AIRGATE PCS INC /DE/
Form 10-Q/A
January 15, 2004

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q/A
Amendment No.1

(Mark One)
|X| QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2003.

OR

|_| TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

Commission File Number: 027455

AirGate PCS, Inc.
(Exact name of registrant as specified in its charter)

Delaware	58-2422929
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer (Identification Number)

Harris Tower, 233 Peachtree St. NE, Suite 1700, Atlanta, Georgia	30303
(Address of principal executive offices)	(Zip code)

(404) 525-7272
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by section 13 or 15(d) of the Securities and Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes |X| No |_|

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes |_| No |X|

25,939,836 shares of common stock, $0.01 par value per share, were outstanding as of August 4, 2003.

EXPLANATORY NOTE

This Form 10-Q/A is being amended solely for the purpose of amending and restating in its entirety Part I Item 4 of this Form 10-Q/A, to delete all references to Cash Cost Per User (or CCPU), and to update the signature page and Exhibits 31.1, 31.2, 32.1 and 32.2. This Form 10-Q/A does not reflect events occurring after the filing of the original Form 10-Q, or modify or update the disclosures therein in any way other than as required to reflect these changes.

AIRGATE PCS, INC.
THIRD QUARTER REPORT

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AIRGATE PCS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(dollars in thousands, except share and per share amounts)

	June 30, 2003	September 30, 2002
Assets	(unaudited)	
Current assets:		
Cash and cash equivalents	$ 30,793	$ 32,475
Accounts receivable, net of allowance for doubtful accounts of $4,601 and $11,256, respectively	23,388	38,127
Receivable from Sprint	13,709	44,953
Inventories	2,043	6,733
Prepaid expense	4,403	7,159
Other current assets	474	326
Total current assets	74,810	129,773
Property and equipment, net of accumulated depreciation of $118,334 and $112,913, respectively	184,493	399,155
Financing costs	6,985	8,118
Intangible assets, net of accumulated amortization of $0 and $39,378, respectively	--	28,327
Direct subscriber activation costs	4,600	8,409
Other assets	1,148	512

Total assets	$ 272,036	$ 574,294
Liabilities and Stockholders' Equity (Deficit)		
Current liabilities:		
Accounts payable	$ 2,879	$ 18,152
Accrued expense	9,784	20,950
Payable to Sprint	40,005	88,360
Deferred revenue	7,739	11,775
Current maturities of long-term debt and capital lease obligations	11,850	354,936
Total current liabilities	72,257	494,173
Deferred subscriber activation fee revenue	7,910	14,973
Other long-term liabilities	1,656	3,267
Long-term debt and capital lease obligations, excluding current maturities	375,400	354,828
Investment in iPCS	184,115	--
Total liabilities	641,338	867,241
Stockholders' deficit:		
Preferred stock, par value, $.01 per share; 5,000,000 shares authorized; no shares issued and outstanding	--	--
Common stock, par value, $.01 per share; 150,000,000 shares authorized; 25,939,836 and 25,806,520 shares issued and outstanding at June 30, 2003 and September 30, 2002, respectively	260	258
Additional paid-in-capital	924,086	924,008
Unearned stock compensation	(522)	(1,029)
Accumulated deficit	(1,293,126)	(1,216,184)
Total stockholders' deficit	(369,302)	(292,947)
Total liabilities and stockholders' deficit	$ 272,036	$ 574,294

See accompanying notes to the unaudited consolidated financial statements.

AIRGATE PCS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)
(dollars in thousands, except share and per share amounts)

	Three Months Ended June 30,	
	2003	2002

Revenue:			
Service revenue	$ 64,936	$ 87,219	$ 2
Roaming revenue	15,764	32,000	
Equipment revenue	2,486	3,590	
Total revenue	83,186	122,809	3
Operating Expense:			
Cost of services and roaming (exclusive of depreciation and Amortization as shown separately below)	(46,040)	(82,401)	(1
Cost of equipment	(4,969)	(9,718)	(
Selling and marketing expense	(12,703)	(28,131)	(
General and administrative expense	(5,224)	(6,208)	(
Non-cash stock compensation expense	(177)	(183)	
Depreciation and amortization of property and equipment	(11,588)	(19,500)	(
Amortization of intangible assets	--	(11,260)	
Goodwill impairment	--	--	
Total operating expense	(80,701)	(157,401)	(3
Operating income (loss)	2,485	(34,592)	(
Interest income	27	314	
Interest expense	(10,770)	(15,801)	(
Other	11	--	
Loss before income tax benefit	(8,247)	(50,079)	(
Income tax benefit	--	--	
Net loss	$ (8,247)	$ (50,079)	$ (
Basic and diluted net loss per share of common stock	$ (0.32)	$ (1.94)	$
Basic and diluted weighted-average outstanding common shares	25,939,836	25,801,138	

See accompanying notes to the unaudited consolidated financial statements.

AIRGATE PCS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)
(dollars in thousands)

Cash flows from operating activities:

Net loss..

Adjustments to reconcile net loss to net cash provided by (used in) operating activities:

Goodwill impairment
Depreciation and amortization of property and equipment
Amortization of intangible assets
Amortization of financing costs into interest expense
Provision for doubtful accounts
Interest expense associated with accretion of discounts
Non-cash stock compensation
Deferred income tax benefit
Changes in assets and liabilities:
Accounts receivable
Receivable from Sprint
Inventories
Prepaid expenses, other current and non-current assets
Accounts payable, accrued expenses and other long term liabilities
Payable to Sprint
Deferred revenue

Net cash provided by (used in) operating activities

Cash flows from investing activities:
Capital expenditures
Cash acquired from iPCS
Deconsolidation of iPCS
Acquisition of iPCS

Net cash used in investing activities

Cash flows from financing activities:
Proceeds from borrowings under senior credit facilities
Payments for credit facility borrowings
Payments for capital lease borrowings
Stock issued to employee stock purchase plan
Proceeds from exercise of employee stock options

Net cash provided by financing activities

Net (decrease) increase in cash and cash equivalents
Cash and cash equivalents at beginning of period

Cash and cash equivalents at end of period

Supplemental disclosure of cash flow information:
Cash paid for interest
Supplemental disclosure for non-cash investing activities:
Capitalized interest
iPCS acquisition:
Stock issued
Value of common stock options and warrants assumed
Liabilities assumed
Assets acquired
Capital lease obligation

See accompanying notes to the unaudited consolidated financial statements.

AIRGATE PCS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2003
(unaudited)

(1) Business, Basis of Presentation and Liquidity

(a) Business and Basis of Presentation

The accompanying unaudited quarterly financial statements of AirGate PCS, Inc. (the "Company") are presented in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC") and do not include all of the disclosures normally required by accounting principles generally accepted in the United States of America. In the opinion of management, these statements reflect all adjustments, including recurring adjustments, which are necessary for a fair presentation of the consolidated financial statements for the interim periods. The consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto contained in the Company's Annual Report on Form 10-K/A for the fiscal year ended September 30, 2002, which is filed with the SEC and may be accessed via EDGAR on the SEC's website at http://www.sec.gov. The results of operations for the quarter and nine months ended June 30, 2003 are not necessarily indicative of the results that can be expected for the entire fiscal year ending September 30, 2003. Certain prior year amounts have been reclassified to conform to the current year's presentation. Management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent liabilities at the dates of the consolidated balance sheets and revenues and expenses during the reporting periods to prepare these consolidated financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ significantly from those estimates.

AirGate PCS, Inc. and its restricted and unrestricted subsidiaries were created for the purpose of providing wireless Personal Communication Services ("PCS"). AirGate PCS, Inc. and its restricted subsidiaries ("AirGate") collectively are a network partner of Sprint with the exclusive right to market and provide Sprint PCS products and services in a defined network territory. AirGate is licensed to use the Sprint brand names in its original 21 markets located in the southeastern United States.

On November 30, 2001, AirGate acquired iPCS, Inc. (together with its subsidiaries, "iPCS"), a network partner of Sprint with 37 markets in the midwestern United States. The accompanying consolidated financial statements include the accounts of AirGate PCS, Inc. and its wholly-owned restricted subsidiaries, AGW Leasing Company, Inc., AirGate Service Company, Inc., and AirGate Network Services, LLC, and its unrestricted subsidiary iPCS since its acquisition through the date it filed for bankruptcy. On February 23, 2003, iPCS filed a Chapter 11 bankruptcy petition in the United States Bankruptcy Court for the Northern District of Georgia for the purpose of effecting a court-administered reorganization. In accordance with Statement of Financial Accounting Standards (SFAS) No. 94 "Consolidation of All Majority-Owned Subsidiaries" and Accounting Research Bulletin (ARB) No. 51 "Consolidated Financial Statements," when control of a majority-owned subsidiary does not rest with the majority owners (as, for instance, where the subsidiary is in legal reorganization or in bankruptcy), ARB No. 51 precludes consolidation of the majority-owned subsidiary. As a result, subsequent to February 23, 2003, AirGate no longer consolidates the accounts and results of operations of iPCS and the accounts of iPCS are recorded as an investment using the cost method of accounting. Accordingly, the accompanying consolidated balance sheet as of June 30, 2003 does not include the consolidated accounts of iPCS; it does however, include the Company's investment in iPCS at cost. The accompanying consolidated statement of operations for the nine months ended June 30, 2003 includes the consolidated results of operations of iPCS through February 23, 2003. When

AirGate no longer has an ownership interest in iPCS, which may occur upon emergence of iPCS from bankruptcy, the investment in iPCS will be reduced proportionately to the remaining ownership percentage, if any, retained by AirGate.

The PCS market is characterized by significant risks as a result of rapid changes in technology, intense competition and the costs associated with the build-out of a PCS network. The Company's operations are dependent upon Sprint's ability to perform its obligations under the agreements between the Company and Sprint (see Note 3) under which the Company has agreed to construct and manage its Sprint PCS networks. Additionally, the Company's ability to attract and maintain a subscriber base of sufficient size and credit quality is critical to achieving sufficient positive cash flow to meet its financial covenants with respect to its indebtedness. Changes in technology, increased competition, economic conditions or inability to achieve sufficient positive cash flow to meet its financial covenants with respect to its indebtedness, among other factors, could have an adverse effect on the Company's financial position, results of operations, and liquidity.

(b) Liquidity

The Company has generated significant net losses since inception. For the nine months ended June 30, 2003 and the year ended September 30, 2002, the Company's net loss amounted to $76.9 million and $996.6 million (including goodwill and asset impairment charges of $817.4 million), respectively. As of June 30, 2003, AirGate had working capital of $2.6 million and available credit of $9.0 million under its $153.5 million senior secured credit facility (the "AirGate credit facility").

Immediately prior to iPCS' bankruptcy filing, the lenders under the iPCS credit facility accelerated iPCS' payment obligations as a result of existing defaults under that facility. Concurrent with its bankruptcy filing, iPCS brought a lawsuit against Sprint alleging, among other things, that Sprint had failed to remit certain amounts owed to iPCS under its agreements with Sprint and is seeking to exercise its put rights under its agreements with Sprint. As an unrestricted subsidiary, iPCS is a separate corporate entity from AirGate with its own independent financing sources, debt obligations and sources of revenue. Furthermore, iPCS lenders, noteholders and creditors do not have a lien or encumbrance on assets of AirGate, and AirGate cannot provide capital or other financial support to iPCS. The Company believes AirGate operations will continue independent of the outcome of the iPCS bankruptcy. However, it is likely that AirGate's ownership interest in iPCS will have no value after the restructuring is complete.

While the ultimate and long-term effect on AirGate of iPCS' bankruptcy proceedings cannot be determined, management believes that AirGate and its restricted subsidiaries will continue to operate and that iPCS' bankruptcy proceedings, and related outcomes, will not have a material adverse effect on the liquidity of AirGate.

In addition to its capital needs to fund operating losses, AirGate has historically invested large amounts to build-out its networks and for other capital assets. For the nine months ended June 30, 2003 and since inception, AirGate stand alone invested $10.4 million and $286.0 million respectively to purchase property and equipment. While much of AirGate's network is now complete, capital expenditures will continue to be necessary to increase capacity and improve network operations.

On August 8, 2003, AirGate drew the $9.0 million remaining available under the AirGate credit facility. AirGate currently has no additional sources of working capital other than cash on hand and operating cash flow. If AirGate's actual revenues are less than expected or operating or capital costs are more than expected, AirGate's financial condition and liquidity may be materially adversely affected. In such event, there is substantial risk that the Company could not access the credit or capital markets for additional capital.

AirGate's payment obligations may be accelerated if it is unable to maintain or comply with the financial and operating covenants contained in the AirGate credit facility. The AirGate 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 debt and senior debt to annualized EBITDA, as defined in the AirGate credit facility.

If the Company is unable to operate the AirGate business within the covenants specified in the AirGate credit facility and is unable to obtain future amendments to such covenants, AirGate's ability to use its cash could be restricted or terminated and its payment obligations could be accelerated. Any such restriction, termination or acceleration could have a material adverse affect on AirGate's liquidity and capital resources.

AirGate has initiated a number of actions to lower its operating costs and capital needs and improve operating cash flow. The following are some of the more significant steps:

- a plan to improve the credit quality of new subscribers and its subscriber base by re-imposing and increasing deposits for sub-prime customers;

- the elimination of certain personnel positions;

- a significant reduction in capital expenditures; and

- a reduction in spending for advertising and promotions.

In addition to these steps, AirGate continues to review potential actions that could further reduce AirGate operating expenses such as exploring ways to lower fees and charges from services now provided by Sprint, including a potential outsourcing of certain services provided by Sprint and increased examination of Sprint fees and charges and cash receipts from Sprint. Although there can be no assurances, AirGate management believes that existing cash, expected results of operations and cash flow from operations will provide sufficient resources to fund AirGate's activities through at least June 30, 2004.

The following reflects the condensed balance sheet information as of June 30, 2003 and September 30, 2002 for AirGate separately identifying iPCS as an investment, and the AirGate statement of operations information for the three months and nine months ended June 30, 2003 and 2002 separately identifying the investment in iPCS and showing the effects of purchase accounting and the historical equity basis loss of iPCS through February 23, 2003 (dollar amounts in thousands):

	As of	
	June 30, 2003	September 30, 2002
Condensed Balance Sheet Information:		

Cash and cash equivalents	$ 30,793	$ 4,887
Other current assets	44,017	62,819
Total current assets	74,810	67,706
Property and equipment, net	184,493	213,777
Other noncurrent assets	12,733	13,732
	$ 272,036	$ 295,215
Current liabilities	$ 72,257	$ 82,175
Long-term debt	375,400	354,264
Other long-term liabilities	9,566	10,180
Investment in iPCS	184,115	141,543
Total liabilities	641,338	588,162
Stockholders' deficit	(369,302)	(292,947)
	$ 272,036	$ 295,215

	For the Three Months Ended	
	June 30, 2003	June 30, 2002
Condensed Statement of Operations Information:		
Revenue	$ 83,186	$ 81,147
Cost of revenue	(51,009)	(58,248)
Selling and marketing expense	(12,703)	(15,850)
General and administrative expense	(5,224)	(4,495)
Depreciation and amortization	(11,588)	(10,150)
Non-cash stock compensation expense	(177)	(183)
Total operating expense	(80,701)	(88,926)
Operating income (loss)	2,485	(7,779)
Other, net (principally interest)	(10,732)	(8,741)
Loss before equity in loss of iPCS and effects of purchase accounting, and income tax benefit	(8,247)	(16,520)
Historical equity basis loss of iPCS	--	(24,383)
Effects of purchase accounting	--	(9,176)
	--	--
Net loss	$ (8,247)	$ (50,079)

(c) Basic and Diluted Net Loss Per Share

Basic net loss per share is computed by dividing net loss by the weighted-average number of common shares outstanding during the period. Potentially dilutive securities of 39,835, 40,132, 39,588 and 40,155 for the three and nine months ended June 30, 2003 and 2002, respectively have been excluded from the computation of dilutive net loss per share for the periods presented because the Company had a net loss and their effect would have been antidilutive.

(d) Stock-based Compensation Plans

We have elected to continue to account for our stock-based compensation plans under APB Opinion No. 25, "Accounting for Stock Issued to Employees", and disclose pro forma effects of the plans on a net loss and loss per share basis as provided by SFAS No. 123, "Accounting for Stock-Based Compensation." Accordingly, as the fair market value on the date of grant was equal to the exercise price, we did not recognize any compensation cost. Had compensation cost for these plans been determined based on the fair value at the grant dates during the three and nine months ended June 30, 2003 and 2002 under the plans consistent with the method of SFAS No. 123, the pro forma net loss and loss per share would have been as follows (in thousands, except per share data):

	Three Months Ended June 30,		Nine Months Ended J	
	2003	2002	2003	
Net loss, as reported	$ (8,247)	$ (50,079)	$ (76,942)	$
Add: stock based compensation expense included in determination of net loss	177	183	530	
Less: stock-based compensation expense determined under the fair value based method	(2,426)	(2,284)	(7,278)	
Pro forma net loss	$(10,496)	$ (52,180)	$ (83,690)	$
Basic and diluted loss per share:				
As reported	$ (0.32)	$ (1.94)	$ (2.97)	$
Pro forma	$ (0.40)	$ (2.02)	$ (3.23)	$

(2) New Accounting Pronouncements

In February 2003, the Financial Accounting Standards Board ("FASB") issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of Liabilities and Equity," which is effective at the beginning of the first interim period beginning after June 15, 2003. SFAS No. 150 establishes standards for the Company's classification of liabilities in the financial statements that have characteristics of both liabilities and equity. The application of SFAS No. 150 is not expected to have a material adverse effect on the Company's financial statements.

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities, an interpretation of ARB No. 51." This interpretation addresses the consolidation by business enterprises of variable interest entities as defined in the interpretation. This interpretation applies immediately to variable interests in variable interest entities created after January 31, 2003, and to variable interests in variable interest entities obtained after January 31, 2003. The Interpretation is effective for interim periods beginning after June 15, 2003 for all variable interests in variable interest entities created prior to January 31, 2003. The application of Interpretation No. 46 is not expected to have a material adverse effect on the Company's financial statements.

In December 2002, the FASB issued SFAS No. 148 "Accounting for Stock-Based Compensation--Transition and Disclosure--an amendment of FASB Statement No. 123." SFAS No. 148 provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation from the intrinsic value-based method of accounting prescribed by Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees." As allowed by SFAS No. 123, the Company has elected to continue to apply the intrinsic value-based method of accounting, and has adopted the disclosure requirements of SFAS No. 123 and 148.

In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," which addresses the disclosure to be made by a guarantor in its interim and annual financial statements about its obligations under guarantees. This interpretation also requires the recognition of a liability by a guarantor at the inception of certain guarantees. Interpretation No. 45 requires the guarantor to recognize a liability for the non-contingent component of the guarantee, which is the obligation to stand ready to perform in the event that specified triggering events or conditions occur. The initial measurement of this liability is the fair value of the guarantee at inception. The recognition of the liability is required even if it is not probable that payments will be required under the guarantee or if the guarantee was issued with a premium payment or as part of a transaction with multiple elements. The Company guarantees certain lease commitments of its restricted subsidiaries. The maximum amount of these guarantees is included in the Company's Annual Report on Form 10-K/A for the fiscal year ended September 30, 2002. Also, the handsets sold by the Company are under a one-year warranty from Sprint. If a customer returns a handset for warranty, the Company generally provides the customer with a refurbished handset and sends the warranty handset to Sprint for repair. Sprint provides a credit to the Company equal to the retail price of the refurbished handset. Therefore, the warranty expense for the Company is not deemed material. The Company will apply the recognition and measurement provisions for all guarantees entered into or modified after December 31, 2002.

In November 2002, the Emerging Issues Task Force ("EITF") of the FASB reached a consensus on 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 package, and the consideration will be measured and allocated to the separate units based on their relative fair values. This consensus guidance will be applicable to agreements entered into for quarters beginning after June 15, 2003. AirGate will adopt EITF 00-21 effective July 1, 2003. The Company is currently evaluating the impact of this change.

In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 provides new guidance on the recognition of costs associated with exit or disposal activities. The standard requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of commitment to an exit or disposal plan. SFAS No. 146 supercedes previous accounting guidance provided by the EITF Issue No. 94-3 "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." EITF Issue No. 94-3 required recognition of costs at the date of commitment to an exit or disposal plan. SFAS No. 146 is to be applied prospectively to exit or disposal activities initiated after December 31, 2002. Early application is permitted. The Company adopted SFAS No. 146 on October 1, 2002. There was no impact on adoption of this statement.

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." Among other things, this statement rescinds FASB Statement No. 4, "Reporting Gains and Losses from Extinguishment of Debt" which required all gains and losses from extinguishment of debt to be aggregated and, if material, classified as an extraordinary item, net of related income tax effect. As a result, the criteria in APB Opinion No. 30, "Reporting the Results of Operations -- Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions," will now be used to classify those gains and losses. The adoption of SFAS No. 145 by the Company on October 1, 2002 did not have a material impact on the Company's financial position, results of operations, or cash flows.

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 requires the fair value of a liability for an asset retirement obligation to be recognized in the period that it is incurred if a reasonable estimate of fair value can be made. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002. The adoption of SFAS No. 143 by the Company on October 1, 2002 did not have a material impact on the Company's financial position, results of operations or cash flows.

(3) Sprint Agreements

Under the Sprint Agreements, Sprint is obligated to provide the Company significant support services such as billing, collections, long distance, customer care, network operations support, inventory logistics support, use of Sprint brand names, national advertising, national distribution and product development. Additionally, the Company derives substantial roaming revenue and expenses when Sprint's and Sprint's network partners' wireless subscribers incur minutes of use in the Company's territories and when the Company's subscribers incur minutes of use in Sprint and other Sprint network partners' PCS territories. These transactions are recorded in roaming revenue, cost of service and roaming, cost of equipment, and selling and marketing expense captions in the accompanying consolidated statements of operations. Cost of service and roaming transactions include the 8% affiliation fee, long distance charges, roaming expense and costs of services such as billing, collections, customer service and pass-through expenses. Cost of equipment transactions relate to inventory purchased by the Company from Sprint under the Sprint agreements. Selling and marketing transactions relate to subsidized costs on handsets and commissions paid by the Company under Sprint's national distribution programs.

Amounts recorded relating to the Sprint agreements for the three and nine months ended June 30, 2003 and 2002 are as follows (dollar amounts in thousands):

	For the Three Months Ended June 30, 2003*	For the Three Months Ended June 30, 2002
Amounts included in the Consolidated Statement of Operations:		
AirGate roaming revenue	$ 14,595	$ 20,181
AirGate cost of service and roaming:		
Roaming	11,548	13,465
Customer service	9,313	10,348
Affiliation fee	4,203	4,218
Long distance	3,309	3,883
Other	546	473
AirGate cost of service and roaming	28,919	32,387
AirGate purchased inventory	3,971	6,398
AirGate selling and marketing	3,672	3,871
iPCS roaming revenue	$ --	$9,207
iPCS cost of service and roaming:		
Roaming	--	6,649
Customer service	--	5,458
Affiliation fee	--	2,352
Long distance	--	2,668
Other	--	172
iPCS cost of service and roaming:	--	17,299
iPCS purchased inventory	--	7,306
iPCS selling and marketing	--	2,107

* For iPCS, subsequent to February 23, 2003 the results of iPCS are no longer consolidated with the results of AirGate.

Amounts included in the Consolidated Balance Sheets:

	As of June 30, 2003	As of September 30, 2002
Receivable from Sprint	$ 13,709	$ 44,953
Payable to Sprint	(40,005)	(88,360)

Because approximately 95% of our revenue is collected by Sprint and 65% of cost of service and roaming in our financial statements are derived from fees and charges, including pass-through charges from Sprint, we have a variety of settlement issues and other contract disputes open and outstanding from time to time. The amount Sprint has asserted we owe is approximately $7.0 million. This includes, but is not limited to, the following items, all of which for accounting purposes have been reserved or otherwise provided for:

- In fiscal year 2002, Sprint PCS asserted it has the right to recoup up to $3.9 million in long-distance access revenues previously paid by Sprint PCS to AirGate, for which Sprint PCS has invoiced $1.2 million. We have disputed these amounts.

- Sprint invoiced AirGate approximately $0.5 million with respect to calendar year 2002 to reimburse Sprint for certain 3G related development expenses. We are disputing Sprint's right to charge 3G fees in 2002 and beyond, and we estimate such fees will be $1.4 million in fiscal year 2003.

- We continue to discuss with Sprint whether AirGate owes software maintenance fees to Sprint of approximately $1.7 million for calendar 2002 and $1.7 million for calendar year 2003. Our position is that Sprint is not authorized to charge these fees to AirGate under the terms of our agreements.

- During the nine months ended June 30, 2003, Sprint billed AirGate $1.6 million for information technology (IT) expenses including the reimbursement of amortization of IT projects completed by Sprint. The Company has disputed Sprint's right to collect these fees.

Sprint has invoiced approximately $7.0 million. This invoiced amount does not include certain long distance access revenue charges, or future fees relating to 3G, software maintenance and information technology.

We intend to vigorously contest these charges and to closely examine all fees and charges imposed by Sprint. In addition to these disputes, we have other outstanding issues with Sprint which could result in set-offs to the items described above or in payments due from Sprint. For example, we believe Sprint has failed to calculate, pay and report on collected revenues in accordance with our agreements with Sprint, which, together with other cash remittance issues, has resulted in a shortfall in cash payments to AirGate. As a result of these and other issues and in connection with our review of accounts receivable at September 30, 2002, we reclassified approximately $10.0 million of AirGate subscriber accounts receivable for the fiscal year ended September 30, 2002 to a receivable from Sprint. We continue to explore the causes for this discrepancy.

During this fiscal year, Sprint has paid $10.5 million for amounts that were previously not properly remitted to AirGate. The $10.5 million paid by Sprint included $4.1 million of previously unapplied customer deposits, $4.0 million of revenue for AirGate subscribers whose bills are paid through national accounts, $0.6 million of subscriber payments resulting from a change in the method of calculating collected revenues and $1.8 million for E911 and other items. During the nine months ended June 30, 2003, AirGate recorded $3.6 million in credits from Sprint as a reduction in cost of services and $1.8 million as an increase in revenues. We are reviewing whether additional amounts are due to AirGate and we continue to discuss with Sprint the proper method for calculating, paying and reporting on collected revenues and other matters.

Monthly Sprint service charges are set by Sprint at the beginning of each calendar year. Sprint takes the position that at the end of each year, it can determine its actual costs to provide these services to its network partners and require a final settlement against the charges actually paid. If the cost to provide these services are less than the amounts paid by Sprint's network partners, Sprint issues a credit for these amounts. If the costs to provide the services are more that the amounts paid by Sprint's network partners, Sprint charges the network partners for these amounts. Sprint credited to AirGate $1.3 million, which was recorded as a reduction of cost of service in the quarter ended December 31, 2002.

The Sprint Agreements require the Company to maintain certain minimum network performance standards and to meet other performance requirements. AirGate was in compliance in all material respects with these requirements at June 30, 2003.

(4) Litigation

In May, 2002, putative class action complaints were filed in the United States District Court for the Northern District of Georgia against AirGate PCS, Inc., Thomas M. Dougherty, Barbara L. Blackford, Alan B. Catherall, Credit Suisse First Boston, Lehman Brothers, UBS Warburg LLC, William Blair & Company, Thomas Wiesel Partners LLC and TD Securities. The complaints do not specify an amount or range of damages that the plaintiffs are seeking. The complaints seek class certification and allege that the prospectus used in connection with the secondary offering of Company stock by certain former iPCS shareholders on December 18, 2001 contained materially false and misleading statements and omitted material information necessary to make the statements in the prospectus not false and misleading. The alleged omissions included (i) failure to disclose that in order to complete an effective integration of iPCS, drastic changes would have to be made to the Company's distribution channels, (ii) failure to disclose that the sales force in the acquired iPCS markets would require extensive restructuring and (iii) failure to disclose that the "churn" or "turnover" rate for subscribers would increase as a result of an increase in the amount of sub-prime credit quality subscribers the Company added from its merger with iPCS. On July 15, 2002, certain plaintiffs and their counsel filed a motion seeking appointment as lead plaintiffs and lead counsel. Subsequently, the Court denied that motion without prejudice and two of the plaintiffs have filed a renewed motion. The Defendants responded to the renewed motion, but the Court has not yet entered a ruling. The Company believes the plaintiffs' claims are without merit and intends to vigorously defend against these claims. However, no assurance can be given as to the outcome of the litigation.

(5) Staff Reduction and Retail Store Closings

As discussed in Note 1, AirGate has identified additional opportunities to reduce its cost structure and streamline its operations. The Company adopted a restructuring plan to reduce its workforce and to close a number of retail locations which resulted in restructuring charges of $0.8 million, $0.8 million and $0.4 million during the quarters ended December 31, 2002, March 31, 2003 and June 30, 2003, respectively.

During the quarter ended December 31, 2002, the restructuring charge included provisions for severance of approximately 65 management and operating staff ($0.6 million) as well as 3 retail locations ($0.2 million). During the quarter ended March 31, 2003, the restructuring charge included provisions for severance of approximately 154 management and operating staff ($0.6 million) as well as 16 retail locations and 10 administrative offices ($0.2 million), primarily for iPCS. During the quarter ended June 30, 2003, the restructuring charge included provisions for severance of approximately 76 management and operating staff ($0.2 million), as well as 3 retail locations ($0.2 million). Further charges may be necessary as AirGate services are terminated under the services agreement with iPCS as described in Note 7.

The following summarizes the activity and balances as of June 30, 2003 (dollar amounts in thousands):

	Severance	Closure	Facilities Total
Balance - October 1, 2002	$ 0	$ 0	$ 0
Restructuring charges	1,312	589	1,901
Payments	(1,276)	(23)	(1,299)

Balance - June 30, 2003	$ 36	$ 566	$ 602
	============	============	=============

(6) Income Taxes

The Company realized an income tax benefit of $28.8 million during the nine months ended June 30, 2002. No such amounts were realized in the quarter and nine months ended June 30, 2003, nor will amounts be realized in the future unless management believes the recoverability of deferred tax assets is more likely than not.

(7) Transactions Between AirGate and iPCS

The Company formed AirGate Service Company, Inc. ("ServiceCo") to provide management services to both AirGate and iPCS. ServiceCo is a wholly-owned restricted subsidiary of AirGate. Personnel who provide general management services to AirGate and iPCS are leased to ServiceCo. Historically, the management personnel included AirGate staff in the Company's principal corporate offices in Atlanta and the iPCS accounting staff in Geneseo, Illinois. ServiceCo expenses are allocated between AirGate and iPCS based on the percentage of subscribers they contribute as compared to the total number of Company subscribers (the "ServiceCo Allocation"), which is currently 60% AirGate and 40% iPCS. Expenses that relate to one company are allocated to that company. Expenses that relate to ServiceCo or both companies are allocated in accordance with the ServiceCo Allocation. For the three months and nine months ended June 30, 2003, ServiceCo charged iPCS for net expenses of $0.6 million and $2.7 million, respectively.

On January 27, 2003, iPCS retained Timothy M. Yager, former CEO of iPCS prior to the merger of AirGate and a former director of AirGate following the merger, as chief restructuring officer to oversee the restructuring of iPCS and manage the day-to-day operations of iPCS. To facilitate the orderly transition of management services to Mr. Yager, AirGate and iPCS have executed an amendment to the Services Agreement that would allow individual services to be terminated by either party upon 30 days prior notice, subject to exceptions for certain services for which longer notice is required.

Subsequent to the amendment, certain services have been terminated by AirGate and iPCS. We anticipate that prior to September 30, 2003, substantially all management services provided by ServiceCo to iPCS will be terminated.

AirGate has completed transactions at arms-length in the normal course of business with its unrestricted subsidiary iPCS. These transactions are comprised of roaming revenue and expenses, inventory sales and purchases and sales of network equipment.

(8) Condensed Consolidating Financial Statements

AGW Leasing Company, Inc. ("AGW") is a wholly-owned restricted subsidiary of AirGate. AGW has fully and unconditionally guaranteed the AirGate notes and the AirGate credit facility. AGW was formed to hold the real estate interests for the Company's PCS network and retail operations. AGW also was a registrant under the Company's registration statement declared effective by the Securities and Exchange Commission on September 27, 1999.

AirGate Network Services LLC ("ANS") is a wholly-owned restricted subsidiary of AirGate. ANS has fully and unconditionally guaranteed the AirGate notes and the AirGate credit facility. ANS was formed to provide construction management services for AirGate's PCS network.

AirGate Service Company, Inc. is a wholly-owned restricted subsidiary of AirGate. ServiceCo has fully and unconditionally guaranteed the AirGate notes and the AirGate credit facility. ServiceCo was formed to provide management services to AirGate and iPCS.

iPCS is a wholly-owned unrestricted subsidiary of AirGate and operates as a separate business. As an unrestricted subsidiary, iPCS provides no guarantee to either the AirGate notes or the AirGate credit facility and AirGate and its restricted subsidiaries provide no guarantee with respect to iPCS debt obligations. 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. The results of iPCS have been included in the consolidated results of AirGate through February 23, 2003. Subsequent to February 23, 2003, AirGate PCS no longer consolidates the accounts and results of operations of its unrestricted subsidiary iPCS. The accounts of iPCS are recorded as an investment using the cost method of accounting.

The following shows the unaudited condensed consolidated financial statements for AirGate and its subsidiaries as of June 30, 2003 and September 30, 2002 and for the three months and nine months ended June 30, 2003 and 2002 (dollar amounts in thousands):

Unaudited Condensed Consolidating Balance Sheets
As of June 30, 2003

	AirGate PCS, Inc.	AirGate Guarantor Subsidiaries	Eliminations	Consolidated
Cash and cash equivalents..	$ 30,796	$ (3)	$ --	$ 30,793
Other current assets.......	104,848	529	(61,360)	44,017
Total current assets.......	135,644	526	(61,360)	74,810
Property and equipment, net......................	145,303	39,190	--	184,493
Other noncurrent assets....	12,733	--	--	12,733
Total assets.............	$ 293,680	$ 39,716	$ (61,360)	$ 272,036
Current liabilities.......	$ (15,061)	$ 148,678	$ (61,360)	$ 72,257
Long-term debt............	375,400	--	--	375,400
Other long-term liabilities...............	9,566	--	--	9,566
Investment in subsidiaries.............	293,077	--	(108,962)	184,115
Total liabilities.........	662,982	148,678	(170,322)	641,338
Stockholders' equity (deficit)..............	(369,302)	(108,962)	108,962	(369,302)
Total liabilities and				

stockholders' equity (deficit).............	$ 293,680	$ 39,716	$ (61,360)	$ 272,036

Condensed Consolidating Balance Shee
As of September 30, 2002

	AirGate PCS, Inc.	AirGate Guarantor Subsidiaries	Eliminations	AirGate Consolidated(1)	iPC Non-Gua Subsidi
Cash and cash equivalents.............	$ 4,769	$ 118	$ --	$ 4,887	$ 27,
Other current assets.....	122,869	529	(60,579)	62,819	35,
Total current assets.....	127,638	647	(60,579)	67,706	63,
Property and equipment, net.........	168,163	45,614	--	213,777	185,3
Intangible assets, net...	1,428	--	--	1,428	26,8
Other noncurrent assets..	4,924	--	--	4,924	12,1
Total assets............	$ 302,153	$ 46,261	$ (60,579)	$ 287,835	$ 287,
Current liabilities......	$ 55,535	$ 130,767	$ (60,579)	$ 125,723	$ 369,
Long-term debt...........	354,264	--	--	354,264	
Other long-term liabilities...........	1,583	--	--	1,583	16,
Investment in subsidiaries..........	183,718	--	(84,506)	99,212	
Total liabilities........	595,100	130,767	(145,085)	580,782	386,
Stockholders' equity (deficit).............	(292,947)	(84,506)	84,506	(292,947)	(99
Total liabilities and stockholders' equity (deficit).............	$ 302,153	$ 46,261	$ (60,579)	$287,835	$ 287

(1) Amounts in AirGate consolidated include the effects of purchase accounting related to the iPCS acquisition. Balance sheet information includes $44 million of debt and $1 million of net assets as of September 30, 2002. The net loss of AirGate includes expenses related to the effects of purchase accounting for iPCS of $5.6 million and $283.7 million for the nine months ended June 30, 2003 and 2002, respectively. The nine months ended June 30, 2002 includes a tax benefit related to the iPCS acquisition of $28.8 million. Subsequent to February 23,

2003, AirGate no longer consolidates the accounts and results of operations of its unrestricted subsidiary iPCS. The accounts of iPCS are recorded as an investment using the cost method of accounting.

Unaudited Condensed Consolidating Statement of Operations
For the Three Months Ended June 30, 2003

	AirGate PCS, Inc.	AirGate Guarantor Subsidiaries	Eliminations	Consolidat
Total revenue..................	$ 83,186	$ --	$ --	$ 83,186
Cost of revenue................	(46,786)	(4,223)	--	(51,009)
Selling and marketing..........	(11,656)	(1,047)	--	(12,703)
General and administrative.....	(4,892)	(332)	--	(5,224)
Depreciation and amortization..	(10,798)	(790)	--	(11,588)
Non-cash stock compensation expense......................	(177)	--	--	(177)
Total operating expense........	(74,309)	(6,392)	--	(80,701)
Operating income (loss)........	8,877	(6,392)		2,485
Other, net (principally interest)....................	(10,741)	9	--	(10,732
Loss in subsidiaries...........	(6,383)	--	6,383	--
Loss before income tax	(8,247)	(6,383)	6,383	(8,247
Income tax.....................	--	--	--	--
Net loss.......................	$ (8,247)	$ (6,383)	$ 6,383	$ (8,

Unaudited Condensed Consolidating Statemen
For the Three Months Ended June 3

	AirGate PCS, Inc.	AirGate Guarantor Subsidiaries	Eliminations	AirGate Consolidated(1)	iPCS Non-Guar Subsidia
Total revenue...............	$ 81,147	$ --	$ --	$ 81,147	$ 41,4
Cost of revenue.............	(53,728)	(3,837)	--	(57,565)	(35,2
Selling and marketing.......	(15,292)	(558)	--	(15,850)	(11,4
General and administrative..	(4,364)	(131)	--	(4,495)	(1,7
Depreciation and amortization.............	(17,828)	(2,181)	--	(20,009)	(10,7
Non-cash stock compensation expense..................	(183)	--	--	(183)	
Total operating expense.....	(91,395)	(6,707)	--	(98,102)	(59,1

Operating loss..............	(10,248)	(6,707)		(16,955)	(17,6
Other, net (principally interest)................	(9,505)	764	--	(8,741)	(6,7
Loss in subsidiaries........	(30,326)	--	5,943	(24,383)	
Loss before income tax	(50,079)	(5,943)	5,943	(50,079)	(24,3
Income tax	--	--	--	--	-
Net loss....................	$ (50,079)	$ (5,943)	$ 5,943	$ (50,079)	$ (24,3

Unaudited Condensed Consolidating Statement
For the Nine Months Ended June 30, 2

	AirGate PCS, Inc.	AirGate Guarantor Subsidiaries	Eliminations	AirGate Consolidated(1)	iPCS Non-Gua Subsidia
Total revenue..............	$ 241,799	$ --	$ --	$ 241,799	$ 79,3
Cost of revenue............	(140,675)	(12,803)	--	(153,478)	(63,
Selling and marketing......	(37,867)	(2,996)	--	(40,863)	(16,
General and administrative.	(13,416)	(1,613)	--	(15,029)	(6,
Depreciation and amortization............	(33,984)	(7,161)	--	(41,145)	(14,
Non-cash stock compensation expense.....	(530)	--	--	(530)	
Total operating expense....	(226,472)	(24,573)	--	(251,045)	(101,
Operating income (loss) ...	15,327	(24,573)	--	(9,246)	(21,
Other, net (principally interest)................	(30,829)	117	--	(30,712)	(15,
Loss in subsidiaries.......	(61,440)	--	24,456	(36,984)	
Loss before income tax.....	(76,942)	(24,456)	24,456	(76,942)	(36
Income tax.................	--	--	--	--	
Net loss...................	$ (76,942)	$ (24,456)	$24,456	$ (76,942)	$ (36

Unaudited Condensed Consolidating State
For the Nine Months Ended June

	AirGate PCS, Inc.	AirGate Guarantor Subsidiaries	Eliminations	AirGate Consolidated(1)	iPCS Non-Guar Subsidia
Total revenue.............	$ 226,111	$ --	$ --	$ 226,111	$ 93,9
Cost of revenue...........	(152,964)	(11,347)	--	(164,311)	(83,0
Selling and marketing......	(57,868)	(2,057)	--	(59,925)	(25,6
General and administrative.	(8,605)	(452)	--	(9,057)	(9,2
Depreciation and amortization............	(49,301)	(6,344)	--	(55,645)	(21,5
Non-cash stock compensation expense.....	(597)	--	--	(597)	
Goodwill impairment........	(261,212)	--	--	(261,212)	
Total operating expense....	(530,547)	(20,200)	--	(550,747)	(139,5
Operating loss............	(304,436)	(20,200)	--	(324,636)	(45,5
Other, net (principally interest)...............	(27,618)	2,032	--	(25,586)	(14,6
Loss in subsidiaries.......	(78,340)	--	18,168	(60,172)	
Loss before income tax benefit.................	(410,394)	(18,168)	18,168	(410,394)	(60,
Income tax benefit.........	28,761	--	--	28,761	
Net loss..................	$ (381,633)	$ (18,168)	$ 18,168	$ (381,633)	$ (60,

Unaudited Condensed Consolidating Statement of
For the Nine Months Ended June 30, 2

	AirGate PCS, Inc.	AirGate Guarantor Subsidiaries	Eliminations	AirGate Consolidated(1)	iPC Non-Guar Subsidi
Operating activities, net.................	$ 29,857	$ (121)	$ --	$ 29,736	$ (9,
Investing activities, net.................	(10,369)	--	--	(10,369)	(18,
Financing activities,					

net.................	6,539	--	--	6,539	(2)
Increase (decrease) in cash and cash equivalent...........	26,027	(121)	--	25,906	(27,
Cash at beginning of period..............	4,769	118	--	4,887	27,
Cash at end of period..	$ 30,796	$ (3)	$ --	$ 30,793	$

Unaudited Condensed Consolidating Statement
For the Nine Months Ended June 30,

	AirGate PCS, Inc.	Guarantor Subsidiaries	Eliminations	AirGate Consolidated(1)	iPCS Non-Guar Subsidi
Operating activities, net..................	$ (33,348)	$ 4,193	$ --	$ (29,15)	$ (19,642
Investing activities, net..................	(9,881)	(4,055)	--	(13,93)	(45,125
Financing activities, net.................	57,452	--	--	57,452	59,996
Increase (decrease) in cash and cash equivalent...........	14,223	138	--	14,361	(4,771)
Cash at beginning of period..............	(9,955)	(157)	--	(10,11)	24,402
Cash at end of period..	$ 4,268	$ (19)	$ --	$ 4,249	$ 19,631

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's Discussion and Analysis of Results of Operations and Financial Condition ("MD&A") contains forward looking statements that are based on current expectations, estimates, forecasts and projections about us, our future performance, our liquidity, the wireless industry, our beliefs and management's assumptions. In addition, other written and oral statements that constitute forward-looking statements may be made by us or on our behalf. Such forward looking statements include statements regarding expected financial results and other planned events, including but not limited to, anticipated liquidity, churn rates, ARPU and CPGA (all as defined in the Key Operating Metrics), roaming rates, EBITDA (as defined in the Key Operating Metrics), and capital expenditures. Words such as "anticipate," "assume," "believe," "estimate," "expect," "intend," "plan," "seek", "project," "target," "goal," variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Therefore, actual future events or results may differ materially from these statements. These risks and uncertainties include:

- the impact and outcome of the iPCS bankruptcy filing and related proceedings;
- the competitiveness and impact of Sprint's pricing plans and PCS products and services;
- subscriber credit quality;
- the potential to experience a continued high rate of subscriber turnover;
- the ability of Sprint to provide back office billing, subscriber care and other services and the quality and costs of such services or, alternatively, our ability to outsource all or a portion of these services;
- inaccuracies in financial information provided by Sprint;
- new charges and fees, or increased charges and fees, charged by Sprint;
- the impact and outcome of disputes with Sprint;
- rates of penetration in the wireless industry;
- our significant level of indebtedness;
- the impact and outcome of legal proceedings between other Sprint network partners and Sprint;
- adequacy of bad debt and other allowances;
- the potential need for additional sources of liquidity;
- anticipated future losses;
- subscriber purchasing patterns;
- customer satisfaction with our network and operations;
- potential fluctuations in quarterly results;
- an adequate supply of subscriber equipment;
- risks related to future growth and expansion; and
- the volatility of the market price of AirGate's common stock.

These and other applicable risks and uncertainties are summarized under the captions "Future Trends That May Affect Operating Results, Liquidity and Capital Resources" included in this Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this quarterly report on Form 10-Q and "Risk Factors" included in Part II under "Item 5 - Other Information" of this quarterly report on Form 10-Q and elsewhere in this report.

For a further list of and description of such risks and uncertainties, see the reports filed by us with the SEC. Except as required under federal securities law and the rules and regulations of the SEC, we do not have any intention or obligation to update publicly any forward looking statements after distribution of this report, whether as a result of new information, future events, changes in assumptions or otherwise.

Overview

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

Under AirGate's long-term agreements with Sprint, we manage our network on Sprint's licensed spectrum and have the right to use the Sprint brand names royalty-free during our PCS affiliation with Sprint. We also have access to Sprint's national marketing support and distribution programs and are generally required to buy network equipment and subscriber handsets from vendors approved by Sprint or from Sprint directly. The agreements with Sprint generally provide that these purchases are to be made at the same discounted rates offered by vendors to Sprint based on its large volume purchases. AirGate pays an affiliation fee of 8% of collected revenues to Sprint. We are entitled to 100% of revenues collected from the sale of handsets and accessories and on roaming revenue received when customers of Sprint and Sprint's other network partners make a wireless call on our PCS network.

On November 30, 2001, AirGate acquired iPCS, a network partner of Sprint with 37 markets in the midwestern states of Michigan, Illinois, Iowa and Nebraska. The acquisition of iPCS increased the total resident population in the Company's markets from approximately 7.1 million to approximately 14.5 million. On February 23, 2003, iPCS filed a Chapter 11 bankruptcy petition in the United States Bankruptcy Court for the Northern District of Georgia for the purpose of effecting a court-administered reorganization. In accordance with Statement of Financial Accounting Standards ("SFAS") No. 94 "Consolidation of All Majority-Owned Subsidiaries" and Accounting Research Bulletin ("ARB") No. 51 "Consolidated Financial Statements," when control of a majority-owned subsidiary does not rest with the majority owners (as, for instance, where the subsidiary is in legal reorganization or in bankruptcy), ARB No. 51 precludes consolidation of the majority-owned subsidiary. As a result, subsequent to February 23, 2003, AirGate no longer consolidates the accounts and results of operations of iPCS and the accounts of iPCS are recorded as an investment using the cost method of accounting.

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

o has been designated an unrestricted subsidiary by the AirGate board of directors, o has no indebtedness which provides recourse to AirGate or any of its restricted subsidiaries, o is not party to any agreement with AirGate or any of its restricted subsidiaries, unless the terms of the agreement are no less favorable to AirGate or such restricted subsidiary than those that might be obtained from persons unaffiliated with AirGate,

- is a subsidiary with respect to which neither AirGate nor any of its restricted subsidiaries has any obligation to subscribe for additional equity interests, maintain or preserve such subsidiary's financial condition or cause such subsidiary to achieve certain operating results,

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

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

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

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

CRITICAL ACCOUNTING POLICIES

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

Allowance for Doubtful Accounts

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

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

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

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

First Payment Default Subscribers

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

Revenue Recognition

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

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

The Company's subscribers pay an activation fee to the Company when they initiate service. The Company defers activation fee revenue over the average life of its subscribers, which is estimated to be 30 months. The Company recognizes service revenue from its subscribers as they use the service. The Company provides a reduction of recorded revenue for billing adjustments, late payment fees, and early cancellation fees. The Company also reduces recorded revenue for rebates and discounts given to subscribers on wireless handset sales in accordance with Emerging Issues Task Force ("EITF") Issue No. 01-9 "Accounting for Consideration Given by a Vendor to a Subscriber (Including a Reseller of the Vendor's Products)." For industry competitive reasons, the

Company sells wireless handsets at a loss. The Company participates in the Sprint national and regional distribution programs in which national retailers such as Radio Shack, Best Buy and Circuit City sell Sprint PCS products and services. In order to facilitate the sale of Sprint PCS products and services, national retailers purchase wireless handsets from Sprint for resale and receive compensation from Sprint for Sprint PCS products and services sold. For industry competitive reasons, Sprint subsidizes the price of these handsets by selling the handsets at a price below cost. Under the Company's Sprint agreements, when a national retailer sells a handset purchased from Sprint to a subscriber in the Company's territories, the Company is obligated to reimburse Sprint for the handset subsidy. The Company does not receive any revenue from the sale of handsets and accessories by such national retailers. The Company classifies these handset subsidy charges as a selling and marketing expense for a new subscriber handset sale and classifies these subsidies as a cost of service and roaming for a handset upgrade to an existing subscriber.

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

The Company defers direct subscriber activation costs when incurred and amortizes these costs using the straight-line method over 30 months, which is the estimated average life of a subscriber. Direct subscriber activation costs also include credit check fees and loyalty welcome call fees charged to the Company by Sprint and costs incurred by the Company to operate a subscriber activation center.

Impairment of Long-Lived Assets and Goodwill

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

NEW ACCOUNTING PRONOUNCEMENTS

See Note 2 to the consolidated financial statements for a description of new accounting pronouncements and their impact on AirGate.

RESULTS OF OPERATIONS

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

Financial Measures and Key Operating Metrics

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

Terms such as subscriber net additions, average revenue per user ("ARPU"), churn and cost per gross addition ("CPGA") are important operating metrics used in the wireless telecommunications industry. These metrics are important to compare us to other wireless service providers. ARPU 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 and CPGA are supplements to GAAP financial information and should not be considered an alternative to, or more meaningful than, revenues, expenses or net loss as determined in accordance with GAAP.

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

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

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

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

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

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

"CPGA" summarizes the average cost to acquire new subscribers during the period. CPGA is computed by adding the income statement components of selling and marketing, cost of equipment and activation costs (which are included as a component of cost of service) and reducing that amount by the equipment revenue recorded. That net amount is then divided by the total new subscribers acquired during the period.

For the quarter ended June 30, 2003 compared to the quarter ended June 30, 2002:

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

	Quarter Ended June 30, 2003			
	AirGate	iPCS	Combined	AirGate
Subscriber Gross Additions	38,919	--	38,919	47,529
Subscriber Net Additions	5,593	--	5,593	11,404
Total Subscribers	364,157	--	364,157	337,303
ARPU	$59.90	--	$59.90	$57.52
Churn (with subscriber reserve)	2.9%	--	2.9%	3.3%
Churn (without subscriber reserve)	2.9%	--	2.9%	3.6%
CPGA	$399	--	$399	$418
Capital Expenditures (cash) (in thousands)	$3,715	--	$3,715	$11,241

EBITDA (in thousands)	$14,084	--	$14,084	$2,371

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

	Quarter Ended June 30, 2003			
	AirGate	iPCS	Combined	AirGate
Net Loss	$ (8,247)	$ --	$ (8,247)	$(25,69
Depreciation and amortization	11,588	--	11,588	19,32
Interest income	(27)	--	(27)	(2
Interest expense	10,770	--	10,770	8,76
EBITDA	$ 14,084	$ --	$ 14,084	$ 2,37

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):

	Quarter Ended June 30, 2003			
	AirGate	iPCS	Combined	AirGate
Net cash provided by (used in) operating activities	$ 14,109	$ --	$ 14,109	$(11,035)
Change in operating assets and liabilites	(180)	--	(180)	17,752
Interest expense	10,770	--	10,770	8,764
Accretion of interest	(8,540)	--	(8,540)	(7,439)
Interest and other income	(27)	--	(27)	(23)
Provision for doubtful accounts	(1,569)	--	(1,569)	(5,163)
Other expense	(479)	--	(479)	(485)
EBITDA	$ 14,084	$ --	$ 14,084	$ 2,371

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

	Quarter Ended June 30, 2003			
	AirGate	iPCS	Combined	AirGate
Average Revenue per User (ARPU):				
Service revenue	$64,936	--	$64,936	$57,221
Average subscribers	361,361	--	361,361	331,601
ARPU	$59.90	--	$59.90	$57.52

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):

	Quarter Ended June 30, 2003			
	AirGate	iPCS	Combined	AirGate
Cost per Gross Add (CPGA):				
Sales and marketing expense	$12,703	$ --	$12,703	$15,850*
Plus: Activation expense	333	--	333	337
Plus: Cost of equipment	4,969	--	4,969	6,290*
Less: Equipment revenue	(2,486)	--	(2,486)	(2,627)
Total acquisition costs	$15,519	$ --	$15,519	$19,850
Gross Additions	38,919	--	38,919	47,529
CPGA	$399	$--	$399	$418

*Amounts are reflected prior to the elimination of intercompany transactions

Subscriber Net Additions

For AirGate, subscriber net additions decreased for the quarter ended June 30, 2003, compared to the same quarter in 2002. This decrease is due to the reduction in subscriber gross additions offset partially by improved churn.

Subscriber Gross Additions

For AirGate, subscriber gross additions decreased for the quarter ended June 30, 2003 compared to the same quarter in 2002. This decline is due to the re-institution of and increase in the deposit for sub-prime credit quality customers and actions taken to reduce acquisition costs.

EBITDA

For AirGate, EBITDA for the quarter ended June 30, 2003 increased from the same period in 2002. This increase is a result of higher revenues and an overall decrease in spending, particularly in cost of services and selling and marketing. EBITDA for AirGate was favorably impacted by $1.8 million of special settlements from Sprint related to E911 and other items as described in Note 3 of the consolidated financial statements.

Average Revenue Per User

The increase in ARPU for AirGate for the quarter ended June 30, 2003 compared to the same quarter for 2002 is primarily a result of an increase in customer monthly recurring charges, offset by a reduction in revenue from customers using minutes in excess of their subscriber usage plans and cessation of recognizing terminating long-distance access revenue. Until June 30, 2002, the Company recorded terminating long-distance access revenue billed by Sprint PCS to long-distance carriers. ARPU for AirGate was favorably impacted by $1.8 million of special settlements from Sprint related to E911 and other items as described in Note 3 of the consolidated financial statements.

Churn

Churn decreased for the quarter ended June 30, 2003, compared to the same quarter for 2002. The Company has focused on improving the credit quality of the subscriber base. In February 2003, management increased the deposit required for a sub-prime credit customer to begin service to $250 in an effort to reduce churn and bad debt and increase the percentage of prime credit customers in AirGate's customer base. We believe these and other factors may have influenced the reduction in churn for the quarter ended June 30, 2003 compared to the same period in 2002.

Cost Per Gross Addition

For AirGate, CPGA decreased for the quarter ended June 30, 2003 compared to the same quarter in 2002. The decrease is due primarily to reduced promotional and advertising spending, partially offset by fewer subscriber gross additions.

Revenues

	Quarter Ended June 30, (in thousands)				
	2003			200	
	AirGate	iPCS	Combined	AirGate	iPCS
Service Revenue	$ 64,936	$--	$64,936	$ 57,221	$ 29,998
Roaming Revenue	15,764	--	15,764	21,299	10,701
Equipment Revenue	2,486	--	2,486	2,627*	792*
Total	$ 83,186	$--	$83,186	$ 81,147	$ 41,491

* Amounts are reflected prior to the elimination of intercompany transactions

We derive our revenue from the following sources:

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

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

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

For AirGate, service revenue for the quarter ended June 30, 2003 increased over the same period in the prior year. The increase in service revenue for AirGate reflects the higher average number of subscribers using its network and higher average revenue per subscriber.

For AirGate, roaming revenue for the quarter ended June 30, 2003 decreased over the same period in the prior year. The decrease is attributable to the lower reciprocal roaming rate charged among Sprint and its PCS network partners, partially offset by increased volume in inbound roaming traffic. The reciprocal roaming rate among Sprint and its PCS network partners, including the Company, has declined since June 2001, from $0.20 per minute of use to $0.10 per minute of use in calendar year 2002. Sprint has reduced the reciprocal roaming rate to $0.058 per minute of use in calendar year 2003. The Company believes that this reduction is in violation of our agreements with Sprint. For the quarter ended June 30, 2003, AirGate roaming revenue from Sprint and its PCS network partners was $13.0 million, or approximately 83% of the roaming revenue.

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

Cost of Service and Roaming

	Quarter Ended June 30, (in thousands)			
	2003			
	AirGate	iPCS	Combined	AirGate
Roaming expense	$ 12,123	$ --	$ 12,123	$ 14,822*
Network operating costs	30,577	--	30,577	30,169
Bad debt expense	1,570	--	1,570	5,163
Wireless handset upgrades	1,770	--	1,770	1,122
Total cost of service and roaming	$ 46,040	$ --	$ 46,040	$ 51,276

*Amounts are reflected prior to the elimination of intercompany transactions

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

o roaming expense;

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

For AirGate, roaming expense decreased for the quarter ended June 30, 2003 compared to the same period in 2002 as a result of the decrease in the reciprocal roaming rate charged among Sprint and its network partners. 95% and 90% of the cost of roaming was attributable to Sprint and its network partners for the quarter ended June 30, 2003 and 2002, respectively, prior to the elimination of intercompany transactions. As discussed above, the per-minute rate the Company pays Sprint when subscribers from the Company's territory roam onto Sprint's or its network partners' networks has decreased over time.

For AirGate, bad debt expense decreased by $3.6 million in the quarter ended June 30, 2003 as compared to the same period in 2002. This decrease in bad debt expense is primarily attributable to improvements in the credit quality and payment profile of our subscriber base since we re-imposed deposits for sub-prime credit subscribers in early 2002 and increased them again in February 2003. This resulted in a significant improvement in accounts receivable write-offs and corresponding bad debt expense for the quarter.

Cost of Equipment and Operating Expenses

	Quarter Ended June 30, (in thousands)			
	2003			
	AirGate	iPCS	Combined	AirGate
Cost of Equipment	$ 4,969	$--	$ 4,969	$ 6,290
Selling and Marketing	12,703	--	12,703	15,850*
General and Administrative	5,224	--	5,224	4,495
Non-Cash Stock Compensation	177	--	177	183
Depreciation and Amortization	11,588	--	11,588	10,129
Amortization of Intangible Assets	--	--	--	21
Interest Expense	10,770	--	10,770	8,764

* Amounts are reflected prior to the elimination of intercompany transactions

Cost of Equipment

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

Selling and Marketing

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

General and Administrative

For AirGate, general and administrative expense increased for the quarter ended June 30, 2003 compared to the same period in 2002 reflecting increased spending for outside consultants providing services to AirGate to help identify cost saving opportunities that we believe will provide future long term savings to the Company. The increase also reflects costs for migrating the accounting function to Atlanta from Geneseo, Illinois and a decrease in ServiceCo charges to iPCS.

Non-Cash Stock Compensation

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

Depreciation

The Company capitalizes network development costs incurred to ready our network for use and costs to build-out our retail stores and office space. Depreciation of these costs begins when the equipment is ready for its intended use and is amortized over the estimated useful life of the asset. For AirGate, depreciation expense increased for the quarter ended June 30, 2003 compared to the same period in 2002 primarily as a result of additional network assets placed in service in fiscal year 2002. AirGate incurred capital expenditures of $3.7 million in the quarter ended June 30, 2003, which included approximately $0.02 million of capitalized interest, compared to capital expenditures of $11.2 million and capitalized interest of $1.9 million in the quarter ended June 30, 2002.

Amortization of Intangible Assets

Amortization of intangible assets relates to the amounts recorded from the iPCS acquisition for the acquired subscriber base, non-competition agreements, and the right to provide service under iPCS' Sprint agreements. Amortization for the quarter ended June 30, 2002 was approximately $11.3 million. Subsequent to February 23, 2003 the intangible assets attributed to the AirGate purchase of iPCS are no longer consolidated with the accounts of AirGate and amortization expense of iPCS' intangible assets subsequent to February 23, 2003 is not included in the results of the Company.

Interest Expense

For AirGate, interest expense increased for the quarter ended June 30, 2003 compared to the same period in 2002 as a result of increased borrowings under the AirGate credit facility. AirGate had outstanding borrowings of $387.3 million as of June 30, 2003, compared to $343.9 million at June 30, 2002.

Income Tax Benefit

No income tax benefit was realized for the quarter ended June 30, 2003 and 2002. Income tax benefits will be realized in the future only to the extent management believes recoverability of deferred tax assets is more likely than not.

Net Loss

For the quarter ended June 30, 2003, AirGate's net loss was $8.2 million compared to a net loss of $25.7 million for the quarter ended June 30, 2002. The decrease in net loss is primarily attributable to reduced operating expenses as a result of staffing reductions, store closures and reduced advertising and promotional costs, as well as improved revenues from a larger subscriber base. The AirGate net loss was also favorably impacted by $1.8 million of special settlements from Sprint related to E911 and other items as described in Note 3 of the consolidated financial statements.

For the nine months ended June 30, 2003 compared to the nine months ended June 30, 2002:

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

	Nine Months Ended June 30,			
	2003			
	AirGate	iPCS**	Combined	AirGate
Subscriber Gross Additions	137,543	59,403	196,946	198,945
Subscriber Net Additions	25,018	14,199	39,217	102,280
Total Subscribers	364,157	228,893	593,050	337,303
ARPU	$58.47	$53.40	$57.33	$63.25
Churn (with subscriber reserve)	3.3%	4.0%	3.7%	3.0%
Churn (without subscriber reserve)	3.8%	4.9%	4.4%	3.9%
CPGA	$351	$356	$355	$354
Capital Expenditures (cash)				
(in thousands)	$10,369	$8,469	$18,838	$ 32,280
EBITDA (in thousands)	$31,910	$(7,255)	$24,655	$(268.990)

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

	Nine Months Ended June 30, 2003			
	AirGate	iPCS**	Combined	AirGat
Net Loss	$(39,958)	$(36,984)	$(76,942)	$(321,461
Depreciation and amortization	41,145	14,677	55,822	55,645
Interest income	(52)	(42)	(94)	(156
Interest expense	30,775	15,094	45,869	25,743
Income tax benefit	--	--	--	(28,761
EBITDA	$ 31,910	$ (7,255)	$ 24,655	$(268,990

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

	Nine Months Ended June 30, 2003			
	AirGate	iPCS**	Combined	AirGate
Net cash provided by (used in) operating activities	$ 29,736	$(9,086)	$20,650	$(24,294)
Change in operating assets and liabilites	290	541	831	30,725
Interest expense	30,775	15,094	45,869	25,743
Accretion of interest	(24,158)	(11,589)	(35,747)	(21,323)
Goodwill impairment	--	--	--	(261,212)
Interest income	(52)	(42)	(94)	(156)
Provision for doubtful accounts	(3,724)	(1,693)	(5,417)	(16,968)
Other expense	(957)	(480)	(1,437)	(1,505)
EBITDA	$ 31,910	$(7,255)	$24,655	$(268,990)

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

	Nine Months Ended June 30, 2003			
	AirGate	iPCS**	Combined	AirGate
Average Revenue per User (ARPU):				

Service revenue	$ 185,032	$57,896	$ 242,928	$ 162,88
Average subscribers	351,648	222,794	470,798	286,16
ARPU	$58.47	$53.40	$57.33	$ 63.2

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

	Nine Months Ended June 30,			
	2003			
	AirGate	iPCS**	Combined	AirGate
Sales and marketing expense	$40,863	$16,417	$57,280	$ 59,9
Plus: Activation expense	747	194	941	1,2
Plus: Cost of equipment	15,271	7,129	22,400	20,1
Less: Equipment revenue	(8,641)*	(2,575)*	(10,773)	(10,9
Total acquisition costs	$48,240	$21,165	$69,848	$ 70,3
Gross Additions	137,543	59,403	196,946	198,9
CPGA	$351	$356	$355	$3

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

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

Subscriber Net Additions

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

Subscriber Gross Additions

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

EBITDA

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

million in E911 amounts.

Average Revenue Per User

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

Churn

Churn decreased for the quarter ended June 30, 2003, compared to the same quarter for 2002. The Company has focused on improving the credit quality of the subscriber base. In February 2003, management increased the deposit required for a sub-prime credit customer to begin service to $250 in an effort to reduce churn and bad debt and increase the percentage of prime credit customers in AirGate's customer base. We believe these and other factors may have influenced the reduction in churn for the quarter ended June 30, 2003 compared to the same period in 2002.

Cost Per Gross Addition

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

Revenues

	Nine Months Ended June 30, (in thousands)				
	2003				
	AirGate	iPCS	Combined	AirGate	
Service Revenue	$185,032	$57,896	$242,928	$162,886	$6
Roaming Revenue	48,126	18,893	67,019	52,291	2
Equipment Revenue	8,641*	2,575*	10,773	10,934*	
Total	$241,799	$79,364	$320,720	$226,111	$9

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

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

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

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

Cost of Service and Roaming

	Nine Months Ended June 30 (in thousands)			
	2003			
	AirGate	iPCS	Combined	AirGate
Roaming expense	$ 39,259*	$ 13,673*	$ 52,489	$ 41,22
Network operating costs	91,136	39,036	130,172	85,01
Bad debt expense	3,724	1,694	5,418	16,82
Wireless handset upgrades	4,089	1,788	5,877	1,12
Total cost of service and roaming	$ 138,208	$ 56,191	$ 193,956	$ 144,18

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

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

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

For AirGate, wireless handset upgrade expenses increased $3.0 million for the nine months ended June 30, 2003, compared to the same period in 2002. In April 2002, Sprint began billing upgrade costs to AirGate for national third party and certain other channels. Prior to April 2002, these charges were not passed through to AirGate from Sprint.

Cost of Equipment and Operating Expenses

Nine Months Ended June 30,
(in thousands)

	2003			
	AirGate	iPCS	Combined	AirGate
Cost of Equipment	$ 15,271	$ 7,129	$ 22,400	$ 20,129
Selling and Marketing	40,863	16,417	57,280	59,925
General and Administrative	15,029	6,881	21,910	9,057
Non-Cash Stock Compensation	530	--	530	597
Depreciation and Amortization	34,799	14,168	48,967	28,419
Amortization of Intangible Assets	6,346	509	6,855	27,226
Interest Expense	31,577	14,292	45,869	25,743

Cost of Equipment

For AirGate, cost of equipment decreased for the nine months ended June 30, 2003, compared to the same period in 2002 primarily as a result of the decrease in the number of subscriber gross additions.

Selling and Marketing

For AirGate, selling and marketing expense decreased for the nine months ended June 30, 2003, compared to the same period in 2002 reflecting the effect of reduced subscriber gross additions, staff reductions, store closings and reduced advertising and promotions expense.

General and Administrative

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

Non-Cash Stock Compensation

Non-cash stock compensation expense was approximately the same for the nine months ended June 30, 2003 and 2002.

Depreciation

For AirGate, depreciation and amortization expense increased to $34.8 million for the nine months ended June 30, 2003, compared to $28.4 million for same period in 2002, an increase of $6.4 million. The increase in depreciation and amortization expense primarily relates to additional network assets placed in service in fiscal year 2002. AirGate incurred capital expenditures of $10.4 million in the nine months ended June 30, 2003, which included approximately $0.4 million of capitalized interest as compared to capital expenditures of $32.2 million and capitalized interest of $6.2 million in the same period in 2002.

Amortization of Intangible Assets

Amortization of intangible assets primarily related to iPCS for the nine months ended June 30, 2003 and 2002 was approximately $6.9 million and $29.4 million, respectively. The Company recorded an impairment charge of $261.2 million in fiscal year 2002 to write-down intangible assets in accordance with SFAS No. 144

and 142.

Goodwill Impairment

As previously discussed, the Company recorded a goodwill impairment of $261.2 million primarily related to iPCS during the nine months ended June 30, 2002.

Interest Expense

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

Income Tax Benefit

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

Net Loss

For the nine months ended June 30, 2003, the net loss for the Company was $76.9 million, compared to a net loss of $381.6 million for the same period in 2002. For the nine months ended June 30, 2002, net loss attributable to AirGate and iPCS was $321.5 million and $60.2 million, respectively. The nine months ended June 30, 2002 included $261.2 million related to goodwill impairment.

LIQUIDITY AND CAPITAL RESOURCES

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

- Sprint special settlements and other items of $10.5 million that were not previously remitted to AirGate (See Note 3 to the Consolidated Financial Statements);

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

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

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

Net Cash Provided By (Used In) Operating Activities

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

Net Cash Used in Investing Activities

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

Net Cash Provided by Financing Activities

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

Liquidity

Due to the factors described in the Company's Annual Report on Form 10-K/A for the year ended September 30, 2002, management has made changes to the assumptions underlying the long-range business plans for AirGate and iPCS. These changes included fewer new subscribers, lower ARPU, higher subscriber churn, increased service and pass through costs from Sprint in the near-term and lower roaming margins from Sprint.

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

While AirGate has also experienced a deterioration in its liquidity, it appears that it is in a better position to address the deterioration in anticipated operating results. It has a larger subscriber base than iPCS and, as a stand-alone operation, AirGate's business is more mature. Although no assurance can be made, based upon its current business plan, which continues to be revised and evaluated in light of evolving circumstances, we expect that AirGate will have sufficient funds from operations to satisfy its working capital requirements, capital expenditures and other liquidity requirements through at least June 30, 2004. AirGate has explored, and continues to explore, options to restructure its balance sheet and indebtedness and has had, and continues to have, discussions with the lenders under the AirGate credit facility and holders of the AirGate notes. AirGate has engaged Broadview International LLC and Masson & Company as financial advisors to assist it in exploring its options with respect to a restructuring.

AirGate Capital Resources

As of June 30, 2003, AirGate had $30.8 million of cash and cash equivalents. As of June 30, 2003, $9.0 million remained available for borrowing under the AirGate credit facility. On August 8, 2003, AirGate drew the remaining $9.0 million available under the AirGate credit facility, leaving no further borrowing availability. The Company's obligations under the AirGate credit facility are secured by all of AirGate's assets, but not the assets of iPCS and its subsidiaries.

Future Trends That 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 acquisitions costs, and other operating costs. The unsettled nature of the wireless market, the current economic slowdown, increased competition in the wireless telecommunications industry, the problems in our relationship with Sprint, new service offerings of increasingly large bundles of minutes of use at lower prices by some major carriers, and other issues facing the wireless telecommunications industry in general have created a level of uncertainty that may adversely affect our ability to predict key operating metrics.

Certain other factors that may affect our operating results, liquidity and capital resources include the following:

AirGate has limited funding options

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

AirGate's payment obligations may be accelerated if it is unable to maintain or comply with the financial and operating covenants contained in the AirGate credit facility. The AirGate 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 the AirGate credit facility is not the same as EBITDA used by the Company in this report.

If the Company is unable to operate the AirGate business within the covenants specified in the AirGate credit facility, AirGate's ability to use its cash could be restricted or terminated and its payment obligations may be accelerated. Such a restriction, termination or acceleration could have a material adverse affect on AirGate's liquidity and capital resources. There can be no assurance that AirGate could obtain amendments to such covenants if necessary. The Company believes that it is currently in compliance in all material respects with all financial and operational covenants relating to the AirGate credit facility.

Risks Related to Sprint.

Sprint has sought to collect charges that were unanticipated. Furthermore, Sprint has increased and may seek to further increase, service fees charged to its network partners and has imposed other requirements that adversely effect our financial performance. Increased fees and charges from Sprint and unanticipated fees and charges can adversely affect our operating results, liquidity and capital resources. We have disputed all of the approximately $7.0 million of amounts Sprint has asserted we owe. Additionally, although we have adequately reserved for disputed amounts with Sprint, if we lose all of these disputes, payment of such amounts can adversely affect our operating results, liquidity and capital resources.

Variable interest rates may increase substantially.

As of June 30, 2003, the Company had $143.0 million outstanding debt under the AirGate credit facility, which was increased to $152.0 million on August 8, 2003. The rate of interest on the credit facility is based on a margin above either the alternate bank rate (the prime lending rate in the United States) or the London Interbank Offer Rate (LIBOR). For the quarter ended June 30, 2003, the weighted average interest rate under variable rate borrowings was 5.14% under the AirGate credit facility. If interest rates increase, the Company may not have the ability to service the interest requirements on the AirGate credit facility. Furthermore, if AirGate were to default in its payments under its credit facility, its rate of interest would increase by 2.5% over the alternate bank rate.

AirGate operates with little working capital because of amounts owed to Sprint.

Each month AirGate pays Sprint expenses described in greater detail in Note 3 to the consolidated financial statements. A reduction in the amounts the Company owes Sprint may result in a greater use of cash for working capital purposes other than the business plans currently projected. A reduction in such amounts may reduce cash available to the Company and decrease the amount of cash available for working capital purposes other than the business plans currently project.

Effect of iPCS Bankruptcy.

As an unrestricted subsidiary, iPCS is a separate corporate entity from AirGate with its own independent financing sources, debt obligations and sources of revenue. Furthermore, iPCS lenders, noteholders and creditors do not have a lien or encumbrance on assets of AirGate, and AirGate cannot provide capital or other financial support to iPCS. The Company believes AirGate operations will continue independent of the outcome of the iPCS bankruptcy. However, it is likely that AirGate's ownership interest in iPCS will have no value after the restructuring is complete. On April 22, 2003, the trustee for the AirGate notes gave notice to the AirGate noteholders of the iPCS bankruptcy filing and that in the opinion of the Company and its outside counsel, such filing is not a default under the AirGate notes. If the Company were determined by a court of competent jurisdiction to be in default under the AirGate notes and the notes were accelerated, the Company would have insufficient funds to pay the AirGate notes.

Other factors.

Other factors, which could adversely affect AirGate's liquidity and capital resources, are described in this report as Item 5, Risk Factors, including the following:

o our revenues may be less than we anticipate;

o our costs may be higher than we anticipate;

o ARPU may continue to decline;

o we may continue to experience a high rate of subscriber turnover;

o our efforts to reduce costs may not succeed or may have adverse affects on our business; and

o our provision for doubtful accounts may not be sufficient to cover uncollectible accounts. Contractual Obligations

The Company is obligated to make future payments under various contracts it has entered into, including amounts pursuant to the AirGate credit facility, the AirGate notes, capital leases and non-cancelable operating lease agreements for office space, cell sites, vehicles and office equipment. Future expected minimum contractual cash obligations for the next five years and in the aggregate at September 30, 2002 are as follows (dollar amounts in thousands):

		Payments Due By Period Years Ending September 30,			
Contractual Obligation	Total	2003	2004	2005	2006
AirGate credit facility (1)	$136,500	$ 2,024	$15,863	$21,150	$26,9
AirGate notes	300,000	--	--	--	
AirGate operating leases (2)	78,628	18,646	18,539	14,256	9,6
Total	$515,128	$20,670	$34,402	$35,406	$36,5

(1) Total repayments are based upon borrowings outstanding as of September 30, 2002, not projected borrowings under the AirGate credit facility.

(2) Does not include payments due under renewals to the original lease term.

The AirGate credit facility is comprised of two senior secured loan commitments ("tranches") totaling $153.5 million. Tranche 1 provides for a $13.5 million senior secured term loan commitment (of which $12.0 million is outstanding as of June 30, 2003), which matures on June 6, 2007. Tranche II provides for a $140.0 million senior secured term loan commitment (of which $131.0 million is outstanding as of June 30, 2003), which matures on September 30, 2008. The AirGate credit facility requires quarterly principal payments, which began on December 31, 2002 for tranche I and begins on June 30, 2004 for tranche II, initially in the amount of 3.75% of the loan balance then outstanding and increasing thereafter. As of June 30, 2003, AirGate had cumulative borrowings under the AirGate credit facility totaling $144.5 million and has made cumulative quarterly principal repayments in the amount of $1.5 million. As of August 8, 2003, AirGate had cumulative borrowings under the AirGate credit facility totaling $153.5 million. The commitment fee on unused borrowings is

1.50%, payable quarterly. The AirGate notes will require cash payments of interest beginning on April 1, 2005.

There are provisions in the agreements governing the AirGate credit facility and the AirGate notes providing for an acceleration of repayment upon an event of default, as defined in the respective agreements. AirGate is currently in material compliance with its obligations under these agreements.

As of July 31, 2003, two major credit rating agencies rate AirGate's unsecured debt. The ratings were as follows:

Type of facility	Moody's	S&P
AirGate notes	Caa2	CC

The Company has no off-balance sheet arrangements and has not entered into any transactions involving unconsolidated, limited purpose entities or commodity contracts.

Seasonality

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

RELATED PARTY TRANSACTIONS AND TRANSACTIONS BETWEEN AIRGATE AND IPCS

Transactions with Sprint. See Note 3 to the consolidated financial statements for a description of transactions with Sprint.

Transactions between AirGate and iPCS. See Note 7 to the consolidated financial statements for a description of transactions between AirGate and iPCS.

Item 3. Quantitative And Qualitative Disclosure About Market Risk

In the normal course of business, the Company's operations are exposed to interest rate risk on its credit facilities and any future financing requirements. AirGate's fixed rate debt consists primarily of the accreted carrying value of the 1999 AirGate notes ($244.5 million at June 30, 2003). AirGate's variable rate debt consists of borrowings made under the AirGate credit facility ($143.0 million outstanding at June 30, 2003). For the three months ended June 30, 2003, the weighted average interest rate under the AirGate credit facility was 5.14%. Our primary interest rate risk exposures relate to (i) the interest rate on long-term borrowings; (ii) our ability to refinance the AirGate notes at maturity at market rates; and (iii) the impact of interest rate movements on our ability to meet interest expense requirements and financial covenants under our debt instruments.

The following table presents the estimated future balances of outstanding long-term debt projected at the end of each period and future required annual principal payments for each period then ended associated with the AirGate notes and credit facility based on projected levels of long-term indebtedness (dollar amounts in thousands):

	Years Ending September 30,				
	2003	2004	2005	2006	2007
AirGate notes	$ 260,630	$ 297,191	$ 297,289	$ 297,587	$ 298,115
Fixed interest rate	13.5%	13.5%	13.5%	13.5%	13.5%
Principal payments	$ --	$ --	$ --	$ --	$ --
AirGate credit facility	$ 151,475	$ 133,700	$ 110,000	$ 79,893	$ 40,000
Variable interest rate (1)	4.88%	4.88%	4.88%	4.88%	4.88%
Principal payments	$ 2,025	$ 17,775	$ 23,700	$ 30,107	$ 39,893

(1) The interest rate on the AirGate credit facility equals the London Interbank Offered Rate ("LIBOR") +3.75%. LIBOR is assumed to equal 1.13% for all periods presented, which is the LIBOR rate as of July 29, 2003. A 1% increase (decrease) in the variable interest rate would result in a $1.4 million increase (decrease) in the related interest expense on an annual basis (based upon borrowings outstanding as of June 30, 2003).

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

As of the end of the period covered by this report, June 30, 2003 (the "Evaluation Date"), we carried out an evaluation, under the supervision and with the participation of the Company's management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based upon this evaluation, the President and Chief Executive Officer and the Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the Evaluation Date.

Our Relationship with Sprint

Under our long-term (up to 50 year) agreements with Sprint, we market PCS products and services under the Sprint brand names in our territory and our business currently consists solely of Sprint wireless products and services. Under our agreements, Sprint exercises extensive control over our business and our relationship with Sprint is unique in many ways. For example:

o Our network must interface seamlessly with the national Sprint wireless network.

o Our network must be built, maintained and upgraded to include Sprint's most current technology in accordance with Sprint-approved plans and using

Sprint-approved equipment.

- Under our management agreement with Sprint, we are required to provide services such as customer care, billing and collections in accordance with program requirements established by Sprint in accordance with the management agreement. Any third party vendor must receive Sprint approval, comply with Sprint's program requirements with respect to these services and interface with Sprint's systems.

- Sprint must approve our marketing and sales materials.

- Sprint develops products and services that we are required to offer in our territory and it must approve all products and services we offer in our territory, subject to certain limitations.

- Our stores must conform to Sprint's requirements for retail stores and are identical to Sprint retail stores in Sprint's markets.

- Sprint develops and implements pricing and credit plans that we are required to offer in our territory.

- We are required to absorb the cost of promotional plans developed by Sprint, which we must offer in our territory (e.g., rebates or discounts to customers for handset purchases).

- Our subscribers call Sprint customer care.

- Our subscribers receive bills from, and make payments to, Sprint.

Under our agreements with Sprint, Sprint provides us with billing, collections, customer care and other back office services. As a result, approximately 95% of our revenues are paid through Sprint. In addition, approximately 65% of cost of service and roaming in our consolidated financial statements relate to charges by or through Sprint for its affiliation fee, charges for services provided under our agreements with Sprint such as billing, collections and customer care, roaming expense, long-distance, and pass-through and other fees and expenses. Under our agreements, Sprint is responsible to keep and maintain books and records to support and document any fees, costs or other charges due in connection with the agreements and to provide a monthly true-up report of amounts required to be remitted to the Company with respect to collected revenues. Due to this relationship, the Company necessarily relies on Sprint to provide accurate, timely and sufficient data and information to properly record our revenues, expenses and accounts receivable, which underlie a substantial portion of our periodic financial statements and other financial disclosures. Nevertheless, the Company continues to dedicate significant Company resources to ensure its disclosure controls and procedures, as integrated with Sprint, are effective.

Information provided by Sprint includes reports regarding our subscriber accounts receivable. Sprint provides us monthly accounts receivable, billing and cash receipts, expense detail and settlements information. Under our agreements with Sprint, we are entitled to only a portion of the cash receipts, net of items such as taxes, government surcharges and the 8% Sprint affiliation fee. Sprint has developed and used a tool called the "revenue profile" to estimate the payments due to us. We regularly review and reconcile these various reports to identify discrepancies or errors and address those issues with Sprint.

Our Disclosure Controls and Procedures - Fiscal 2002

Because of our reliance on Sprint for financial information, we depend on Sprint to design adequate internal controls with respect to the processes established to provide this data and information to the Company and Sprint's other network partners. As part of this control process, Sprint engages its independent auditors to perform a periodic evaluation of these controls and to provide a "Report on Controls Placed in Operation and Tests of Operating Effectiveness for Affiliates" under guidance provided in Statement of Auditing Standards No. 70 ("Type II SAS 70 reports"). The Type II SAS 70 report is provided to us annually and covers our entire fiscal year.

In addition, at least annually, we review the prior year's Type II SAS 70 report in light of events that have occurred during the year. We also provide comments to Sprint and its independent auditors regarding issues and information the report should address that may not have been addressed in the prior year's report.

During the fourth quarter of fiscal 2002, it became apparent that discrepancies between various accounts receivable reports provided by Sprint had become significant. To address these issues, we conducted a lengthy inquiry into the causes of the discrepancies. Among other things, we had numerous discussions and meetings with Sprint's accounting staff, requested and received additional and more detailed reports and demanded reconciliations with our records.

In connection with our review of the accounts receivable issue at September 30, 2002 for purposes of finalizing our financial statements, we reclassified approximately $10.0 million of AirGate subscriber accounts receivable for the fiscal year ended September 30, 2002 to a receivable from Sprint. We provided an allowance to reflect the receivable at its net realizable value, which we collected from Sprint subsequent to September 30, 2002.

At September 30, 2002, we and our independent auditors believed that the accounts receivable issue resulted from a reportable condition in our internal controls. Reportable conditions are significant deficiencies in the design or operation of internal controls which could adversely affect an organization's ability to record, process, summarize and report financial data consistent with the assertions of management in the consolidated financial statements. Nonetheless, we concluded that our disclosure controls and procedures were effective as of September 30, 2002. We came to this conclusion for the following reasons:

- The controls and procedures in place during fiscal year 2002 were effective in detecting the accounts receivable issue.

- Even with the accounts receivable issue, we believed it was reasonable to rely on the reports and information we received from Sprint. Sprint is a public reporting company that certifies its financial information and its controls and procedures. In addition, compared to any single Sprint affiliate, Sprint has significantly greater resources and efficiencies, both financially and with respect to personnel, with which to gather, analyze and control its information.

- We relied on the Type II SAS 70 report discussed above and the controls discussed in the report.

- During the entire fiscal year 2002, the Company used a program to automate a portion of the process utilized to record the Company's revenues and accounts receivable from the files received from Sprint. The program summarizes the files received from Sprint to mirror the Company's general ledger accounts. The Company performs a reasonableness check prior to recording the amounts in the Company's general ledger. The Company relies on the program and the inherent system controls and the reasonableness checks to ensure the consistency of the information downloaded from Sprint with the information reflected in the Company's general ledger.

- During the entire fiscal year 2002, Company personnel reviewed financial information and data provided by Sprint. The Company has performed and continues to perform reasonableness checks regarding information provided by Sprint on a monthly basis by evaluating trends in key performance indicators to detect trending anomalies. The Company's finance and operations groups evaluate these trends and the Company relies on this process as a compensating control to detect errors in the data provided by Sprint. The Company's finance and operations groups work closely with the Company's accounting group to reconcile differences and make necessary corrections and follow up with Sprint as necessary.

- During the entire fiscal year 2002, the Company reviewed and reconciled certain information provided by Sprint to detect inconsistencies in the data.

- In July 2002, we established a disclosure control committee made up of senior members of management and key employees. The committee assists the Company's senior officers in fulfilling their responsibility for oversight of the accuracy and timeliness of the disclosures made by the Company. The committee, among other things, designs and establishes controls and procedures regarding the accuracy and dissemination of information, monitors the integrity and effectiveness of the Company's disclosure controls, reviews and supervises the preparation of filings and announcements made by the Company and evaluates the effectiveness of the Company's disclosure controls. The committee includes members who have information pertaining to Sprint to ensure that appropriate disclosures are made pertaining to Sprint.

- During December 2002, prior to the issuance of our annual report, the Company worked with Sprint to identify the sources of the discrepancies. The Company then developed a reconciliation process of the accounts receivable aging report provided by Sprint with the Company's accounts receivable account. The reconciliation was developed to identify the nature of the differences and quantify the amount of the error in the Company's accounts receivable account. The Company continues to use and refine this reconciliation process to detect errors on a timely basis.

Given the controls described above, and the discrete nature of the accounts receivable issue, we concluded, at the time our certifications of disclosure controls were made, that our disclosure controls and procedures were effective.

Our Disclosure Controls and Procedures - Fiscal 2003

Although we concluded that our disclosure controls and procedures were effective at the end of fiscal 2002 and in each interim period of fiscal 2003, we recognized that further improvements were necessary to better address information provided by Sprint. During fiscal 2003, we focused additional resources on reviewing and analyzing information provided by Sprint and worked with Sprint to identify other information and reports that would assist us in this review and analysis, particularly as it relates to accounts receivable and the application of cash.

During 2003, in order to more timely and better monitor, verify and analyze information provided by Sprint, we took the following actions to further enhance our disclosure controls and procedures. While we believe that, in the aggregate, these actions improved our overall internal controls, we do not believe that any individual action was a material change to our internal controls.

- We reconcile accounts receivable aging reports from Sprint to our general ledger on a quarterly basis.

- In January, 2003, the Company engaged a consultant with telecommunications settlement experience to develop a plan for a Sprint settlements department, to analyze and interface with Sprint to resolve financial disputes with Sprint, to review the method of calculating the revenue profile and to review the Sprint settlements processes and facilitate the transition of Sprint settlements and review processes from the accounting department in Geneseo, Illinois to the new settlements department in Atlanta, Georgia. In May 2003, we internally staffed and broadened role of the settlements department. The department has two full-time employees (hired in May and August 2003) and one contract person (hired in June 2003). The manager of the settlements group serves as the primary interface with Sprint regarding all issues related to the Sprint settlements process. The settlements group reviews and analyzes financial data provided by Sprint, including the components of the revenue profile that Sprint uses to determine the amount of collected revenues paid to us. The settlements group assists us in verifying amounts charged by Sprint as well as revenues and other amounts settled with Sprint.

o During the fourth quarter of fiscal 2003, we completed an in-depth review of the procedures undertaken in prior Type II SAS 70 reports and we requested and Sprint agreed to provide and include additional procedures in 2003 and future Type II SAS 70 Reports.

o In September 2003, we requested additional "agreed upon procedures" pertaining to accounts receivable from Sprint's independent accountants. Sprint's independent accountants performed such procedures during October 2003.

o Beginning in the fourth quarter of fiscal 2003, we analyzed, documented and implemented file audit and assurance processes for certain Sprint files used in recording financial information.

o We obtained for the first time from Sprint an account level detail of subscriber accounts receivable as of September 30, 2003. In September 2003, we requested this detail on at least a quarterly basis in the future.

o In September 2003, Sprint agreed to provide semi-annual SAS 70 reports beginning in 2004.

o In September 2003, Sprint informed us that it will request SAS 70 reports from key service providers, including the third-party provider of its billing systems and services.

Although we refined and improved our internal controls in 2002, we and our independent auditors believe that a reportable condition (as defined above) in internal controls relating to accounts receivable continued during 2003 because most of the procedures described above were not in place until the end of the fiscal year. As a result of the improved processes and procedures described above, the Company believes no reportable condition in internal controls existed by the end of the fiscal year, September 30, 2003 but our independent auditors have not made that finding.

Because the procedures outlined under "Our Disclosure Controls and Procedures - Fiscal 2002" continued during 2003, we believe our disclosure controls and procedures were effective throughout 2003, including as of September 30, 2003.

In order to avoid a reportable condition in the future, the Company will need to continue the processes described above and continue to obtain or perform the following:

o Obtain from Sprint access to a detailed listing of subscriber receivables at the account level on a quarterly basis and validate its integrity.

- Perform a full reconciliation of the subscriber receivables detail to the general ledger balance, including a complete understanding of all reconciling items.

- Perform a rollforward of the accounts receivable information to be provided by Sprint and compare these amounts to our general ledger accounts.

The Company will continue to monitor and evaluate the effectiveness of its improvements in controls related to information provided by Sprint and continue to improve these processes.

In preparation for the requirements imposed under Section 404 of the Sarbanes Oxley Act of 2002, we are retaining an outside accounting firm to assist us in reviewing and improving our internal control processes, including the processes to verify data provided by Sprint.

Changes in Internal Control over Financial Reporting

We refer you to the information discussed above in Evaluation of Disclosure Controls and Procedures.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

In May 2002, putative class action complaints were filed in the United States District Court for the Northern District of Georgia against AirGate PCS, Inc., Thomas M. Dougherty, Barbara L. Blackford, Alan B. Catherall, Credit Suisse First Boston, Lehman Brothers, UBS Warburg LLC, William Blair & Company, Thomas Wiesel Partners LLC and TD Securities. The complaints do not specify an amount or range of damages that the plaintiffs are seeking. The complaints seek class certification and allege that the prospectus used in connection with the secondary offering of Company stock by certain former iPCS shareholders on December 18, 2001 contained materially false and misleading statements and omitted material information necessary to make the statements in the prospectus not false and misleading. The alleged omissions included (i) failure to disclose that in order to complete an effective integration of iPCS, drastic changes would have to be made to the Company's distribution channels, (ii) failure to disclose that the sales force in the acquired iPCS markets would require extensive restructuring and (iii) failure to disclose that the "churn" or "turnover" rate for subscribers would increase as a result of an increase in the amount of sub-prime credit quality subscribers the Company added from its merger with iPCS. On July 15, 2002, certain plaintiffs and their counsel filed a motion seeking appointment as lead plaintiffs and lead counsel. Subsequently, the Court denied that motion without prejudice and two of the plaintiffs have filed a renewed motion. The Defendants responded to the renewed motion, but the Court has not yet entered a ruling. The Company believes the plaintiffs' claims are without merit and intends to vigorously defend against these claims. However, no assurance can be given as to the outcome of the litigation.

Item 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

None.

Item 3. DEFAULTS UPON SENIOR SECURITIES

None.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

Item 5. OTHER INFORMATION

Subsequent Events

On June 10, 2003, Robert A. Ferchat was named Chairman of the Board.

Risk Factors

Our business and our prospects are subject to many risks. The following items are representative of the risks, uncertainties and assumptions that could affect our business, our future performance, our liquidity and the outcome of the forward-looking statements we make. In addition, our business, our future performance, our liquidity and forward-looking statements could be affected by general industry and market conditions and growth rates, general economic and political conditions, including the global economy and other future events, including those described BELOW AND elsewhere in this QUARTERLY report on Form 10-Q.

Risks Related to Our Business, Strategy and Operations

The unsettled nature of the wireless market may limit the visibility of key operating metrics

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

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

Revenue growth is primarily dependent on the size of our subscriber base, average monthly revenues per user and roaming revenue. During the year ended September 30, 2002, we experienced slower net subscriber growth rates than planned, which we believe is due in large part to increased churn, declining rates of wireless subscriber growth in general, the re-imposition of deposits for most sub-prime credit subscribers during the last half of the year, the current economic slowdown and increased competition. Other carriers also have reported slower subscriber growth rates compared to prior periods. We have seen a continuation of competitive pressures in the wireless telecommunications market causing some major carriers to offer plans with increasingly large bundles of minutes of use at lower prices which may compete with the calling plans we offer, including the Sprint calling plans we support. While our business plan anticipates lower subscriber growth, it assumes average monthly revenues per user will remain relatively stable after factoring in recent declines. Increased price competition may lead to lower average monthly revenues per user than we anticipate. In addition, the lower reciprocal roaming rate that Sprint has implemented will reduce our roaming revenue, which may not be offset by the reduction in our roaming expense. If our revenues are less than we anticipate, it could materially adversely affect our liquidity, financial condition and results of operation.

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

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

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

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

- inability or unwillingness of subscribers to pay which results in involuntary deactivations, which accounted for 63% of our deactivations in the quarter ended June 30, 2003;

- subscriber mix and credit class, particularly sub-prime credit subscribers which accounted for approximately 50% of our gross subscriber additions since May 2001 and account for approximately 30% of our subscriber base as of June 30, 2003;

- Sprint's announced billing system conversion and/or a transition to outsource services now provided by Sprint;

- the attractiveness of our competitors' products, services and pricing;

- network performance and coverage relative to our competitors;

- quality of customer service;

- increased prices; and

- any future changes by us in the products and services we offer, especially to the Clear Pay Program.

An additional factor that may contribute to a higher churn rate is implementation of the Federal Communications Commission's ("FCC") wireless local number portability ("LNP") requirement. The wireless LNP rules will enable wireless subscribers to keep their telephone numbers when switching to another carrier. By November 24, 2003, all covered CMRS providers, including broadband

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

A high rate of subscriber turnover could adversely affect our competitive position, liquidity, financial position, results of operations and our costs of, or losses incurred in, obtaining new subscribers, especially because we subsidize some of the costs of initial purchases of handsets by subscribers. Our allowance for doubtful accounts may not be sufficient to cover uncollectible accounts

On an ongoing basis, we estimate the amount of subscriber receivables that we will not collect to reflect the expected loss on such accounts in the current period. Our business plan assumed that bad debt, as a percentage of service revenue would decline significantly during fiscal 2003, which is consistent with current results. Our allowance for doubtful accounts may underestimate actual unpaid receivables for various reasons, including:

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

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

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

Sprint reduced the reciprocal roaming rate from $0.10 per minute to $0.058 per minute for the calendar year 2003. Based upon 2002 historical roaming data, a reduction in the roaming rate to $0.058 per minute would have reduced roaming revenue by approximately $23 million for AirGate and would have reduced roaming expense by approximately $16 million for AirGate. The ratio of roaming revenue to expense for AirGate for the quarter ended June 30, 2003 was 1.3 to one.

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

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

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

The Company may incur significantly higher wireless handset subsidy costs than we anticipate for existing subscribers who upgrade to a new handset

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

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

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

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

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

Further, in January 2003, the FCC rules imposing limits on the amount of spectrum that can be held by one provider in a specific market was lifted. The FCC now relies on case-by-case review of transactions involving transfers of control of CMRS spectrum in connection with its public interest review of all license transfers. In light of this change in regulatory review, competition may increase to the extent that licenses are transferred from smaller stand-alone operators to larger, better capitalized, and more experienced wireless communications operators. These larger wireless communications operators may be able to offer customers network features not offered by AirGate. 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

Many 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 AirGate are owned by four tower companies (and their affiliates). If a master co-location agreement with one of these tower companies were to terminate, or if one of these tower companies were unable to support our use of its tower sites, we would have to find new sites or we may be required to rebuild that portion of our network. In addition, because of this concentration of ownership of our cell sites, our financial condition and results of operations could be materially and adversely affected if we are unable to renew expiring leases with such tower companies on favorable terms, or in the event of a disruption in any of their business operations.

Certain wireless providers are seeking to reduce access to their networks

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

Risks Particular to AirGate's Indebtedness

AirGate has substantial debt that it may not be able to service; a failure to service such debt may result in the lenders under such debt controlling AirGate's assets

The substantial debt of AirGate has a number of important consequences for our operations and our investors, including the following:

- AirGate will have to dedicate a substantial portion of any cash flow from its operations to the payment of interest on, and principal of, its debt, which will reduce funds available for other purposes;

- AirGate may not be able to obtain additional financing if the assumptions underlying the business plan are not correct and existing sources of funds, together with cash flow, are insufficient for capital requirements, working capital requirements and other corporate purposes;

- increased vulnerability to adverse economic conditions or increases in prevailing interest rates, as some of AirGate's debt, including financing under AirGate's credit facility, is at variable rates of interest, which could result in higher interest expense in the event of increases in market interest rates;

- AirGate may be more highly leveraged than our competitors, which could potentially decrease our ability to compete in our industry; and

- due to the liens on substantially all of AirGate's assets and the pledges of stock of AirGate's existing and future restricted subsidiaries that secure AirGate's credit facility and notes, lenders or holders of such notes may exercise remedies giving them the right to control AirGate's assets or the assets of the subsidiaries of AirGate, other than iPCS, in the event of a default.

The ability of AirGate to make payments on its debt will depend upon its future operating performance which is subject to general economic and competitive conditions and to financial, business and other factors, many of which AirGate cannot control. If the cash flow from AirGate's operating activities is insufficient, it may take actions, such as further delaying or reducing capital expenditures, attempting to restructure or refinance its debt, selling assets or operations or seeking additional equity capital. Any or all of these actions may not be sufficient to allow AirGate to service its debt obligations. Further, AirGate may be unable to take any of these actions on satisfactory terms, in a timely manner or at all. The AirGate credit facility and indenture governing AirGate's notes limit our ability to take several of these actions.

The AirGate indenture and credit facility contain provisions and requirements that could limit AirGate's ability to pursue borrowing opportunities

The restrictions contained in the indenture governing the AirGate notes and the restrictions contained in AirGate's credit facility, may limit AirGate's ability to implement its business plans, finance future operations, respond to changing business and economic conditions, secure additional financing, if needed, and engage in opportunistic transactions. The AirGate credit facility and notes also restricts the ability of AirGate and the ability of AirGate's subsidiaries, other than iPCS, and its future subsidiaries to do the following:

- create liens;

- make certain payments, including payments of dividends and distributions in respect of capital stock;

- consolidate, merge and sell assets;

- engage in certain transactions with affiliates; and

- fundamentally change its business.

If AirGate fails to pay the debt under its credit facility, Sprint has the option of purchasing AirGate's loans, giving Sprint certain rights of a creditor to foreclose on AirGate's assets

Sprint has contractual rights, triggered by an acceleration of the maturity of the debt under AirGate's credit facility, pursuant to which Sprint may purchase

AirGate's obligations to its 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 AirGate's interests. Sprint's rights as a senior lender would enable it to exercise rights with respect to AirGate's assets and continuing relationship with Sprint in a manner not otherwise permitted under its Sprint agreements.

Risks Related to iPCS

iPCS has declared bankruptcy, which may cause the value of AirGate's ownership interest in iPCS to be worthless

There is a substantial risk that AirGate will lose all of the value of its investment in iPCS in connection with the bankruptcy of iPCS. Because the amount of iPCS' obligations under its credit facility and its notes were greater than its existing cash and other assets when its payment obligations were accelerated by the iPCS lenders, there will likely be no assets available for distribution to AirGate as iPCS' sole stockholder. While AirGate may request an equity participation in a restructuring of iPCS, it is likely that AirGate will lose all of the value of its investment in iPCS in connection with iPCS' bankruptcy.

The bankruptcy of iPCS may have adverse affects on AirGate

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

As a result of iPCS' bankruptcy, AirGate may not be able to reduce its general and administrative costs in an amount sufficient to subsidize the portion of the combined Company's costs currently borne by iPCS

On a net basis, we budgeted that iPCS would pay approximately $4.6 million of the combined Company's general and administrative costs in fiscal 2003. To facilitate the orderly transition of management services, AirGate and iPCS entered into an amendment to the Services Agreement that would allow individual services to be terminated by either party upon 30 days prior notice, subject to certain exceptions. iPCS has terminated most of these services and we anticipate that the remaining services provided by AirGate will be terminated by September 30, 2003. As services are terminated, AirGate will be required to reduce its costs and expenses to meet its business plan. A failure to reduce these expenses in a timely manner could adversely affect AirGate's liquidity, financial condition and results of operations.

Risks Related to Our Relationship with Sprint

The termination of AirGate's affiliation with Sprint would severely restrict our ability to conduct our business

AirGate does not own the licenses to operate its wireless network. The ability of AirGate to offer Sprint PCS products and services and operate a PCS network is dependent on its 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 future. The management agreements between Sprint and AirGate are not perpetual. AirGate's management agreement automatically renews at the expiration of the 20-year initial term for an additional 10-year period unless AirGate is in material default. Sprint can choose not to renew AirGate's management agreement at the expiration of the ten-year renewal term or any subsequent ten-year renewal term. In any event, AirGate's management agreement terminates in 50 years.

In addition, 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. For example, Sprint conducts periodic audits of compliance with various aspects of its program guidelines and identifies issues it believes needs to be addressed. 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.

AirGate is 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:

o 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;

o Sprint could develop products and services, such as a one-rate plan where subscribers are not required to pay roaming charges, or establish credit policies, such as the NDASL program, which could adversely affect our results of operations;

o Sprint introduced a payment method for subscribers to pay the cost of service with us. This payment method initially may not have had 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;

o 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;

o 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;

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

o Sprint could limit our ability to develop local and other promotional plans to enable us to attract sufficient subscribers;

- Sprint could, subject to limitations under our Sprint agreements, alter its network and technical requirements;

- Sprint could make decisions which could adversely affect the Sprint brand names, products or services; and o Sprint could decide not to renew the Sprint agreements or to no longer perform its obligations, which would severely restrict our ability to conduct business.

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

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

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

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

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

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

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

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

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

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

We have questioned whether these and other charges and actions are appropriate and authorized under our Sprint agreements. We expect that it will take time to resolve these issues, the ultimate outcome is uncertain and litigation may be required to resolve these issues. Unanticipated expenses and reductions in revenue have had and, if they occur in the future, will have a negative impact on our liquidity and make it more difficult to predict with reliability our future performance.

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

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

AirGate and Sprint have discovered billing and other errors or inaccuracies, which, while not material to Sprint, could be material to AirGate. If AirGate is required in the future to make additional adjustments or charges as a result of errors or inaccuracies in data provided to us by Sprint, such adjustments or charges may have a material adverse affect on our financial results in the period that the adjustments or charges are made, on our ability to satisfy covenants contained in AirGate's credit facility, and on our ability to make fully informed business decisions.

The inability of Sprint to provide high quality back office services, or our inability to use Sprint's back office services and third-party vendors' back office systems, 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 depend on Sprint's willingness to continue to offer these services and to provide these services effectively and at competitive costs. These costs were approximately $31.0 million for AirGate for the nine months ended June 30, 2003. Our Sprint agreements provide that, upon nine months prior written notice, Sprint may elect to terminate any of these services. The inability of Sprint to provide high quality back office services, or our inability to use Sprint back office services and third-party vendors' back office systems, could lead to subscriber dissatisfaction, increase churn or otherwise increase our costs.

Sprint has become aware of customer dissatisfaction with its customer service and in that regard has recently announced that it is undertaking initiatives to improve customer service. We believe dissatisfaction in customer service leads to higher churn.

If Sprint elects to significantly increase the amount it charges us for any of these services, our operating expenses will increase, and our operating income and available cash would be reduced. We are exploring ways to outsource certain services now provided by Sprint. While the services agreement allows AirGate to use third-party vendors to provide certain of these services instead of Sprint, Sprint may seek to require us to pay high start-up costs to interface with Sprint's system and may otherwise seek to delay any such outsourcing, which could increase the costs of any such outsourcing and delay the benefits of any outsourcing. This could limit our ability to lower our operating costs.

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

The competitiveness of Sprint PCS products and services is a key factor in our ability to attract and retain subscribers.

Certain Sprint pricing plans, promotions and programs may result in higher levels of subscriber turnover and reduce the credit quality of our subscriber base. For example, we believe that the NDASL and Clear Pay Program resulted in increased churn and an increase in sub-prime credit subscribers.

AirGate's disputes with Sprint may adversely affect its relationship with Sprint

AirGate's disputes with Sprint may have a material adverse affect on AirGate's relationship with Sprint, which could materially and adversely affect AirGate's business.

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

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

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

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

Certain provisions of the Sprint agreements may diminish the value of AirGate's common stock and restrict the sale of our business

Under limited circumstances and without further stockholder approval, Sprint may purchase the operating assets of AirGate at a discount. In addition, Sprint must approve any change of control of the ownership of AirGate and must consent to any assignment of its Sprint agreements. Sprint also has a right of first refusal if AirGate decides to sell its operating assets to a third-party. AirGate is also subject to a number of restrictions on the transfer of its business, including a prohibition on the sale of its operating assets to competitors of Sprint. These restrictions and other restrictions contained in the Sprint agreements could adversely affect the value of AirGate's 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 our 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, all of which are independent companies like we are. We believe that most, if not all, of these companies have incurred substantial debt to pay the large cost of building out their networks.

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

If Sprint does not succeed our business may not succeed

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

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

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

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

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

The FCC requires that licensees like Sprint maintain control of their licensed spectrum and not delegate control to third-party operators or managers. Although the Sprint agreements with AirGate 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, AirGate has agreed with Sprint to use their best efforts to modify the Sprint agreements to comply with applicable law. If we cannot agree with Sprint to modify the Sprint agreements, they may be terminated. If the Sprint agreements are terminated, we would no longer be a part of the Sprint PCS network and would be severely restricted in our ability to conduct business.

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

The Sprint brand and logo is highly recognizable. If AirGate loses the rights to use this brand and logo or the value of the brand and logo decreases, customers may not recognize its brand readily and AirGate 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 offer services other than wireless services and may not be able to effectively compete against competitors with integrated solutions.

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 network or, because of their calling volumes or relationships with other wireless providers, may be able to offer regional roaming rates that are lower than those we offer. Additionally, we expect that existing cellular providers will continue to upgrade their systems to provide digital wireless communication services competitive with Sprint. Our success, therefore, is, to a large extent, dependent on Sprint's ability to distinguish itself from competitors by marketing and anticipating and responding to various competitive factors affecting the wireless industry, including new services that may be introduced, changes in consumer preferences, demographic trends, economic conditions and discount pricing strategies by competitors. To the extent that Sprint is not able to keep pace with technological advances or fails to respond timely to changes in competitive factors in the wireless industry, it could cause us to lose market share or experience a decline in revenue.

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

If the demand for wireless data services does not grow, or if Sprint or AirGate 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, AirGate's 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.

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

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

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

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

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

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

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

According to Sprint, a number of its suppliers have recently experienced financial challenges. If these suppliers cannot meet their commitments, Sprint states that it would have to use different vendors and this could result in delays, interruptions, or additional expenses associated with the upgrade and expansion of Sprint's networks and the offering of its products and services.

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

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

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 our 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 our 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.

Risks Related to Our Common Stock

We may not achieve or sustain operating profitability or positive cash flows, which may adversely affect AirGate's stock price

AirGate has limited operating histories. Our ability to achieve and sustain operating profitability will depend upon many factors, including our ability to market Sprint PCS products and services, manage churn, sustain monthly average revenues per user, and reduce capital expenditures and operating expenses. We have experienced slowing net subscriber growth, increased churn and increased costs to acquire new subscribers and as a result, have had to revise our business plans. If AirGate does not achieve and maintain positive cash flows from operations when projected, AirGate's stock price may be materially adversely affected. In addition, as a result of the bankruptcy of iPCS, AirGate's investment in iPCS is likely to be worthless, and such bankruptcy may materially adversely affect AirGate's stock price.

Our stock price has suffered significant declines, remains volatile and you may not be able to sell your shares at the price you paid for them

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

- quarterly variations in our operating results;
- concerns about liquidity;
- the de-listing of our common stock;
- operating results that vary from the expectations of securities analysts and investors;
- changes in expectations as to our future financial performance, including financial estimates by securities analysts and investors;
- changes in the market perception about the prospects and results of operations and market valuations of other companies in the

telecommunications industry in general and the wireless industry in particular, including Sprint and its PCS network partners and our competitors;

- changes in the Company's relationship with Sprint, including the impact of our efforts to more closely examine Sprint charges and amounts paid by 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 AirGate is unable to comply with its 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.

AirGate's common stock was delisted from Nasdaq. Accordingly, our stockholders' ability to sell our common stock may be adversely effected. Additionally, the market for so-called "penny stocks" has suffered in recent years from patterns of fraud and abuse.

AirGate was notified by the Nasdaq Stock Market, Inc. that because it 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 AirGate's stock from the Nasdaq National Market. This delisting occurred on April 8, 2003. In addition, AirGate did not meet the listing requirements to be transferred to the Nasdaq Small Cap Market. AirGate's common stock currently trades on the OTCBB maintained by The Nasdaq Stock Market, Inc., under the symbol "PCSA.OB", and is subject to a Securities and Exchange Commission rule that imposes special sales practice requirements upon broker-dealers who sell such OTCBB 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 AirGate's 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 Securities and Exchange Commission 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. AirGate's common stock may constitute "penny stocks" within the meaning of the rules. These rules may further affect the ability of owners of AirGate common stock to sell our securities in any market that might develop for them.

Shareholders should also be aware that, according to Securities and Exchange Commission, 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 AirGate's securities.

Future sales of shares of our common stock, including sales of shares following the expiration of `lock-up" arrangements, may negatively affect our stock price

As a result of the acquisition of iPCS, the former iPCS security holders received approximately 12.4 million shares of our common stock and options and warrants to purchase approximately 1.1 million shares of our common stock. The shares of common stock issued in connection with the acquisition represented approximately 47.5% of our common stock, assuming the exercise of all outstanding warrants and options.

In connection with the merger, holders of substantially all of the outstanding shares of iPCS common and preferred stock entered into "lock-up" agreements with the Company. The lock-up agreements imposed restrictions on the ability of such stockholders to sell or otherwise dispose of the shares of our common stock that they received in the merger. As of September 26, 2002, all of such shares were released from the lock-up.

We entered into a registration rights agreement at the effective time of the merger 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") has a demand registration right, which became exercisable after November 30, 2002, subject to the requirement that the offering exceed size requirements. In addition, the former iPCS stockholders, including Blackstone, have incidental registration rights pursuant to which they can, in general, include their shares of our common stock in any public registration we initiate, whether or not for sale for our own account.

Sales of substantial amounts of shares of our common stock, 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 our growth, 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. Any future payment of dividends to our stockholders will depend on decisions that will be made by our board of directors and will depend on then existing conditions, including our financial condition, contractual restrictions, capital requirements and business prospects.

Our 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.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

31.1 Certification of Thomas M. Dougherty pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of William H. Seippel pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification of Thomas M. Dougherty pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of William H. Seippel pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K

The following Current Reports on Form 8-K were filed by AirGate during the quarter ended June 30, 2003:

On April 10, 2003, AirGate furnished a Current Report on Form 8-K with the Securities and Exchange Commission under Item 9 - Regulation FD Disclosure relating to its delisting from the Nasdaq National Market effective at the open of business April 8, 2003. AirGate's stock began to trade on the OTC Bulletin Board under the same symbol "PCSA.OB" following its delisting from Nasdaq.

On April 22, 2003, AirGate furnished a Current Report on Form 8-K with the Securities and Exchange Commission under Item 9 - Regulation FD Disclosure relating to the Trustee sending notice under the Indenture to the AirGate Noteholders informing them of iPCS' bankruptcy notice and informing the AirGate Noteholders that it is the opinion of the Company and its counsel, that no Event of Default under Section 6.1 of the AirGate Indenture resulted from iPCS' bankruptcy filing.

On May 21, 2003, AirGate furnished a Current Report on Form 8-K with the Securities and Exchange Commission under Item 9 - Regulation FD Disclosure (also provides information required under Item 12 "Results of Operations and Financial Condition") relating to issuance of a press release regarding financial and operating results for the second quarter of fiscal year 2003 and other matters.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned officer thereunto duly authorized.

AIRGATE PCS, INC.

By: /s/ William H. Seippel

William H. Seippel
Title: Chief Financial Officer
(Duly Authorized Officer, Principal Financial and Chief Accounting Officer)

Date: January 15, 2004