Lead Plaintiffs make the following allegations, except as to allegations specifically pertaining to Lead Plaintiffs and their counsel, based upon the investigation undertaken by Lead Plaintiffs’ counsel that included analysis of publicly-available news articles and reports, public filings, securities analysts reports and advisories, press releases, public statements issued by or on behalf of Defendants and interviews with persons formerly employed by AirGate PCS, Inc. (“AirGate” or the “Company”) with knowledge of the facts detailed herein. Lead Plaintiffs believe that further substantial evidentiary support will be obtained after a reasonable opportunity for discovery. Most of the facts supporting the allegations contained herein are known only to Defendants or are within their control.

Introduction

1. This federal securities class action lawsuit is brought against AirGate, officers and/or directors of AirGate (defined below as the “Individual Defendants”),
and several full service institutional investment firms that underwrote the sale of AirGate’s common stock to the public (defined below as the “Underwriters”). Lead Plaintiffs, Jay Grant and Wessley Ruggles, bring this action on behalf of themselves and all other persons or entities, except for Defendants, who purchased shares of AirGate common stock pursuant or traceable to the registration statement and prospectus (“Registration Statement/Prospectus”) AirGate filed with the Securities and Exchange Commission (“SEC”) on or about November 13, 2001 (and subsequently amended) in conjunction with AirGate’s secondary public offering of common stock that was completed on or about December 14, 2001 (the “Offering”). The Offering, in furtherance of AirGate’s merger with iPCS, Inc. (“iPCS”), consisted of four million shares of AirGate’s common stock at $50 per share, plus an over-allotment of up to 600,000 shares.

2. AirGate markets and provides digital personal communication services (“PCS”) in the southeastern and mid-western United States. According to AirGate, it is among the largest Sprint PCS (“Sprint”) affiliate that offers Sprint’s PCS services in its marketing territories. AirGate’s key financial metrics include the number of its paying customer subscribers/users for its wireless mobile services, its Average Revenue Per User (“ARPU”), its “churn” rate (the rate at which existing customer accounts are canceled), and its allowance (reserve) for doubtful accounts.
3. Defendants are liable for violations of the Securities Act of 1933 because AirGate’s Registration Statement/Prospectus was untrue in a number of important respects. Among other things, Defendants claimed that: (1) AirGate’s business plan was “fully funded”; (2) AirGate had strong future revenue and profit growth prospects based on the rapid increases in the number of customers and the size of its market share; and (3) the merger with iPCS (another Sprint mobile phone service affiliate) would be beneficial because iPCS’s network buildout was nearly complete.

4. These statements were untrue at the time they were made. Among other things, the Registration Statement/Prospectus failed to disclose: (1) the increasingly large number of low credit quality customers AirGate had acquired, and continued to acquire, through the Sprint controlled No Deposit-Account Spending Limit marketing program (“ND-ASL Program”) and its successor, the “Clear Pay” Program; (2) AirGate’s complete lack of control over customer credit quality; (3) the resulting dramatically increased customer churn rate; and (4) the resulting rapidly mounting out-of-pocket losses AirGate was incurring.

5. The Registration Statement/Prospectus also failed to disclose that the Individual Defendants had fought with Sprint to abandon or modify the ND-ASL Program as it pertained to AirGate because of the debilitating impact the program
was having on AirGate’s revenue and future viability. Nor did the Registration
Statement/ Prospectus disclose that the relatively low churn rate assumption relied
upon in formulating the Company’s business plan, financial strategy, and certain
disclosures in the Registration Statement/Prospectus, was far less than the actual
churn rate estimated by Sprint, provided to certain of the Individual Defendants in
August of 2001 by Sprint, and which was actually being experienced by AirGate.

6. In addition, the Registration Statement/Prospectus failed to disclose the
significant inadequacies within iPCS’s cellular network infrastructure and
operations that resulted in serious unanticipated costs and technical problems
following the merger. At the time of the merger, AirGate knew that iPCS’s network
infrastructure was nowhere near completion and would require millions of dollars in
upgrades. Shortly after the consummation of the merger transaction with iPCS and
the Offering, the Company had to take a massive $766 million write-off of the
intangible assets related to the acquisition (goodwill and right to provide services
under the Sprint agreements), amounting to roughly 66% of $1.156 billion
acquisition price for iPCS.

7. At the same time, AirGate’s Allowance for Doubtful Accounts
(primarily those relating to customers within the ND-ASL Program or the Clear Pay
Program) was grossly under-reserved because of the Company’s lack of control over
customer credit operations. The Registration Statement/Prospectus also failed to disclose the actual amount of AirGate’s allowance for doubtful accounts in their quarterly financial disclosure immediately following the Offering. This effectively masked the under-reserve and AirGate’s need to rapidly increase reserves in the future – information that would permit the investing public to discern the poor overall credit quality of AirGate’s customers and the adverse effects of that situation on AirGate’s financials.

8. While the Registration Statement/Prospectus disclosed the actual change in the method of calculating ARPU, it failed to disclose the material increase in the Company’s allowance for doubtful accounts, high churn rate, increased expected losses under the ND-ASL and Clear Pay Programs, and the poor overall customer credit quality, all of which seriously undermined the inflated ARPU disclosure. This effectively masked the poor overall credit quality of AirGate’s customers and AirGate’s financial condition.

9. Within a relatively short time after the Offering, these existing conditions that were undisclosed in the Registration Statement/Prospectus led to serious financial trouble at AirGate, highlighted by a dramatic fall in the price of AirGate’s common stock and iPCS’s subsequent bankruptcy filing in April 2003.
Jurisdiction & Venue

10. The claims asserted herein arise under and pursuant to Sections 11, 12(a)(2), and 15 of the Securities Act of 1933, as amended (the “Securities Act”), 15 U.S.C. §§ 77k, 77(1)(2) and 77o. The Court has jurisdiction of this action pursuant to Section 22 of the Securities Act, 15 U.S.C. § 77v, and 28 U.S.C. §§ 1331 and 1337.

11. Venue is properly laid in this District pursuant to Section 22 of the Securities Act, 15 U.S.C. § 77v, and 28 U.S.C. § 1391(b) and (c)). Many of the acts and transactions giving rise to the violations of law complained of herein, including the preparation, issuance and dissemination to the investing public untrue statements, occurred in substantial part in this District. Further, AirGate has its principal place of business in this District at 233 Peachtree Street, NE, Harris Tower, Suite 1700 Atlanta, GA, 30303. In connection with the acts, conduct and other wrongs complained of herein, Defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including the United States mails and interstate telephone communications, and the facilities of the NASDAQ National Market (“NASDAQ”), a national securities exchange.

The Parties

12. Lead Plaintiff Jay Grant purchased 300 shares of AirGate common
stock pursuant or traceable to the Registration Statement/Prospectus, as set forth in his certification already on file with this Court.

13. Lead Plaintiff Wessley Ruggles, Ltd. purchased 1000 shares of AirGate common stock pursuant or traceable to the Registration Statement/Prospectus, as set forth in its certification already on file with this Court.

14. Defendant AirGate is a Delaware corporation and maintains its principal executive offices at 233 Peachtree Street, NE, Harris Tower, Suite 1700 Atlanta, GA, 30303. AirGate markets and provides digital personal communication services (“PCS”).

15. AirGate has maintained an Internet site at http://www.airgatepcs.com, whereby it disseminates material information about the Company, its products, and its financial condition to customers, vendors and the investing public.

16. The individuals named as defendants herein (the “Individual Defendants”) served, at all times material to the claims set forth herein, as senior officers and/or directors of AirGate in the positions set forth opposite their names as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barbara Blackford</td>
<td>Vice President, General Counsel, and Corporate Secretary</td>
</tr>
</tbody>
</table>
Each of the Individual Defendants named herein signed, personally or by attorney-in-fact, the Company’s Registration Statement/Prospectus.

17. By reason of their management positions, and membership on AirGate’s Board of Directors, and their ability to make public statements in the name of AirGate, the Individual Defendants were and are controlling persons, and had the power and influence to cause (and did cause) AirGate to engage in the unlawful conduct complained of herein.

18. Each Individual Defendant had access to the adverse non-public information about the Company’s business, finances, products, markets and present and future business prospects, as particularized herein, by means of internal corporate documents, conversations or connections with corporate officers or employees, attendance at Company management and/or Board of Directors meetings and committees thereof, and/or reports and other information provided to each in connection therewith.

19. The following entities named as defendants in this paragraph (the “Underwriter Defendants”), are all full service investment firms engaged in the
business of investment banking, underwriting, and selling securities to the investing public:

a. Defendant Credit Suisse First Boston (USA), Inc. is a foreign corporation that maintains a place of business at 11 Madison Avenue, New York, NY 10010.

b. Defendant Lehman Brothers is a foreign corporation that maintains a place of business at 745 Seventh Avenue, New York, NY 10019.

c. Defendant UBS Warburg LLC, n/k/a UBS Securities LLC is a foreign corporation that maintains a place of business at 677 Washington Boulevard, Stamford, CT 06901.

d. Defendant William Blair & Company, L.L.C. is a foreign corporation that maintains a place of business at 222 West Adams Street, Chicago, IL 60606.

e. Defendant Thomas Weisel Partners LLC is a foreign corporation that maintains a place of business at One Montgomery Tower, 1 Montgomery Street, Suite 3700, San Francisco, CA 94104.

f. Defendant TD Securities (USA), Inc. f/k/a TD Securities, is a foreign corporation that maintains a place of business at 31 West 52nd Street, New York, NY 10019.
19.1 The Underwriter Defendants offered and sold AirGate’s common stock presented in the Offering on a firm commitment basis – a contractual agreement under which they agreed to sell all of the shares in the Offering to the investing public.

19.2 Specifically, by virtue of their participation in the Offering on a firm commitment basis, the Underwriter Defendants offered AirGate common stock and in fact sold (i.e., passed title to) those shares to Plaintiffs and the other class members, either directly or through broker agents.

19.3 The Underwriter Defendants had a significant financial interest in the Offering. The Underwriter Defendants profited by obtaining the shares of AirGate common stock at a discount and then selling those shares pursuant to the Offering at a profit. In order to achieve and maximize this profit, the Underwriter Defendants actively promoted the Offering to investors and solicited the purchase of shares pursuant to the Offering.

19.4 Plaintiffs and the other class members, either directly or through broker agents, purchased or otherwise acquired the AirGate common stock subject to the Offering from the Underwriter Defendants.

**Class Action Allegations**

20. Lead Plaintiffs bring this action as a class action pursuant to Rule 23(a).
and 23(b)(3) of the Federal Rules of Civil Procedure on behalf of a class (the “Class”) consisting of all persons and entities who purchased AirGate common stock pursuant or traceable to the Offering and were damaged thereby. Excluded from the Class are all the Defendants, members of the immediate family of each of the Individual Defendants, any entity in which any Defendant has a controlling interest, and the legal representatives, heirs, successors, predecessors in interest, affiliates or assigns of any Defendant or excluded party.

21. The Class is so numerous that joinder of all Class members is impracticable. While the exact number of Class members is unknown to Lead Plaintiffs at this time and can only be ascertained from the records maintained by AirGate and/or its agents, 4,000,000 shares of AirGate common stock were sold to hundreds, if not thousands of shareholders throughout the United States pursuant to the Offering. Notice can be provided to such record owners by a combination of published notice and first-class mail, using techniques and a form of notice similar to those customarily used in class actions arising under the federal securities laws.

22. Lead Plaintiffs’ claims are typical of the claims of the members of the Class, since all members of the Class purchased shares of AirGate common stock and sustained damages arising out of defendants’ wrongful conduct in violation of federal securities laws as alleged herein.
23. Lead Plaintiffs will fairly and adequately protect the interests of the members of the Class. Lead Plaintiffs have retained counsel competent and experienced in class action and securities litigation and Lead Plaintiffs have no interests antagonistic to or in conflict with the other members of the Class.

24. A class action is superior to other available methods for the fair and efficient adjudication of this controversy. Joinder of all Class members is impracticable. The likelihood of individual Class members prosecuting separate claims is remote. Since the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation makes it impossible for Class members individually to seek redress for the wrongs done to them. It is desirable for all concerned to concentrate this litigation in this particular forum. Plaintiff knows of no difficulties that will be encountered in the management of this class action that would preclude its maintenance as a class action.

25. There are numerous questions of law and fact common to the members of the Class and those questions predominate over any questions affecting any individual Class member. These common questions of law and fact include, among others:

   a. whether Defendants violated Sections 11, 12(2) and 15 of the Securities Act;

   b. whether the Registration Statement/Prospectus disseminated to
the investing public omitted to state or misrepresented material facts about the Company’s business plan, future revenue and profit growth, rapid increases in the number of customers and the merger with iPCS;

c. whether Defendants acted with negligence in omitting to state and/or misrepresenting material facts about the Company’s business plan, future revenue and profit growth, rapid increases in the number of customers and the merger with iPCS;

d. whether the members of the Class have sustained damages; and, if so,

e. the proper measure of such damages.

No Safe Harbor

26. The statutory safe harbor provided for forward-looking statements, under certain circumstances, does not apply to any of Defendants’ false or misleading statements alleged in this Complaint. The statements alleged to be false and misleading herein all relate to then-existing facts and conditions. In addition, to the extent certain of the statements alleged to be false and misleading may be characterized as forward looking, they were not identified as “forward-looking statements” when made, there was no statement made with respect to any of those representations forming the basis of this Complaint that actual results “could differ materially from those projected,” and there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements.


**Background**

27. AirGate entered into management, service and license agreements with Sprint in July 1998 pursuant to which AirGate became a Sprint network partner with the right to exclusively offer Sprint’s digital PCS services within AirGate’s designated territory in the southeastern United States (South Carolina, portions of North Carolina, and eastern Georgia).

28. Among other obligations under the agreements, Sprint purchased the PCS licenses in AirGate’s territory and provided national marketing support and distribution services. More importantly, Sprint provided and controlled all back-office customer billing, credit evaluation, support and revenue handling functions for AirGate. In turn, AirGate built out and managed the network infrastructure and sold Sprint’s PCS services and related equipment to customers through a variety of methods, including Company owned retail outlets throughout AirGate’s territory.

29. Under its agreements with Sprint, AirGate received 92% of collected service revenues from its subscriber customers within its territory (Sprint retained the other 8%); 100% of revenue collected from the sale of handsets and accessories to its customers within its territory; and 100% of the roaming revenue generated when a Sprint cell phone user from a different Sprint territory utilized AirGate’s network in making a call.
30. AirGate began commercial operations in January 2000 and, as of September 30, 2000, provided PCS services to 56,689 customers. By the end of September 2001, AirGate’s reported customer base had grown to 235,025 subscribers.

31. As disclosed by the Company in its Registration Statement/Prospectus supplement, ARPU is:

\[ \text{ARPU} = \frac{\text{service revenue}}{\text{average subscribers}} \]

This was a significant change and occurred at a time when the Company recorded its largest provision for doubtful accounts of $5.9 million.

32. During fiscal year 2001 AirGate created the illusion of rapid growth (over 300%) in the number of its new subscribers, year over year. This was because AirGate failed to adequately account for the credit losses related to the sub-prime customers that fueled its growth.

33. During AirGate’s fourth quarter of fiscal 2001, the Company wrote off accounts receivable of over 216% of their Allowance for Doubtful Accounts that the
Company held at the beginning of the fourth quarter. AirGate’s Allowance for Doubtful Accounts, as a percentage of gross accounts receivables, dramatically increased by 326% in the six months ending March 31, 2002. Of AirGate’s $8.8 million of accounts receivable write off for all of fiscal year 2001, $5.9 million, or 67%, occurred in the fourth quarter of 2001.

34. Had AirGate computed and stated its ARPU net of the provision for doubtful accounts in its financial disclosures after September 30, 2001, those disclosures would have shown a dramatic decline from $59 in the third quarter 2001 to approximately $54. By changing its method for computing and disclosing ARPU, the Company was able to report an increase in ARPU to $62.

35. AirGate failed to disclose that it had reportable weaknesses in its internal controls relating to its Allowance for Doubtful Accounts in 2001. AirGate also failed to disclose that it was unable to adequately estimate its credit losses because it failed to obtain even fundamental data, such as an aging report, from Sprint.

36. In fiscal 2002 AirGate’s auditors, KPMG, insisted on obtaining the fundamental accounts receivable data from Sprint to adequately determine the Allowance for Doubtful Accounts. This resulted in the delay of AirGate’s filing of its 2002 annual financial statement with the SEC on Form 10-K. When AirGate and
its auditors finally obtained the accounts receivable data from Sprint, AirGate had to write off over $34 million, or over 256%, of their Allowance for Doubtful Accounts that the Company held at the beginning of the fourth quarter of 2002.

The No Deposit/Account Spending Limit Program

37. In May 2001, Sprint introduced a new marketing policy called the No Deposit/Account Spending Limit Program (“ND-ASL Program”). The ND-ASL Program was developed by Sprint and was primarily aimed at adding more “sub-prime” subscribers – customers with poor credit quality.

38. The ND-ASL Program provided that the deposit requirement would be waived for so-called sub-prime customers except in very limited circumstances. Prior to May 2001, sub-prime customers of Sprint and AirGate were required to put down a deposit ranging from $125 to $200 when they signed up for wireless service, which could be credited against future billings in the event that the customer failed to pay.

39. Under their management agreement with Sprint, AirGate was required to adopt the ND-ASL Program effective May 2001. Thus, AirGate began signing on new poor credit quality subscribers to its wireless phone service and not requiring a deposit from them.
40. As a result of the new policy, AirGate began to immediately experience a dramatic increase in subscriber growth, and began acquiring a disproportionately large number of customers with bad credit. This dramatic subscriber growth, however, was illusory because these subscribers were very unlikely to pay the full amount owed and would not remain as long-term customers.

41. In the Company’s Form 10-Q for the three months ended June 30, 2001, the Company reported that it had added 35,855 new subscribers. At that point in time, the Company only had 179,403 customers total. This rapid growth was largely attributable to the loosening of the deposit requirements under the ND-ASL Program.

42. While the Company was reporting strong subscriber growth to the investing public, on the inside it was a different story. The Company knew, from the inception of the ND-ASL Program, that the rapid subscriber growth was illusory and risky. Even though the Company was reporting strong subscriber growth, the number of subscribers who were failing to pay for services was increasing exponentially. The levels of uncollectible accounts and bad debt were skyrocketing as a result of the addition of sub-prime customers.

43. In an effort to reinstate the deposit requirement, the Company approached Sprint and stated that they wanted to drop out of the ND-ASL Program
because of the risks that it posed to the Company. Management informed Sprint that the ND-ASL Program was having a detrimental impact on the quality of the Company’s subscribers, the level of the Company’s bad debt, uncollectible accounts and the future financial viability of the Company.

44. According to a former executive employed in the Finance Department at AirGate during the relevant time period, just a few weeks after the ND-ASL Program was implemented, Defendant Dougherty wrote to John Mateer, the Vice President of Affiliations at Sprint, formally requesting that AirGate be allowed to withdraw from the ND-ASL Program. In the letter, Defendant Dougherty asserted that the ND-ASL Program was detrimental to the Company, as most of the subscribers added as a result of the ND-ASL Program were sub-prime customers who ultimately would be terminated for non-payment of services. AirGate cited the debilitating impact the program was having on the quality of AirGate’s customers, their revenue and future viability. Sprint, however, was unwilling to allow AirGate to withdraw from the ND-ASL Program and required AirGate to continue offering the program in accordance with Sprint’s agreements with AirGate.

45. After Sprint’s initial refusal to release AirGate from the ND-ASL Program, AirGate continued to notify Sprint of the numerous and mounting problems that the program was inflicting on the Company’s levels of bad debt and
churn. Despite AirGate’s protests, Sprint continued to force AirGate to maintain the
ND-ASL Program. After several months of back and forth discussions about the
ND-ASL Program, AirGate requested that Sprint modify the program and allow the
Company to impose a deposit requirement in effect to low credit quality customers.
At this point, however, Sprint was still unwilling to modify the program.

46. Apparently in response to the number of complaints regarding the ND-
ASL Program by AirGate and other Sprint affiliates, Sprint hosted a conference in
May 2001 to discuss the program. This conference was held in Kansas City,
Missouri, and attendees included members of senior management at AirGate. At
this meeting, Sprint discussed the benefits to affiliates, including the fact that it
increased subscriber growth.

47. The effect of the ND-ASL Program to Sprint was minimal compared to
the effect on AirGate. Unlike AirGate, Sprint had an enormous subscriber base --
over 10 million customers in early 2001 compared to AirGate’s customer base of
143,548 at the end of the first quarter of 2001. Moreover, Sprint’s subscriber
population base was more affluent than AirGate’s and iPCS’s subscriber base.
Consequently, Sprint could afford to take on the risk of adding sub-prime customers.
In contrast, AirGate’s smaller subscriber base made it riskier for the Company to
take on new sub-prime subscribers while not requiring a deposit to ensure against bad debt and uncollectible accounts.

48. In its financial results for the second quarter ended June 30, 2001, AirGate announced it had added 35,854 customers during the last quarter, which increased the total amount of subscribers to 179,403. Even though the ND-ASL Program had been in place for over six months, and was severely impacting the Company’s level of bad debt and subscriber growth, no mention was made to the investing public of either the ND-ASL Program or the removal of the deposit requirement for program participants.

49. In August 2001, the affiliates of Sprint, including AirGate, demanded that Sprint hold a follow-up affiliate meeting to discuss the ND-ASL Program and the effect it was having on the affiliates’ levels of bad debt and churn. AirGate’s senior management attended the meeting. At that time, Sprint announced that the expected churn levels were like to increase dramatically from 3% to about 6%. Sprint indicated that this was the result of dropping the security deposit requirement from the program.

**The Clear Pay Program**

50. On November 15, 2001, Sprint allowed the affiliates, including AirGate, to replace the ND-ASL Program with the “Clear Pay” Program. The Clear
Pay Program re-instituted a deposit requirement, but only for the lowest credit quality subscribers.

51. In the Company’s Form 10-K filed with the SEC on November 14, 2001, AirGate reported more dramatic subscriber growth, resulting in a total of 235,025 subscribers. At the time, AirGate described the ND-ASL and Clear Pay Programs as follows:

[Under the Sprint PCS service plans, customers who do not meet certain credit criteria can qualify for our digital wireless services under the Clear Pay Program. The Clear Pay Program replaced the No Deposit Account Spending Limit (“NDASL”) program and is substantially similar but with an increased emphasis on payments of outstanding amounts. Under the Clear Pay Program, customers who do not meet certain credit criteria can select any plan offered, subject to an account spending limit.

Prior to May 2001, all of these customers were required to make a deposit ranging from $125 to $200 that could be credited against future billings. In May 2001, the deposit requirement was eliminated on certain, but not all, credit classes (“NDASL”). As a result, a significant amount of our new customer additions have been under the NDASL program. The NDASL program has been replaced by the “Clear Pay Program.”

52. The Company’s failure to disclose the fact the ND-ASL and Clear Pay Programs drastically increased the addition of sub-prime customers and had a
material impact on levels of bad debt and churn was misleading to the investing public.

53. AirGate’s quarterly financial statement for the quarter ending December 31, 2001, filed with the SEC on February 14, 2002, on Form 10-Q states that “[c]hurn for the three months ended December 31, 2001 was 3.0%, compared to 2.9% for the three months ended December 31, 2000.” In addition, the 10-Q for the quarter ending December 31, 2001 stated:

Reserve for First Payment Default Customers - We reserve a portion of our new customers and related revenues from those customers that we anticipate will never pay a bill. Using historical information of the percentage of customers whose service was cancelled for non-payment without ever making a payment, we estimate the number of customers activated in the current period that will never pay a bill. For these customers, we record a reserve for their monthly revenues that will never be collected and as a result is not included in the churn statistics. We anticipate that the requirement of a deposit for sub-prime customers activating on the Clear Pay program will reduce the number of first payment default customers for which we will need to record a reserve and will reduce customer churn. If the estimate for first payment default customers is inadequate, our operating income, EBITDA and available cash would be reduced.

54. As AirGate later admitted in its 2002 annual financial statement filed with the SEC, the poor credit quality of the sub-prime customers had a severely
detrimental impact on AirGate’s churn, a critical factor for AirGate’s financial success.

55. AirGate stated in its Form 10-Q for the quarter ending June 30, 2002:

In May 2001, the deposit requirement was eliminated on all credit classes (“NDASL”). On November 15, 2001, the NDASL program was replaced by the “Clear Pay program” which require a $125 deposit requirement for the lowest credit class and featured increased back-office controls with respect to credit collection efforts. On February 24, 2002, the Clear Pay program was superseded in the Company’s territories by the “Clear Pay II program”, which re-instituted the deposit requirement across all new sub-prime credit quality customers and not just the lowest credit class. The Company has removed the deposit requirement in its Midwestern markets from all but the lowest sub-prime credit quality customers. The removal of the deposit requirement for the Midwestern region could increase the number of sub-prime credit quality customers, and such increases could, in turn, increase bad debts and uncollectible accounts.

**Acquisition Of iPCS & The Offering**

56. Like AirGate, iPCS was a network partner affiliate of Sprint that provided digital PCS service within its designated territory (parts of Illinois, Michigan, Iowa and eastern Nebraska). Thus, through iPCS’s management agreement with Sprint, iPCS had the exclusive right to sell and provide PCS products and services under the Sprint brand name.
57. iPCS launched its PCS service in select markets within its beginning in December 1999. On August 28, 2001, AirGate announced that it had signed a definitive agreement to merge with iPCS. The agreement provided that AirGate and iPCS will combine in a tax-free, stock for stock transaction for 13.5 million shares of AirGate common stock, which included 1.1 million shares reserved for issuance upon the exercise of outstanding iPCS options and warrants. The transaction had an equity value of approximately $803 million based on the $59.47 per share closing price of AirGate’s stock on August 28, 2001.

58. AirGate and the Individual Defendants caused a due diligence review of iPCS to be undertaken in connection with the planned acquisition. Among those participating in the due diligence review at the direction of the Company were KPMG and Defendant Credit Suisse First Boston. During the review, AirGate examined, among other things, iPCS’s technical aspects and capital requirements necessary to complete iPCS’s network infrastructure build-out.

59. In fact, a former executive in the Finance Department at AirGate during the relevant time period, stated that the Company knew it would take millions of dollars and perhaps years to upgrade iPCS’s outdated and substandard network infrastructure.
As of September 30, 2001, iPCS’s network was not nearly completed—many towers were under construction, the iPCS network was inoperable, and more and more customers were complaining that their service was not available. Former employees at AirGate and iPCS confirmed that AirGate was aware of the widespread problems with iPCS’s network and clearly knew that the network buildout would not be completed by the end of the year:

- According to a Network Operations Supervisor from iPCS from January 2001 through February 2002 who was in control of bringing the Davenport, Iowa switch online, the “buildout projection dates [for iPCS] were “fudged” in order to get the merger done. The numbers that were fudged included projection dates on when the towers would be up and when they would be on air.” AirGate knew these dates were inaccurate because the necessary operational “switch wasn’t ready.”

- According to a sales representative for iPCS/AirGate in Iowa from August 2001 through May 2002, AirGate did not have a good faith basis for the buildout completion date because the Company was aware that iPCS “did not have the network infrastructure in place” and that iPCS’s network was in “terrible shape.”

- According to a Project Director for SDS Wireless, a subsidiary of Trentel Communications who was responsible for managing all of the internal and external contractors to achieve AirGate’s plan to buildout the infrastructure in iPCS’s territory, AirGate’s senior management was told by the contractors that there were issues with the current buildout plan and that many buildout sites were put on hold.

- According to a former executive in the Finance Department at AirGate during the relevant time period, AirGate’s senior management was aware that iPCS’s network was “substandard.” The Company was aware that the iPCS network was “too immature” at the time of the acquisition to actually provide service to the full population of potential customers.
subscribers. The former executive reported the problems surrounding iPCS’s outdated and non-operational network directly to Defendant Catherall.

- According to a former high level employee responsible for sales at AirGate, “the buildout [process] was horrendous – AirGate was not able to complete the buildout process fast enough.” This former employee also claimed that “buildouts weren’t accurately projected – [AirGate] was promising customer service when there was no such service available” because of problems with towers, cell sites, and switches.

61. On November 30, 2001, AirGate acquired iPCS pursuant to the merger agreement in which iPCS was merged into a wholly-owned subsidiary created by AirGate for the purpose of the merger. As a result of the merger, according to AirGate, the Company became one of the largest Sprint network partners in terms of covered population.

62. AirGate’s Offering of four million shares of its common stock was in conjunction with the acquisition of iPCS. AirGate’s amended prospectus filed with the SEC on November 30, 2001, which constituted a part of the Registration Statement/Prospectus, provided that:

The registration statement of which this prospectus is a part covers the primary issuance of securities by us and the secondary resale of certain shares of our common stock by former stockholders of iPCS, Inc. . . . In order to satisfy contractual obligations to the former stockholders of iPCS, Inc., we are including in the registration statement of which this prospectus is a part up to 4,000,000 of the shares of our common stock that the
selling stockholders received upon the closing of the iPCS merger.

63. Indeed, in its December 14, 2001, press release announcing the pricing of the Offering at $50 per share, AirGate stated that “the shares are being offered by certain former stockholders of iPCS, Inc., which became a wholly-owned subsidiary of AirGate PCS in a merger effective November 30, 2001.” Among other things, the Offering granted the Underwriter Defendants the option to purchase from AirGate up to an additional 600,000 shares of common stock to cover any over-allotments.

64. AirGate filed the Registration Statement/Prospectus with the SEC on November 13, 2001. That filing, a universal shelf registration, expressly incorporated by reference, among other things, AirGate’s Annual Report on Form 10-K for the year ending September 30, 2000; AirGate’s Quarterly Reports on Form 10-Q for the quarters ending December 31, 2000, March 31, 2001 and June 30, 2001; and AirGate’s Current Reports on Form 8-K filed on August 29 and August 31, 2001. In addition, the Registration Statement expressly incorporated “any future filings [AirGate] will make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934,” including “additional documents that [AirGate] may file with the SEC between the date of this document and the date of
the completion of the offering of the securities described in this prospectus. These documents include periodic reports, such as Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as well as proxy statements.” (To reflect this incorporation of AirGate’s various filings – except as to specific quoted passages – the Complaint often refers to these materials collectively as the Registration Statement/Prospectus.)

65. On November 30, 2001, AirGate filed with the SEC its Pre-effective Amendment No.1 to the Registration Statement/Prospectus. Pursuant to Rule 424(b)(1), AirGate filed a Prospectus Supplement on December 14, 2002, in connection with the Registration Statement/Prospectus. And, pursuant to Rule 424(b)(3), AirGate filed a Final Prospectus on January 10, 2002, in connection with the Registration Statement/Prospectus.

COUNT I
AGAINST ALL DEFENDANTS FOR VIOLATIONS OF SECTION 11 OF THE SECURITIES ACT

66. Lead Plaintiffs repeat and reallege each and every allegation contained above.

67. This Count is brought pursuant to Section 11 of the Securities Act, 15 U.S.C. § 77k, on behalf of the Class, against all Defendants.
68. AirGate is the registrant for the Offering. The Defendants named herein were responsible for the contents and dissemination of the Registration Statement/Prospectus.

69. Defendants are strictly liable to Lead Plaintiffs and the Class for the misstatements and omissions contained in the Registration Statement/Prospectus.

70. Defendants issued, caused to be issued and participated in the issuance of materially false and misleading written statements to the investing public that were contained in the Registration Statement/Prospectus, which misrepresented or failed to disclose, inter alia, the facts set forth above. By reasons of the conduct herein alleged, each defendant violated, and/or controlled a person who violated, Section 11 of the Securities Act.

71. The Registration Statement/Prospectus for the Offering was inaccurate and misleading, contained untrue statements of material fact, omitted to state other facts necessary to make certain statements made not misleading, and failed to adequately disclose material facts in the following respects:

   **AirGate’s Business Plan Was Not “Fully Funded”**

72. AirGate’s August 29, 2001, press release, filed with the SEC under Form 8-K on August, 29, 2001, stated that after the merger with iPCS, “the combined company will [b]e fully funded and have a significant cash cushion.”

73. In addition, AirGate’s Registration Statement/Prospectus stated:
Our Fully Funded Business Plan. We believe our current business plan is fully funded. Based on our current plan, we expect to generate positive earnings before interest, taxes, depreciation and amortization, referred to as EBITDA, in the third calendar quarter of 2002.

74. These statements were expressly incorporated into the Registration Statement/Prospectus.

75. These statements were untrue and/or misleading because they failed to disclose the material increase in the Company’s allowance for doubtful accounts, high churn rate, increased expected losses under the ND-ASL and Clear Pay Programs, and poor overall customer credit quality, all of which seriously undermined the Company’s financial condition and the implementation of its then-existing business plan. In fact, AirGate admitted as much in its 2002 year-end annual financial statement, Form 10-K, filed late with the SEC on January 15, 2003.

**Disclosures Regarding The Churn Rate Were Untrue and/or Misleading**

76. AirGate’s 10-Q for the quarter ended March 31, 2001, filed with the SEC on May 14, 2001, stated “[o]ur average monthly churn (net of 30 day returns) for the three months ended March 31, 2001 was 2.6%.”

77. AirGate’s November 13, 2001, press release filed with the SEC on November 14, 2001, under Form 8-K, stated “Churn, net of 30-day returns, was 2.8% in the fiscal fourth quarter, consistent with 2.8% in the prior quarter.”
78. Defendant Dougherty further stated during a November 14, 2001, conference call, a copy of which was filed with the SEC on Form 8-K on November 19, 2001 that “[c]hurn, net of 30-day returns, was 2.8% in the fourth fiscal quarter, consistent with the prior quarter.” In that same conference call, Defendant Catherall stated; “[a]s you know, we have a number of controls that limit the exposure to the no deposit ASL. Churn this quarter as you said was 2.8%, the same as the prior quarter. We are not seeing anything in our current metrics, October metrics that would indicate substantial escalation of the churn levels.”

79. These statements were expressly incorporated into the Registration Statement/Prospectus.

80. These statements were untrue and/or misleading because the Company failed to disclose the credit risk for their sub-prime customers, as further discussed above, even though management was very concerned about the churn levels, future losses and bad debt that would accumulate as a result of targeting and acquiring sub-prime customers and not requiring a deposit from them under the ND-ASL and Clear Pay Programs.

AirGate Did Not Have Strong Future Revenue And Profit Growth Prospects Based On Its Rapid Customer Growth
81. AirGate’s August 29, 2001, press release, filed with the SEC under Form 8-K on August, 29, 2001, stated that, after the merger with iPCS, the combined company will:

- “Include approximately 11 million covered POPs - making it the largest Sprint PCS network partner based on coverage”;
- “Serve over 300,000 subscribers”;
- “Control distribution that spans attractive territory in seven states, including important markets such as Grand Rapids, Michigan; Charleston, Columbia, and Greenville-Spartanburg, South Carolina; Champaign-Urbana and Springfield, Illinois; and the Quad Cities”; and
- “Boast among the industry’s highest subscriber growth rates.”

82. In a November 13, 2001, press release titled “Company Again Exceeds Expectations with Record 55,600 Net New Subscribers” filed with the SEC on November 14, 2001, under Form 8-K, AirGate stated:

The quarter was highlighted by exceptionally strong subscriber growth as AirGate added over 55,600 new subscribers, reaching over 235,000 subscribers at the end of fiscal 2001. Net revenues for the fourth fiscal quarter ended September 30, 2001, totaled $62.3 million, a 25% sequential improvement over $49.7 million for the third fiscal quarter. . . .

83. Defendant Dougherty stated in the November 13 press release:

We are very pleased to report another outstanding quarter for AirGate PCS, capping off an extraordinary year of unprecedented growth and progress . . . . By every measure, we delivered solid financial and operating results and consistently exceeded expectations. As a result of a focused execution of our marketing strategy,
combined with the power of the Sprint PCS brand, we continued to gain market share in our territory as evidenced by our exceptional subscriber growth. We are excited about the momentum we are building in the marketplace and believe we are well positioned for continued growth as we enter our next fiscal year.

84. These statements were expressly incorporated into the Registration Statement/Prospectus.

85. The Company’s Registration Statement/Prospectus stated:

Customer Additions. As of September 30, 2001, AirGate provided personal communication services to 235,025 customers compared to 56,689 customers as of September 30, 2000, an increase of 178,336 customers. AirGate does not include in its financial statements an estimate of revenues or subscribers related to those customers for which collection of revenues is not reasonably assured. The increased net customers acquired during the year ended September 30, 2001 are attributable to having all of AirGate’s 21 markets fully launched during fiscal 2001 and increasing demand for wireless services in the United States.

86. These statements were untrue because they gave the false impression that AirGate had strong future revenue and profit growth prospects based on the rapid increases in the number of customers and the size of its market share. In reality, the customer additions and subscriber growth the Company had experienced in 2001 was, at least in part, attributable to the then-undisclosed elimination of the deposit requirements for sub-prime customers under the ND-ASL and Clear Pay Programs. Moreover, the real churn rate experienced by the Company was not
disclosed. Thus, AirGate’s failure to timely disclose the significant risks related to their sub-prime subscribers and the negative impact on AirGate’s financial statements rendered its positive statements about its growth prospects untrue and/or misleading.

**AirGate Understated Its Net Losses For 2001**

87. AirGate’s November 13, 2001, press release filed with the SEC on November 14, 2001, under Form 8-K, stated “AirGate PCS reported a net loss of ($111.0) million, or ($8.48) per share, in the fiscal year ended September 30, 2001, compared with a net loss of ($81.3) million, or ($6.60) per share, for fiscal 2000.”

88. AirGate’s 2001 Form 10-K filed with the SEC on November 30, 2001, stated “[f]or the year ended September 30, 2001, the net loss was $111.0 million, an increase of $29.7 million over a net loss of $81.3 million for the year ended September 30, 2000.”

89. These statements were expressly incorporated into the Registration Statement/Prospectus.

90. These statements are untrue because AirGate failed to adequately recognize in their financial statements the risks related to credit losses from sub-prime customers. This in turn understated AirGate’s 2001 net losses (i.e., overstated AirGate’s 2001 net income) because AirGate’s Allowance for Doubtful Accounts was understated.
AirGate’s Allowance for Doubtful Accounts Was Understated

91. The Company’s Registration Statement/Prospectus Supplement stated:

The Company records an allowance for doubtful accounts to reflect the expected loss on the collection of receivables. Such allowance is recorded for accounts receivable from customers and third party distributors and totaled $2.8 million at September 30, 2001 compared to $0.6 million at September 30, 2000.

91.1 Defendants’ statements concerning AirGate’s allowance for doubtful accounts, accounts receivable and net accounts receivable (defined by GAAP as accounts receivable net of allowance for doubtful accounts) were false when made because AirGate had no reasonable basis to estimate its allowance for doubtful accounts or the realizable amount of its receivables. According to the Former Finance Executive at AirGate, AirGate did not maintain adequate accounting records sufficient to permit AirGate to reasonably estimate either its allowance for doubtful accounts or the realizable amount of its receivables at the time these statements were made.

91.2 AirGate did not maintain its own financial and accounting records concerning its accounts receivable or allowance for doubtful accounts. Rather, as further detailed in paragraph 28 herein, AirGate had contracted with Sprint to perform all of AirGate’s customer billing and accounting functions. Sprint, not AirGate, maintained AirGate’s customer billing and receivable records.
91.3 Having no control over its customer billing and accounts receivable records, AirGate did not have a reasonable basis to estimate its allowance for doubtful accounts. GAAP makes clear that an assertion in the financial statements of a net accounts receivable balance must be “the amount of cash estimated as realizable.” Accounting Research Bulletin ("ARB") No. 43, Restatement and Revision of Accounting Research Bulletins Chapter 3, Section 9 (June 1953). At best, AirGate received untested and unreliable accounting reports from Sprint. Such reports were unreliable because Sprint had a financial motive to overstate its calculation of AirGate’s net accounts receivable and/or understate the allowance for doubtful accounts because Sprint kept a significant portion of AirGate’s receivables. As a consequence of this material weakness, AirGate did not have a reasonable basis to estimate, let alone disclose, its net accounts receivable or allowance for doubtful accounts.

91.4 As belatedly disclosed in AirGate’s 2002 Form 10-K filed with the SEC on January 15, 2003, “in early December [2002], Sprint informed us that certain accounts receivable reports provided to the Company could not be relied upon for financial reporting purposes.” Indeed, as also disclosed in AirGate’s 2002 Form 10-K, a significant dispute arose between Sprint and AirGate regarding the amount of AirGate’s receivables Sprint owed to AirGate.
92. These statements also are false because AirGate failed to disclose that they did not adequately recognize credit losses from sub-prime customers in AirGate’s financial statements, an action not in compliance with generally accepted accounting principles (“GAAP”).

93. AirGate’s actions in failing to properly set an allowance for uncollectible accounts contravened Statement of Financial Accounting Standards 5 (“FASB 5”), which provides in pertinent part:

1. For the purpose of this Statement, a contingency is defined as an existing condition, situation, or set of circumstances involving uncertainty as to possible . . . loss (hereinafter a “loss contingency”) to an enterprise that will ultimately be resolved when one or more future events occur or fail to occur. Resolution of the uncertainty may confirm the acquisition of an asset or the reduction of a liability or the loss or impairment of an asset or the incurrence of a liability.

3. When a loss contingency exists, the likelihood that the future event or events will confirm the loss or impairment of an asset or the incurrence of a liability can range from probable to remote. This Statement uses the terms probable, reasonably possible, and remote to identify three areas within that range, as follows:

   a. Probable. The future event or events are likely to occur.

   b. Reasonably possible. The chance of the future event or events occurring is more than remote but less than likely.

   c. Remote. The chance of the future event or events occurring is slight.

4. Examples of loss contingencies include:
a. Collectibility of receivables.
b. Obligations related to product warranties and product defects.
c. Risk of loss or damage of enterprise property by fire, explosion, or other hazards.
d. Threat of expropriation of assets.
e. Pending or threatened litigation.
f. Actual or possible claims and assessments.
g. Risk of loss from catastrophes assumed by property and casualty insurance companies including reinsurance companies.
h. Guarantees of indebtedness of others.
i. Obligations of commercial banks under “standby letters of credit.”
j. Agreements to repurchase receivables (or to repurchase the related property) that have been sold.
8. An estimated loss from a loss contingency (as defined in paragraph 1) shall be accrued by a charge to income if both of the following conditions are met:

a. Information available prior to issuance of the financial statements indicates that it is probable that an asset had been impaired or a liability had been incurred at the date of the financial statements. It is implicit in this condition that it must be probable that one or more future events will occur confirming the fact of the loss.

b. The amount of the loss can be reasonably estimated.

94. The SEC considers the disclosure of loss contingencies to be so important to an informed investment decision that it promulgated Regulation S-X, which provides that disclosures in interim period financial statements may be abbreviated and need not duplicate the disclosure contained in the most recent audited financial statements, except that, “where material contingencies exist, disclosure of such matters shall be provided even though a significant change since year end may not have occurred.” 17 C.F.R. § 210.10-01.

95. In addition, GAAP provides that the objective of providing for an allowance for uncollectible accounts is to assure that, “[a]ccounts receivable net of allowances for uncollectible accounts . . . are effectively stated as the amount of cash estimated as realizable.” Accounting Research Bulletin (“ARB”) No. 43,
Restatement and Revision of Accounting Research Bulletins Chapter 3, Section 9 (June 1953).

**The Registration Statement/Prospectus Incorrectly Stated That it Complied With GAAP**

96. AirGate’s 2001 Form 10-K filed with the SEC on November 30, 2001, stated:

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.

97. This statement is untrue because AirGate failed to adequately recognize credit losses from sub-prime customers and understated the Allowance for Doubtful Accounts in the Company’s financial statements, actions not in compliance with GAAP, as explained above.

**iPCS’s Network Build-Out Was Not Nearly Complete**

98. AirGate’s August 29, 2001, press release, filed with the SEC under Form 8-K on August, 29, 2001, stated that “iPCS’s build out, which is fully funded, is expected to be completed by the end of the year.”

99. In addition, Defendant Dougherty stated during a November 14, 2001, conference call, a copy of which was filed with the SEC on Form 8-K on November
19, 2001 that “iPCS’s build-out is expected to be completed by the end of this calendar year.”

100. These statements were expressly incorporated into the Registration Statement/Prospectus.

101. The Company’s Registration Statement/Prospectus stated:

Our Nearly Complete Network Build-Out. We have completed the Network build-out of our southeast markets and nearly completed the network build-out of our mid-west markets. As a result, we will be able to focus our management’s efforts and our cash resources on technology upgrades, increasing our market penetration and improving operating efficiencies.

102. These statements were untrue when made because, according to the numerous confidential sources cited, iPCS’s physical infrastructure and network was outdated, inadequate and would take years to upgrade and complete. Moreover, the infrastructure was insufficient to handle the level of calls projected by iPCS as demonstrated by the widespread service interruptions iPCS’s customers were experiencing.

The iPCS Merger Did Not Significantly Enhance Shareholder Value

103. Defendant Dougherty stated on November 13, 2001, in a press release filed with the SEC under Form 8-K on November 14, 2001:

We look forward to the completion of our proposed merger with iPCS . . . . This transaction brings together two of the leading Sprint PCS Network Partners, both of
which enjoy favorable market demographics for wireless service and a track record of superior subscriber growth. We are excited about the opportunity to leverage the expertise of both companies to more effectively penetrate our combined territories. Together, with our attractive markets, greater scale and operating efficiencies, and additional financial flexibility, we believe we will enjoy continued success as the largest Sprint PCS Network Partner based on covered POPs. We are excited about the many opportunities before us and clearly believe this strategic combination will result in greater value for our shareholders. (Emphasis added).

104. Defendant Dougherty further stated during a November 14, 2001, conference call, a copy of which was filed with the SEC on Form 8-K on November 19, 2001 that:

iPCS’s build-out is expected to be completed by the end of this calendar year. At that point, our network infrastructure will cover 12 million people in key markets throughout the Southeastern and Midwestern United States. . . . We believe iPCS is fully funded through a free cash flow breakeven.

This transaction represents a tremendous strategic opportunity for AirGate to significantly expand the size and scope of our operations and become the premiere Sprint PCS affiliate. The additional operating efficiencies, financial flexibility, and growth potential were key factors in our decision to pursue this opportunity and we clearly believe this deal is in the best interest of AirGate and its shareholders.

105. These statements were expressly incorporated into the Registration Statement/Prospectus.
106. The Company’s Registration Statement/Prospectus Supplement stated:

iPCS believes that the net proceeds of its senior discount notes, the net proceeds from the sales of its convertible preferred stock and borrowings under its senior secured credit facility will be adequate to fund its network build-out, anticipated operating losses, working capital requirements and other capital needs through 2003.

107. These statements were untrue because they gave the materially false impression that the merger with iPCS would provide significant value to AirGate’s shareholders. However, the Registration Statement/Prospectus failed to disclose the significant inadequacies within iPCS’s cellular network infrastructure and operations. The Registration Statement/Prospectus also failed to disclose that the iPCS network was outdated and needed millions of dollars in upgrades to be fully functional.

108. After the consummation of the merger transaction with iPCS and the Offering, the Company had to take a massive $766 million write-off of the intangible assets related to the acquisition (goodwill and right to provide services under the Sprint agreements), amounting to roughly 66% of iPCS’s $1.156 billion acquisition price for iPCS.

109. None of the Defendants named herein made a reasonable investigation or possessed reasonable grounds for the belief that the statements contained in the
Registration Statement/ Prospectus were true and without omissions of any material facts and were not misleading.

110. Lead Plaintiffs acquired AirGate shares pursuant to or traceable to and in reliance on, the Registration Statement/Prospectus.

111. Plaintiff and the Class have sustained damages. The value of AirGate shares has declined substantially subsequent to and due to defendants’ violations.

112. At the times they purchased shares of AirGate common stock, Lead Plaintiffs and other members of the Class were without knowledge of the facts concerning the wrongful conduct alleged herein and could not have reasonably discovered those facts. Less than one year elapsed from the time that Lead Plaintiffs discovered or reasonably could have discovered the facts upon which this Complaint is based to the time that the Complaint was filed. Less than three years elapsed between the time that the securities upon which this Count is brought were bona fide offered to the public and the time the Complaint was filed.

COUNT II

AGAINST AIRGATE AND THE UNDERWRITER DEFENDANTS FOR VIOLATIONS OF SECTION 12(A)(2) OF THE SECURITIES ACT

113. Lead Plaintiffs repeat and reallege each and every allegation contained above.
114. This Count is brought by Lead Plaintiffs pursuant to Section 12(a)(2) of the Securities Act on behalf of all purchasers of AirGate shares pursuant to the Offering.

115. As outlined above, Defendants AirGate and the Underwriter Defendants (collectively, the “Section 12 Defendants”) were sellers and offerors of the shares offered pursuant to the Registration Statement/Prospectus, which were the subject of the Offering.

116. Section 12 Defendants owed to the purchasers of AirGate shares, including Lead Plaintiffs and other class members, the duty to make a reasonable and diligent investigation of the statements contained in the Offering materials, including the Registration Statement/Prospectus contained therein, to ensure that such statements were true and that there was no omission of material fact required to be stated in order to make the statements contained therein not misleading. These Defendants knew of, or in the exercise of reasonable care should have known of, the misstatements and omissions contained in the Offering materials as set forth above.

117. As fully detailed above in Count I, the Registration Statement/Prospectus contained untrue statements of material facts, omitted to state
other facts necessary to make the statements made not misleading, and concealed and failed to disclose material facts.

118. Lead Plaintiffs and other members of the Class purchased or otherwise acquired AirGate shares pursuant to and traceable to the defective Registration Statement/Prospectus. Lead Plaintiffs did not know, or in the exercise of reasonable diligence could not have known, of the untruths and omissions contained in the Registration Statement/Prospectus.

119. Lead Plaintiffs, individually and representatively, hereby offer to tender to the Section 12 Defendants those securities which Lead Plaintiffs and other Class members continue to own, on behalf of all members of the Class who continue to own such securities, in return for the consideration paid for those securities together with interest thereon. Class members who have sold their AirGate shares are entitled to rescissory damages.

120. By reason of the conduct alleged herein, these Section 12 Defendants violated, and/or controlled a person who violated, § 12(a)(2) of the Securities Act. Accordingly, Lead Plaintiffs and members of the Class who hold AirGate shares purchased in the Offering have the right to rescind and recover the consideration paid for their AirGate shares and hereby elect to rescind and tender their AirGate
shares to the Defendants sued herein. Lead Plaintiffs and Class members who have sold their AirGate shares are entitled to rescissory damages.

121. Less than three years elapsed between the time that the securities upon which this Count is based were sold to the public and the time of the filing of this action. Less than one year elapsed from the time when Lead Plaintiffs discovered or reasonably could have discovered the facts upon which this Count is based to the time of the filing of this action.

COUNT III
AGAINST THE INDIVIDUAL DEFENDANTS FOR VIOLATIONS OF SECTION 15 OF THE SECURITIES ACT

122. Lead Plaintiffs repeat and reallege each and every allegation contained above.

123. This Count is brought pursuant to Section 15 of the Securities Act against the Individual Defendants.

124. Each of the Individual Defendants was a control person of AirGate by virtue of their position as directors and/or senior officers of AirGate. The Individual Defendants each had a series of direct and/or indirect business and/or personal relationships with other directors and/or officers and/or major shareholders of AirGate.
125. Each of the Individual Defendants was a culpable participant in the violations of Sections 11 and 12(a)(2) of the Securities Act alleged in Counts I and II above, based on their having signed the Registration Statement and having otherwise participated in the process which allowed the Offering to be successfully completed.

PRAYER FOR RELIEF

WHEREFORE, Lead Plaintiffs, on behalf of themselves and the Class, pray for judgment as follows:

a. Declaring this action to be a plaintiff class action properly maintained pursuant to Rule 23(a) and (b)(3) of the Federal Rules of Civil Procedure;

b. Awarding Lead Plaintiffs and other members of the Class damages together with interest thereon;

c. Awarding Lead Plaintiffs and the Class rescission on Count II to the extent they still hold AirGate shares, or if sold, awarding rescissory damages in accordance with Section 12(a)(2) of the Securities Act;

d. Awarding Lead Plaintiffs and other members of the Class their costs and expenses of this litigation, including reasonable attorneys’ fees, accountants’ fees and experts’ fees and other costs and disbursements; and
e. Awarding Lead Plaintiffs and other members of the Class such other and further relief as may be just and proper under the circumstances.

JURY TRIAL DEMANDED

Lead Plaintiffs hereby demand a trial by jury.

Respectfully submitted this 19th day of October 2005.

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Plaintiffs’ Co-Lead Counsel
CERTIFICATE OF SERVICE

I hereby certify that on October 19, 2005, I electronically filed the

“PLAINTIFFS’ SECOND AMENDED CLASS ACTION COMPLAINT” with
the Clerk of Court using the CM/ECF system which will automatically send email
notification of such filing to the following attorneys of record:

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This 19th day of October, 2005.

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