

USA Mobility, Inc  
Form 425  
August 03, 2004

Filed by Arch Wireless, Inc.  
Pursuant to Rule 425 under the Securities Act of 1933  
and deemed filed pursuant to Rule 14a-12  
under the Securities Exchange Act of 1934  
Commission File No. 333-115769  
Subject Company: Arch Wireless, Inc.  
Subject Company: Metrocall Holdings, Inc.  
Subject Company: USA Mobility, Inc.

In connection with a proposed business combination transaction, on July 23, 2004 USA Mobility, Inc. (formerly known as Wizards-Patriots Holdings, Inc.), the holding company in the proposed transaction ( Parent ), filed with the Securities and Exchange Commission (the SEC ) an amended registration statement on Form S-4, which includes a preliminary joint proxy statement/prospectus of Arch Wireless, Inc. ( Arch ) and Metrocall Holdings, Inc. ( Metrocall ) and other relevant documents in connection with the proposed transaction. In addition, Parent will prepare and file a definitive joint proxy statement/prospectus and other documents regarding the proposed transaction with the SEC. **Investors of Arch and Metrocall are urged to read the definitive joint proxy statement/prospectus and other relevant materials because they will contain important information about Parent, Arch and Metrocall and the proposed transaction.** The definitive joint proxy statement/prospectus will be sent to stockholders of Arch and Metrocall seeking their approval of the proposed transaction. Investors may obtain a free copy of these materials and other documents filed by Parent, Arch and Metrocall with the Securities and Exchange Commission at the SEC's website at [www.sec.gov](http://www.sec.gov). A free copy of the definitive joint proxy statement/prospectus, once it is available, also may be obtained from Arch Wireless, Inc., care of Bob Lougee, Lougee Consulting Group, 7 Bridgeton Way, Hopkinton, MA 01748, (tel.: 508-435-6117), or Metrocall Holdings, Inc., 6677 Richmond Highway, Alexandria, Virginia 22306, Attention: Shirley White (tel.: 703-660-6677). Investors also may access free copies of the documents filed with the SEC by Arch on Arch's website at [www.arch.com](http://www.arch.com) or upon written request to Arch at its address listed above, and investors may access free copies of the documents filed with the SEC by Metrocall on Metrocall's website at [www.metrocall.com](http://www.metrocall.com) or upon written request to Metrocall at its address indicated above.

Arch and Metrocall and their respective directors and executive officers may be deemed to be participants in the solicitation of proxies from Arch stockholders. The directors and executive officers of Arch include: William E. Redmond, Jr, Richard A. Rubin, Samme L. Thompson, James V. Continenza, Eric Gold, Carroll D. McHenry, Matthew Oristano, J. Roy Pottle and C. Edward Baker, Jr. The directors and executive officers of Metrocall include: Vincent D. Kelly, Royce Yudkoff, Eugene I. Davis, Nicholas A. Gallopo, David J. Leonard Brian O'Reilly, Steven D. Scheiwe, George Z. Moratis and Stan Sech. Stockholders may obtain additional information regarding the interests of such participants by reading the preliminary joint proxy statement/prospectus and, when it becomes available, the definitive joint proxy statement/prospectus.

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Set forth below are written materials relating to the merger first published on or after the date hereof. These materials contain forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements are based on the current expectations and beliefs of the management of Arch and Metrocall and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. The forward-looking statements contained in these materials include statements about future financial and operating results, synergies and the proposed merger of Arch and Metrocall. These statements are not guarantees of future performance, involve certain risks, uncertainties and assumptions that are difficult to predict, and are based upon assumptions as to future events that may not prove accurate. Therefore, actual outcomes and results may differ materially from what is expressed therein.

Risks and uncertainties pertaining to the following factors, among others, could cause actual results to differ materially from those described in the forward-looking statements: the ability of Arch and Metrocall to obtain the stockholder and regulatory approvals required for the merger; the new company's ability to successfully integrate the businesses of the two companies; unexpected costs involved in the merger or in the new company's ability to achieve cost-cutting synergies; the impact of uncertainty surrounding the merger on the businesses of the two companies; the impact of competition or marketplace trends on the market for the companies' products; and deterioration in the business of Arch or Metrocall prior to closing. Additional economic, business, competitive and/or regulatory factors affecting Arch's and Metrocall's businesses generally that may cause actual results to differ materially are discussed in their respective filings with the SEC, including their Annual Reports on Form 10-K for the fiscal year ended December 31, 2003, each as amended by an Amendment No. 1 to Form 10-K filed on April 29, 2004. Arch and Metrocall do not undertake any obligation to (and expressly disclaim any such obligation to) update or alter their forward-looking statements, whether as a result of new information, future events or otherwise.

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**NEWS RELEASE**

**FOR IMMEDIATE RELEASE**

Tuesday, August 3, 2004

**CONTACT:** Bob Lougee (508) 435-6117

**Arch Wireless Reports Second Quarter Operating Results**

Westborough, MA (August 3, 2004) - Arch Wireless, Inc. (Nasdaq: AWIN; BSE: AWL), a leading wireless messaging and mobile information company, today announced consolidated net income of \$3.1 million, or \$0.15 per share, for the quarter ended June 30, 2004. Consolidated revenues for the second quarter of 2004 were \$116 million.

Despite ongoing competition in the wireless messaging industry, we continued to improve our operations and business processes and are pleased with the company's second quarter operating results, said C. Edward Baker, Jr., chairman and chief executive officer. During 2003 and the first half of 2004 we made several important changes to our operating processes, allowing for continued expense savings and the creation of necessary processes to eliminate excess network capacity and maintain or improve many of our operating metrics, he added.

Arch reported a net decline of 209,000 messaging units in service for the quarter ended June 30, 2004 comprised of 202,000 one-way messaging units and 7,000 two-way messaging units. Messaging units in service totaled 3,969,000 at June 30, 2004 including 3,380,000 direct units in service and 589,000 indirect units in service. Average revenue per direct unit in service was \$10.10 during the second quarter compared to \$3.66 per indirect unit in service.

J. Roy Pottle, executive vice president and chief financial officer, said Arch continued to strengthen its financial position during the quarter. Arch became debt-free on May 28, 2004 when our wholly owned subsidiary, Arch Wireless Holdings, Inc. (AWHI), completed the final redemption of its 12% Subordinated Secured Compounding Notes due 2009, he said. In addition to repaying \$300 million of debt over the past twenty-four months, Pottle noted, the company has successfully restructured its operations to reduce fixed costs in order to maintain operating margins despite declines in revenue. This provides Arch with increased operating and financial flexibility in advance of our pending merger with Metrocall.

Baker noted that progress toward Arch's proposed merger with Metrocall is on schedule. We expect to file a definitive joint proxy statement/prospectus relating to the merger with the Securities and Exchange Commission in the near future, he said, which will clear the way for shareholders of both companies to vote on the merger after

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distribution and review of the definitive joint proxy/prospectus. Arch and Metrocall currently plan to schedule special meetings of their respective shareholders for mid-September. Baker said the proposed merger also requires the approval and consent of the Federal Communications Commission and clearance from the U.S. Department of Justice.

We expect those agency reviews to be completed within the next few months, he added, and that, as anticipated, the merger will be completed at the end of the third quarter or early in the fourth quarter. Arch and Metrocall announced a definitive merger agreement on March 29, 2004 in which both companies would combine into a new holding company.

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Arch Wireless, Inc., headquartered in Westborough, Mass., is a leading wireless messaging and mobile information company with operations throughout the United States. It offers a full range of wireless messaging and wireless e-mail services, including mobile data solutions for the enterprise, to business and retail customers nationwide. Arch provides services to customers in all 50 states, the District of Columbia, Puerto Rico, Canada, Mexico and in the Caribbean principally through a nationwide direct sales force, as well as through indirect resellers, retailers and other strategic partners. Additional information on Arch is available on the Internet at <http://www.arch.com>.

*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 Arch's expectations for future operating and financial performance and completion of its pending merger with Metrocall, 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 Arch'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 its paging products and services, Arch's ability to continue to reduce operating expenses, possible delays in or failure to obtain shareholder or regulatory approvals of the merger with Metrocall, Arch's 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 Arch's periodic reports and registration statements filed with the Securities and Exchange Commission. Although Arch 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. Arch disclaims any intent or obligation to update any forward-looking statements.

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**ARCH WIRELESS, INC.**  
**CONSOLIDATED CONDENSED BALANCE SHEETS**  
(unaudited and in thousands)

	<b>June 30, 2004</b>	<b>December 31, 2003</b>
	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 22,367	\$ 34,582
Accounts receivable, net	20,279	26,052
Deposits	3,224	6,776
Prepaid rent	384	514
Prepaid expenses and other	8,331	7,381
Deferred income tax	25,893	30,206
	<u>                    </u>	<u>                    </u>
Total current assets	80,478	105,511
	<u>                    </u>	<u>                    </u>
Property and equipment	391,936	394,436
Less accumulated depreciation and amortization	(224,615)	(180,563)
	<u>                    </u>	<u>                    </u>
Property and equipment, net	167,321	213,873
	<u>                    </u>	<u>                    </u>
Assets held for sale		1,139
Intangible and other assets, net	3	3
Deferred income tax	191,955	189,346
	<u>                    </u>	<u>                    </u>
	\$ 439,757	\$ 509,872
	<u>                    </u>	<u>                    </u>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current liabilities:		
Current maturities of long-term debt	\$	\$ 20,000
Accounts payable	8,403	8,836
Accrued compensation and benefits	7,131	17,820
Accrued network costs	7,100	7,893
Accrued property and sales taxes	8,887	10,076
Accrued interest		1,520
Accrued restructuring charges	8,470	11,481
Accrued other	7,028	8,104
Customer deposits and deferred revenue	21,316	25,477
	<u>                    </u>	<u>                    </u>

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Total current liabilities	<u>68,335</u>	<u>111,207</u>
Long-term debt, less current maturities	<u>          </u>	<u>40,000</u>
Other long-term liabilities	<u>6,921</u>	<u>4,042</u>
Stockholders' equity:		
Common stock	2	2
Treasury stock	(3,112)	
Additional paid-in capital	344,576	339,928
Deferred stock compensation	(2,261)	(2,682)
Retained earnings	<u>25,296</u>	<u>17,375</u>
Total stockholders' equity	<u>364,501</u>	<u>354,623</u>
	<u>\$ 439,757</u>	<u>\$ 509,872</u>

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**ARCH WIRELESS, INC.**  
**CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS**  
(in thousands, except share and per share amounts)  
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Revenues:				
One-way messaging	\$ 93,680	\$ 126,761	\$ 194,042	\$ 263,632
Two-way messaging	22,117	27,315	45,414	55,197
	115,797	154,076	239,456	318,829
Total revenues				
Operating expenses:				
Cost of products sold	856	1,374	1,794	3,032
Service, rental, and maintenance	36,988	48,511	75,976	98,646
Selling	8,757	11,721	17,825	24,215
General and administrative	28,968	43,887	60,085	92,979
Depreciation and amortization	31,071	30,638	57,380	63,861
Stock based and other compensation	2,510	4,276	5,448	6,471
Restructuring charges			3,018	
	109,150	140,407	221,526	289,204
Total operating expenses				
Operating income	6,647	13,669	17,930	29,625
Interest expense, net	(1,700)	(4,827)	(5,029)	(10,473)
Other income (expense)	177	73	345	83
	5,124	8,915	13,246	19,235
Income before income tax expense				
Income tax expense	(2,060)	(3,671)	(5,325)	(7,920)
	3,064	5,244	7,921	11,315
Net income	\$ 3,064	\$ 5,244	\$ 7,921	\$ 11,315
Basic net income per common share	\$ 0.15	\$ 0.26	\$ 0.40	\$ 0.57
	\$ 0.15	\$ 0.26	\$ 0.39	\$ 0.57

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Diluted net income per common share

Basic weighted average common shares outstanding

Diluted weighted average common shares outstanding

	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
	19,965,076	20,000,000	19,982,635	20,000,000
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
	20,109,191	20,025,555	20,093,617	20,012,848
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

**ARCH WIRELESS, INC.**  
**CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS**  
(unaudited and in thousands)

	<b>Six Months Ended June 30,</b>	
	<b>2004</b>	<b>2003</b>
Cash flows from operating activities:		
Net income	\$ 7,921	\$ 11,315
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	57,380	63,861
Accretion of long-term debt		4,750
Amortization of stock and other compensation	1,448	1,773
Deferred income tax provision	5,325	7,920
(Gains) losses on disposals of property and equipment	(230)	61
Other income	(110)	(119)
Provisions for doubtful accounts and service adjustments	4,378	15,294
Changes in assets and liabilities:		
Accounts receivable	1,395	(2,298)
Prepaid expenses and other	(129)	13,071
Accounts payable and accrued expenses	(18,711)	(16,708)
Customer deposits and deferred revenue	(4,161)	(4,340)
Other long-term liabilities	2,801	1,733
	<u>57,307</u>	<u>96,313</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Additions to property and equipment	(8,138)	(9,695)
Proceeds from disposals of property and equipment	1,618	2,232
Receipts from note receivable	110	119
	<u>(6,410)</u>	<u>(7,344)</u>
Net cash used for investing activities		
Cash flows from financing activities:		
Repayment of long-term debt	(60,000)	(80,000)
Capital contribution (distribution)	(3,112)	
	<u>(63,112)</u>	<u>(80,000)</u>
Net cash used for financing activities		

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Net increase (decrease) in cash and cash equivalents	(12,215)	8,969
Cash and cash equivalents, beginning of period	<u>34,582</u>	<u>37,187</u>
Cash and cash equivalents, end of period	<u>\$ 22,367</u>	<u>\$ 46,156</u>
Supplemental disclosures:		
Interest paid	\$ 6,690	\$ 5,456
Asset retirement obligations	\$	\$ 1,244

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**ARCH WIRELESS, INC.**  
**UNIT IN SERVICE ACTIVITY**

	<b>Three Months Ended</b>			
	<b>September 2003</b>	<b>December 2003</b>	<b>March 2004</b>	<b>June 2004</b>
Direct One-Way:				
Beginning units in service	3,476,000	3,300,000	3,393,000	3,247,000
Unit in service growth (decline)	(176,000)	93,000	(146,000)	(125,000)
Ending units in service	3,300,000	3,393,000	3,247,000	3,122,000
Revenues (000s)	\$ 107,455	\$ 101,497	\$ 92,940	\$ 87,226
Average revenue per unit	\$ 9.43	\$ 9.35	\$ 9.00	\$ 8.77
Two-Way:				
Beginning units in service	310,000	300,000	281,000	269,000
Unit in service growth (decline)	(10,000)	(19,000)	(12,000)	(11,000)
Ending units in service	300,000	281,000	269,000	258,000
Revenues (000s)	\$ 25,940	\$ 24,630	\$ 22,756	\$ 21,593
Average revenue per unit	\$ 27.67	\$ 27.27	\$ 26.66	\$ 26.28
Indirect One-Way:				
Beginning units in service	978,000	860,000	754,000	654,000
Unit in service growth (decline)	(118,000)	(106,000)	(100,000)	(77,000)
Ending units in service	860,000	754,000	654,000	577,000
Revenues (000s)	\$ 9,491	\$ 8,256	\$ 7,422	\$ 6,454
Average revenue per unit	\$ 3.44	\$ 3.39	\$ 3.49	\$ 3.47
Two-Way:				
Beginning units in service	9,000	8,000	9,000	8,000

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Unit in service growth (decline)	<u>(1,000)</u>	<u>1,000</u>	<u>(1,000)</u>	<u>4,000</u>
Ending units in service	<u>8,000</u>	<u>9,000</u>	<u>8,000</u>	<u>12,000</u>
Revenues (000s)	\$ 737	\$ 643	\$ 541	\$ 524
Average revenue per unit	\$ 21.96	\$ 21.24	\$ 21.09	\$ 14.92 <sup>(1)</sup>
Total Beginning units in service	4,773,000	4,468,000	4,437,000	4,178,000
Unit in service growth (decline)	(305,000)	(280,000)	(259,000)	(209,000)
Adjustment		<u>249,000</u>		
Ending units in service	<u>4,468,000</u>	<u>4,437,000</u>	<u>4,178,000</u>	<u>3,969,000</u>

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- <sup>(1)</sup> Average revenue per unit includes the effect of approximately 4,900 telemetry unit additions during the quarter. These units have lower monthly charges than typical indirect units.