



420 Lexington Avenue
Suite 2045
New York, NY 10170-0013
212.867.4005 TEL
212.867.4161 FAX

www.massonco.com

SERVICE: Restructuring Advisory

INDUSTRY Telecommunications – Regional Wireless Carrier

The Company. AirGate PCS, a \$315 million Sprint PCS affiliate with over 300,000 subscribers. Territory includes cities in coastal Georgia, South Carolina and North Carolina, as well as growing mid-market cities between Charlotte and Atlanta.

The Problem. The Company was constrained by excessive debt resulting from industry downturn and competitive pressures. Changes in license terms and a combative relationship with Sprint negatively impacted earnings and threatened the Company's long-term viability. Though no covenant or payment defaults had occurred, its common shares were trading below \$1.00. Since payment defaults within the next 24 months were predicted under most forecast scenarios, the Board proactively elected to restructure its balance sheet.

Our Engagement. Masson & Company, in partnership with a technology investment banking boutique, was retained to explore financial alternatives to help AirGate improve its balance sheet. Such alternatives could include a cash investment from a third party, an outright sale of the Company or a restructuring of the existing senior and subordinated debt obligations.

The Results.

- We met extensively with executive management and Board members to understand the key metrics that drive the Company's operating performance; we then re-designed the Company's existing financial model to incorporate those metrics so as to be able to vet financial alternatives in advance of creditor negotiations.
- Concurrently, we prepared valuation, capital structure and operating trend analyses for the wireless sector and detailed the historical and projected industry dynamics affecting the Company and its competitors.
- We detailed specific ways for AirGate to cut costs; these measures provided immediate liquidity benefits during the ensuing creditor negotiations.
- We prepared for the Board – within 60 days of our engagement – a comprehensive review of constituent recoveries under different scenarios including (i) a debt repurchase with credit facility pay-down; (ii) a debt-for-equity exchange; (iii) a debt-for-debt exchange with an equity component; and (iv) a new third party equity or debt investment with cash proceeds applied to reduce existing indebtedness.
- Following discussions with the bank group and subordinated debt holders to determine their receptivity to these various alternatives, we determined that a debt-for-equity exchange would have the highest probability of completion and would have the most favorable economic impact on AirGate's long-term business plan.
- We reached agreement on the terms of a public tender/exchange offer with the bank syndicate and more than 67% of the public note holders – within 6 months of our engagement – and secured a lock-up agreement in advance of the offer.
- In addition to amending the \$150 million senior credit facility, the completed exchange offer exchanged nearly all of the outstanding \$300 million 13.5% Senior Subordinated Discount Notes due 2009 for \$160 million new 9 3/8% Senior Subordinated Secured Notes and approximately 56% of AirGate's fully-diluted common shares.

Benefits to AirGate from the restructuring include:

- Debt principal reduction of more than \$100 million.
- Debt/equity ratio is now better than that of all other Sprint affiliates (as well as Sprint itself) and improved from second-worst to the midpoint of the range of all comparable wireless carriers.
- Liquidity and valuation metrics are also now well within the range of comparable wireless industry companies.
- Improved capital structure provides leverage in ongoing negotiations with Sprint.
- Improved liquidity permits access to new opportunities including outsourcing customer care and billing.