

USA MOBILITY, INC

FORM 8-K (Unscheduled Material Events)

Filed 5/25/2006 For Period Ending 5/25/2006

| | |
|-------------|---|
| Address | 6677 RICHMOND HIGHWAY ALEXANDRIA, Virginia 22306 |
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| CIK | 0001289945 |
| Industry | Communications Services |
| Sector | Services |
| Fiscal Year | 12/31 |

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported): May 25, 2006

USA Mobility, Inc.

(Exact name of registrant as specified in its charter)

Delaware

000-51027

16-1694797

(State or other jurisdiction
of incorporation)

(Commission
File Number)

(I.R.S. Employer
Identification No.)

6677 Richmond Highway, Alexandria,
Virginia

22306

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (703) 660-6677

Not Applicable

Former name or former address, if changed since last report

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 8.01 Other Events.

On May 24, 2006, USA Mobility, Inc. announced final operating results for the fourth quarter and year ended December 31, 2005. The Company had announced preliminary and unaudited 2005 operating results on April 3, 2006, pending filing of its 2005 Form 10-K and financial restatements for the years ended 2002, 2003 and 2004 and interim periods of 2004 and 2005. The full text of the press release issued in connection with the announcement is attached as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated into this Item 8.01 by reference.

The information in this Item 8.01 of this Form 8-K and the Exhibit attached hereto shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 (the “Exchange Act”) or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act, except as expressly set forth by specific reference in such a filing.

Item 9.01 Financial Statements and Exhibits.

(c)Exhibit 99.1

Description of Exhibit – Press Release dated May 24, 2006 (furnished pursuant to Item 8.01; not “filed” for purposes of Section 18 of the Exchange Act)

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 hereunto duly authorized.

USA Mobility, Inc.

May 25, 2006

By: /s/ Thomas L. Schilling

Name: Thomas L. Schilling

Title: Chief Financial Officer



NEWS RELEASE

FOR IMMEDIATE RELEASE
Wednesday, May 24, 2006

CONTACT: Bob Lougee (703) 721-3080

USA Mobility Reports 2005 Operating Results

***Filing of Financial Restatements and 10-K Completed,
Date for First Quarter Earnings Release and Conference Call Scheduled***

Alexandria, VA (May 24, 2006) — USA Mobility, Inc. (Nasdaq: USMO), a leading provider of wireless messaging services, today announced final operating results for the fourth quarter and year ended December 31, 2005. The company had announced preliminary and unaudited 2005 operating results on April 3, 2006, pending filing of its 2005 Form 10-K and financial restatements for the years ended 2002, 2003 and 2004 and interim periods of 2004 and 2005. USA Mobility completed those filings today.

Reported revenue for 2005, the first full year of operations following the merger between Arch Wireless, Inc. and Metrocall Holdings, Inc. on November 16, 2004, totaled \$618.6 million, compared to \$788.7 million in 2004 on a pro forma basis. EBITDA (Earning before interest, tax, and depreciation, amortization and accretion) for 2005 was \$158.5 million, or 25.6 percent of revenue, while operating income was \$27.1 million. Net income for 2005 was \$12.9 million, or \$0.47 per fully diluted share.

The company announced earlier in the year that it would file an amended Form 10-K/A for the year ended December 31, 2004 and amended Form 10-Q/A's for the three interim quarterly periods of 2004 and 2005. The purpose of the amended filings was to amend and restate financial statements and other financial information for the years 2002, 2003 and 2004 and first three quarters of 2004 and 2005 to reflect certain corrections and adjustments, including restatement of income taxes and deferred tax assets for those periods. The errors, which occurred in certain earlier reporting periods, were identified by the company's internal accounting staff in the process of preparing its year-end 2005 operating results. The errors did not impact revenue, cash, or cash flow from operations.

The 2005 annual and fourth quarter results reported today vary from the preliminary results contained in USA Mobility's April 3, 2006 news release as follows:

- In the fourth quarter of 2005, the company recognized a reduction of service, repair and maintenance (SRM) expense of \$1.2 million. Of that total, \$0.9 million represents a gain due to the difference between the company's estimated deconstruction obligations under the company's Asset Retirement Obligation ("ARO") and the actual expenses incurred during that period. The remaining \$0.3 million corresponds to the reclassification of accretion expense from SRM expense into depreciation, amortization and accretion. In the past, the company had included accretion expense as a component of SRM expense.
- The company's fourth quarter results also reflect a net reduction of depreciation, amortization and accretion of \$12.2 million, as compared to the preliminary 2005 operating results announced on April 3. A total of \$12.5 million of the reduction represents an adjustment to the depreciable life of the paging infrastructure assets, while accretion increased by \$0.3 million, reflecting the reclassification of accretion from SRM expense as discussed above.
- For the year-ended 2005, the company recognized a reduction of SRM expense of \$2.6 million. Of that total, \$1.5 million represents a gain due to the difference between the company's estimated deconstruction obligations under the ARO and the actual expenses incurred during that period. The remaining \$1.0 million corresponds to the reclassification of accretion expense from SRM expense into depreciation, amortization and accretion.
- The company's 2005 year-end results also reflect a reduction of depreciation, amortization and accretion of \$22.1 million, as compared to preliminary 2005 operating results. A total of \$23.1 million of the reduction represents an adjustment to the depreciable life of the paging infrastructure assets, with accretion increasing by \$1.0 million, reflecting the reclassification of accretion from SRM expense as discussed above.

The cumulative effect of the restatements on the 40-month period affected (June 2002 – September 2005) is as follows:

- The income statement reflects an increase to depreciation, amortization and accretion expense of \$14.8 million, and a decrease to all other operating expenses of \$5.8 million resulting in a decrease in operating income of \$9.0 million, and a decrease to net income of \$2.5 million.
 - The assets on the balance sheet as of September 30, 2005 reflect a decrease to property, plant and equipment of \$10.4 million, and decrease to the deferred tax asset of \$4.4 million, a decrease to accounts receivable of \$0.7 million, and an increase to goodwill of \$2.8 million, for an overall reduction to assets of \$12.7 million.
-

- Liabilities and equity on the balance sheet as of September 30, 2005 reflect an increase of \$8.1 million in liabilities, primarily a result of the asset retirement obligation, and a reduction to equity of \$20.8 million.

The company said its integration of Arch and Metrocall was substantially completed in 2005, leading to significant improvements in overall operating results. Among them was a steady improvement in the year-over-year rate of subscriber and revenue decline. Other major accomplishments during the year included: successfully consolidating to a single customer service and billing platform; decommissioning Arch's two-way paging network; beginning the rationalization the one-way paging networks; reducing total operating expenses, excluding depreciation, amortization and accretion by 18.9% on a pro forma basis; repaying \$140 million in bank debt incurred at the time of the merger; paying a special dividend representing a \$41 million return of capital to investors; negotiating long-term contract with its largest site landlord representing substantial future cost savings; and strengthening the company's operational structure and management team.

"Our first year of operation was a very successful one," said Vincent D. Kelly, president and chief executive officer. "We achieved our principal goals of integrating the nation's two largest paging carriers and generating significant costs savings. In meeting those objectives, we also became debt free, returned capital to our shareholders, laid the foundation for continued operational efficiencies in the future and began to explore potential alternative sources of revenue. As we move through 2006," Kelly added, "we expect to make additional improvements to our operations and expand our selling and marketing initiatives as we continue to serve the needs of our nationwide customer base while remaining focused on our cash flow strategy."

Thomas L. Schilling, chief financial officer, said: "While the process of amending our financial statements was time-consuming, the adjustments and restatements were necessary under generally accepted accounting principles because they had a material impact on our income statement. However," Schilling added, "I would also note that restated items had no impact on the fundamentals of our business – that is, the company's previously reported revenue, cash positions, or cash flow from operating activities."

The company announced that it will report first quarter 2006 operating results on Thursday, May 25, at approximately 4:00 p.m. Eastern Time and will hold a conference call for investors on its first quarter results at 11:00 a.m. Eastern Time on Friday, May 26, 2006. The call-in number for the investor call is 888-802-2275 (toll-free) or 913-312-1267 (toll). The pass code for the call is 1643835 (followed by the # sign). A replay of the call will be available from 3:00 p.m. ET on May 26 until 11:59 p.m. on Friday, June 9. The replay number is 888-203-1112 (toll-free) or 719-457-0820 (toll). The pass code for the replay is 1643835 (followed by the # sign).

About USA Mobility

USA Mobility, Inc., headquartered in Alexandria, Virginia, is a leading provider of paging products and other wireless services to the business, government, healthcare and emergency response sectors. USA Mobility offers traditional one-way and advanced two-way paging via its nationwide networks covering more than 90% of the U.S. population. In addition, the company offers mobile voice and data services through Sprint Nextel and Cingular Wireless, including BlackBerry and GPS location applications. The company's product offerings include wireless connectivity systems for medical, business, government and other campus environments. USA Mobility focuses on the business-to-business marketplace and supplies mobile connectivity solutions to over two-thirds of the Fortune 1000 companies. For further information visit www.usamobility.com.

Safe Harbor Statement under the Private Securities Litigation Reform Act: Statements contained herein or in prior press releases which are not historical fact, such as statements regarding USA Mobility's expectations for future operating and financial performance, are forward-looking statements for purposes of the safe harbor provisions under the Private Securities Litigation Reform Act of 1995. These forward-looking statements involve risks and uncertainties that may cause USA Mobility's actual results to be materially different from the future results expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially from those expectations include, but are not limited to, declining demand for paging products and services, the ability to continue to reduce operating expenses, future capital needs, competitive pricing pressures, competition from both traditional paging services and other wireless communications services, government regulation, reliance upon third-party providers for certain equipment and services, as well as other risks described from time to time in periodic reports and registration statements filed with the Securities and Exchange Commission. Although USA Mobility believes the expectations reflected in the forward-looking statements are based on reasonable assumptions, it can give no assurance that its expectations will be attained. USA Mobility disclaims any intent or obligation to update any forward-looking statements.

Tables to Follow

USA MOBILITY, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

| | <u>December 31, 2004</u> | <u>December 31, 2005</u> |
|---|--------------------------|--------------------------|
| | (Restated) | |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 46,995 | \$ 37,547 |
| Accounts receivable, net | 40,078 | 38,177 |
| Deposits | 117 | 1,687 |
| Prepaid rent, expenses and other | 15,343 | 8,973 |
| Deferred income tax assets | 25,525 | 18,895 |
| Total current assets | \$ 128,058 | \$ 105,279 |
| Property and equipment, net | 220,028 | 127,802 |
| Goodwill | 154,369 | 149,478 |
| Intangible assets, net | 67,129 | 40,654 |
| Deferred income tax assets | 207,046 | 207,150 |
| Other assets | 5,517 | 3,430 |
| TOTAL ASSETS | \$ 782,147 | \$ 633,793 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Current maturities of long-term debt | \$ 47,558 | \$ 13 |
| Accounts payable and other accrued liabilities | 86,478 | 65,719 |
| Customer deposits | 4,316 | 3,104 |
| Deferred revenue | 23,623 | 17,924 |
| Total current liabilities | \$ 161,975 | \$ 86,760 |
| Long-term debt, less current maturities | 47,500 | — |
| Other long-term liabilities | 16,632 | 14,040 |
| TOTAL LIABILITIES | \$ 226,107 | \$ 100,800 |
| Stockholders' equity: | | |
| Preferred stock | — | — |
| Common stock | 3 | 3 |
| Additional paid-in capital | 536,252 | 521,298 |
| Retained earnings | 19,785 | 11,692 |
| TOTAL STOCKHOLDERS' EQUITY | 556,040 | 532,993 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 782,147 | \$ 633,793 |

USA MOBILITY, INC.
CONDENSED CONSOLIDATED RESULTS OF OPERATIONS
(in thousands, except share and per share amounts)

| | Year Ended December 31, | |
|---|--------------------------------|-------------------|
| | 2004 | 2005 |
| | (Restated) | |
| Revenue: | | |
| Service, rental and maintenance, net of service credits | \$ 470,751 | \$ 592,690 |
| Product sales | 19,409 | 25,882 |
| Total revenue | 490,160 | 618,572 |
| Operating expenses: | | |
| Cost of products sold | 4,347 | 4,483 |
| Service, rental and maintenance | 160,144 | 215,588 |
| Selling and marketing | 36,085 | 43,145 |
| General and administrative | 130,046 | 177,438 |
| Depreciation, amortization and accretion | 107,629 | 131,328 |
| Stock based compensation | 4,863 | 2,832 |
| Severance and related termination costs | 11,938 | 16,609 |
| Total operating expenses | 455,052 | 591,423 |
| Operating income | 35,108 | 27,149 |
| Interest expense | (6,365) | (2,412) |
| Interest income | 451 | 1,089 |
| Loss on extinguishment of long-term debt | (1,031) | (1,338) |
| Other income, net | 814 | (1,004) |
| Income before income tax expense | 28,977 | 23,484 |
| Income tax expense | (16,810) | (10,577) |
| Net income | \$ 12,167 | \$ 12,907 |
| Basic net income per common share | \$ 0.58 | \$ 0.47 |
| Diluted net income per common share | \$ 0.58 | \$ 0.47 |
| Basic weighted average common shares outstanding | 20,839,959 | 27,275,040 |
| Diluted weighted average common shares outstanding | 20,966,405 | 27,427,120 |
| Reconciliation of operating income to EBITDA: | | |
| Operating income | \$ 35,108 | \$ 27,149 |
| Addback: | | |
| Depreciation, amortization and accretion | 107,629 | 131,328 |
| EBITDA (a) | \$ 142,737 | \$ 158,477 |

(a) EBITDA or Earnings before interest, taxes, depreciation and amortization is a non-GAAP measure and is presented for analytical purposes only.

USA MOBILITY, INC.
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(in thousands)

| | Year Ended December 31, | |
|---|--------------------------------|---------------------------|
| | 2004 | 2005 |
| | (Restated) | |
| Cash flows from operating activities: | | |
| Net income | \$ 12,167 | \$ 12,907 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation, amortization and accretion | 107,629 | 131,328 |
| Deferred income tax expense | 17,766 | 7,461 |
| Loss on extinguishment of long-term debt | 1,036 | 1,338 |
| Accretion of long-term debt and other non-cash interest expense | 372 | 714 |
| Deferred stock compensation | 4,863 | 2,832 |
| Provisions for doubtful accounts, service credits and other | 13,565 | 25,055 |
| Gain on disposals of property and equipment | (93) | 1,287 |
| Changes in assets and liabilities: | | |
| Accounts receivable | (2,158) | (23,439) |
| Prepaid expenses and other | 4,745 | 5,109 |
| Intangibles and other long-term assets | (4,962) | 7,978 |
| Accounts payable and accrued expenses | (28,451) | (21,276) |
| Customer deposits and deferred revenue | (8,790) | (6,911) |
| Other long-term liabilities | (3,424) | (5,129) |
| Net cash provided by operating activities | <u>\$ 114,265</u> | <u>\$ 139,254</u> |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (19,232) | (13,499) |
| Proceeds from disposals of property and equipment | 2,998 | 168 |
| Receipts from note receivable | 271 | 285 |
| Merger of companies, net of cash acquired | (117,759) | — |
| Net cash used for investing activities | <u>\$(133,722)</u> | <u>\$ (13,046)</u> |
| Cash flows from financing activities: | | |
| Issuance of long-term debt | 140,000 | — |
| Repayment of long-term debt | (105,017) | (95,045) |
| Dividends paid | — | (40,691) |
| Purchase of common stock | (3,113) | — |
| Proceeds from exercise of options | — | 80 |
| Net cash used for financing activities | <u>\$ 31,870</u> | <u>\$(135,656)</u> |
| Net decrease in cash and cash equivalents | \$ 12,413 | \$ (9,448) |
| Cash and cash equivalents, beginning of period | 34,582 | 46,995 |
| Cash and cash equivalents, end of period | <u>\$ 46,995</u> | <u>\$ 37,547</u> |
| Supplemental disclosure: | | |
| Interest paid | \$ 6,966 | \$ 2,245 |
| State income taxes paid | <u>\$ 1,729</u> | <u>\$ 562</u> |

USA MOBILITY, INC.
PRO FORMA UNITS IN SERVICE ACTIVITY (a) (b)
units in thousands (unaudited)

| | Three Months Ended | | | | | | | |
|-------------------------------|--------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | March 2004 | June 2004 | September 2004 | December 2004 | March 2005 | June 2005 | September 2005 | December 2005 |
| Direct One-Way: | | | | | | | | |
| Beginning units in service | 5,329 | 5,100 | 4,909 | 4,690 | 4,464 | 4,273 | 4,114 | 3,977 |
| Gross placements | 226 | 181 | 182 | 166 | 141 | 134 | 125 | 126 |
| Disconnects | (455) | (372) | (401) | (392) | (332) | (293) | (262) | (268) |
| Ending units in service | <u>5,100</u> | <u>4,909</u> | <u>4,690</u> | <u>4,464</u> | <u>4,273</u> | <u>4,114</u> | <u>3,977</u> | <u>3,835</u> |
| Two-Way: | | | | | | | | |
| Beginning units in service | 506 | 483 | 462 | 449 | 422 | 397 | 382 | 365 |
| Gross placements | 40 | 32 | 35 | 29 | 22 | 29 | 17 | 18 |
| Disconnects | (63) | (53) | (48) | (56) | (47) | (44) | (34) | (36) |
| Ending units in service | <u>483</u> | <u>462</u> | <u>449</u> | <u>422</u> | <u>397</u> | <u>382</u> | <u>365</u> | <u>347</u> |
| Indirect One-Way: | | | | | | | | |
| Beginning units in service | 1,716 | 1,474 | 1,253 | 1,101 | 987 | 859 | 762 | 685 |
| Gross placements | 157 | 145 | 160 | 143 | 107 | 92 | 26 | 26 |
| Disconnects | (399) | (366) | (312) | (257) | (235) | (189) | (103) | (107) |
| Ending units in service | <u>1,474</u> | <u>1,253</u> | <u>1,101</u> | <u>987</u> | <u>859</u> | <u>762</u> | <u>685</u> | <u>604</u> |
| Two-Way: | | | | | | | | |
| Beginning units in service | 131 | 123 | 121 | 115 | 94 | 91 | 90 | 89 |
| Gross placements | 20 | 16 | 20 | 7 | 7 | 7 | 3 | 18 |
| Disconnects | (28) | (18) | (26) | (28) | (10) | (8) | (4) | (7) |
| Ending units in service | <u>123</u> | <u>121</u> | <u>115</u> | <u>94</u> | <u>91</u> | <u>90</u> | <u>89</u> | <u>100</u> |
| Total | | | | | | | | |
| Beginning units in service | 7,682 | 7,180 | 6,745 | 6,355 | 5,967 | 5,620 | 5,348 | 5,116 |
| Gross placements | 443 | 374 | 397 | 345 | 277 | 262 | 171 | 188 |
| Disconnects | (945) | (809) | (787) | (733) | (624) | (534) | (403) | (418) |
| Ending units in service | <u>7,180</u> | <u>6,745</u> | <u>6,355</u> | <u>5,967</u> | <u>5,620</u> | <u>5,348</u> | <u>5,116</u> | <u>4,886</u> |
| Adjusted Proforma ARPU | | | | | | | | |
| Direct One-Way | \$ 9.10 | \$ 8.96 | \$ 8.89 | \$ 8.75 | \$ 8.65 | \$ 8.61 | \$ 8.48 | \$ 8.27 |
| Direct Two-Way | \$ 25.15 | \$ 24.68 | \$ 24.22 | \$ 23.93 | \$ 23.98 | \$ 23.65 | \$ 24.28 | \$ 23.76 |
| Indirect One-Way | \$ 4.06 | \$ 4.26 | \$ 4.12 | \$ 4.26 | \$ 4.07 | \$ 4.11 | \$ 4.36 | \$ 4.66 |
| Indirect Two-Way | \$ 12.89 | \$ 12.07 | \$ 11.30 | \$ 10.41 | \$ 9.16 | \$ 8.71 | \$ 8.42 | \$ 7.80 |
| Total | <u>\$ 9.15</u> | <u>\$ 9.16</u> | <u>\$ 9.14</u> | <u>\$ 9.09</u> | <u>\$ 9.01</u> | <u>\$ 9.02</u> | <u>\$ 9.04</u> | <u>\$ 8.90</u> |

(a) Assumes Arch and Metrcall combined as of January 1, 2004 and the unit in service adjustment reflected in March 2004.

(b) Amounts have been adjusted for rounding.

USA MOBILITY, INC.
SUMMARY OF CONSOLIDATED OPERATING RESULTS (a)
(unaudited and in thousands)

| | For the year ended December 31, | |
|---|--|-------------------|
| | 2004 | |
| | Proforma | 2005 |
| Revenues: | | |
| Service, rental and maintenance, net of service credits | \$ 754,696 | \$ 592,690 |
| Product sales | 34,009 | 25,882 |
| Total revenue | 788,705 | 618,572 |
| Operating expenses: | | |
| Cost of products sold | 8,475 | 4,483 |
| Service, rental and maintenance | 256,382 | 215,588 |
| Selling and marketing | 65,847 | 43,145 |
| General and administrative | 216,317 | 177,438 |
| Depreciation, amortization and accretion | 145,328 | 131,328 |
| Stock based compensation | 6,401 | 2,832 |
| Severance and restructuring | 13,622 | 16,609 |
| Total operating expenses | 712,372 | 591,423 |
| Operating income | 76,333 | 27,149 |
| Interest expense | (7,360) | (2,412) |
| Interest income | 451 | 1,089 |
| Loss on extinguishment of long-term debt | — | (1,338) |
| Other income, net | 163 | (1,004) |
| Income before income tax expense | 69,587 | 23,484 |
| Income tax expense | (33,006) | (10,577) |
| Net income | \$ 36,581 | \$ 12,907 |
| Basic net income per common share | \$ 1.36 | \$ 0.47 |
| Diluted net income per common share | \$ 1.34 | \$ 0.47 |
| Basic weighted average common shares outstanding | 26,938,871 | 27,275,040 |
| Diluted weighted average common shares outstanding | 27,313,706 | 27,427,120 |
| Reconciliation of operating income to EBITDA: | | |
| Operating income | \$ 76,333 | \$ 27,149 |
| Addback: | | |
| Depreciation, amortization and accretion | 145,328 | 131,328 |
| EBITDA (b) | \$ 221,661 | \$ 158,477 |

(a) Pro forma amounts assume the merger of Arch Wireless, Inc. and Metrocall Holdings, Inc. as of January 1, 2004.

(b) EBITDA or Earnings before interest, taxes, depreciation and amortization is a non-GAAP measure and is presented for analytical purposes only.

USA MOBILITY, INC.
SUMMARY OF CONSOLIDATED OPERATING RESULTS
(unaudited and in thousands)

| | For the three months ended | | | | | | | |
|---|----------------------------|------------------|-----------------------|----------------------|-------------------|-------------------|-----------------------|----------------------|
| | March 31, 2004 | June 30, 2004 | September 30, 2004 | December 31, 2004 | March 31, 2005 | June 30, 2005 | September 30, 2005 | December 31, 2005 |
| Revenues: | | | | | | | | |
| Service, rental and maintenance, net of service credits | \$ 119,546 | \$ 111,174 | \$ 104,785 | \$ 135,246 | \$ 159,150 | \$ 151,483 | \$ 145,014 | \$ 137,043 |
| Product sales | 4,113 | 4,623 | 4,632 | 6,041 | 6,527 | 6,054 | 6,940 | 6,361 |
| Total revenue | 123,659 | 115,797 | 109,417 | 141,287 | 165,677 | 157,537 | 151,954 | 143,404 |
| Operating expenses: | | | | | | | | |
| Cost of products sold | 938 | 856 | 691 | 1,862 | 1,279 | 929 | 945 | 1,330 |
| Service, rental and maintenance | 38,790 | 36,739 | 36,653 | 47,962 | 56,353 | 56,104 | 53,739 | 49,392 |
| Selling and marketing | 9,068 | 8,757 | 7,862 | 10,398 | 10,402 | 11,156 | 11,276 | 10,311 |
| General and administrative | 31,304 | 29,150 | 27,615 | 41,977 | 48,427 | 46,491 | 43,261 | 39,259 |
| Depreciation, amortization and accretion | 26,353 | 28,327 | 21,867 | 31,082 | 40,595 | 35,224 | 28,876 | 26,633 |
| Stock based compensation | 2,267 | 1,908 | 1,865 | (1,177) | 1,385 | 597 | 271 | 579 |
| Severance and restructuring | 3,689 | 602 | 1,228 | 6,419 | 5,137 | 9,904 | 855 | 713 |
| Total operating expenses | 112,409 | 106,339 | 97,781 | 138,523 | 163,578 | 160,405 | 139,223 | 128,217 |
| Operating income (loss) | 11,250 | 9,458 | 11,636 | 2,764 | 2,099 | (2,868) | 12,731 | 15,187 |
| Interest expense | (3,400) | (1,770) | (18) | (1,177) | (1,411) | (734) | (232) | (35) |
| Interest income | 71 | 70 | 89 | 221 | 197 | 235 | 214 | 443 |
| Loss on extinguishment of long-term debt | — | — | — | (1,031) | (594) | (432) | (312) | — |
| Other income, net | 168 | 177 | 66 | 403 | 137 | (73) | 76 | (1,144) |
| Income (loss) before income tax expense | 8,089 | 7,935 | 11,773 | 1,180 | 428 | (3,872) | 12,477 | 14,451 |
| Income tax expense | (3,256) | (1,690) | (9,369) | (2,495) | (291) | 61 | (3,750) | (6,597) |
| Net income (loss) | \$ 4,833 | \$ 6,245 | \$ 2,404 | \$ (1,315) | \$ 137 | \$ (3,811) | \$ 8,727 | \$ 7,854 |
| Basic net income (loss) per common share | \$ 0.24 | \$ 0.31 | \$ 0.12 | \$ (0.06) | \$ 0.01 | \$ (0.14) | \$ 0.32 | \$ 0.29 |
| Diluted net income (loss) per common share | \$ 0.24 | \$ 0.31 | \$ 0.12 | \$ (0.06) | \$ 0.01 | \$ (0.14) | \$ 0.32 | \$ 0.29 |
| Basic weighted average common shares outstanding | 20,000,000 | 19,965,076 | 19,914,099 | 23,461,642 | 27,108,034 | 27,226,076 | 27,365,701 | 27,396,187 |
| Diluted weighted average common shares outstanding | 20,078,213 | 20,109,191 | 20,041,555 | 23,461,642 | 27,320,212 | 27,226,076 | 27,465,990 | 27,459,261 |
| Reconciliation of operating income to EBITDA: | | | | | | | | |
| Operating income (loss) | \$ 11,250 | \$ 9,458 | \$ 11,636 | \$ 2,764 | \$ 2,099 | \$ (2,868) | \$ 12,731 | \$ 15,187 |
| Addback: | | | | | | | | |
| Depreciation, amortization and accretion | 26,353 | 28,327 | 21,867 | 31,082 | 40,595 | 35,224 | 28,876 | 26,633 |
| EBITDA (a) | \$ 37,603 | \$ 37,785 | \$ 33,503 | \$ 33,846 | \$ 42,694 | \$ 32,356 | \$ 41,607 | \$ 41,820 |

(a) EBITDA or Earnings before interest, taxes, depreciation and amortization is a non-GAAP measure and is presented for analytical purposes only.

USA MOBILITY, INC.
SUMMARY OF CONSOLIDATED OPERATING RESULTS (a)
(unaudited and in thousands)

| | For the three months ended | | | | | | | |
|---|---------------------------------------|--------------------------------------|---|--|-------------------|-------------------|-----------------------|----------------------|
| | March 31, 2004 <i>Pro forma</i> | June 30, 2004 <i>Pro forma</i> | September 30, 2004 <i>Pro forma</i> | December 31, 2004 <i>Pro forma</i> | March 31, 2005 | June 30, 2005 | September 30, 2005 | December 31, 2005 |
| Revenues: | | | | | | | | |
| Service, rental and maintenance, net of service credits | \$ 206,356 | \$ 193,917 | \$ 182,452 | \$ 171,971 | \$ 159,150 | \$ 151,483 | \$ 145,014 | \$ 137,043 |
| Product sales | 8,016 | 8,997 | 9,027 | 7,969 | 6,527 | 6,054 | 6,940 | 6,361 |
| Total revenue | 214,372 | 202,914 | 191,479 | 179,940 | 165,677 | 157,537 | 151,954 | 143,404 |
| Operating expenses: | | | | | | | | |
| Cost of products sold | 1,878 | 2,199 | 2,124 | 2,274 | 1,279 | 929 | 945 | 1,330 |
| Service, rental and maintenance | 67,121 | 64,167 | 62,365 | 62,729 | 56,353 | 56,104 | 53,739 | 49,392 |
| Selling and marketing | 18,299 | 17,475 | 15,667 | 14,406 | 10,402 | 11,156 | 11,276 | 10,311 |
| General and administrative | 53,707 | 51,181 | 50,289 | 61,140 | 48,427 | 46,491 | 43,261 | 39,259 |
| Depreciation, amortization and accretion | 38,238 | 39,550 | 32,496 | 35,045 | 40,595 | 35,224 | 28,876 | 26,633 |
| Stock based compensation | 5,966 | 2,810 | 2,093 | (2,784) | 1,385 | 597 | 271 | 579 |
| Severance and restructuring | 3,689 | 602 | 1,228 | 6,419 | 5,137 | 9,904 | 855 | 713 |
| Total operating expenses | 188,898 | 177,984 | 166,262 | 179,229 | 163,578 | 160,405 | 139,223 | 128,217 |
| Operating income (loss) | 25,474 | 24,930 | 25,217 | 711 | 2,099 | (2,868) | 12,731 | 15,187 |
| Interest expense | (2,188) | (1,971) | (1,753) | (1,448) | (1,411) | (734) | (232) | (35) |
| Interest income | — | — | — | 451 | 197 | 235 | 214 | 443 |
| Loss on extinguishment of long-term debt | — | — | — | — | (594) | (432) | (312) | — |
| Other income, net | 110 | 201 | 17 | (165) | 137 | (73) | 76 | (1,144) |
| Income (loss) before income tax expense | 23,396 | 23,160 | 23,481 | (451) | 428 | (3,872) | 12,477 | 14,451 |
| Income tax expense | (9,410) | (7,810) | (14,077) | (1,709) | (291) | 61 | (3,750) | (6,597) |
| Net income (loss) | \$ 13,986 | \$ 15,350 | \$ 9,404 | \$ (2,160) | \$ 137 | \$ (3,811) | \$ 8,727 | \$ 7,854 |
| Basic net income (loss) per common share | \$ 0.52 | \$ 0.57 | \$ 0.35 | \$ (0.08) | \$ 0.01 | \$ (0.14) | \$ 0.32 | \$ 0.29 |
| Diluted net income (loss) per common share | \$ 0.51 | \$ 0.56 | \$ 0.34 | \$ (0.08) | \$ 0.01 | \$ (0.14) | \$ 0.32 | \$ 0.29 |
| Basic weighted average common shares outstanding | 26,961,046 | 26,926,122 | 26,875,145 | 26,992,900 | 27,108,034 | 27,226,076 | 27,365,701 | 27,396,187 |
| Diluted weighted average common shares outstanding | 27,324,881 | 27,355,859 | 27,288,223 | 26,992,900 | 27,320,212 | 27,226,076 | 27,465,990 | 27,459,261 |
| Reconciliation of operating income to EBITDA: | | | | | | | | |
| Operating income (loss) | \$ 25,474 | \$ 24,930 | \$ 25,217 | \$ 711 | \$ 2,099 | \$ (2,868) | \$ 12,731 | \$ 15,187 |
| Addback: | | | | | | | | |
| Depreciation, amortization and accretion | 38,238 | 39,550 | 32,496 | 35,045 | 40,595 | 35,224 | 28,876 | 26,633 |
| EBITDA (b) | \$ 63,712 | \$ 64,480 | \$ 57,713 | \$ 35,756 | \$ 42,694 | \$ 32,356 | \$ 41,607 | \$ 41,820 |

(a) Pro forma amounts assume the merger of Arch Wireless, Inc. and Metrocall Holdings, Inc. as of January 1, 2004.

(b) EBITDA or Earnings before interest, taxes, depreciation and amortization is a non-GAAP measure and is presented for analytical purposes only.

USA MOBILITY, INC.
Cumulative Summary of Adjustments to Assets and Liabilities
(In thousands)

| | December 31, | | | Quarter ended | | |
|---|-------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 2002 | 2003 | 2004 | 3/31/05 | 6/30/05 | 9/30/05 |
| Assets | | | | | | |
| Increase (decrease) in: | | | | | | |
| Accounts receivable, net | \$ — | \$ — | \$ (740) | \$ (740) | \$ (740) | \$ (740) |
| Other receivables | — | — | — | — | — | (2) |
| Property and equipment, net | 4,710 | (5,367) | 3,520 | 2,172 | 551 | (10,358) |
| Goodwill | — | — | 2,578 | 2,578 | 2,561 | 2,847 |
| Deferred income tax assets | — | (11,883) | (19,588) | (17,326) | (19,415) | (4,412) |
| Total impact on Assets | <u>\$ 4,710</u> | <u>\$ (17,250)</u> | <u>\$ (14,230)</u> | <u>\$ (13,316)</u> | <u>\$ (17,043)</u> | <u>\$ (12,665)</u> |
| Total Assets, as restated | <u>\$442,634</u> | <u>\$495,495</u> | <u>\$782,147</u> | <u>\$736,121</u> | <u>\$702,661</u> | <u>\$688,893</u> |
| Liabilities | | | | | | |
| Increase (decrease) in: | | | | | | |
| Accrued taxes | \$ 536 | \$ 1,317 | \$ 2,235 | \$ 2,405 | \$ 1,498 | \$ (24) |
| Accrued restructuring | — | — | 856 | 856 | 856 | 856 |
| Accrued other | 2,939 | 780 | 951 | 762 | 874 | (2,964) |
| Other long-term liabilities | 5,404 | 9,012 | 9,025 | 10,889 | 8,920 | 10,242 |
| Total impact on Liabilities | <u>\$ 8,879</u> | <u>\$ 11,109</u> | <u>\$ 13,067</u> | <u>\$ 14,912</u> | <u>\$ 12,148</u> | <u>\$ 8,110</u> |
| Total Liabilities, as restated | <u>\$328,410</u> | <u>\$169,231</u> | <u>\$226,107</u> | <u>\$178,309</u> | <u>\$146,401</u> | <u>\$123,380</u> |
| Equity | | | | | | |
| Increase (decrease) in: | | | | | | |
| Additional paid-in capital | \$ — | \$ (21,070) | \$ (18,694) | \$ (18,470) | \$ (18,271) | \$ (18,227) |
| Retained earnings | (4,169) | (7,289) | (8,603) | (9,758) | (10,920) | (2,548) |
| Total impact on Equity | <u>\$ (4,169)</u> | <u>\$ (28,359)</u> | <u>\$ (27,297)</u> | <u>\$ (28,228)</u> | <u>\$ (29,191)</u> | <u>\$ (20,775)</u> |
| Total Equity, as restated | <u>\$114,224</u> | <u>\$326,264</u> | <u>\$556,040</u> | <u>\$557,812</u> | <u>\$556,260</u> | <u>\$565,513</u> |
| Total impact on Liabilities and Equity | <u>\$ 4,710</u> | <u>\$ (17,250)</u> | <u>\$ (14,230)</u> | <u>\$ (13,316)</u> | <u>\$ (17,043)</u> | <u>\$ (12,665)</u> |
| Total Liabilities and Equity, as restated | <u>\$442,634</u> | <u>\$495,495</u> | <u>\$782,147</u> | <u>\$736,121</u> | <u>\$702,661</u> | <u>\$688,893</u> |

USA Mobility, Inc.
Summary of Adjustments to
Operating Income, Net Income, and Earnings per Share
(In thousands except per share amounts)

| | Seven Months Ended December 31, 2002 | Year Ended December 31, 20032004 | | Quarter ended 3/31/056/30/059/30/05 | | |
|---|---|--|------------------|--|-------------------|------------------|
| Operating income (loss) — as previously reported | \$ 25,326 | \$ 46,115 | \$ 29,046 | \$ 3,869 | \$ (1,601) | \$ 11,890 |
| Increase (decrease) due to: | | | | | | |
| Service, rental and maintenance expense | 2,684 | 2,549 | 504 | 44 | 73 | 605 |
| General and administrative expense | (536) | (781) | (747) | (5) | 742 | 1,522 |
| Depreciation and amortization | (6,317) | (10,421) | 7,161 | (1,809) | (2,082) | (1,286) |
| Severance and related termination costs | — | — | (856) | — | — | — |
| Operating income (loss) — as restated | <u>\$ 21,157</u> | <u>\$ 37,462</u> | <u>\$ 35,108</u> | <u>\$ 2,099</u> | <u>\$ (2,868)</u> | <u>\$ 12,731</u> |
| Net income (loss) — as previously reported | \$ 827 | \$ 16,128 | \$ 13,481 | \$ 1,292 | \$ (2,649) | \$ 355 |
| Adjustments to operating income (loss), net | (4,169) | (8,653) | 6,062 | (1,770) | (1,267) | 841 |
| Other income, net — increase (decrease) | — | — | 156 | (156) | — | — |
| Income tax expense — (increase) decrease | — | 5,533 | (7,532) | 771 | 105 | 7,531 |
| Net income (loss) — as restated | <u>\$ (3,342)</u> | <u>\$ 13,008</u> | <u>\$ 12,167</u> | <u>\$ 137</u> | <u>\$ (3,811)</u> | <u>\$ 8,727</u> |
| | | | | | | |
| | Seven Months Ended December 31, 2002 | Year Ended December 31, 20032004 | | Quarter ended 3/31/056/30/059/30/05 | | |
| Diluted net income per common share — as previously reported | \$ 0.04 | \$ 0.81 | \$ 0.64 | \$ 0.05 | \$ (0.10) | \$ 0.01 |
| Effect of adjustments to income | (0.21) | (0.16) | (0.06) | (0.04) | (0.04) | 0.31 |
| Diluted net income per common share — as restated | <u>\$ (0.17)</u> | <u>\$ 0.65</u> | <u>\$ 0.58</u> | <u>\$ 0.01</u> | <u>\$ (0.14)</u> | <u>\$ 0.32</u> |

USA MOBILITY, INC.
SUMMARY OF RESTATEMENT ADJUSTMENT IMPACTS
(in thousands)

| | For the quarter ended December 31, 2005 | | | For the year ended December 31, 2005 | | |
|--|--|---|----------------------|--|---|--------------------|
| | Previously reported April 3, 2006 (unaudited) | Restatement adjustments (unaudited) | Final (unaudited) | Previously reported April 3, 2006 (unaudited) | Restatement adjustments (unaudited) | Final (audited) |
| Revenues: | | | | | | |
| Service, rental and maintenance, net of service credits | \$ 137,043 | \$ — | \$ 137,043 | \$ 592,690 | \$ — | \$592,690 |
| Product sales | 6,361 | — | 6,361 | 25,882 | — | 25,882 |
| Total revenue | 143,404 | — | 143,404 | 618,572 | — | 618,572 |
| Operating expenses: | | | | | | |
| Cost of products sold | 1,330 | — | 1,330 | 4,483 | — | 4,483 |
| Service, rental and maintenance (a) | 50,593 | (1,201) | 49,392 | 218,160 | (2,572) | 215,588 |
| Selling and marketing | 10,311 | — | 10,311 | 43,145 | — | 43,145 |
| General and administrative | 39,260 | (1) | 39,259 | 177,438 | — | 177,438 |
| Depreciation, amortization and accretion (a) | 38,809 | (12,176) | 26,633 | 153,403 | (22,075) | 131,328 |
| Stock based compensation | 579 | — | 579 | 2,832 | — | 2,832 |
| Severance and restructuring | 714 | (1) | 713 | 16,609 | — | 16,609 |
| Total operating expenses | 141,596 | (13,379) | 128,217 | 616,070 | (24,647) | 591,423 |
| Operating income | 1,808 | 13,379 | 15,187 | 2,502 | 24,647 | 27,149 |
| Interest expense | (35) | — | (35) | (2,412) | — | (2,412) |
| Interest income | 443 | — | 443 | 1,089 | — | 1,089 |
| Loss on extinguishment of long-term debt | — | — | — | (1,338) | — | (1,338) |
| Other income, net | (1,144) | — | (1,144) | (1,004) | — | (1,004) |
| Income before income tax expense | \$ 1,072 | \$ 13,379 | \$ 14,451 | \$ (1,163) | \$ 24,647 | \$ 23,484 |
| Income tax expense | | | (6,597) | | | (10,577) |
| Net income | | | \$ 7,854 | | | \$ 12,907 |
| Reconciliation of operating income to EBITDA: | | | | | | |
| Operating income | \$ 1,808 | \$ 13,379 | \$ 15,187 | \$ 2,502 | \$ 24,647 | \$ 27,149 |
| Addback: | | | | | | |
| Depreciation, amortization and accretion | 38,809 | (12,176) | 26,633 | 153,403 | (22,075) | 131,328 |
| EBITDA (b) | \$ 40,617 | \$ 1,203 | \$ 41,820 | \$ 155,905 | \$ 2,572 | \$158,477 |

- (a) Previously (as reported April 3, 2006), USA Mobility included accretion expense in service, rental and maintenance expense; final figures reflect accretion expense as part of depreciation, amortization and accretion.
- (b) EBITDA or Earnings before interest, taxes, depreciation and amortization is a non-GAAP measure and is presented for analytical purposes only.