ARCH WIRELESS INC
Form 10-Q
November 14, 2001

QUARTERLY REPORT UNDER SECTION 13 OR 15 (D)
OF THE SECURITIES EXCHANGE ACT OF 1934

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

FORM 10-Q

(Mark One)

[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended September 30, 2001

or

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from
______________ to _____________

Commission File Numbers 0-23232/1-14248

ARCH WIRELESS, INC.
(Exact name of Registrant as specified in its Charter)

DELAWARE	31-1358569
(State of incorporation)	(I.R.S. Employer Identification No.)

1800 WEST PARK DRIVE, SUITE 250 WESTBOROUGH, MASSACHUSETTS	01581
(address of principal executive offices)	(Zip Code)

(508) 870-6700
(Registrant's telephone number, including area code)

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 182,434,590 shares of the Company's Common Stock ($.01 par value) were outstanding as of November 8, 2001.

ARCH WIRELESS, INC.
QUARTERLY REPORT ON FORM 10-Q
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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ARCH WIRELESS, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS
(in thousands, except share amounts)

ASSETS	September 30, 2001 (unaudited)	December 31, 2000
Current assets:		
Cash and cash equivalents	$ 47,489	$ 55,007
Accounts receivable, net	110,705	134,396
Inventories	3,132	2,163
Prepaid expenses and other	41,021	19,877
Total current assets	202,347	211,443
Property and equipment, at cost	1,488,349	1,442,072
Less accumulated depreciation and amortization	(1,045,722)	(444,650)

Property and equipment, net	442,627	997,422
Intangible and other assets, net	51,475	1,100,744
	$ 696,449	$ 2,309,609

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

Current liabilities:		
Current maturities of long-term debt	$ 1,662,805	$ 177,341
Accounts payable	41,023	55,282
Accrued restructuring	30,792	60,424
Accrued interest	73,447	39,140
Accrued expenses and other liabilities	170,571	165,459
Total current liabilities	1,978,638	497,646
Long-term debt	--	1,679,219
Other long-term liabilities	63,410	74,509
Deferred income taxes	3,494	121,994
Redeemable convertible preferred stock	117,511	30,505
Stockholders' equity (deficit):		
Common stock-- $.01 par value	1,824	1,635
Additional paid-in capital	1,107,233	1,095,779
Accumulated other comprehensive income	1,566	(82)
Accumulated deficit	(2,577,227)	(1,191,596)
Total stockholders' equity (deficit)	(1,466,604)	(94,264)
	$ 696,449	$ 2,309,609

The accompanying notes are an integral part of these consolidated condensed financial statements.

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

	Three Months Ended September 30,		N
	2001	2000	20

Revenues	$ 281,298	$ 184,192	$ 91
Cost of products sold	(9,584)	(8,636)	(3
	271,714	175,556	87
Operating expenses:			
Service, rental, and maintenance	76,085	38,750	23
Selling	35,638	24,388	11
General and administrative	96,972	53,644	30
Depreciation and amortization	68,591	85,772	1,53
Other operating expense	7,455	--	
Total operating expenses	284,741	202,554	2,19
Operating income (loss)	(13,027)	(26,998)	(1,31
Interest expense, net	(65,935)	(36,635)	(18
Other expense	(14,270)	(269)	(3
Income (loss) before income tax benefit, extraordinary item and accounting change	(93,232)	(63,902)	(1,52
Benefit from income taxes	500	--	11
Income (loss) before extraordinary item and accounting change	(92,732)	(63,902)	(1,40
Extraordinary gain from early extinguishment of debt	--	--	3
Cumulative effect of accounting change	--	--	(
Net income (loss)	(92,732)	(63,902)	(1,38
Accretion of redeemable preferred stock	--	(1,755)	
Preferred stock dividend	(3,039)	(591)	(
Net income (loss) to common stockholders	$ (95,771)	$ (66,248)	$(1,38
Basic/diluted net income (loss) per common share before extraordinary charge and accounting change	$ (0.52)	$ (1.00)	$
Extraordinary item per basic/diluted common share ..	--	--	
Cumulative effect of accounting change per basic/diluted common share	--	--	
Basic/diluted net income (loss) per common share	$ (0.52)	$ (1.00)	$
Basic/diluted weighted average number of common shares outstanding	182,434,590	66,078,808	177,07

Cost of products sold and operating expenses listed above are stated exclusive of depreciation and amortization expense which is shown separately.

The accompanying notes are an integral part of these consolidated condensed financial statements.

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

	Nine Months Ended September 30, 2001	Nine Months Ended September 30, 2000
Net cash (used for) provided by operating activities	$ 12,935	$ 75,034
Cash flows from investing activities:		
Additions to property and equipment, net	(96,488)	(105,052)
Additions to intangible and other assets	(3,540)	(4,537)
Net proceeds from sale of FCC licenses	175,000	--
Acquisition of company, net of cash acquired	104	--
Net cash provided by (used for) investing activities	75,076	(109,589)
Cash flows from financing activities:		
Issuance of long-term debt	7,921	93,000
Repayment of long-term debt	(178,111)	(58,000)
Net proceeds from sale of preferred stock	75,000	--
Net proceeds from sale of common stock	--	354
Net cash (used for) provided by financing activities	(95,190)	35,354
Effect of exchange rate changes on cash	(339)	--
Net (decrease) increase in cash and cash equivalents	(7,518)	799
Cash and cash equivalents, beginning of period	55,007	3,161
Cash and cash equivalents, end of period	$ 47,489	$ 3,960
Supplemental disclosure:		
Interest paid	$ 113,906	$ 89,865
Accretion of discount on senior notes and assumed bank debt	$ 30,303	$ 19,234
Issuance of common stock in exchange for debt	$ 11,643	$ 155,637
Issuance of preferred stock in exchange for debt	$ 6,936	$ 42,692
Accretion of redeemable preferred stock	$ --	$ 3,016

The accompanying notes are an integral part of these consolidated condensed financial statements.

ARCH WIRELESS, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(unaudited)

(a) Preparation of Interim Financial Statements - The consolidated condensed financial statements of Arch Wireless, Inc. have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission. The financial information included herein, other than the consolidated condensed balance sheet as of December 31, 2000, has been prepared by management without audit by independent accountants who do not express an opinion thereon. The consolidated condensed balance sheet at December 31, 2000 has been derived from, but does not include all the disclosures contained in, the audited consolidated financial statements for the year ended December 31, 2000. In the opinion of management, all of these unaudited statements include all adjustments and accruals consisting only of normal recurring accrual adjustments which are necessary for a fair presentation of the results of all interim periods reported herein. These consolidated condensed financial statements should be read in conjunction with the consolidated financial statements and accompanying notes included in Arch's Annual Report on Form 10-K/A for the year ended December 31, 2000. The results of operations for the periods presented are not necessarily indicative of the results that may be expected for a full year.

Risks and Other Important Factors--Arch sustained net losses of $206.1 million, $285.6 million and $309.8 million for the years ended December 31, 1998, 1999 and 2000, respectively and net losses of $1.4 billion in the nine months ended September 30, 2001. Arch's loss from operations for the nine months ended September 30, 2001 was $1.3 billion which includes an impairment charge of $976.2 million on certain long-lived assets (see Note (b) below). In addition, at September 30, 2001, Arch had an accumulated deficit of approximately $2.6 billion and a deficit in working capital of $1.77 billion, including $1.66 billion of debt classified as current liabilities due to Arch's default under substantially all of its indebtedness (see Note (c) below). The impairment charge will result in lower depreciation and amortization expenses in future periods which will decrease Arch's losses from operations and net losses in the future. Arch cannot predict whether or when its operations will become profitable.

Arch's ability to continue as a going concern is dependent upon its ability to restructure its existing debt such that interest expense is substantially reduced. In July 2001, Arch announced the withdrawal of its previously announced proposal to restructure its outstanding debt and the withdrawal of its previous financial projections, primarily due to lower than expected operating results in the second quarter of 2001. The lower than anticipated operating results will negatively impact future operating results and projected year-end liquidity and made the previously proposed restructuring infeasible. On November 9, 2001, certain holders of 12 3/4% senior notes of Arch Wireless Communications, Inc. ("AWCI"), a wholly-owned subsidiary of Arch, commenced an involuntary proceeding under Chapter 11 of the U.S. Bankruptcy code against AWCI. AWCI has until December 10, 2001 to respond to this involuntary proceeding, and is currently evaluating its legal options. Arch will also consider the implications of this filing against AWCI for it and its other subsidiaries. Arch continues to update its business plan and projections to take into account its second and third quarter results and evaluate its restructuring options. These options include voluntary filings for protection under Chapter 11 of the U.S. Bankruptcy Code. Arch cannot predict the outcome of the involuntary petition against AWCI, the effects the involuntary petition will have on it and its other subsidiaries, or whether it will be successful in its restructuring efforts.

Arch's financial results and lack of additional sources of liquidity indicate that it may not be able to continue as a going concern unless it restructures

its existing debt such that interest expense is substantially reduced. Furthermore, Arch is in default under its secured credit facility and substantially all of its other indebtedness due to nonpayment of approximately $50.3 million of interest due under its outstanding notes and credit facility as of September 30, 2001 (see Note (c) below). Arch is also subject to additional risks and uncertainties including, but not limited to, changes in technology, subscriber turnover and competition.

(b) Impairment of Property and Equipment and Intangible Assets--In accordance with Statement of Financial Accounting Standards (SFAS) No. 121 "Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets To Be

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Disposed Of," Arch evaluates the recoverability of the carrying value of its long-lived assets and certain intangible assets based on estimated undiscounted cash flows to be generated from such assets. The aggregate undiscounted cash flows are compared to the assets' current book value. To the extent impairment is identified, Arch reduces the carrying value of such impaired assets to fair value based on estimated discounted future cash flows.

In July 2001, due to the facts and circumstances discussed in Note (a) above, Arch developed preliminary projections in order to assess the carrying value of its long-lived assets. These projections were management's best estimate, at the time, of future results based on lower than expected operating results for the quarter ended June 30, 2001 and potential yearend liquidity constraints that could arise. The aggregate undiscounted cash flows from these projections was compared to the carrying value of the long-lived assets. Since the carrying value exceeded the aggregate undiscounted cash flows, fair value of the assets was determined based on a discounted cash flow analysis. As a result, Arch recorded an impairment charge of $976.2 million in the second quarter of 2001, which is included in depreciation and amortization expense in the statement of operations for the nine months ended September 30, 2001, and reduced the carrying value of certain one-way paging equipment, computer equipment and intangible assets.

Intangible and Other Assets - Intangible and other assets, net of accumulated amortization, are comprised of the following (in thousands):

	September 30, 2001	December 31, 2000
Purchased Federal Communications Commission licenses.....	$ 74	$ 451,431
Purchased subscriber lists.............................	--	412,015
Goodwill...	--	163,027
Restricted cash..	34,657	35,280
Deferred financing costs...............................	14,719	24,905
Other..	2,025	14,086
	$ 51,475	$1,100,744

(c) Classification of Debt - Effective August 2, 2001,AWCI, a subsidiary of Arch, was in default under the indenture governing its 12 3/4% senior notes for nonpayment of interest due on July 2, 2001. This default also constituted a default under substantially all other indebtedness of Arch and its direct and

indirect subsidiaries. Due to this default, Arch's lenders currently have the right, if they so elect, to declare the entire amount of principal and interest to be immediately due and payable, to seek foreclosure upon Arch's assets, to file a bankruptcy petition against Arch or to pursue other remedies. As a result, Arch has reclassified its debt to current liabilities. Subsequent to August 2, 2001, Arch has not made any interest payments on its other outstanding notes or its credit facility. Interest payments due prior to September 30, 2001 which have not been paid total $50.3 million.

(d) Divisional Reorganization - As of September 30, 2001, 1,268 former Arch and MobileMedia employees had been terminated due to the MobileMedia and PageNet integrations and a previous divisional reorganization. Arch's restructuring activity as of September 30, 2001 is as follows (in thousands):

	Reserve Balance at December 31, 2000	Reserve Adjustment in 2001	Utilization of Reserve in 2001	Remaining Reserve
Severance costs..................	$ 2,957	$ 1,960	$ 4,917	$ --
Lease obligation costs...........	10,776	--	4,650	6,126
Other costs......................	162	--	158	4
Total........................	$ 13,895	$ 1,960	$ 9,725	$ 6,130

(e) PageNet Acquisition Reserve - As of September 30, 2001, 1,628 former PageNet employees had been terminated. Arch's restructuring activity as of September 30, 2001 is as follows (in thousands):

	Reserve Balance at December 31, 2000	Reserve Adjustment in 2001	Utilization of Reserve in 2001	Remaining Reserve
Severance costs..................	$ 36,767	$ 10,900	$ 37,143	$ 10,524
Lease obligation costs...........	9,264	11,062	6,326	14,000
Other costs......................	500	--	362	138
Total........................	$ 46,531	$ 21,962	$ 43,831	$ 24,662

(f) Nextel Agreement - In January 2001, Arch agreed to sell its 900 MHz SMR (Specialized Mobile Radio) licenses to Nextel Communications, Inc. Nextel acquired the SMR licenses for an aggregate purchase price of $175 million and invested approximately $75 million in a new equity issue, Arch series F 12% redeemable cumulative junior preferred stock. The transaction was completed in two stages. In February 2001, Nextel advanced $250 million in the form of a secured loan in the principal amount of $175 million and an unsecured loan in the principal amount of $75 million to a newly created, stand-alone Arch subsidiary that held the SMR licenses pending FCC regulatory approval of their transfer. The new Arch subsidiary was not permitted to engage in any business other than ownership and maintenance of the SMR licenses and did not have any liability or obligation with respect to any of the debt obligations of Arch or its subsidiaries. In May 2001, upon transfer of the SMR licenses to Nextel, the

principal amount of the secured loan was offset against the $175.0 million aggregate purchase price for the SMR licenses, and the principal amount of the unsecured loan was exchanged for shares of series F preferred stock. Accrued interest on the secured and unsecured loans was also paid in series F preferred stock.

Arch acquired the SMR licenses as part of its acquisition of PageNet in November 2000. In accordance with the purchase method of accounting, the SMR licenses were recorded at their fair value of $175.0 million and were included in the Purchased Federal Communications Commission licenses balance in Note (b) above.

(g) Debt Exchanged for Equity - In the six months ended June 30, 2001, Arch issued 18,905,989 shares of Arch common stock in exchange for $50.8 million accreted value ($51.0 million maturity value) of its senior discount notes. Arch recorded an extraordinary gain of $34.2 million on the early extinguishment of debt as a result of these transactions.

(h) Series F Redeemable Cumulative Junior Preferred Stock - In May 2001, in connection with the Nextel transactions discussed in Note (f) above, Arch issued 793,219 shares of series F preferred stock. The series F preferred stock: (i) is convertible into Arch common stock at a conversion price equal to the then prevailing market price of the common stock per share, subject to certain adjustments; (ii) bears dividends at an annual rate of 12.0%, (A) payable quarterly in cash or, at Arch's option, through the issuance of shares of Arch common stock valued at the then prevailing market price or (B) if not paid quarterly, accumulating and payable upon redemption or conversion of the series F preferred stock or liquidation of Arch; (iii) must be redeemed on the tenth anniversary of the date of issuance, at Arch's option, for cash or converted into Arch common stock valued at the then prevailing market price of Arch common stock, so long as the common stock remains listed on a national securities exchange; (iv) is subject to redemption for cash or conversion into Arch common stock at Arch's option in certain circumstances; (v) in the event of a "Change of Control" as defined, requires Arch, at its option, to redeem the series F preferred stock for cash or convert such shares into Arch common stock valued at the then prevailing market price of Arch common stock, with such cash redemption or conversion being at a price equal to 101% of the sum of the original purchase price plus accumulated dividends; (vi) limits certain mergers or asset sales by Arch; and (vii) has certain voting and preemptive rights.

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(i) Derivative Instruments and Hedging Activities - In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 133 "Accounting for Derivative Instruments and Hedging Activities". SFAS No. 133 requires that every derivative instrument be recorded on the balance sheet as either an asset or liability measured at its fair value and that changes in the derivative's fair value be recognized in earnings. Arch adopted this standard effective January 1, 2001. Arch has not designated any of the outstanding derivatives as a hedge under SFAS No. 133. The initial application of SFAS No. 133 resulted in a $6.8 million charge, which was reported as the cumulative effect of a change in accounting principle. This charge represents the impact of initially recording the derivatives at fair value as of January 1, 2001. The changes in fair value of the derivative instruments have been recognized in other expense. Arch recorded other expense of approximately $14.6 million related to the changes in fair value of the derivatives during the nine months ended September 30, 2001.

(j) Segment Reporting - Arch has determined that it has three reportable segments: traditional paging operations, two-way messaging operations and international operations. Management makes operating decisions and assesses

individual performances based on these segments. The traditional paging operations consist of the provision of paging and other one-way wireless messaging services to Arch's U.S. customers. Two-way messaging operations consist of the provision of two-way wireless messaging services to Arch's U.S. customers. International operations consist of the operations of Arch's Canadian subsidiary.

Each of these segments incur, and are charged, direct costs associated with their separate operations. Common costs shared by the traditional paging and two-way messaging operations are allocated based on the estimated utilization of resources using various factors that attempt to mirror the true economic cost of operating each segment.

Arch did not begin to market and sell its two-way messaging products on a commercial scale until August 2000. Arch's Canadian subsidiary was acquired in November 2000 in the PageNet acquisition. Prior to 2000, substantially all of Arch's operations were traditional paging operations. The following tables present segment financial information related to Arch's segments for the periods indicated (in thousands):

	Traditional Paging Operations	Two-way Messaging Operations	Internatio Operatio
THREE MONTHS ENDED SEPTEMBER 30, 2001			
Revenues	$ 247,030	$ 29,455	$ 4,8
Depreciation and amortization expense	46,339	20,925	1,3
Operating income (loss)	8,388	(20,601)	(8
Adjusted EBITDA(1)	62,182	324	5
Total assets	445,416	228,805	22,2
Capital expenditures	8,091	16,791	5
THREE MONTHS ENDED SEPTEMBER 30, 2000			
Revenues	$ 183,291	$ 901	$
Depreciation and amortization expense	84,930	842	
Operating income (loss)	(22,079)	(4,919)	
Adjusted EBITDA(1)	62,851	(4,077)	
Total assets	1,178,907	17,060	
Capital expenditures	19,551	7,441	

	Traditional Paging Operations	Two-way Messaging Operations	Internatio Operatio
NINE MONTHS ENDED SEPTEMBER 30, 2001			
Revenues	$ 828,517	$ 69,026	$ 14,5
Depreciation and amortization expense	1,442,364	48,750	45,4
Operating income (loss)	(1,206,881)	(62,766)	(43,5
Adjusted EBITDA(1)	242,938	(14,016)	1,9
Total assets	445,416	228,805	22,2
Capital expenditures	51,954	45,924	2,1
NINE MONTHS ENDED SEPTEMBER 30, 2000			
Revenues	$ 560,996	$ 1,043	$

Depreciation and amortization expense......	265,329	1,032
Operating income (loss)...................	(72,941)	(9,688)
Adjusted EBITDA(1)........................	192,388	(8,656)
Total assets..............................	1,178,907	17,060
Capital expenditures......................	91,497	18,092

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING STATEMENTS

This quarterly report on Form 10-Q contains forward-looking statements. For this purpose, any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, the words "believes", "anticipates", "plans", "expects" and similar expressions are intended to identify forward-looking statements. There are a number of important factors that could cause Arch's actual results to differ materially from those indicated or suggested by such forward-looking statements. These factors include, without limitation, those set forth below under the caption "Factors Affecting Future Operating Results".

RESULTS OF OPERATIONS

Revenues increased to $281.3 million, a 52.7% increase, and $912.1 million, a 62.3% increase, for the three and nine months ended September 30, 2001, respectively, from $184.2 million and $562.0 million for the three and nine months ended September 30, 2000, respectively, as the number of units in service increased from 6.4 million at September 30, 2000 to 9.4 million at September 30, 2001 due to the acquisition of PageNet in November 2000. Net revenues (revenues less cost of products sold) increased to $271.7 million, a 54.8% increase, and $879.9 million, a 64.1% increase, for the three and nine months ended September 30, 2001, respectively, from $175.6 million and $536.1 million for the corresponding periods in 2000. Revenues and net revenues in the three and nine months ended September 30, 2000 and 2001 were adversely affected by (i) the declining demand for traditional paging services and (ii) subscriber cancellations, which led to a decrease of 809,000 and 2,468,000 units in service for the three and nine months ended September 30, 2001, respectively.

For the three and nine months ended September 30, 2001, two-way messaging revenues were $29.5 million, 10.5% of total revenue, and $69.0 million, 7.6% of total revenue, respectively. Two-way messaging net revenues were $24.6 million, 9.1% of total net revenue, and $58.1 million, 6.6% of total net revenue, respectively. The Company did not begin to sell its two-way messaging products and services on a commercial scale until August 2000. Two-way units in service increased from 25,000 at September 30, 2000 to 320,000 at September 30, 2001.

Revenues consist primarily of recurring revenues associated with the provision of messaging services, rental of leased units and product sales. Product sales represented less than 10% of total revenues for the three and nine months ended September 30, 2000 and 2001. Arch does not differentiate between service and rental revenues.

Arch believes the demand for traditional messaging services declined in 2000 and in the first nine months of 2001, and will continue to decline in the foreseeable future. Arch believes that any element of future growth in the wireless messaging industry will be attributable to two-way messaging. As a result, Arch expects to continue to experience significant declines of units in service during 2001 and 2002, as Arch's addition of two-way messaging subscribers will likely be exceeded by its loss of traditional messaging subscribers.

Service, rental and maintenance expenses, which consist primarily of telephone, third party carrier fees, site rental expenses and repairs and maintenance expenses, increased to $76.1 million, or 28.0% of net revenues, and $233.6 million, or 26.6% of net revenues, in the three and nine months ended September 30, 2001, respectively, from $38.8 million, or 22.1% of net revenues, and $115.7 million, or 21.6% of net revenues in the corresponding periods in 2000. The increase in dollar amount was due to the acquisition of PageNet in November 2000. Since many of these costs are fixed in the short term, Arch has not been able to reduce its service, rental and maintenance expenses at the same rate of decline as units in service and net revenues, resulting in an increase as a percentage of net revenues. For the three and nine months ended September 30, 2001, there were $12.1 million and $34.7 million, respectively, of service, rental and maintenance expenses associated with the provision of two-way messaging and information services, compared to $1.5 million and $3.7 million, respectively, for the three and nine months ended September 30, 2000.

Selling expenses increased to $35.6 million, or 13.1% of net revenues, and $111.3 million, or 12.6% of net revenues, for the three and nine months ended September 30, 2001, respectively, from $24.4 million, or 13.9% of net revenues, and $73.8 million, or 13.8% of net revenues, for the corresponding periods in 2000. The increase in dollar amount was due to the acquisition of PageNet. Selling expenses related to two-way messaging and information services were $9.3 million and $26.1 million for the three and nine months ended September 30, 2001, respectively, compared to $2.2 million and $2.3 million for the three and nine months ended September 30, 2000.

General and administrative expenses increased to $97.0 million, or 35.7% of net revenues, and $304.2 million, or 34.6% of net revenues, for the three and nine months ended September 30, 2001, respectively, from $53.6 million, or 30.6% of net revenues, and $162.9 million, or 30.4% of net revenues for the corresponding periods in 2000. The increase was due to increased headcount, administrative and facility costs associated with PageNet. General and administrative expenses associated with the provision of two-way messaging and information services were $3.0 million and $11.3 million in the three and nine months ended September 30, 2001, respectively, compared to $1.3 million and $3.7 million in the corresponding periods in 2000.

Depreciation and amortization expense increased to $1,536.6 million in the nine months ended September 30, 2001 from $266.4 million in the nine months ended September 30, 2000. The increase was principally due to a $976.2 million impairment charge, recorded in June 2001, related to certain one-way paging equipment, computer equipment and intangible assets. See Note (b) to the Consolidated Condensed Financial Statements. The remaining increase in these expenses reflects the acquisition of PageNet. As a result of the impairment charge in the second quarter, depreciation and amortization expenses decreased to $68.6 million in the three months ended September 30, 2001 from $85.8 million in the three months ended September 30, 2000.

Operating losses were $13.0 million and $1,313.2 million for the three and nine months ended September 30, 2001, respectively, compared to $27.0 million and $82.6 million in the three and nine months ended September 30, 2000, respectively, as a result of the factors outlined above.

Net interest expense increased to $65.9 million and $182.5 million for the three and nine months ended September 30, 2001, respectively, from $36.6 million and $113.3 million for the corresponding periods in 2000. The increase was principally attributable to an increase in Arch's outstanding debt due to the PageNet acquisition. Interest expense for the nine months ended September 30, 2000 and 2001 included approximately $19.2 million and $30.3 million, respectively, of accretion on assumed bank debt and Arch's senior debt, the payment of which was deferred.

Other expense increased to $14.3 million and $30.8 million for the three and nine months ended September 30, 2001, respectively, from $269,000 and $2.3 million for the three and nine months ended September 30, 2000. In 2001, other expense includes a $14.6 million charge related to changes in the market value of certain interest rate swaps which have not been designated as a hedge for accounting purposes and a $7.5 million charge resulting from the write-off of a note receivable from Vast Solutions, Inc., which filed for bankruptcy in April 2001.

For the nine months ended September 30, 2001, Arch recognized extraordinary gains of $34.2 million, on the retirement of debt exchanged for Arch stock. For the nine months ended September 30, 2000, Arch recognized extraordinary gains of $52.1 million, on the retirement of debt exchanged for Arch stock.

Arch recognized an income tax benefit of $500,000 and $118.5 million for the three and nine months ended September 30, 2001, respectively. The benefit represented the tax benefit of operating losses incurred subsequent to the acquisition of PageNet, which were available to offset deferred tax liabilities arising from the PageNet acquisition.

On January 1, 2001, Arch adopted SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities". SFAS No. 133 requires that every derivative instrument be recorded in the balance sheet as either an asset or liability measured at its fair value and that changes in the derivative's fair value be recognized in earnings. Initial application of SFAS No. 133 resulted in a $6.8 million charge in the quarter ended March 31, 2001, which was reported as the cumulative effect of a change in accounting principle. This charge represents the impact of initially recording the derivatives at fair value as of January 1, 2001.

Net loss increased to $92.7 million and $1,380.6 million for the three and nine months ended September 30, 2001, from $63.9 million and $146.2 million for the corresponding periods in 2000, as a result of the factors outlined above.

LIQUIDITY AND CAPITAL RESOURCES

Arch is evaluating options to restructure its debt in light of its inability to make required principal and interest payments under its secured credit facility and outstanding notes. These options include filing for protection under Chapter 11 of the U.S. Bankruptcy Code. Arch's inability to pay required principal and interest payments arises primarily from the lack of sufficient cash flow from operations. Arch is in default under its secured credit facility and substantially all of its other indebtedness. The defaults result primarily from the nonpayment of approximately $67.7 million of interest as of November 14, 2001. Arch's lenders currently have the right, if they so elect, to declare the entire amount of principal and interest, approximately $1.8 billion as of November 1, 2001, to be immediately due and payable.

Cash Flow

Arch's business strategy requires the availability of substantial funds to finance capital expenditures for messaging devices and system equipment and to service debt. Arch's net cash flows from operating, investing and financing activities for the nine months ended September 30, 2001 and 2000 were as follows (in millions):

	Nine Months Ended September 30, 2001	2000
Net cash provided by operating activities............	$ 12.9	$ 75.0
Net cash provided by (used in) investing activities...	$ 75.1	$ (109.6)
Net cash (used in) provided by financing activities...	$ (95.2)	$ 35.4

Investing activities in 2001 included a cash inflow of $175.0 million for specialized mobile radio licenses sold to Nextel offset by $100.0 of capital expenditures. Financing activities in 2001 include an investment of $75.0 million by Nextel in Arch series F preferred stock and borrowings by Arch's Canadian subsidiary of approximately $7.9 million, offset by the repayment of $178.1 million of long-term debt, including $175.2 million under the secured credit facility.

Investing activities in 2000 consisted only of capital expenditures. Financing activities in 2000 included net borrowings of $35.0 million and the sale of $354,000 of Arch common stock.

Capital Expenditures and Commitments

Arch's capital expenditures decreased from $109.6 million for the nine months ended September 30, 2000 to $100.0 million for the nine months ended September 30, 2001. These capital expenditures primarily include the purchase of wireless messaging devices, system and transmission equipment, information systems and capitalized financing costs. Arch generally has funded its capital expenditures with net cash provided by operating activities and the incurrence of debt. Arch estimates that capital expenditures for 2001 will be approximately $125 million. If its indebtedness is appropriately restructured such that interest expense is substantially reduced, Arch believes that it will have sufficient cash available from operations and the proceeds of the Nextel transaction, as described below, to fund its capital expenditures.

Sources of Funds

Sale of SMR Licenses

In January 2001, Arch announced an agreement with Nextel Communications, Inc. to sell its Specialized Mobile Radio (SMR) licenses to Nextel for an aggregate purchase price of $175 million. Concurrent with this transaction, Nextel agreed to invest approximately $75 million in Arch series F preferred stock.

Pursuant to these transactions, in February 2001, Nextel advanced $250 million to Arch in the form of a $175 million loan, which was secured by a lien on certain of the assets of the Arch subsidiary which owned the SMR licenses and by a guaranty from another Arch subsidiary, and a $75 million unsecured loan. Upon receipt of regulatory approvals in May 2001, the SMR licenses were transferred to Nextel and the principal amount of the secured loan was offset against the $175 million aggregate purchase price for the SMR licenses, and the

principal amount of the unsecured loan was exchanged for shares of Arch series F preferred stock. Accrued interest on these loans was also paid in shares of series F preferred stock.

Arch used $175.2 million of the proceeds from these transactions to prepay all required 2001 amortization payments under its senior credit facility. The remaining $74.8 million of proceeds was available for working capital purposes. At September 30, 2001, Arch had approximately $47.5 million of cash on hand and no additional borrowing capacity under its senior credit facility.

Arch believes that based on its current cash position and projected requirements, it will have sufficient cash to fund operations for the next twelve months, provided Arch defers interest payments due on its outstanding indebtedness. However, Arch is in default under its secured credit facility and outstanding notes. See Note (c) to the Consolidated Condensed Financial Statements.

Equity Issued in Exchange for Debt

In the first half of 2001, Arch issued 18,905,989 shares of Arch common stock in exchange for $50.8 million accreted value ($51.0 million maturity value) of its 107/8% senior discount notes. See Note (g) to the consolidated condensed financial statements.

FACTORS AFFECTING FUTURE OPERATING RESULTS

The following important factors, among others, could cause Arch's actual operating results to differ materially from those indicated or suggested by forward-looking statements made in this Form 10-Q or presented elsewhere by Arch's management from time to time.

Unless Arch succeeds in restructuring its outstanding indebtedness, it will not be able to continue as a going concern.

Arch's ability to continue as a going concern is dependent upon its ability to restructure its existing debt such that interest expense is substantially reduced. In July 2001, Arch announced the withdrawal of its previously announced proposal to restructure its outstanding debt and the withdrawal of its previous financial projections, primarily due to lower than expected operating results in the second quarter of 2001. The lower than anticipated operating results will negatively impact future operating results and projected year-end liquidity and made the previously proposed restructuring infeasible. On November 9, 2001, certain holders of 12 3/4% senior notes of Arch Wireless Communications, Inc. ("AWCI"), a wholly-owned subsidiary of Arch, commenced an involuntary proceeding under Chapter 11 of the U.S. Bankruptcy code against AWCI. AWCI until December 10, 2001 to respond to this involuntary proceeding, and is currently evaluating its legal options. Arch will also consider the implications of this filing against AWCI for it and its other subsidiaries. Arch continues to update its business plan and projections to take into account its second and third quarter results and evaluate its restructuring options. These options include voluntary filings for protection under Chapter 11 of the U.S. Bankruptcy Code. Arch cannot predict the outcome of the involuntary petition against AWCI, the effects the involuntary petition will have on it and its other subsidiaries, or whether it will be successful in its restructuring efforts.

Arch's financial results and lack of additional sources of liquidity indicate that it will not be able to continue as a going concern unless it restructures its existing debt such that interest expense is substantially reduced. Furthermore, Arch is in default under its secured credit facility and

substantially all of its other indebtedness, primarily due to nonpayment of approximately $67.7 million of interest as of November 14, 2001. Due to this default, Arch's lenders currently have the right, if they so elect, to declare the entire amount of principal and interest to be immediately due and payable, to seek foreclosure upon Arch's assets, to file a bankruptcy petition against Arch or to pursue other remedies. Any of these developments would have a material adverse effect on Arch's business operations, liquidity, cash flows and ability to continue as a going concern. Arch is currently leveraged to a substantial degree. Arch's ratio of total debt to latest three month annualized adjusted earnings before interest, income taxes, depreciation and amortization was 7.0 to 1 as of September 30, 2001. Adjusted earnings before interest, income taxes, depreciation and amortization is not a measure defined by generally accepted accounting principles and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with generally accepted accounting principles. Adjusted earnings before interest, income taxes, depreciation and amortization, as determined by Arch, may not necessarily be comparable to similarly titled data of other wireless messaging companies.

Arch's current debt structure:

- requires Arch to make interest payments and scheduled repayments of principal of approximately $1.4 billion through June 2006; and
- impairs Arch's ability to obtain additional financing necessary for working capital, capital expenditures or other purposes on acceptable terms, if at all.

Recent declines in Arch's units in service are likely to continue or even accelerate; this trend is likely to impair Arch's financial results.

For the three months ended December 31, 2000, Arch experienced a decrease of 1,502,000 units in service; 504,000 due to subscriber cancellations and 998,000 due to definitional changes. For the three months ended March 31, June 30, and September 30, 2001, Arch experienced further decreases of units in service due to subscriber cancellations of 784,000, 875,000 and 809,000, respectively. Arch believes the demand for traditional messaging services declined in 2000 and will continue to decline in the following years and that future growth in the wireless messaging industry will be attributable to two-way messaging. As a result, Arch expects to continue to experience significant decreases in units in service for the foreseeable future as Arch's addition of two-way messaging subscribers will likely be exceeded by its loss of traditional messaging subscribers.

Cancellation of units in service can significantly affect the results of operations of wireless messaging service providers. The sales and marketing costs associated with attracting new subscribers are substantial compared to the

costs of providing service to existing customers. Because the wireless messaging business is characterized by high fixed costs, cancellations directly and adversely affect earnings before interest, income taxes, depreciation and amortization. Primarily as a result of the decline in its one-way messaging operations, Arch recorded an impairment charge of $976.2 million in the carrying value of certain one-way paging equipment, computer equipment and intangible assets during the second quarter of 2001.

Competition from larger telephone, cellular and PCS companies is intensifying and may reduce Arch's revenues and adjusted earnings before interest, income taxes, depreciation and amortization.

Wireless messaging companies like Arch, whose units in service have been

declining, increasingly compete for market share against large telephone, cellular and PCS providers like AT&T Wireless, Cingular, MCI/WorldCom, Sprint PCS, Verizon and Nextel. Arch will also compete with other messaging companies that continue to offer traditional and two-way messaging services. Some competitors possess greater financial, technical and other resources than those available to Arch. If any of such competitors were to devote additional resources to their wireless messaging business or focus on Arch's historical business segments, they could secure Arch's customers and reduce demand for its products. This could materially reduce Arch's revenues and earnings before interest, income taxes, depreciation and amortization and have a material adverse effect on earnings before interest, income taxes, depreciation and amortization.

The future growth and profitability of Arch depends on the success of its two-way messaging services. However, mobile, cellular and PCS telephone companies have introduced phones and services with substantially the same features and functions as the two-way messaging products and services provided by Arch, and have priced such devices and services competitively.

Arch's two-way messaging services compete with other available mobile wireless services, which have already demonstrated high levels of market acceptance, including cellular, PCS and other mobile phone services. Many of these other mobile wireless phone services now include wireless messaging as an adjunct service or may replace two-way messaging services entirely. It is less expensive for an end user to enhance a cellular, PCS or other mobile phone with modest data capability than to use both a mobile phone and a pager. This is because the nationwide cellular, PCS and other mobile phone carriers have subsidized the purchase of mobile phones more heavily and because prices for mobile wireless services have been declining rapidly. In addition, the availability of coverage for these services has increased, making the two types of service and product offerings more comparable. Thus, companies other than Arch seeking to provide wireless messaging services may be able to bring their products to market faster or in packages of products that consumers and businesses find more valuable than those to be provided by Arch. If this occurs, Arch's market share will erode and financial operations will be impaired.

Arch may need additional capital to expand its business and will need to restructure existing debt, which could be difficult to achieve. Failure to obtain additional capital may preclude Arch from developing or enhancing its products, taking advantage of future opportunities, growing its business or responding to competitive pressures.

Arch's business strategy requires substantial funds to be available to finance the continued development and future growth and expansion of its operations, including the development and implementation of two-way messaging services. Arch's future capital requirements will depend on factors that include:

- subscriber growth;
- the type of wireless messaging devices and services demanded by customers;
- technological developments;
- competitive conditions;
- the nature and timing of Arch's strategy for developing technical resources to provide two-way messaging services; and
- acquisition strategies and opportunities.

Revenues and operating results may fluctuate, leading to fluctuations in trading prices and possible liquidity problems.

Arch believes that future fluctuations in its revenues and operating results

will occur due to many factors, particularly the decreased demand for traditional messaging services and the uncertain market for two-way messaging services. Arch's current and planned expenses and debt repayment levels, are to a large extent, fixed in the short term, and are based in part on past expectations as to future revenues and cash flow growth. Arch may be unable to adjust spending in a timely manner to compensate for any past or future revenue or cash flow shortfall.

Continued net losses are likely and Arch cannot predict whether it will ever be profitable.

Arch has reported net losses in the past. Arch expects that it will continue to report net losses and cannot give any prediction about when, if ever, it is likely to attain profitability. However, the impairment charge recorded in June 2001 will result in lower depreciation and amortization expenses in future periods, therefore Arch's net losses are expected to decrease in the future. Many of the factors that will determine whether or not Arch attains profitability are inherently difficult to predict. These include the decreased demand for traditional messaging services and the uncertain market for two-way messaging services which compete against services offered by telephone, cellular and PCS providers, new service developments and technological change.

Obsolescence in company-owned units may impose additional costs on Arch.

Technological change may adversely affect the value of the units owned by Arch that are leased to its subscribers. If Arch's current subscribers request more technologically advanced units, including two-way messaging devices, Arch could incur additional inventory costs and capital expenditures if required to replace units leased to its subscribers within a short period of time. Such additional costs or capital expenditures could have a material adverse effect on Arch's results of operations.

Because Arch depends on Motorola for devices and on Glenayre for other equipment, Arch's operations may be disrupted if it is unable to obtain equipment from them in the future.

Arch does not manufacture any of the equipment customers need to take advantage of its services. It is dependent primarily on Motorola, Inc. to obtain sufficient equipment inventory for new subscribers and replacement needs and on Glenayre Electronics, Inc. for sufficient terminals and transmitters to meet its replacement requirements. Arch will seek other sources for terminals and transmitters to meet its expansion requirements, since Glenayre has announced it will discontinue its network infrastructure operations. Significant delays in obtaining any of this equipment, could lead to disruptions in operations and adverse financial consequences. Arch's purchase agreement with Motorola for messaging devices expires on November 15, 2001. There can be no assurance that the agreement with Motorola for messaging devices will be renewed or, if renewed, that the renewed agreement will be on terms and conditions as favorable to Arch as those under the current agreement.

On March 21, 2001, Arch entered into an agreement with Glenayre, under which Glenayre agreed to develop and license to Arch, under a perpetual, enterprise wide license, software to enable Arch to upgrade its two-way network to significantly increase network capacity and reduce latency. On June 8, 2001, Glenayre announced plans to discontinue operations of its wireless messaging business unit, but, in accordance with its contractual commitments, would complete development of the network technology that is the subject of the agreement with Arch. On June 29, 2001, Glenayre sent Arch a notice claiming that Arch was in default of the agreement for failure to reimburse Glenayre for certain sales taxes which Glenayre allegedly paid in connection with the agreement. Arch disputes that it is obligated to reimburse Glenayre for the full amount claimed and withheld the disputed portion of the payment. Glenayre sent a

subsequent letter on July 29, 2001, purporting to terminate the agreement with Arch. Arch disputes that the termination was effective, but nevertheless, reserving its rights, paid Glenayre the full amount claimed by it. Arch believes that the agreement continues in full force and effect. Arch does not know if Glenayre continues to believe that the agreement was effectively terminated. If Glenayre ceases to perform and Arch is unable to secure alternative sources for network upgrades, the resulting disruption in Arch's business could have a material adverse affect on Arch's results of operations.

Arch relies on third parties to provide satellite transmission for some aspects of its wireless messaging services. To the extent there are satellite outages or if satellite coverage is impaired in other ways, Arch may experience a loss of service until such time as satellite coverage is restored, which could have a material adverse effect due to customer complaints.

Restrictions under debt instruments prevent Arch from declaring dividends, incurring or repaying debt, making acquisitions, altering lines of business or taking actions which its management may consider beneficial.

Various debt instruments impose operating and financial restrictions on Arch. Arch's credit facility requires various operating subsidiaries to maintain specified financial ratios, including a maximum leverage ratio, a minimum interest coverage ratio, a minimum debt service coverage ratio and a minimum fixed charge coverage ratio. It also limits or restricts, among other things, Arch's operating subsidiaries' ability to:

- declare dividends or repurchase capital stock;
- incur or pay back indebtedness;
- engage in mergers, consolidations, acquisitions and asset sales; or
- alter its lines of business or accounting methods, even though these actions would otherwise benefit Arch.

In addition to the specific risks described above, an investment in Arch is also subject to many risks which affect all companies, or all companies in its industry.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Arch's debt financing primarily consists of senior bank debt and fixed rate senior notes.

SENIOR SECURED DEBT, VARIABLE RATE DEBT:

Borrowings outstanding under Arch's credit facility are secured by substantially all of Arch's assets. Arch's senior bank debt trades on a limited basis, therefore the fair value at September 30, 2001 was determined with reference to market quotes. Arch considers the fair value of the Canadian bank debt to be equal to the carrying value since it has never traded and the related facilities bear a current market rate of interest.

Principal Balance	Fair Value	Weighted Average Interest Rate	Scheduled Maturity	Interest Payments Due
$1.120 billion	$167.9 million	10.8%	2006	Quarterly
$67.8 million	$67.8 million	6.6%	2004	Quarterly

Arch's credit facility bears interest at floating rates and matures in 2006 and is therefore subject to risks associated with changes in interest rates. To the extent there are fluctuations in the agent bank's alternate base rate or LIBOR,

Arch's annual interest expense would increase or decrease by $2.8 million for each 1/4% fluctuation.

SENIOR SUBORDINATED NOTES, FIXED RATE DEBT:

Arch's fixed rate senior notes are traded publicly and are subject to market risk. The fair values of the fixed rate senior notes were based on current market quotes as of September 30, 2001.

Principal Balance	Fair Value	Stated Interest Rate	Scheduled Maturity
$113.1 million	$ --	10 7/8%	2008
$125.0 million	$6.3 million	9 1/2%	2004
$100.0 million	$5.0 million	14%	2004
$130.0 million	$650 thousand	12 3/4%	2007
$147.0 million	$735 thousand	13 3/4%	2008

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On November 9, 2001, certain holders of 12-3/4% Senior Notes due 2007 of Arch Wireless Communications, Inc. ("AWCI"), a subsidiary of Arch, commenced an involuntary case under Chapter 11 of the United States Bankruptcy Code against AWCI. The petition requesting an order for relief under Chapter 11 was filed in United States District Court, District of Massachusetts, where the case is now pending. AWCI has until December 10, 2001 to respond to the filing of this involuntary proceeding and is currently evaluating its legal options.

Arch is involved in a number of law suits which it does not believe will have a material adverse effect on its financial condition.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

As reported in the quarterly report for the three months ended March 31, 2001, Arch issued and sold 1,015,000 shares of its series F 12% redeemable cumulative junior preferred stock to AWI Spectrum Co., LLC, an indirect subsidiary of Arch, in connection with the sale of the SMR licenses to Nextel Communications, Inc. discussed in Item 2 of Part I of this report under the caption "Liquidity and Capital Resources--Sources of Funds." In May 2001, AWI Spectrum Co., LLC delivered to Nextel (1) 43,219 shares of series F preferred stock in satisfaction of the accrued interest on the secured loan issued in connection with the sale and (2) 750,000 shares of series F preferred stock in satisfaction of the principal amount and accrued interest under the unsecured loan issued in connection with the sale.

The shares of series F preferred stock were offered and sold without registration under the Securities Act of 1933 in reliance on the exemptions provided by Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

On July 2, 2001, Arch Wireless Communications, Inc. ("AWCI"), a subsidiary of Arch, announced that it was deferring an interest payment of approximately $8,287,500 which was due on July 2, 2001 under AWCI's outstanding 12 3/4% Senior Notes due 2007. AWCI also announced that if it did not pay the interest payment within 30 days, it would be in default under the indenture governing the 12 3/4% notes, which would also then constitute a default under substantially all indebtedness of Arch and its direct and indirect subsidiaries.

On August 2, 2001, AWCI announced that it had deferred an interest payment of approximately $5,937,500 which was due on August 1, 2001 under AWCI's 9 1/2% Senior Notes due 2004.

On August 27, 2001, Arch announced that Arch Wireless Holdings, Inc ("AWHI"), a subsidiary of AWCI, had defaulted under its credit facility for nonpayment of interest due August 21, 2001

As of the date of the filing of this report, the total arrearage relating to these defaults is approximately $67.7 million.

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

None.

ITEM 5. OTHER INFORMATION

Stockholder Proposals for 2002 Annual Meeting

As set forth in the Company's Proxy Statement for its 2001 Annual Meeting of Stockholders, stockholder proposals submitted pursuant to Rule 14a-8 under the Exchange Act for inclusion in the Company's proxy materials for its 2002 Annual Meeting of Stockholders must be received by the Secretary of the Company at the principal offices of the Company no later than December 10, 2001.

In addition, the Company's By-laws require that the Company be given advance notice of stockholder nominations for election to the Company's Board of Directors and of other matters which stockholders wish to present for action at an annual meeting of stockholders (other than matters included in the Company's proxy statement in accordance with Rule 14a-8). The required notice must be made in writing and delivered or mailed to the Secretary of the Company at the principal offices of the Company, and received not less than 80 days prior to the 2001 Annual Meeting; provided, however, that if less than 90 days' notice or prior public disclosure of the date of the meeting is given or made to stockholders, such nomination shall have been mailed or delivered to the Secretary not later than the close of business on the 10th day following the date on which the notice of the meeting was mailed or such public disclosure was made, whichever occurs first. The 2002 Annual Meeting is currently expected to be held on May 23, 2002. Assuming that this date does not change, in order to comply with the time periods set forth in the Company's By-Laws, appropriate notice would need to be provided no later than March 3, 2002.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) The exhibits listed on the accompanying index to exhibits are filed as part of this Quarterly Report on Form 10-Q.

(b) The following reports on Form 8-K were filed for the quarter for which this report is filed:

Current Report on Form 8-K dated July 2, 2001 (reporting, under item 5, that Arch Wireless Communications, Inc. was deferring an interest payment due under its 12 3/4% notes), filed July 2, 2001.

Current Report on Form 8-K dated July 12, 2001 (reporting, under item 5, that the Bank of New York believed that it was in default under Arch Wireless Holdings, Inc.'s credit facility), filed July 13, 2001.

Current Report on Form 8-K dated August 2, 2001 (reporting, under items 5 and 7, that Arch Wireless Communications, Inc. defaulted under its 12 3/4% notes for nonpayment of interest due July 2, 2001), filed August 2, 2001.

Current Report on Form 8-K dated August 24, 2001 (reporting, under item 5, that Arch Wireless Holdings, Inc. defaulted under its credit facility for nonpayment of interest due August 21, 2001), filed August 27, 2001.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report on Form 10-Q for the quarter ended September 30, 2001, to be signed on its behalf by the undersigned thereunto duly authorized.

ARCH WIRELESS, INC.

Dated: November 14, 2001

By: /s/ J. Roy Pottle

J. Roy Pottle

Executive Vice President and
Chief Financial Officer

INDEX TO EXHIBITS

EXHIBIT	DESCRIPTION
+10.1*	Executive Employment Agreement between Arch Wireless, Inc, and Lyndon R. Daniels

* Filed herewith

+Identifies exhibit constituting a management contract or compensation plan.