(10,000)(4)		123,522
Senior Notes	252,987	(4,026)(2)		169,001
		(79,960)(5)		
Total Long-Term Debt	386,509	(93,986)		292,523
Deferred subscriber activation fee revenue	6,701			6,701
Other long-term liabilities	1,841			1,841
Investment in iPCS(11)	184,115		(184,115)(11)	

Total liabilities	667,913	(94,591)	(184,115)	389,207
Stockholders deficit:				
Common stock	259	330 (5)	(472)(9)	117
Additional paid-in-capital	923,888	79,630 (5) (2,977)(1)	472 (9)	1,001,013
Unearned stock compensation	(203)			(203)
Accumulated deficit	(1,300,941)	(2,961)(1) (600)(3)	184,115 (11)	(1,120,387)
Total stockholders deficit	(376,997)	73,422	184,115	(119,460)
Total liabilities and stockholders deficit	$ 290,916	$ (21,169)	$	$ 269,747

See Accompanying Footnotes to Pro Forma Condensed Consolidated Financial Statements.

Table of Contents

AIRGATE PCS, INC.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT

OF CONTINUING OPERATIONS
For the Year Ended September 30, 2002
(Dollars in thousands, except for share and per share amounts)

		Pro Forma Adjustments		
	Historical(8)	Debt Restructuring	iPCS Disposition/ Intercompany Eliminations	Pro Forma
Revenues:				
Service revenue	$ 327,365	$	$ (100,861)(12)	$ 226,504
Roaming revenue	111,162		(37,149)(12)	74,013
Equipment revenue	18,030		(5,003)(12)	13,027
	456,557		(143,013)	313,544
Operating Expenses:				
Cost of service and roaming	311,303		(106,996)(12)	204,307
Cost of equipment	43,592		(15,968)(12)	27,624
Selling and marketing	116,610		(37,511)(12)	79,099
General and administrative	25,851		(7,708)(12)	18,143
Depreciation and amortization of property and equipment	70,197		(29,513)(12)	40,684
Amortization of intangible assets	39,332		(39,252)(12)	80
Loss on disposal of property and equipment	1,074			1,074
Impairment of goodwill	460,920		(460,920)(12)	
Impairment of property and equipment	44,450		(44,450)(12)	
Impairment of intangible asset	312,043		(312,043)(12)	
Total operating expenses	1,425,372		(1,054,361)	371,011
Operating loss	(968,815)		911,348	(57,467)
Interest income	590		(423)(12)	167
Interest expense	(57,153)	29,235 (6) (13,693)(7) (181)(10)	21,673 (12)	(20,119)
Loss from continuing operations before income taxes	(1,025,378)	15,361	932,598	(77,419)
Income taxes	28,761		(28,761)(12)	
Net loss from historical operations and pro forma loss from continuing operations	$ (996,617)	$ 15,361	$ 903,837 (12)	$ (77,419)
Basic and diluted net loss from historical operations and pro forma loss from continuing operations per share of common stock, pre-split	$ (41.96)			$ (1.36)

Basic and diluted weighted-average outstanding common shares, pre-split	23,751,507	33,041,516 (3)	56,793,023
Basic and diluted pro forma net loss from continuing operations per share of common stock, post-split(9)			$ (6.82)
Basic and diluted weighted-average outstanding common stock, post-split(9)			11,358,605

See Accompanying Footnotes to Pro Forma Condensed Consolidated Financial Statements.

82

Table of Contents

AIRGATE PCS, INC.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT

OF CONTINUING OPERATIONS
For the Year Ended September 30, 2003
(Dollars in thousands, except for share and per share amounts)

		Pro Forma Adjustments		
	Historical(8)	Debt Restructuring	iPCS Disposition/ Intercompany Eliminations	Pro Forma
Revenues:				
Service revenue	$ 309,377	$	$ (57,664)(12)	$ 251,713
Roaming revenue	86,672		(18,893)(12)	67,779
Equipment revenue	13,988		(2,132)(12)	11,856
	410,037		(78,689)	331,348
Operating Expenses:				
Cost of service and roaming	243,191		(55,960) (12)	187,231
Cost of equipment	28,419		(6,763) (12)	21,656
Selling and marketing	68,186		(16,417) (12)	51,769
General and administrative	30,228		(6,881) (12)	23,347
Depreciation and amortization of property and equipment	60,662		(14,168) (12)	46,494
Amortization of intangible assets	6,821		(6,821) (12)	
Loss on disposal of property and equipment	1,969		(1,451)	518
Total operating expenses	439,476		(108,461)	331,015
Operating income/(loss)	(29,439)		29,772	333
Interest income	229		(42)(12)	187
Interest expense	(55,547)	33,493 (6) (13,582)(7) (181)(10)	12,841 (12)	(22,976)
Loss from continuing operations before income taxes	(84,757)	19,730	42,571	(22,456)
Income taxes				
Net Loss from historical operations and pro forma loss from continuing operations	$ (84,757)	$ 19,730	$ 42,571	$ (22,456)
Basic and diluted net loss from historical operations and pro forma loss from continuing operations per share of common stock, pre-split	$ (3.27)			$ (0.38)
Basic and diluted weighted-average outstanding common shares, pre-split	25,908,414	33,041,516 (3)		58,949,930
Basic and diluted pro forma net loss from continuing operations per share of				$ (1.90)

common stock, post-split(9)	
Basic and diluted weighted-average outstanding common shares, post-split(9)	11,789,986

See Accompanying Footnotes to Pro Forma Condensed Consolidated Financial Statements.

Table of Contents

AIRGATE PCS, INC.

FOOTNOTES TO PRO FORMA CONDENSED

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

Debt Restructuring

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 old notes with a carrying value of $252,987 as of September 30, 2003 will be exchanged for new notes with a principal balance of $160,000 and 33,041,516 shares of common stock, which is assumed to be valued at $79,960 as of September 30, 2003, based upon the common stock market price of $2.42 on that date. The common stock will be valued based on the market price on the transaction date. 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 $33,041. 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:

	Estimated	Expensed Fiscal Year 2003	Paid Fiscal Year 2003
Financial advisor and dealer/manager fees	$ 895	$1,512	$1,287
Financial advisor and dealer/manager fees contingent transaction costs	4,284		
Legal, printing and other fees	2,930	1,223	843
Accounting fees	825	261	261
	$8,934	$2,996	$2,391

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 will be 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) As a result of the recapitalization plan, the Company will realize cancellation of indebtedness income, which will likely be absorbed by net operating loss (NOLs) carryforwards. Even though the Company will likely be able to offset all of its taxable income for regular income tax purposes by available NOLs, only 90% of the Company s taxable income for alternative minimum tax (AMT) purposes generally may be offset by available NOL carryforwards (as recomputed for AMT purposes). Accordingly, the Company has reflected a provision for AMT at a 2% (10% of the 20%

Table of Contents

AIRGATE PCS, INC.

FOOTNOTES TO PRO FORMA CONDENSED

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

AMT rate) federal tax rate resulting in an estimated federal income tax liability of $600, which is based on an assumed COD of approximately $30.0 million. Payment of the AMT creates a deferred income tax asset. 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 Company believes it has complied with FAS 109.

(4) In connection with an amendment of the credit facility, the Company has agreed to prepay $10.0 million in principal under the credit facility, which will be credited against principal payments otherwise due in 2004 and 2005 in the amount of $7.5 million and $2.5 million, respectively. The prepayment is required only if the recapitalization plan is completed. The amendment will not otherwise affect AirGate s obligation to pay interest, premium, if any, or the principal on the AirGate credit facility, when due.

(5) Represents the adjustment to record the issuance of 33,041,516 shares of common stock, to be issued and outstanding immediately after the exchange offer and prior to the reverse stock split. The issuance of the stock reflects a reduction in the old notes at an assumed market value as of September 30, 2003 of $2.42 per share.

(6) 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.

(7) 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 8.1%; the actual cash pay rate is 9 3/8%.

(8) 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 September 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.

(9) As part of the recapitalization plan, the Company is proposing to implement a 1 for 5 reverse split of its common stock.

(10) 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.

iPCS Disposition/Reverse Stock Split

The following is a description of the pro forma adjustment to reflect the effects of the disposition of iPCS and related information.

(11) Represents the adjustment to eliminate the carrying amount of the iPCS investment. Upon the date of transfer to the trust, AirGate will record a non-monetary gain from disposition of discontinued operations.

(12) Represents the adjustment to reclassify the operations of iPCS from continuing to discontinued operations for the periods presented.

Table of Contents

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 September 30, 2003, AirGate had 359,460 subscribers and total network coverage of approximately 6.1 million residents or 83% of the 7.4 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 connection with the restructuring described in this prospectus and solicitation statement, on October 17, 2003, we transferred 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.

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. The Company s critical accounting policies that may materially impact the Company s results of operations include (See Footnote 3 Summary of Significant Accounting Policies):

Accounting for iPCS

The accounts and results of iPCS are consolidated with AirGate and are included in the Company s consolidated financial statements subsequent to November 30, 2001 and prior to February 23, 2003.

Subsequent to February 23, 2003, the date iPCS filed for bankruptcy, the Company no longer consolidates the accounts and results of iPCS. The Company follows the accounting literature of 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 did 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.

Table of Contents

The Company records the accounts of iPCS using the cost method of accounting subsequent to February 23, 2003. After iPCS filed for bankruptcy, the Company does not have the ability to exercise significant influence over the operations of iPCS. The carrying value of the iPCS investment is reported in long term liabilities on the balance sheet.

On October 17, 2003, AirGate irrevocably transferred all of its shares of iPCS common stock to a trust for the benefit of AirGate shareholders. As of the date of the transfer to the trust, the iPCS investment (approximately $184 million credit balance carrying amount) will be eliminated and recorded as a non-monetary gain from disposition of discontinuing operations.

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 (including the NDASL and Clear Pay programs) and accounts receivable by aging category and current trends in the credit quality of its subscriber base. 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.

Using historical information the Company provides a reduction in revenues for certain billing adjustments, late payment fees and early cancellation fees that it anticipates will not be collectible. The reserve for billing adjustments, late payment fees and early cancellation fees are included in the allowance for doubtful accounts balance. 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.

First Payment Default Subscribers

Prior to March 2003, the Company estimated the percentage of new subscribers that would never pay a bill and reserved for the related percentage of monthly revenue through a reduction in revenues. In 2002, the Company reinstated the deposit requirement for sub-prime credit customers, and increased the deposit amount in February 2003. The Company believes that the re-imposition of and increase in deposit requirements and the continuation of spending limits for sub-prime credit customers are sufficient to mitigate the collection risk. Additionally, the Company has experienced improvements in the credit quality of its subscriber base. Accordingly, in March 2003 the Company ceased recording this reserve. At September 30, 2002, there was approximately $1.3 million reserved for 7,126 first payment default subscribers.

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. Effective July 1, 2003 the Company adopted Emerging Issues Task Force (EITF) No. 00-21, Accounting for Revenue Arrangements with Multiple Element 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. The consensus guidance is applicable to agreements entered into for quarters beginning after June 15, 2003. The adoption of 00-21 has required evaluation of each arrangement entered into by the Company for each sales channel. The Company will continue to monitor arrangements with its sales channels to determine if any changes in revenue recognition would need to be made in the future. The adoption of EITF 00-21 has resulted in substantially

Table of Contents

all of the activation fee revenue generated from Company-owned retail stores and associated costs being recognized at the time the related wireless handset is sold and it is classified as equipment revenue and cost of equipment, respectively. Upon adoption of EITF 00-21, previously deferred revenues and costs will continue to be amortized over the remaining estimated life of a subscriber, not to exceed 30 months. Revenue and costs for activations at other retail locations will continue to be deferred and amortized over their estimated lives. The adoption of EITF 00-21 had the effect of increasing equipment revenue by $0.4 million and increasing costs of equipment by $0.3 million, which otherwise would have been deferred and amortized.

Impairment of Long-Lived and Intangible Assets

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 undiscounted 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 the asset. 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 (see Notes 2 and 11).

New Accounting Pronouncements

See note 3 to the consolidated financial statements for the years ended September 30, 2003, 2002 and 2001 for a description of new accounting pronouncements and their impact on the Company.

Results of Operations

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 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. Subsequent to February 23, 2003, the Company no longer consolidated the accounts and results of operations of iPCS and the accounts of iPCS were recorded as an investment using the cost method of accounting. On October 17, 2003, AirGate irrevocably transferred all of its shares of iPCS common stock to a trust organized under Delaware law. As of the date of the transfer, iPCS will be accounted for as a discontinued operation and the iPCS investment (approximately $184 million credit balance carrying amount) will be eliminated and recorded as a non-monetary gain from disposition of discontinuing operations.

The comparability of the Company s results for the year ended September 30, 2003 to the same period for 2002 are effected 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 year ended September 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. The Company has pushed down to iPCS the effects of purchase accounting related to the iPCS acquisition.

Table of Contents

For the Year Ended September 30, 2003 Compared to the Year Ended September 30, 2002:

Revenues

	Year Ended September 30,							
	2003				2002			
	AirGate	iPCS	Elimination	Combined	AirGate	iPCS	Elimination	Combined
	(In thousands)							
Service revenue	$251,481	$57,896	$	$309,377	$226,504	$100,861	$	$327,365
Roaming revenue	68,222	18,893	(443)	86,672	74,013	37,923	(774)	111,162
Equipment revenue	11,645	2,575	(232)	13,988	13,027	5,296	(293)	18,030
Total	$331,348	$79,364	$(675)	$410,037	$313,544	$144,080	$(1,067)	$456,557

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 partners PCS subscribers from outside of the Company s territory use the Company s network. The Company pays the same reciprocal roaming rate when subscribers from our territory 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.

Service Revenue. Service revenue was $309.4 million for the year ended September 30, 2003, compared to $327.4 million for the year ended September 30, 2002, a decrease of $18.0 million. For AirGate, service revenue was $251.5 million for the year ended September 30, 2003 compared to $226.5 million for the year ended September 30, 2002, an increase of $25.0 million. The increase in service revenue attributable to AirGate reflects the higher average number of subscribers using the Company s network, partially offset by lower minute-over-plan overage charges. The decrease in Company service revenue is primarily attributable to the shorter period of iPCS results of operation included in the year ended September 30, 2003 compared to the year ended September 30, 2002.

Roaming Revenue. The Company recorded roaming revenue of $86.7 million for the year ended September 30, 2003, compared to $111.2 million for the year ended September 30, 2002, a decrease of $24.5 million. For AirGate, roaming revenue was $68.2 million for the year ended September 30, 2003, compared to $74.0 million for the year ended September 30, 2002. For the year ended September 30, 2003, approximately 94% of AirGate roaming revenue was from Sprint PCS and Sprint PCS network partners, compared to 95% for the year ended September 30, 2002.

While the roaming minutes of use increased for the year ended September 30, 2003 over the prior year, the increase was more than offset by decreases in the price per minute, which is primarily attributable to the declines in the reciprocal roaming rate among Sprint and its PCS network partners, including the Company. Sprint has unilaterally decreased this rate over time, from $0.20 per minute of use prior to June 1, 2001, to $0.10 per minute of use through calendar year 2002 to $0.058 per minute of use in 2003 and has given notice of its intent to reduce the rate to $0.041 in 2004. See Sprint Relationship and Agreements The Management Agreements Service pricing, roaming and fees.

Table of Contents

Equipment Revenue. The Company recorded equipment revenue of $14.0 million for the year ended September 30, 2003, compared to $18.0 million for the year ended September 30, 2002, a decrease of $4.0 million. For AirGate, equipment revenue was $11.6 million for the year ended September 30, 2003, compared to $13.0 million for the year ended September 30, 2002. The reduction in AirGate equipment revenue is primarily attributable to the reduced AirGate subscriber gross additions during the year ended September 30, 2003 compared to the year ended September 30, 2002. For the Company, equipment revenue also decreased as a result of the shorter period of iPCS results of operations included for the year ended September 30, 2003 compared to the year ended September 30, 2002.

Cost of Service and Roaming

	Year Ended September 30,							
	2003				2002			
	AirGate	**iPCS**	**Elimination**	**Combined**	**AirGate**	**iPCS**	**Elimination**	**Combined**
	(In thousands)							
Roaming expense	$ 53,708	$ 13,674	$ (443)	$ 66,939	$ 57,689	$ 28,617	$ (774)	$ 85,532
Network operating costs	43,750	16,170		59,920	48,328	37,672		86,000
Bad debt expense	5,218	1,694		6,912	21,343	5,590		26,933
Wireless handset upgrades	6,046	1,788		7,834	3,136	1,712		4,848
Other cost of service	78,643	22,943		101,586	73,657	34,333		107,990
Total cost of service and roaming	$ 187,365	$ 56,269	$ (443)	$ 243,191	$ 204,153	$ 107,924	$ (774)	$ 311,303

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),

Bad debt related to estimated uncollectible accounts receivable,

Wireless handset subsidies on existing subscriber upgrades through national third-party retailers, and

Other cost of service includes:

Back office services provided by Sprint such as customer care, billing and activation,

The 8% of collected service revenue representing the Sprint affiliation fee, and

Long distance expense relating to inbound roaming revenue and the Company s own subscribers long distance usage and roaming expense when subscribers from the Company s territory place calls on Sprint s network.

Cost of service and roaming was $243.2 million for the year ended September 30, 2003, compared to $311.3 million for the year ended September 30, 2002, a decrease of $68.1 million. For AirGate, the cost of service and roaming was $187.4 million for the year ended September 30, 2003, compared to $204.2 million for the year ended September 30, 2002. The decrease in the cost of service and roaming for AirGate is attributable to reduced roaming and bad debt expenses. For the Company, the decrease in cost of service and roaming is also attributable to the shorter period of iPCS results of operations included for the year ended September 30, 2003 compared to the year ended

September 30, 2002.

Roaming expense was $66.9 million for the year ended September 30, 2003, compared to $85.5 million for the year ended September 30, 2002, a decrease of $18.6 million. For AirGate, roaming expense was $53.7 million for the year ended September 30, 2003, compared to $57.7 million for the year

ended September 30, 2002. The decline in roaming expense is attributable to the decrease in the reciprocal roaming rate paid to Sprint and its network partners, partially offset by increased roaming minutes of use by our subscribers. The increase in roaming minutes of use is due both to the growth in the subscriber base as well as the general increase in usage per subscriber year over year. For the Company, the decrease in roaming expense is also attributable to the shorter period of iPCS results of operation included for the year ended September 30, 2003, compared to the year ended September 30, 2002.

For the year ended September 30, 2003 approximately 94% of the AirGate roaming expense was paid to Sprint PCS and Sprint PCS network partners, compared to 91% for the year ended September 30, 2002.

For the year ended September 30, 2003, network operating costs were $59.9 million compared to $86.0 million at September 30, 2002, a decrease of $26.1 million. For AirGate, network operating costs were $43.8 million for the year ended September 30, 2003, compared to $48.3 million for the year ended September 30, 2002. The decrease resulted from more favorable network connectivity-related costs despite the growing AirGate subscriber base and increased subscriber usage. The decrease for the Company was also attributable to the shorter period of iPCS results of operations included for the year ended September 30, 2003, compared to the year ended September 30, 2002. At September 30, 2003, AirGate s 359,460 subscribers were supported by a network of approximately 800 active cell sites, 4 switches and 64 network operations employees, compared to September 30, 2002, when the Company s network, including the iPCS territory, consisted of approximately 1,433 active cell sites (800 for AirGate and 633 for iPCS) and 7 switches (4 for AirGate and 3 for iPCS) and 144 employees (89 for AirGate and 55 for iPCS).

Bad debt expense included in the cost of service and roaming was $6.9 million for the year ended September 30, 2003, compared to $26.9 million for the year ended September 30, 2002, a decrease of $20.0 million. For AirGate, bad debt expense was $5.2 million for the year ended September 30, 2003, compared to $21.3 million for the year ended September 30, 2002. The AirGate decrease in bad debt expense is attributable to the decrease in payment defaults resulting from the re-imposition and increase of deposit requirements for sub-prime credit customers and the improved credit quality of our customer base during the 2003 fiscal year. The decrease for the Company was also attributable to the shorter period of iPCS results of operations included for the year ended September 30, 2003, compared to the year ended September 30, 2002.

Sprint has a program in which subscribers with lower quality credit or limited credit history may nonetheless sign up for services subject to certain account spending limits, if the subscriber makes a deposit ranging from $125 to $250. In May 2001, Sprint introduced the NDASL Program, in which the deposit requirement was waived except in very limited circumstances. 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 programs and its deposit requirements are currently in effect for all of AirGate s markets. In early February 2003, AirGate increased the deposit threshold to $250 for most sub-prime customers.

The Company incurred approximately $7.8 million for wireless handset upgrade costs through national third party retailers, business and Sprint sales channels for the year ended September 30, 2003 compared to $4.8 million for the year ended September 30, 2002. For AirGate, these costs were $6.0 million for the year ended September 30, 2003, compared to $3.1 million for the year ended September 30, 2002. The AirGate increase is attributable to the larger number of subscribers upgrading handsets in these channels. For the Company, the increase is partially offset by the shorter period of iPCS results of operations included for the year ended September 30, 2003, compared to the year ended September 30, 2002.

Other Cost of Service Expenses. The Company incurred $101.6 million for the year ended September 30, 2003 for other cost of service expenses including long distance expenses, Sprint affiliation

Table of Contents

fees and Sprint service fees to support its customer base, compared to $108.0 million for the year ended September 30, 2002, a decrease of $6.4 million. For AirGate, these costs increased to $78.6 million for the year ended September 30, 2003, compared to $73.7 million for the year ended September 30, 2002. The increase primarily reflects growth in the subscriber base from 339,139 as of September 30, 2002 to 359,460 as of September 30, 2003. For the Company, the decrease was primarily attributable to the shorter period of iPCS results of operations included for the year ended September 30, 2003, compared to the year ended September 30, 2002.

Cost of Equipment, Other Operating Expenses and Interest

	Year Ended September 30,							
	2003				2002			
	AirGate	iPCS	Elimination	Combined	AirGate	iPCS	Elimination	Combined
	(In thousands)							
Cost of equipment	$21,522	$ 7,129	(232)	$28,419	$27,778	$ 16,107	(293)	$ 43,592
Selling and marketing	51,769	16,417		68,186	79,099	37,511		116,610
General and administrative	23,347	6,881		30,228	18,143	7,708		25,851
Depreciation and amortization	46,494	14,168		60,662	40,678	29,519		70,197
Amortization of intangible assets		6,821		6,821	86	39,246		39,332
Loss on disposal of property and equipment	518	1,451		1,969	1,074			1,074
Impairment of goodwill						460,920		460,920
Impairment of property and equipment						44,450		44,450
Impairment of intangible assets						312,043		312,043
Interest Income	(187)	(42)		(229)	(161)	(429)		(590)
Interest Expense	42,706	12,841		55,547	35,474	21,679		57,153

Cost of Equipment. We purchase handsets and accessories to resell to our subscribers for use in connection with our services. Because we subsidize the sale of handsets to remain competitive in the marketplace, the cost of handsets is higher than the resale price to the subscriber. Cost of equipment was $28.4 million for the year ended September 30, 2003, and $43.6 million for year ended September 30, 2002, a decrease of $15.2 million. For AirGate, cost of equipment was $21.5 million for the year ended September 30, 2003, compared to $27.8 million for the year ended September 30, 2002. This decrease is attributable to the reduction in the number of subscribers added during the period. The decrease for the Company was also attributable to the shorter period of iPCS results of operations included for the year ended September 30, 2003, compared to the year ended September 30, 2002.

Selling and Marketing. Selling and marketing expense includes retail store costs such as salaries and rent, promotion, advertising and commission costs, and handset subsidies on units sold by national third-party retailers, the Company s business sales channel and Sprint sales channels for which the Company does not record revenue. Under our agreements with Sprint, when a national retailer or other Sprint distribution channel sells a handset purchased from Sprint to a subscriber from the Company s territory, the Company is obligated to reimburse Sprint for the handset subsidy and related costs that Sprint originally incurred. The Company incurred selling and marketing expense of $68.2 million for the year ended September 30, 2003, compared to $116.6 million for the year ended September 30, 2002, a decrease of $48.4 million. For AirGate, selling and marketing expense was $51.8 million for the year ended September 30, 2003, compared to $79.1 million for the year ended September 30, 2002. The decrease reflects reduced gross subscriber additions, 55 staff reductions, 9 store closings, and reduced advertising and promotion expenses, partially offset by severance and similar costs. The decrease for the Company was also attributable to the shorter period of iPCS results of operations included for the year ended September 30, 2003, compared to the year ended September 30, 2002.

At September 30, 2003, there were approximately 343 AirGate employees performing sales and marketing functions, compared to 710 sales and marketing employees as of September 30, 2002 (480 for

Table of Contents

AirGate and 230 for iPCS). The decrease in employees reflects the deconsolidation of iPCS and AirGate staff reductions.

General and Administrative. For the year ended September 30, 2003, the Company incurred general and administrative expense of $30.2 million, compared to $25.9 million for the year ended September 30, 2002, an increase of $4.3 million. For AirGate, general and administrative expense was $23.3 million for the year ended September 30, 2003, compared to $18.1 million for the year ended September 30, 2002. This increase reflects increased spending for costs associated with the proposed recapitalization plan of $3.0 million, outside consultants providing services to AirGate to help identify cost-saving opportunities, costs associated with migrating the accounting function to Atlanta, Georgia from Geneseo, Illinois, and the reduction in iPCS payments for these expenses.

Depreciation and Amortization. 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, 2003, depreciation decreased to $60.7 million, compared to $70.2 million for the year ended September 30, 2002, a reduction of $9.5 million. For AirGate, depreciation expense was $46.5 million for the year ended September 30, 2003, compared to $40.7 million for the year ended September 30, 2002. This increase for AirGate is primarily attributable to capital additions at the end of fiscal year 2002 that were depreciated for a full year in fiscal year 2003. For the Company, the decrease is also attributable to the deconsolidation of iPCS at February 23, 2003, and the resulting shorter period of iPCS results of operations included for the year ended September 30, 2003, compared to the year ended September 30, 2002.

The Company incurred capital expenditures of $25.9 million for the year ended September 30, 2003, which included approximately $0.4 million of capitalized interest, compared to capital expenditures of $97.1 million and capitalized interest of $7.1 million for the year ended September 30, 2002. AirGate incurred capital expenditures of $16.0 million for the year ended September 30, 2003, compared to $41.4 million for the year ended September 30, 2002.

Amortization of Intangible Assets. Amortization of intangible assets primarily 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 s Sprint agreements. Amortization for the year ended September 30, 2003, was approximately $6.8 million, compared to $39.3 million for the year ended September 30, 2002.

Loss on Disposal of Property and Equipment. For the year ended September 30, 2003, the Company recognized a loss of $2.0 million, compared to $1.1 million for the year ended September 30, 2002 on the disposal of property and equipment. The loss for the year ended September 30, 2003 was the result of store closures at AirGate and iPCS. The loss for the year ended September 30, 2002 related to the abandonment of eleven cell sites in AirGate s territory.

Goodwill Impairment. The Company recorded goodwill impairments of approximately $460.9 million for the year ended September 30, 2002, reflecting the Company s assessments that the fair value of the reporting unit iPCS was less than the carrying amount and was deemed impaired.

Impairment of Property and Equipment. For the year 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 arose from significant adverse changes to the business plan for iPCS as well as a generally weak secondary market for telecommunications equipment.

Impairment of Intangible Assets. For the year ended September 30, 2002, the Company recorded an impairment of intangible assets of $312.0 million for the assets related to iPCS s right to provide services under the Sprint agreements and the acquired iPCS subscriber base. The right to provide service under iPCS s Sprint agreements and the acquired iPCS subscriber base recorded by the Company resulted from the purchase price allocation related to the acquisition of iPCS. This impairment arose from significant adverse changes to the business plan for iPCS. Accordingly, the Company reduced the carrying value of

the right to provide services under the Sprint agreements and the acquired iPCS subscriber base to its fair value at September 30, 2002.

Interest Income. For the year ended September 30, 2003, interest income for the Company was $0.2 million, compared to $0.6 million for the year ended September 30, 2002. The decrease reflects the Company s lower average cash and cash equivalent balances and lower average interest rates on deposits for the year ended September 30, 2003, when compared to the year ended September 30, 2002.

Interest Expense. For the year ended September 30, 2003, interest expense was $55.5 million, compared to $57.2 million for the year ended September 30, 2002, a decrease of $1.7 million. For AirGate, interest expense was $42.7 million for the year ended September 30, 2003, compared to $35.5 million for the year ended September 30, 2002. For AirGate, the increase is attributable to increased borrowings under the AirGate credit facility, which was partially offset by lower interest rates, and an increase in the accreted value of the AirGate notes. For the Company, the decrease in interest expense is attributable to the shorter period of iPCS results of operations included for the year ended September 30, 2003, compared to the year ended September 30, 2002.

The Company had borrowings of $404.3 million as of September 30, 2003, compared to $709.8 million at September 30, 2002, which reflects the deconsolidation of iPCS. AirGate had borrowings, including accreted value, of $404.3 million as of September 30, 2003, compared to $356.3 million at September 30, 2002.

Income Tax Benefit. Income tax benefit of $28.8 million was recognized for the year ended September 30, 2002 related to the reversal of valuation allowances upon the acquisition of iPCS. 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, 2003, the net loss was $84.8 million, a decrease of $911.8 million, compared to a net loss of $996.6 million for the year ended September 30, 2002. The decrease in net loss was attributable primarily to asset impairments during 2002 and year-over-year improvements in operations of AirGate for fiscal year 2003. During the year ended September 30, 2002, the Company recorded goodwill impairments of $460.9 million, property and equipment impairments of $44.5 million, and intangible assets impairment of $312.0 million, each of which was related to the Company s investment in iPCS. For AirGate, the net loss was $42.2 million for the year ended September 30, 2003, compared to a net loss of $92.8 million for the year ended September 30, 2002. During the year ended September 30, 2003, the net loss for AirGate was positively affected by $25.0 million in higher service revenues, a $27.3 million reduction in sales and marketing expenses, primarily in advertising, a $16.1 million improvement in bad debt expense and $8.6 million in special settlements from Sprint, offset by an increase in depreciation and amortization expense of $5.8 million and an increase in interest expense of $7.2 million.

Non-GAAP 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 of America, 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. In calculating CCPU, we exclude depreciation and amortization and selling and marketing expenses. CCPU is intended to provide an estimate of the ongoing cash costs of maintaining our existing subscribers. By excluding depreciation and amortization, the non-cash costs of assets needed to support our subscribers is not apparent. Further, by excluding selling and marketing expenses, all expenses to continue operating our business are not apparent to investors.

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, it may not be apparent 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. The Company excludes roaming revenue from its ARPU calculation because this revenue is generated from customers of Sprint and other carriers that use our network and not directly from our subscribers. 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 subscribers. 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 (including commissions), cost of equipment and activation costs (which are included as a component of cost of service) and reducing that 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.

The tables which follow present and reconcile non-GAAP financial measures and key operating metrics for the Company for the years ended September 30, 2003 and 2002. For the year ended

Table of Contents

September 30, 2003 and 2002, these metrics are shown separately for each of AirGate, iPCS and the combined Company.

The table below sets forth key operating metrics for the Company for the years ended September 30, 2003 and 2002.

	Year Ended September 30,					
	2003			2002		
	AirGate	iPCS	Combined	AirGate	iPCS	Combined
Gross subscriber additions	172,007	59,403	231,410	247,221	127,028	374,249
Net subscriber additions	20,321	14,199	34,520	104,116	66,072	170,188
Total subscribers	359,460		359,460	339,139	215,694	554,833
ARPU	$ 60	$ 53	$ 59	$ 61	$ 54	$ 59
Churn	3.2%	4.0%	3.5%	3.5%	3.0%	3.4%
CPGA	$ 364	$ 356	$ 362	$ 387	$ 388	$ 387
CCPU	$ 50	$ 58	$ 52	$ 59	$ 62	$ 60
Capital expenditures (in thousands)	$ 16,023	$ 9,921	$ 25,944	$ 41,338	$ 55,722	$ 97,060
EBITDA (in thousands)	$ 46,827	$ (8,783)	$ 38,044	$ (16,703)	$ (842,583)	$ (859,286)

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

	Year Ended September 30,					
	2003			2002		
	AirGate	iPCS	Combined	AirGate	iPCS	Combined
Net Loss	$ (42,186)	$ (42,571)	$ (84,757)	$ (92,780)	$ (903,837)	$ (996,617)
Depreciation and amortization	46,494	20,989	67,483	40,764	68,765	109,529
Interest income	(187)	(42)	(229)	(161)	(429)	(590)
Interest expense	42,706	12,841	55,547	35,474	21,679	57,153
Income taxes					(28,761)	(28,761)
EBITDA	$ 46,827	$ (8,783)	$ 38,044	$ (16,703)	$ (842,583)	$ (859,286)

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):

	Year Ended September 30,					
	2003			2002		
	AirGate	iPCS	Combined	AirGate	iPCS	Combined
Net cash provided by (used in) operating activities	$ 50,182	$ (7,634)	$ 42,548	$ (24,460)	$ (20,782)	$ (45,242)
Change in operating assets and liabilities	(6,061)	1,267	(4,794)	24,446	3,017	27,463

Interest expense	42,706	12,841	55,547	35,474	21,679	57,153
Accretion of interest	(32,698)	(11,589)	(44,287)	(27,605)	(23,065)	(50,670)
Interest and other income	(187)	(42)	(229)	(161)	(429)	(590)
Goodwill and asset impairments					(817,413)	(817,413)
Provision for doubtful accounts	(5,218)	(1,694)	(6,912)	(21,343)	(5,590)	(26,933)
Other	(1,897)	(1,932)	(3,829)	(3,054)		(3,054)
EBITDA	$ 46,827	$ (8,783)	$ 38,044	$ (16,703)	$ (842,583)	$ (859,286)

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

	Year Ended September 30,					
	2003			2002		
	AirGate	iPCS*	Combined*	AirGate	iPCS*	Combined*
Average Revenue per User (ARPU):						
Service revenue	$251,481	$ 57,896	$309,377	$226,504	$100,861	$327,365
Average subscribers	349,300	222,794	438,418	310,013	183,407	462,852
ARPU	$ 60	$ 53	$ 59	$ 61	$ 54	$ 59

* For 2003, iPCS amounts represent the period between October 1, 2002 and February 23, 2003 (146 days). For 2003, average subscribers for combined entity is a weighted average. For 2002, iPCS amounts represent the period between December 1, 2001 and September 30, 2002 (304 days). For 2002, the average subscribers for combined entity is a weighted average.

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

	Year Ended September 30,							
	2003				2002			
	AirGate	iPCS*	Elimination	Combined*	AirGate	iPCS*	Elimination	Combined*
Cash Cost per User (CCPU):								
Cost of service and roaming expense	$187,365	$ 56,269	$(443)	$243,191	$204,153	$107,924	$(774)	$311,303
Less: Activation expense	(996)	(194)		(1,190)	(1,830)	(907)		(2,737)
Plus: General and administrative expense	23,347	6,881		30,228	18,143	7,708		25,851
Total cash costs	$209,716	$ 62,956	$(443)	$272,229	$220,466	$114,725	$(774)	$334,417
Average subscribers	349,300	222,794		438,418	310,013	183,407		462,852
CCPU	$ 50	$ 58	$	$ 52	$ 59	$ 62	$	$ 60

* For 2003, iPCS amounts represent the period between October 1, 2002 and February 23, 2003 (146 days). For 2003, average subscribers for combined entity is a weighted average. For 2002, iPCS amounts represent the period between December 1, 2001 and September 30, 2002 (304 days). For 2002, the average subscribers for combined entity is a weighted average.

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):

	Year Ended September 30,							
	2003				2002			
	AirGate	iPCS*	Elimination	Combined*	AirGate	iPCS*	Elimination	Combined*
Cost per Gross Add (CPGA):								
Selling and marketing expense	$ 51,769	$ 16,417	$	$ 68,186	$ 79,099	$ 37,511	$	$ 116,610
Plus: Activation expense	996	194		1,190	1,830	907		2,737
Plus: Cost of equipment	21,521	7,130	(232)	28,419	27,778	16,107	(293)	43,592
Less: Equipment revenue	(11,645)	(2,575)	232	(13,988)	(13,027)	(5,296)	293	(18,030)
Total acquisition costs	$ 62,641	$ 21,166	$	$ 83,807	$ 95,680	$ 49,229	$	$ 144,909
Gross additions	172,007	59,403		231,410	247,221	127,028		374,249
CPGA	$ 364	$ 356	$	$ 362	$ 387	$ 388	$	$ 387

* For 2003, iPCS amounts represent the period between October 1, 2002 and February 23, 2003 (146 days). For 2002, iPCS amounts represent the period between December 1, 2001 and September 30, 2002 (304 days).

Total Subscribers. As of September 30, 2003, the Company provided personal communication services to 359,460 subscribers compared to 554,833 subscribers as of September 30, 2002. For AirGate, total subscribers were 359,460 at September 30, 2003, compared to 339,139 at September 30, 2002.

Subscriber Gross Additions. Subscriber gross additions for the years ended September 30, 2003 and 2002 were 231,410 and 374,249, respectively. For AirGate, subscriber gross additions were 172,007 for the year ended September 30, 2003, compared to 247,221 for the year ended September 30, 2002. For AirGate, the decrease in subscriber gross additions is attributable to an increase in the deposit amounts required for sub-prime credit customers, the loss of distribution from closing retail stores, Sprint s loss of certain national third-party distribution channels, and staff reductions and sales compensation plan changes. For the Company, the decrease is also attributable to the shorter period of iPCS results of operations included in the year ended September 30, 2003, compared to the year ended September 30, 2002.

Churn. Churn for the year ended September 30, 2003 was 3.5%, compared to 3.4% for the year ended September 30, 2002. For AirGate, churn was 3.2% for the year ended September 30, 2003, compared to 3.5% for the year ended September 30, 2002. The decrease in churn for AirGate is primarily a result of a decrease in the number of sub-prime credit quality subscribers whose service was involuntarily discontinued during the period.

Subscriber Net Additions. For the year ended September 30, 2003, the Company added 34,520 net new subscribers, compared to 170,188 for the year ended September 30, 2002. For AirGate, net new subscribers were 20,321 for the year ended September 30, 2003, compared to 104,116 for the year ended September 30, 2002. The decline in net additions for AirGate is primarily due to a decrease in gross subscriber additions and an increase in the total number of subscribers who terminated service during the period. For the Company, the decrease is also attributable to the shorter period of iPCS results of operations included in the year ended September 30, 2003, compared to the year ended September 30, 2002.

Average Revenue Per User. For the years ended September 30, 2003 and 2002, ARPU was $59 and $59, respectively. For AirGate, ARPU was $60 for the year ended September 30, 2003, compared to $61 for the year ended September 30, 2002. The decrease in ARPU reflects lower minute-over-plan overage charges per user and lower cancellation fees per user, which was partially offset by increased monthly recurring charges per user, and an increase in E911, WLNP and other payments from Sprint.

Cost Per Gross Addition. CPGA was $362 for the year ended September 30, 2003, compared to $387 for the year ended September 30, 2002. For AirGate, CPGA was $364 for the year ended September 30, 2003, compared to $387 for the year ended September 30, 2002. The decrease in CPGA was the result of reduced customer acquisition costs, partially offset by fewer subscriber gross additions.

Cash Cost Per User. CCPU was $52 for the year ended September 30, 2003, compared to $60 for the year ended September 30, 2002. For AirGate, CCPU was $50 for the year ended September 30, 2003, compared to $59 for the year ended September 30, 2002. The decrease in CCPU is primarily attributable to lower network operations costs spread over a greater number of average subscribers, lower roaming rates for outbound minutes of use (primarily by Sprint and its network partners), and significantly lower bad debt expense. These improvements were partially offset by increased general and administrative expenses, and expenses related to the proposed recapitalization plan.

EBITDA. For the year ended September 30, 2003, EBITDA was $38.0 million, an increase of $897.3 million, compared to EBITDA of ($859.3) million for the year ended September 30, 2002. The increase in EBITDA was attributable primarily to asset impairments during 2002 and year-over-year improvements in operations of AirGate for fiscal year 2003. During the year ended September 30, 2002, the Company recorded goodwill impairments of $460.9 million, property and equipment impairments of $44.5 million, and intangible assets impairment of $312.0 million, each of which was related to the Company s investment in iPCS. For AirGate, EBITDA was $46.8 million for the year ended September 30, 2003, compared to EBITDA of ($16.7) million for the year ended September 30, 2002. During the year ended September 30, 2003, EBITDA for AirGate was positively affected by $25.0 million in higher service revenues, a $27.3 million reduction in sales and marketing expenses, primarily in advertising, a $16.1 million improvement in bad debt expense and $8.6 million in special settlements from Sprint.

For the Year Ended September 30, 2002 Compared to the Year Ended September 30, 2001:

Revenues

	Year Ended September 30,							
	2002				2001			
	AirGate	iPCS	Elimination	Combined	AirGate	iPCS	Elimination	Combined
				(In thousands)				
Service revenue	$226,504	$100,861	$	$327,365	$105,976	$	$	$105,976
Roaming revenue	74,013	37,923	(774)	111,162	55,329			55,329
Equipment revenue	13,027	5,296	(293)	18,030	10,782			10,782
Total	$313,544	$144,080	$(1,067)	$456,557	$172,087	$	$	$172,087

Service Revenue. Service revenue was $327.4 million for the year ended September 30, 2002, compared to $106.0 million for the year ended September 30, 2001, an increase of $221.4 million. The increased revenue reflects the substantially higher average number of subscribers using the Company s network, including subscribers acquired in the iPCS acquisition.

Roaming Revenue. The Company recorded roaming revenue of $111.2 million during the year ended September 30, 2002, compared to $55.3 million for the year ended September 30, 2001, an increase of $55.9 million. The increase is attributable to a 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 from Sprint and its PCS network partners. 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, compared to $53.9 million or 97% for AirGate only for the year ended September 30, 2001.

Sprint unilaterally reduced the reciprocal roaming rate among Sprint and its PCS network partners, including the Company, from $0.20 per minute of use prior to June 1, 2001, to $0.10 per minute of use in calendar 2002. See Sprint Relationship and Agreements The Management Agreement Service pricing, roaming and fees.

Equipment Revenue. The Company recorded equipment revenue of $18.0 million during the year ended September 30, 2002, compared to $10.8 million for the year ended September 30, 2001, an increase of $7.2 million. For AirGate, equipment revenue was $13.0 million for the year ended September 30, 2002, compared to $10.8 million for the year ended September 30, 2001. The increase in AirGate equipment revenue is primarily attributable to the increased AirGate subscriber gross additions during the year ended September 30, 2002 compared to the year ended September 30, 2001. For the Company, the increase in equipment revenue is also attributable to the inclusion of iPCS results of operations subsequent to November 30, 2001.

Cost of Service and Roaming

	Year Ended September 30,							
	2002				2001			
	AirGate	iPCS	Elimination	Combined	AirGate	iPCS	Elimination	Combined
	(In thousands)							
Roaming expense	$ 57,689	$ 28,617	$ (774)	$ 85,532	$ 40,472	$	$	$ 40,472
Network operating costs	48,328	37,672		86,000	36,513			36,513
Bad debt expense	21,343	5,590		26,933	8,125			8,125
Wireless handset upgrades	3,136	1,712		4,848				
Other cost of service	73,657	34,333		107,990	31,799			31,799
Total cost of service and roaming	$ 204,153	$ 107,924	$ (774)	$ 311,303	$ 116,909	$	$	$ 116,909

The cost of service and roaming was $311.3 million for the year ended September 30, 2002, compared to $116.9 million for the year ended September 30, 2001, an increase of $194.4 million. The increase in the cost of service and roaming is attributable to the increase in the number of subscribers, including those resulting from the acquisition of iPCS.

Roaming expense was $85.5 million for the year ended September 30, 2002, compared to $40.5 million for the year ended September 30, 2001, an increase of $45.0 million. The increase in roaming expense was a result of the substantial increase in the Company s subscriber base, the acquired iPCS subscriber base and an increase in the roaming minutes of use, partially offset by a lower average rate per minute. For the Company, 92% and 88% of roaming expense was attributable to Sprint and its network partners for the years ended September 30, 2002 and 2001, respectively. As discussed above, the per-minute rate the Company pays Sprint or its PCS network partners when subscribers from the Company s territory roam onto the network of Sprint or its network partners decreased beginning June 1, 2001 for AirGate and January 1, 2002 for iPCS.

Bad debt expense was $26.9 million for the year ended September 30, 2002, compared to $8.1 million for the year ended September 30, 2001, an increase of $18.8 million. This increase in bad debt expense is attributable to the increase in AirGate s subscriber base, the increase in payment defaults resulting from the increase in sub-prime credit quality customers with no or little deposit required and inclusion of the results of operations of iPCS after November 30, 2001. The increase in sub-prime credit quality customers was largely attributable to the waiver of the deposit in the NDASL and Clear Pay programs.

For the year ended September 30, 2002, network operating costs were $86.0 million, compared to $36.5 million for the year ended September 30, 2001, an increase of $49.5 million. This increase resulted from the acquisition of iPCS and its subscriber base and supporting its network assets and an increased AirGate subscriber base. The Company was supporting 554,833 subscribers at September 30, 2002

100

(AirGate and iPCS were 339,139 and 215,694, respectively), compared to 235,025 subscribers at September 30, 2001. At September 30, 2002, the Company s network, including the iPCS territory, consisted of approximately 1,433 active cell sites (800 for AirGate and 633 for iPCS), 7 switches (4 for AirGate and 3 for iPCS) and 144 employees (89 for AirGate and 55 for iPCS).

The Company incurred approximately $4.8 million associated with wireless handset upgrade costs through national third party retailers, business and Sprint channels for the year ended September 30, 2002. The Company did not record any costs specifically associated with wireless handset upgrades in our national third party retailers for the year ended September 30, 2001.

The Company incurred $108 million for the year ended September 30, 2002 for other cost of service expenses including long distance expenses, Sprint affiliation fees and Sprint service fees to support its customer base, compared to $31.8 million for the year ended September 30, 2001, an increase of $76.2 million. For AirGate, these costs increased to $73.7 million for the year ended September 30, 2002, compared to $31.8 million for the year ended September 30, 2001. These other cost of service expenses increased as a result of the growth in subscribers from 235,025 as of September 30, 2001 to 339,139 as of September 30, 2002. The increase for the Company was primarily attributable to including iPCS results of operations for the year ended September 30, 2002.

Cost of Equipment, Other Operating Expenses and Interest

	Year Ended September 30,							
	2002				2001			
	AirGate	iPCS	Elimination	Combined	AirGate	iPCS	Elimination	Combined
	(In thousands)							
Cost of equipment	$27,778	$ 16,107	$(293)	$ 43,592	$20,218	$	$	$20,218
Selling and marketing	79,099	37,511		116,610	71,706			71,706
General and administrative	18,143	7,708		25,851	17,141			17,141
Depreciation and amortization	40,678	29,519		70,197	30,621			30,621
Amortization of Intangible assets	86	39,246		39,332	46			46
Loss on disposal of property and equipment	1,074			1,074				
Impairment of goodwill		460,920		460,920				
Impairment of property and equipment		44,450		44,450				
Impairment of intangible assets		312,043		312,043				
Interest income	(161)	(429)		(590)	(2,463)			(2,463)
Interest expense	35,474	21,679		57,153	28,899			28,899

Cost of equipment was $43.6 million for the year ended September 30, 2002, compared to $20.2 million for year ended September 30, 2001, an increase of $23.4 million. The 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.

Selling and Marketing. The Company incurred selling and marketing expenses of $116.6 million for the year ended September 30, 2002, compared to $71.7 million for the year ended September 30, 2001, an increase of $44.9 million. 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 was 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.

General and Administrative. For the year ended September 30, 2002, the Company incurred general and administrative expenses of $25.9 million, compared to $17.1 million for the year ended September 30, 2001, an increase of $8.8 million. The increase reflected the increased number of employees and service providers providing general and administrative services, including the increased employees resulting from

the acquisition of iPCS. 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 $18.1 million and $7.7 million, respectively.

Depreciation. For the year ended September 30, 2002, depreciation increased to $70.2 million, compared to $30.6 million for the year ended September 30, 2001, an increase of $39.6 million. For AirGate, depreciation expense was $40.7 million for the year ended September 30, 2002, compared to $30.6 million for the year ended September 30, 2001. For AirGate, the increase in depreciation expense primarily relates to depreciation of additional network assets placed in service during 2002 and 2001. For the Company, depreciation expense also increased as a result of the acquired iPCS property and equipment and the related depreciation costs.

The Company incurred capital expenditures of $97.1 million for 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 for 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 reflects amortization recorded as part of the iPCS acquisition for the acquired subscriber base, non-competition agreements, and the right to provide service under iPCS s Sprint agreements. Amortization for the year ended September 30, 2002, was approximately $39.3 million.

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. The loss reflects the abandonment of eleven cell sites in AirGate s territory that were in the process of being constructed.

Goodwill Impairment. The wireless telecommunications industry experienced significant declines in market capitalization throughout most of 2002. The significant declines in market capitalization resulted from concerns regarding anticipated weakness in future subscriber growth, increased subscriber churn, anticipated future lower ARPU and potential liquidity concerns. As a result of these industry trends, the Company experienced significant declines in its market capitalization subsequent to the acquisition of iPCS. Additionally, there were adverse changes to the strategic business plan for iPCS. These changes included lower new subscribers, lower ARPU, higher churn, increased expense for 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 a 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 were reduced. Accordingly, the Company on two occasions during 2002 performed fair value assessments of iPCS. The Company recorded a goodwill impairment of approximately $261.2 million and $199.7 million during the quarters ended March 31, 2002 and September 30, 2002, respectively, as a result of the fair value assessments. The Company recorded a goodwill impairment charge for the year ended September 30, 2002 of $460.9 million.

Impairment of Property and Equipment. During the quarter ended September 30, 2002, the Company recorded an asset impairment of $44.5 million for property and equipment (principally wireless networking infrastructure) of iPCS. The impairment was recorded under the requirements of SFAS No. 144 Accounting for the Impairment or Disposal of Long-Lived Assets. As discussed above, the impairment arose from significant adverse changes to the business plan for iPCS as well as a generally weak secondary market for telecommunications related equipment.

Impairment of Intangible Assets. The Company recorded an intangible asset impairment of $312.0 million reflecting an impairment to iPCS s right to provide services under the Sprint agreements and the acquired iPCS subscriber base. The right to provide service under iPCS s Sprint agreements and the acquired iPCS subscriber base was recorded by the Company reflecting the purchase price allocation resulting from the acquisition of iPCS. The original value and life assigned to this intangible was

$323.3 million and 205 months, respectively. As discussed above, the impairment arose from significant adverse changes that occurred to the business plan for iPCS. Accordingly, the Company adjusted the carrying value for the right to provide services under the Sprint agreements to its fair value at September 30, 2002.

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 experienced higher cash balances and achieved higher interest rates on deposits for much of the year ended September 30, 2001, which resulted in higher interest income for the year, 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 the increased debt related to iPCS notes and credit facility, accreted interest on the AirGate and iPCS notes and increased borrowings under the AirGate and iPCS credit facilities, partially offset by lower commitment fees on undrawn balances for the AirGate and iPCS credit facilities, and lower interest rates on variable rate borrowings under the AirGate and iPCS credit facilities. 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. AirGate had borrowings of $356.3 million as of September 30, 2002, 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. The Company recognized an income tax benefit of $28.8 million for the year ended September 30, 2002 related to the reversal of valuation allowances upon the acquisition of iPCS. 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, compared to a net loss of $111.0 million for the year ended September 30, 2001, an increase of $885.6 million. The increased loss reflected a goodwill impairment of $460.9 million, the property and equipment impairment related to 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 $92.8 million and $903.8 million, respectively. During the year ended September 30, 2002, the net loss for AirGate was favorably impacted by a more than 50% increase in our subscriber base and related service revenues, which improved our operating leverage. This improvement was partially offset by a $13.2 million increase in bad debt expense, a $10.1 million increase in depreciation and amortization, a $6.6 million increase in interest expense and a $5 million charge related to the receivable from Sprint.

Non-GAAP Financial Measures and Key Operating Metrics

The tables which follow present and reconcile non-GAAP financial measures and key operating metrics for the Company for the years ended September 30, 2002 and 2001. For the year ended September 30, 2002 and 2001, these metrics are shown separately for AirGate, iPCS and the combined Company.

The table below sets forth key operating metrics for the Company for the year ended September 30, 2002 and 2001.

	Year Ended September 30,					
	2002			2001		
	AirGate	iPCS	Combined	AirGate	iPCS	Combined
Gross subscriber additions	247,221	127,028	374,249	233,390		233,390
Net subscriber additions	104,116	66,072	170,188	178,336		178,336
Total subscribers	339,139	215,694	554,833	235,025		235,025
ARPU	$ 61	$ 54	$ 59	$ 62	$	$ 62
Churn	3.5%	3.0%	3.4%	2.8%		2.8%
CPGA	$ 387	$ 388	$ 387	$ 361	$	$ 361
CCPU	$ 59	$ 62	$ 60	$ 77	$	$ 77
Capital expenditures (in thousands)	$ 41,338	$ 55,722	$ 97,060	$ 71,270	$	$ 71,270
EBITDA (in thousands)	$ (16,703)	$ (842,583)	$ (859,286)	$ (53,887)	$	$ (53,887)

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

	Year Ended September 30,					
	2002			2001		
	AirGate	iPCS	Combined	AirGate	iPCS	Combined
Net Loss	$ (92,780)	$ (903,837)	$ (996,617)	$ (110,990)	$	$ (110,990)
Depreciation and amortization	40,764	68,765	109,529	30,667		30,667
Interest income	(161)	(429)	(590)	(2,463)		(2,463)
Interest expense	35,474	21,679	57,153	28,899		28,899
Income taxes		(28,761)	(28,761)			
EBITDA	$ (16,703)	$ (842,583)	$ (859,286)	$ (53,887)	$	$ (53,887)

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):

	Year Ended September 30,					
	2002			2001		
	AirGate	iPCS	Combined	AirGate	iPCS	Combined
Net cash provided by (used in) operating activities	$ (24,460)	$ (20,782)	$ (45,242)	$ (40,850)	$	$ (40,850)
Change in operating assets and liabilities	24,446	3,017	27,463	(4,674)		(4,674)
Interest expense	35,474	21,679	57,153	28,899		28,899
Accretion of interest	(27,605)	(23,065)	(50,670)	(23,799)		(23,799)
Interest and other income	(161)	(429)	(590)	(2,463)		(2,463)

Goodwill and asset impairments		(817,413)	(817,413)			
Provision for doubtful accounts	(21,343)	(5,590)	(26,933)	(8,125)		(8,125)
Other	(3,054)		(3,054)	(2,875)		(2,875)
EBITDA	$ (16,703)	$ (842,583)	$ (859,286)	$ (53,887)	$	$ (53,887)

104

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

	Year Ended September 30,					
	2002			2001		
	AirGate	iPCS*	Combined*	AirGate	iPCS	Combined
Average Revenue per User (ARPU):						
Service revenue	$226,504	$100,861	$327,365	$105,976	$	$105,976
Average subscribers	310,013	183,407	462,852	141,673		141,673
ARPU	$ 61	$ 54	$ 59	$ 62	$	$ 62

* For 2002, iPCS amounts represent the period between December 1, 2001 and September 30, 2002 (304 days). For 2002, the average subscribers for combined entity is a weighted average.

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

	Year Ended September 30,						
	2002				2001		
	AirGate	iPCS*	Elimination	Combined	AirGate	iPCS	Combined
Cash Cost per User (CCPU):							
Cost of service and roaming expense	$204,153	$107,924					