JOYCE

JACOBS

ATTORNEYS AT LAW, LLP

December 2, 1999

via Federal Express

Bill Talbott, Executive Director
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Metrocall, Inc. 991811-TI

Dear Mr. Talbott:

Transmitted herewith, on behalf of Metrocall, Inc., please find the original and twelve (12) filing copies of its application for authority to resell interexchange services. Please also find enclosed a check, in the amount of $250.00, to cover the filing fee.

Please also find enclosed an additional copy of the first page of the application. Kindly date-stamp that additional copy, and return it to the undersigned in the enclosed self-addressed, stamped envelope.

Thank you for your attention to this matter. If you have any questions or require additional information concerning these matters, kindly contact the undersigned at (202) 457-0100, or via e-mail at <mclaughlin@jandjlaw.com>.

Sincerely,

Christine McLaughlin

CM/
enc.
M:\CLIENTS\RJ78\FLPSC1202.LTR.wpd

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DOCUMENT NUMBER-DATE
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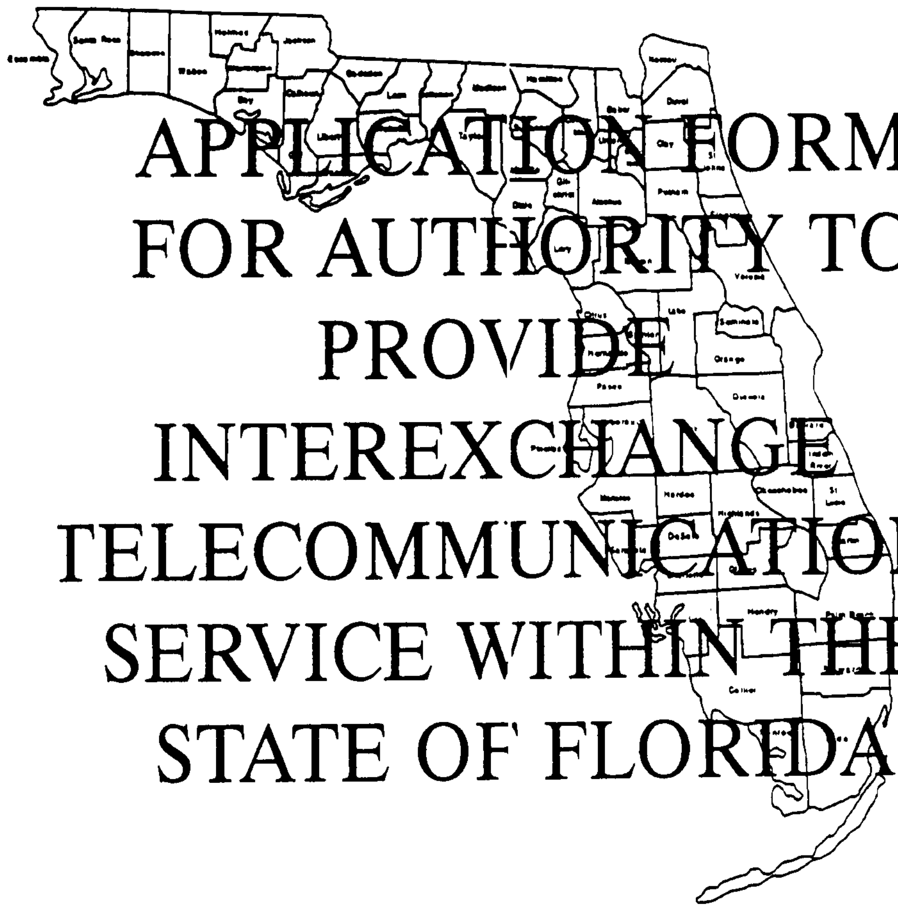
FPSC-RECORDS/REPORTING

ORIGINAL



APPLICATION FORM FOR AUTHORITY TO PROVIDE INTEREXCHANGE TELECOMMUNICATION SERVICE WITHIN THE STATE OF FLORIDA

**** FLORIDA PUBLIC SERVICE COMMISSION ***

DIVISION OF COMMUNICATIONS
BUREAU OF SERVICE EVALUATION

DEPOSIT D216 DATE DEC 03 1999

APPLICATION FORM
for
AUTHORITY TO PROVIDE INTEREXCHANGE TELECOMMUNICATIONS SERVICE WITHIN THE STATE OF FLORIDA

Instructions

A. This form is used for an original application for a certificate and for approval of sale, assignment or transfer of an existing certificate. In case of a sale, assignment or transfer, the information provided shall be for the purchaser, assignee or transferee (See Appendix A).

B. Respond to each item requested in the application and appendices. If an item is not applicable, please explain why.

C. Use a separate sheet for each answer which will not fit the allotted space.

D. If you have questions about completing the form, contact:

Florida Public Service Commission
Division of Communications
Bureau of Service Evaluation
2540 Shumard Oak Blvd.
Gunter Building
Tallahassee, Florida 32399-0850
(904) 413-6600

E. Once completed, submit the original and six (6) copies of this form along with a non-refundable application fee of $250.00 to:

Florida Public Service Commission
Division of Administration
2540 Shumard Oak Blvd.
Gunter Building
Tallahassee, Florida 32399-0850
(904) 413-6251

1. Select what type of business your company will be conducting (check all that apply):

( ) **Facilities based carrier** - company owns and operates or plans to own and operate telecommunications switches and transmission facilities in Florida.

( ) **Operator Service Provider** - company provides or plans to provide alternative operator services for IXCs; or toll operator services to call aggregator locations; or clearinghouse services to bill such calls.

( ) **Reseller** - company has or plans to have one or more switches but primarily leases the transmission facilities of other carriers. Bills its own customer base for services used.

(x) **Switchless Rebiller** - company has no switch or transmission facilities but may have a billing computer. Aggregates traffic to obtain bulk discounts from underlying carrier. Rebills end users at a rate above its discount but generally below the rate end users would pay for unaggregated traffic.

( ) **Multi-Location Discount Aggregator** - company contracts with unaffiliated entities to obtain bulk/volume discounts under multi-location discount plans from certain underlying carriers. Then offers the resold service by enrolling unaffiliated customers.

( ) **Prepaid Debit Card Provider** - any person or entity that purchases 800 access from an underlying carrier or unaffiliated entity for use with prepaid debit card service and/or encodes the cards with personal identification numbers.

2. This is an application for (check one):

( ) **Original Authority** (New company).
( ) **Approval of Transfer** (To another certificated company).
(x) **Approval of Assignment of existing certificate** (To an uncertificated company).
( ) **Approval for transfer of control** (To another certificated company).

3. Name of corporation, partnership, cooperative, joint venture or sole proprietorship:

Metrocall, Inc.

4. Name under which the applicant will do business (fictitious name, etc.):

Metrocall, Inc.

5. National address (including street name & number, post office box, city, state and zip code).

6677 Richmond Highway
Alexandria, VA 22306

6. Florida address (including street name & number, post office box, city, state and zip code):

40 South Palafox Street
Pensacola, FL

7. Structure of organization;

( ) Individual	( ) Corporation
(x) Foreign Corporation	( ) Foreign Partnership
( ) General Partnership	( ) Limited Partnership

( ) Other, ____________________

8. If applicant is an individual or partnership, please give name, title and address of sole proprietor or partners. N/A

(a) Provide proof of compliance with the foreign limited partnership statute (Chapter 620.169 FS), if applicable.

(b) Indicate if the individual or any of the partners have previously been:

(1) adjudged bankrupt, mentally incompetent, or found guilty of any felony or of any crime, or whether such actions may result from pending proceedings.

(2) officer, director, partner or stockholder in any other Florida certificated telephone company. If yes, give name of company and relationship. If no longer associated with company, give reason why not.

9. If incorporated, please give:

(a) Proof from the Florida Secretary of State that the applicant has authority to operate in Florida.

Corporate charter number: F94000000707

(b) Name and address of the company's Florida registered agent.

The Prentice-Hall Corporation System, Inc.
1201 Hays St., Suite 105, Tallahassee, FL 32301

(c) Provide proof of compliance with the fictitious name statute (Chapter 865.09 FS), if applicable. N/A

Fictitious name registration number: ________

(c) Indicate if any of the officers, directors, or any of the ten largest stockholders have previously been:

(1) adjudged bankrupt, mentally incompetent, or found guilty of any felony or of any crime, or whether such actions may result from pending proceedings. No.

(2) officer, director, partner or stockholder in any other Florida certificated telephone company. If yes, give name of company and relationship. If no longer associated with company, give reason why not. No.

10. Who will serve as liaison with the Commission in regard to (please give name, title, address and telephone number):

(a) The application;

Christine McLaughlin, Esq.
1019 19th St., N.W., 14th Floor -PH2, Washington, DC 20036
Tel: (202) 457-0100

(b) Official Point of Contact for the ongoing operations of the company;

Steven Day, Director, Regulatory/Legislative Affairs
(703) 660-6677 (address same as applicant's)

(c) Tariff;

Ralph Johnson, Tax Manager, 6910 Richmond Hwy., Alexandria, VA
(703) 660-6677

(d) Complaints/Inquiries from customers;

Robert Whitmore, General Counsel
(703) 660-6677 (address same as applicant's)

11. List the states in which the applicant:

(a) Has operated as an interexchange carrier.

Metrocall's predecessor, Florida Network USA, Inc. has operated in: AL, AR, CA, CO, CT, FL, GA,IA, KY, MD, MS, NC, OK, PA, SC, TN, TX, WA & WV.

(b) Has applications pending to be certificated as an interexchange carrier.

Metrocall has filed or will file for authority in all of the above states.

(c) Is certificated to operate as an interexchange carrier.

See 11(a)

(d) Has been denied authority to operate as an interexchange carrier and the circumstances involved.

None

(e) Has had regulatory penalties imposed for violations of telecommunications statutes and the circumstances involved.

None

(f) Has been involved in civil court proceedings with an interexchange carrier, local exchange company or other telecommunications entity, and the circumstances involved.

None

12. What services will the applicant offer to other certificated telephone companies:

( ) Facilities. ( ) Operators.
( ) Billing and Collection. ( ) Sales.
( ) Maintenance.
( ) Other: None

13. Do you have a marketing program?

14. Will your marketing program:
( ) Pay commissions?
( ) Offer sales franchises?
( ) Offer multi-level sales incentives?
( ) Offer other sales incentives?

15. Explain any of the offers checked in question 14 (To whom, what amount, type of franchise, etc.).

16. Who will receive the bills for your service (Check all that apply)?

(x) Residential customers. (x) Business customers.
( ) PATS providers. ( ) PATS station end-users.
( ) Hotels & motels. ( ) Hotel & motel guests.
( ) Universities. ( ) Univ. dormitory residents.
( ) Other: (specify)__________.

17. Please provide the following (if applicable):

(a) Will the name of your company appear on the bill for your services, and if not who will the billed party contact to ask questions about the bill (provide name and phone number) and how is this information provided?
Company will bill customers directly, under its own name.

(b) Name and address of the firm who will bill for your service.
N/A

18. Please provide all available documentation demonstrating that the applicant has the following capabilities to provide interexchange telecommunications service in Florida.

See attached portions of Metrocall's Forms 10-K, as filed with the Securities Exchange Commission.

A. Financial capability.

Regarding the showing of financial capability, the following applies:

The application <u>should contain</u> the applicant's financial statements for the most recent 3 years, including:

1. the balance sheet

2. income statement

3. statement of retained earnings.

Further, a written explanation, which can include supporting documentation, regarding the following should be provided to show financial capability.

1. Please provide documentation that the applicant has sufficient financial capability to provide the requested service in the geographic area proposed to be served.

2. Please provide documentation that the applicant has sufficient financial capability to maintain the requested service.

3. Please provide documentation that the applicant has sufficient financial capability to meet its lease or ownership obligations.

NOTE: This documentation may include, but is not limited to, financial statements, a projected profit and loss statement, credit references, credit bureau reports, and descriptions of business relationships with financial institutions.

If available, the financial statements should be audited financial statements.

If the applicant does not have audited financial statements, it shall be so stated. The unaudited financial statements should then be signed by the applicant's chief executive officer and chief financial officer. The signatures should affirm that the financial statements are true and correct.

B. Managerial capability.

See Attached

C. Technical capability.

N/A; "pure" switchless reseller. But see attachment in response to Item 18.B.

19. Please submit the proposed tariff under which the company plans to begin operation. Use the format required by Commission Rule 25-24.485 (example enclosed).

20. The applicant will provide the following interexchange carrier services (Check all that apply):

___ **MTS with distance sensitive per minute rates**
____ Method of access is FGA
____ Method of access is FGB
____ Method of access is FGD
____ Method of access is 800

___ **MTS with route specific rates per minute**
____ Method of access is FGA
____ Method of access is FGB
____ Method of access is FGD
____ Method of access is 800

_X_ **MTS with statewide flat rates per minute (i.e. not distance sensitive)**
___ Method of access is FGA
___ Method of access is FGB
___ Method of access is FGD
___ Method of access is 800

___ **MTS for pay telephone service providers**

_____ **Block-of-time calling plan (Reach out Florida, Ring America, etc.).**

_X_ **800 Service (Toll free)**

_X_ **WATS type service (Bulk or volume discount)**
____ Method of access is via dedicated facilities
_X_ Method of access is via switched facilities

___ **Private Line services (Channel Services)**
(For ex. 1.544 mbs., DS-3, etc.)

___ **Travel Service**
____ Method of access is 950
____ Method of access is 800

___ **900 service**

___ **Operator Services**
____ Available to presubscribed customers
____ Available to non presubscribed customers (for example to patrons of hotels, students in universities, patients in hospitals.
____ Available to inmates

Services included are:

___ Station assistance
___ Person to Person assistance
___ Directory assistance
___ Operator verify and interrupt
___ Conference Calling

21. What does the end user dial for each of the interexchange carrier services that were checked in services included (above). 1+

22. ___ **Other:**

** APPLICANT ACKNOWLEDGEMENT STATEMENT **

1. **REGULATORY ASSESSMENT FEE:** I understand that all telephone companies must pay a regulatory assessment fee in the amount of .15 of one percent of its gross operating revenue derived from intrastate business. Regardless of the gross operating revenue of a company, a minimum annual assessment fee of $50 is required.

2. **GROSS RECEIPTS TAX:** I understand that all telephone companies must pay a gross receipts tax of two and one-half percent on all intra and interstate business.

3. **SALES TAX:** I understand that a seven percent sales tax must be paid on intra and interstate revenues.

4. **APPLICATION FEE:** A non-refundable application fee of $250.00 must be submitted with the application.

5. **RECEIPT AND UNDERSTANDING OF RULES:** I acknowledge receipt and understanding of the Florida Public Service Commission's Rules and Orders relating to my provision of interexchange telephone service in Florida. I also understand that it is my responsibility to comply with all current and future Commission requirements regarding interexchange service.

6. **ACCURACY OF APPLICATION:** By my signature below, I the undersigned owner or officer of the named utility in the application, attest to the accuracy of the information contained in this application and associated attachments. I have read the foregoing and declare that to the best of my knowledge and belief, the information is a true and correct statement.

   Further, I am aware that pursuant to Chapter 837.06, Florida Statutes, "Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree, punishable as provided in s. 775.082 and s. 775.083".

UTILITY OFFICIAL: Shirley B White — Signature — 4/15/99 Date

Shirley B White

Assistant Secretary — Title — 703-660-6677 Telephone No.

FORM PSC/CMU 31 (11/95)
Required by Commission Rule Nos. 25-24.471, 25-24.473, and 25-24.480(2).

**** APPENDIX A ****

CERTIFICATE TRANSFER STATEMENT

I, **(TYPE NAME)** Shirley B. White,

(TITLE) Assistant Secretary, of **(NAME OF COMPANY)**

METROCALL, INC, and current

holder of certificate number ________________, have reviewed

this application and join in the petitioner's request for a

transfer of the above-mention certificate.

UTILITY OFFICIAL: Shirley B White
Signature

4/15/99
Date

Shirley B. White

Assistant Secretary
Title

703-660-6677
Telephone No.

FORM PSC/CMU 31 (11/95)
Required by Commission Rule Nos. 25-24.471, 25-24.473, and 25-24.480(2).

**** APPENDIX B ****

CUSTOMER DEPOSITS AND ADVANCE PAYMENTS

A statement of how the Commission can be assured of the security of the customer's deposits and advance payments may be responded to in one of the following ways (applicant please check one):

(X) **The applicant will not collect deposits nor will it collect payments for service more than one month in advance.**

(   ) **The applicant will file with the Commission and maintain a surety bond in an amount equal to the current balance of deposits and advance payments in excess of one month. (Bond must accompany application.)**

UTILITY OFFICIAL: Shirley B White
Signature

4/15/99
Date

Shirley B. White

Assistant Secretary
Title

703-660-6677
Telephone No.

** APPENDIX C **

INTRASTATE NETWORK

1. **POP:** Addresses where located, and indicate if owned or leased.

   1) 40 S. Palafox St.
      Pensacola, FL
   2)
   3)
   4)

2. **SWITCHES:** Address where located, by type of switch, and indicate if owned or leased. N/A

   1)
   2)
   3)
   4)

3. **TRANSMISSION FACILITIES:** Pop-to-Pop facilities by type of facilities (microwave, fiber, copper, satellite, etc.) and indicate if owned or leased. N/A

	POP-to-POP	TYPE	OWNERSHIP
1)			
2)			

4. **ORIGINATING SERVICE:** Please provide the list of exchanges where you are proposing to provide originating service within thirty (30) days after the effective date of the certificate (Appendix D).

N/A

5. **TRAFFIC RESTRICTIONS:** Please explain how the applicant will comply with the EAEA requirements contained in Commission Rule 25-24.471 (4) (a) (copy enclosed).

In accordance with Rule 25-24.471(4)(a), Metrocall will only provide toll services to customers with which it (or its predecessor, Florida Network USA, Inc.) has/had a pre-existing customer-carrier relationship, or to new customers who request Metrocall's services and enter into a customer-carrier arrangement with Metrocall.

6. **CURRENT FLORIDA INTRASTATE SERVICES:** Applicant has (X) or has not ( ) previously provided intrastate telecommunications in Florida. If the answer is has, fully describe the following:

   a) What services have been provided and when did these services begin? Metrocall's subsidiary and predecessor-in-interest, Florida Network USA, Inc., provided resold intrastate interexchange services since 1995.

   b) If the services are not currently offered, when were they discontinued?

UTILITY OFFICIAL: Shirley B White
Signature

4/15/99
Date

Shirley B White

Assistant Secretary
Title

703-660-6677
Telephone No.

FORM PSC/CMU 31 (11/95)
Required by Commission Rule Nos. 25-24.471, 25-24.473, and 25-24.480(2).

**** APPENDIX D ****

FLORIDA TELEPHONE EXCHANGES

AND

EAS ROUTES

Describe the service area in which you hold yourself out to provide service by telephone company exchange. If all services listed in your tariff are not offered at all locations, so indicate. Statewide Service; Interexchange only.

In an effort to assist you, attached is a list of major exchanges in Florida showing the small exchanges with which each has extended area service (EAS).

** FLORIDA EAS FOR MAJOR EXCHANGES **

Extended Service Area	with	These Exchanges
PENSACOLA:		Cantonment, Gulf Breeze Pace,Milton Holley-Navarre.
PANAMA CITY:		Lynn Haven, Panama City Beach, Youngstown-Fountain and Tyndall AFB.
TALLAHASSEE:		Crawfordville, Havana, Monticello, Panacea, Sopchoppy and St. Marks.
JACKSONVILLE:		Baldwin, Ft. George, Jacksonville Beach, Callahan, Maxville, Middleburg Orange Park, Ponte Vedra and Julington.
GAINESVILLE:		Alachua, Archer, Brooker, Hawthorne, High Springs, Melrose, Micanopy, Newberry and Waldo.
OCALA:		Belleview, Citra, Dunnellon,

	Forest Lady Lake (B21), McIntosh, Oklawaha, Orange Springs, Salt Springs and Silver Springs Shores.
DAYTONA BEACH:	New Smyrna Beach.
TAMPA:	Central None East Plant City North Zephyrhills South Palmetto West Clearwater
CLEARWATER:	St. Petersburg, Tampa-West and Tarpon Springs.
ST. PETERSBURG:	Clearwater.
LAKELAND:	Bartow, Mulberry, Plant City, Polk City and Winter Haven.
ORLANDO:	Apopka, East Orange, Lake Buena Vista, Oviedo, Windermere, Winter Garden, Winter Park, Montverde, Reedy Creek, and Oviedo-Winter Springs.
WINTER PARK:	Apopka, East Orange, Lake Buena Vista, Orlando, Oviedo, Sanford, Windermere, Winter Garden, Oviedo-Winter Springs Reedy Creek, Geneva and Montverde.
TITUSVILLE:	Cocoa and Cocoa Beach.
COCOA:	Cocoa Beach, Eau Gallie, Melbourne and Titusville.
MELBOURNE:	Cocoa, Cocoa Beach, Eau Gallie and Sebastian.
SARASOTA:	Bradenton, Myakka and Venice.
FT. MYERS:	Cape Coral, Ft. Myers Beach, North Cape Coral, North Ft. Myers, Pine Island, Lehigh Acres and Sanibel-Captiva Islands.
NAPLES:	Marco Island and North Naples.
WEST PALM BEACH:	Boynton Beach and Jupiter.

POMPANO BEACH:	Boca Raton, Coral Springs, Deerfield Beach and Ft. Lauderdale.
FT. LAUDERDALE:	Coral Springs, Deerfield Beach, Hollywood and Pompano Beach.
HOLLYWOOD:	Ft. Lauderdale and North Dade.
NORTH DADE:	Hollywood, Miami and Perrine.
MIAMI:	Homestead, North Dade and Perrine

** APPENDIX E **

** GLOSSARY **

ACCESS CODE: The term denotes a uniform four or seven digit code assigned to an individual IXC. The five digit code has the form 10XXX and the seven digit code has the form 950-XXXX.

BYPASS: Transmission facilities that go direct from the local exchange end user to an IXC point of presence, thus bypassing the local exchange company.

CARRIERS CARRIER: An IXC that provides telecommunications service, mainly bulk transmission service, to other IXC only.

CENTRAL OFFICE: A local operating unit by means of which connections are established between subscribers' lines and trunk or toll lines to other central offices within the same exchange or other exchanges. Each three (3) digit central office code (NXX) used shall be considered a separate central office unit.

CENTRAL OFFICE CODE: The term denotes the first three digits (NXX) of the seven (7) digit telephone number assigned to a customer's telephone exchange service.

COMMISSION: The Florida Public Service Commission.

COMPANY, TELEPHONE COMPANY, UTILITY: These terms may be used interchangeably herein and shall mean any person, firm, partnership or corporation engaged in the business of furnishing communication service to the public under the jurisdiction of the Commission.

DEDICATED FACILITY: The term denotes a transmission circuit which is permanently for the exclusive use of a customer or a pair of customers.

END USER: The term denotes any individual, partnership, association, corporation, governmental agency or any other entity which (A) obtains a common line, uses a pay telephone or obtains interstate service arrangements in the operating territory of the company or (B) subscribes to interstate services provided by an IXC or uses the services of the IXC when the IXC provides interstate service for its own use.

EQUAL ACCESS EXCHANGE AREAS: EAEA means a geographic area, configured based on 1987 planned toll center/access tandem areas, in which local exchange companies are responsible for providing equal access to both carriers and customers of carriers in the most economically efficient manner.

EXCHANGE: The entire telephone plant and facilities used in providing telephone service to subscribers located in an exchange area. An exchange may include more than one central office unit.

EXCHANGE (SERVICE) AREA: The territory, including the base rate suburban and rural areas served by an exchange, within which local telephone service is furnished at the exchange rates applicable within that area.

EXTENDED AREA SERVICE: A type of telephone service furnished under tariff provision whereby subscribers of a given exchange or area may complete calls to, and receive messages from, one or more other contiguous exchanges without toll charges, or complete calls to one or more other exchanges without toll message charges.

FACILITIES BASED: An IXC that has its own transmission and/or switching equipment or other elements of equipment and does not rely on others to provide this service.

FOREIGN EXCHANGE SERVICES: A classification of exchange service furnished under tariff provisions whereby a subscriber may be provided telephone service from an exchange other than the one from which he would normally be served.

FEATURE GROUPS: General categories of unbundled tariffs to stipulate related services.

Feature Group A: Line side connections presently serving specialized common carriers.

Feature Group B: Trunk side connections without equal digit or code dialing.

Feature Group C: Trunk side connections presently serving AT&T-C.

Feature Group D: Equal trunk access with subscription.

INTEREXCHANGE COMPANY: means any telephone company, as defined in Section 364.02(4), F.S. (excluding Payphone Providers), which provides telecommunication service between exchange areas as those areas are described in the approved tariffs of individual local exchange companies.

INTER-OFFICE CALL: A telephone call originating in one central office unit or entity but terminating in another central office unit or entity both of which are in the same designated exchange area.

INTRA-OFFICE CALL: A telephone call originating and terminating within the same central office unit or entity.

INTRASTATE COMMUNICATIONS: The term denotes any communications in Florida subject to oversight by the Florida Public Service Commission as provided by the laws of the State.

INTRA-STATE TOLL MESSAGE: Those toll messages which originate and terminate within the same state.

LOCAL ACCESS AND TRANSPORT AREA: LATA means the geographic area established for the administration of communications service. It encompasses designated exchanges, which are grouped to serve common social, economic and other purposes.

LOCAL EXCHANGE COMPANY (LEC): Means any telephone company, as defined in Section 364.02(4), F.S., which, in addition to any other telephonic communication service, provides telecommunication service within exchange areas as those areas are described in the approved tariffs of the telephone company.

OPTIONAL CALLING PLAN: An optional service furnished under tariff provisions which recognizes a need of some subscribers for extended area calling without imposing the cost on the entire body of subscribers.

900 SERVICE: A service similar to 800 service, except this service is charged back to the customer based on first minute plus additional minute usage.

PIN NUMBER: A group of numbers used by a company to identify their customers.

PAY TELEPHONE SERVICE COMPANY: Means any telephone company, other than a Local Exchange Company, which provides pay telephone service as defined in Section 364.335(4), F.S.

POINT OF PRESENCE (POP): Bell-coined term which designates the actual (physical) location of an IXC's facility. Replaces some applications of the term "demarcation point."

PRIMARY SERVICE: Individual line service or party line service.

RESELLER: An IXC that does not have certain facilities but purchases telecommunications service from an IXC and then resells that service to others.

STATION: A telephone instrument consisting of a transmitter, receiver, and associated apparatus so connected as to permit sending and/or receiving telephone messages.

SUBSCRIBER, CUSTOMER: These terms may be used interchangeably herein and shall mean any person, firm, partnership, corporation, municipality, cooperative organization, or governmental agency supplied with communication service by a telephone company.

SUBSCRIBER LINE: The circuit or channel used to connect the subscriber station with the central office equipment.

SWITCHING CENTER: Location at which telephone traffic, either local or toll, is switched or connected from one circuit or line to another. A local switching center may be comprised of several central office units.

TRUNK: A communication channel between central office units or entities, or private branch exchanges.

ATTACHMENTS:

A - CERTIFICATE TRANSFER STATEMENT
B - CUSTOMER DEPOSITS AND ADVANCE PAYMENTS
C - INTRASTATE NETWORK
D - FLORIDA TELEPHONE EXCHANGES and EAS ROUTES
E - GLOSSARY

REGULATIONS AND SCHEDULES OF CHARGES APPLYING TO THE RESALE OF LONG DISTANCE THROUGHOUT THE STATE OF FLORIDA

CHECK SHEET

Pages 1 to 32, inclusive of this tariff are effective as of the dates shown. Original and revised pages as named below contain all changes from the original tariff that are effective on the date hereof, except as otherwise noted.

Page	No. of Revision	Page	No. of Revision
Title	Original*	17	Original*
Check Sheet	Original*	18	Original*
1	Original*	19	Original*
2	Original*	20	Original*
3	Original*	21	Original*
4	Original*	22	Original*
5	Original*	23	Original*
6	Original*	24	Original*
7	Original*	25	Original*
8	Original*	26	Original*
9	Original*	27	Original*
10	Original*	28	Original*
11	Original*	29	Original*
12	Original*	30	Original*
13	Original*	31	Original*
14	Original*	32	Original*
15	Original*		
16	Original*		

* - current filing

By: Steven D. Jacoby, Executive V.P./C.O.O.
Metrocall, Inc.
6677 Richmond Highway
Alexandria, VA 22306
(703) 660-6677

TABLE OF CONTENTS

	Page
Title Sheet	--
Check Sheet	1
Table of Contents	2
Symbols	5
Application of Tariff	5
Tariff Format	6
Section 1: Technical Terms & Abbreviations	7
Definitions	7
Abbreviations	10
Section 2: Rules and Regulations	11
Undertaking of Carrier	11
Limitations of Service	11
Use of Service	12
Limitation of Liability	12
Interruption of Service	13
Restoration of Service	13
Customer Responsibility	14
Maintenance, Testing and Adjustments	14
Deposits	14
Cancellation by Customer	15
Payment and Billing	15
Application of Charges	16
Customer Complaint Procedure	16

By: Steven D. Jacoby, Executive V.P./C.O.O.
Metrocall, Inc.
6677 Richmond Highway
Alexandria, VA 22306
(703) 660-6677

TABLE OF CONTENTS

	Page
Carrier Responsibility	17
Discontinuance of Service by Carrier	17
Fractional Charges	18
Reserved for Future Use	19
Section 3: Description of Service	20
Timing of Calls	20
Service Period	20
Interconnection	20
Terminal Equipment	21
Calculation of Distance	21
Minimum Call Completion Rate	21
Special Services	21
Service Offerings	22
Message Toll Service	22
800 Service	22
Travel Card Service	23
Directory Assistance	23
Operator Service	23
Section 4: Rates and Charges	24
Rate Periods	24
Usage Charges & Billing Increments	24
MTS Service Plans	25
800 Service Plans	26
Travel Card Service Plans	27
Dedicated Service Plans	27
Dedicated 800 Service Plans	28
Special Affiliate Program	29

By: Steven D. Jacoby, Executive V.P./C.O.O.
Metrocall, Inc.
6677 Richmond Highway
Alexandria, VA 22306
(703) 660-6677

TABLE OF CONTENTS

	Page
Special Promotions	32
Directory Assistance	32
Rates for Hearing/Speech Impaired	32
Return Check Charge	32

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SYMBOLS

The following symbols shall be used in this tariff:

R -- to signify reduction;
I -- to signify increase;
C -- to signify change in regulations;
T -- to signify change in text for clarification;
M -- to signify that material has been transferred from another sheet or location within the tariff
N -- to signify new rate or regulation;
D -- to signify discontinued rate or regulation;
O -- to signify no change

* The use of the "O" symbol shall be discretionary unless its use is evident in the interest of clarity or is specifically requested by the Commission.

APPLICATION OF TARIFF

This tariff contains the regulations and rates applicable to the furnishing of intrastate resale long distance services by Metrocall, Inc. ("Metrocall") between various locations within the State of Florida.

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TARIFF FORMAT

A. Sheet Numbering - Sheet numbers appear in the upper-right hand corner of the sheet. Sheets are numbered sequentially. However, new sheets are occasionally added to the tariff.

B. Sheet Revision Numbers - Revision numbers also appear in the upper-right hand corner of the sheet. These numbers are used to determine the most current sheet version on file with the Commission. For example, 4th Revised Sheet 34 cancels 3rd Revised Sheet 34.

C. Paragraph Numbering Sequence - There are nine levels of paragraph coding. Each level of coding is subservient to its next higher level of coding.

2.
2.1
2.1.1
2.1.1.A.
2.1.1.A.1.
2.1.1.A.1.(a)
2.1.1.A.1.(a).I.
2.1.1.A.1.(a).I.(i)
2.1.1.A.1.(a).I.(i).(1)

D. Check Sheets - When a tariff filing is made with the Commission, an updated check sheet accompanies the tariff filing. The check sheet lists the sheets contained in the tariff, with a cross reference to the current revision number. When new sheets are added, the check sheet is changed to reflect the revision. All revisions made in a given filing are designated by an asterisk (*). There will be no other symbols used on this sheet if these are the only changes made to it (*i.e.*, the format, etc., remains the same, just revised revision levels on some sheets). The tariff user should refer to the latest check sheet to find out if a particular sheet is the most current sheet on file with the Commission.

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SECTION 1 - TECHNICAL TERMS AND ABBREVIATIONS

1.1 Definitions:

Application for Service: A standard order form which includes all pertinent billing, technical, and other descriptive information which will enable the carrier to provide the communications service as requested.

Authorization Code: A numerical code, one or more of which are assigned to a customer to enable Reseller to identify use of service on his account and to bill the customer accordingly for such service. Multiple authorization codes may be assigned to a customer to identify individual users or groups of users on his account.

Automatic Dialing Device: A devise provided by the carrier which, when attached to customer's telephone equipment, dials the carrier's facilities, emits an authorization code, and forwards the number which the customer is calling to the carrier's facilities.

Busy Hour: The two consecutive half hours during which the greatest volume of traffic is handled.

Cancellation of Order: A customer-initiated request to discontinue processing a service order; either in part or in its entirety, prior to its completion.

Carrier: Metrocall, Inc. ("Metrocall" or "Reseller"), unless specifically stated otherwise.

Company: Metrocall, Inc. ("Metrocall," "Reseller," or "Carrier").

Completed Calls: Completed calls are answered on the distance end. In the event a customer is charged for an incomplete call, the Company will issue a credit to the customer upon request.

Custom Account Coding: Allows the customer to create tables of unique project and/or account numbers for their private use.

1.1 Definitions (continued)

Customer: The person, firm, corporation or other entity which orders or uses service and is responsible by law for payment for communication service from the telephone utility.

Customer Provided Equipment: Terminal equipment provided by a customer.

Day Rate Period: 8:00 a.m. to 4:59 p.m. Monday through Friday.

Dedicated Port: A port on Reseller's switching facility which is dedicated, at extra charge, to customer's exclusive use, and which is connected to the customer's premises by a private line furnished by customer or customer's serving local exchange carrier.

Disconnect: The disabling of circuitry preventing outgoing and incoming toll communication service by Carrier.

Due Date: The last day for payment without unpaid amounts being subject to a late payment charge.

Evening Rate Period: 5:00 p.m. through 10:59 p.m., Sunday through Friday.

Excessive Call Attempt: A customer attempt to make a call over the Carrier's network using an invalid authorization code during a measured 15 minute period within which 10 or more incomplete call attempts are made by the customer from the same customer line, and where those attempts do not complete because the customer has not used a valid authorization code.

Holidays: Carrier's recognized holidays are New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day.

Holiday Rate Period: The Evening Rate will apply to calls made on Carrier recognized Holidays listed herein, provided, however, that calls made on Holidays during the Night/Weekend Rate Period shall be billed at the lower of the Evening Rate and the Night/Weekend Rate.

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1.1 Definitions (continued)

Interexchange Utility: A utility, resale carrier or other entity that provides intrastate telecommunications services and facilities between exchanges within the State, without regard to how much traffic is carried. A local exchange utility that provides exchange service may also be considered an interexchange carrier.

Local Distribution Area (LDA): Metropolitan locations served by Carrier which have been defined by the local telephone company providing local service in its local exchange tariff as "local calling area."

Measured Use Service: The provision of long distance measured time communications telephone service to customers who access the carrier's services at its switching and call processing equipment by means of access facilities obtained from another carrier by the customer or otherwise provided at its own expense (the customer is responsible for arranging for the access line).

Message: A completed telephone call by a customer or user.

Network Terminal: Any location where carrier provides services described herein.

Night/Weekend Rate Period: 11:00 p.m. to 7:59 a.m., Monday through Friday; 8:00 a.m. to 10:59 p.m. Saturday; and 8:00 a.m. to 4:59 p.m. Sunday.

Normal Business Hours: 8:00 a.m. to 5:00 p.m., Monday through Friday, excluding holidays.

Physical Change: The modifications of an existing circuit, dedicated access line, or port at the request of the customer requiring some physical change or retermination.

Premises: The space occupied by an individual customer in a building, in adjoining buildings occupied entirely by that customer, or on contiguous property occupied by the customer separated only by a public thoroughfare, a railroad right of way or a natural barrier.

1.1. Definitions (continued)

Speed Number: A signaling arrangement by which a customer may elect to dial a pre-programmed four digit number in place of a designated ten-digit number.

Terminal Equipment: All telephone instruments, including pay telephone equipment, the common equipment of large and small key and PBX systems and other devices and apparatus, and associated wiring, which are intended to be connected electrically, acoustically or inductively to the telecommunications system of the telephone utility.

Validated Account Codes: Account codes that have restricted access.

1.2 Abbreviations:

ANI - Automatic Number Identification

FCC - Federal Communications Commission

IXC - Interexchange Carrier

LATA - Local Access Transport Area

LDA - Local Distribution Area

LEC - Local Exchange Carrier

MTS - Message Toll Service

NSF - Non-Sufficient Funds

PBX - Private Branch Exchange

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1.2. Abbreviations (continued)

SAL - Special Access Line

V&H - Vertical and Horizontal

WATS - Wide Area Telephone Service

SECTION 2 - RULES AND REGULATIONS

2.1. Undertaking of Carrier

Carrier shall provide resale intrastate long distance message toll telecommunications services upon order for to customers for their direct transmission and reception of voice, data and other types of communications.

Communications originate when the customer accesses carrier directly or through the facilities of the local service carrier via one or more access lines, equal access lines or on a dial-up basis. Carrier may act as customer's agent for ordering access connection facilities provided by other carriers or entities when authorized by the customer, to allow connection of a customer's location to the Carrier. The Company's services are provided on a monthly basis, unless otherwise stated in this tariff, and are available twenty-four (24) hours per day, seven (7) days per week.

2.2 Limitations of Service

2.2.1. Service is offered subject to the availability of the necessary facilities or equipment and subject to the provisions of this tariff. The Carrier reserves the right not to provide service to or from locations where the necessary facilities or equipment are not available.

2.2.2. Carrier reserves the right to discontinue furnishing service when necessitated by conditions beyond its control or when the customer is using the service in violation of the provisions of this tariff or in violation of the law.

2.2 Limitations of Service (continued)

2.2.3. Title to any equipment provided by Carrier under these regulations remains with Carrier.

2.3 Use of Service

Service may not be used for any unlawful purpose.

The minimum period for service is one month (30 days), unless otherwise stated in the customer's service agreement.

2.4 Limitation of Liability

2.4.1. The liability of the Carrier for damages arising out of mistakes, omissions, interruptions, delay errors or defects in transmission occurring in the course of furnishing service or other facilities and not caused by the negligence of the customer, commences upon activation of service and in no event exceeding an amount equivalent to the proportionate charge to the customer for the period of service during which the mistake, omission, interruption, delay, error or defect in transmission occurred. For the purpose of computing such amount, a month is considered to have 30 days.

2.4.2. The Carrier is not liable for any act or omission of any other company or companies furnishing a portion of the service.

2.4.3. Carrier shall be indemnified and held harmless by the customer against all other claims arising out of any act or omission of the customer in connection with any other service provided by the Carrier.

2.4.4. The Carrier shall not be liable for and the customer indemnifies and holds the Carrier harmless from any and all loss claims, demands, suits or other action or liability whatsoever, whether suffered, made, instituted or asserted by the customer or by any other party or persons, for any

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2.4 Limitation of Liability (continued)

personal injury to, or death of, any person or persons, and for any loss, damage, defacement, or destruction of the premises of the customer or any other property, whether owned by the customer or others, caused or claimed to have been caused directly or indirectly by the installation, operation, failure to operate, maintenance, removal, presence, condition, location or use of the equipment or wiring provided by the carrier where such installation, operation, failure to operate, maintenance, condition, location or use is not the direct result of the Carrier's negligence. No agents or employees of other carriers shall be deemed to be agents or employees of the Carrier.

2.5. Interruption of Service

2.5.1. Interruption of service will be in compliance with all applicable laws of the State of Florida and rules and regulations of the Commission.

2.5.2. Credit allowance for interruptions of service not due to Carrier's testing or adjusting, negligence of the customer, or the failure of channels, equipment or communications systems provided by the customer are subject to the general liability provisions set forth herein. It shall be the obligation of the customer to notify the Carrier of any and all interruptions in service. Before giving such notice, however, the customer shall make attempts to ascertain whether the trouble is being caused by any action or omission by the customer or its clients or by any defects in the service and facilities required to be supplied by the subscriber or its clients.

2.5.3. Adjustments for interruptions of service will be by direct payment or bill credit equal to the part of the monthly charges for services rendered inoperative during the interruption. The adjustment shall begin with the hour of the report or discovery of the interruption.

2.6. Restoration of Service

The use and restoration of service in emergencies shall be in accordance with Part 64, Subpart D of the FCC's Rules and Regulations, which specifies the priority system for such activities, and in compliance with all applicable laws of the State of Florida and rules and regulations

2.6. Restoration of Service (continued)

of the Commission.

2.7. Customer Responsibility

2.7.1. All customers assume general responsibilities in connection with the provision and use of services stated in this tariff. All customers are responsible for the following:

A. The customer is responsible for placing orders for service, paying all charges for service rendered by the Carrier, and complying with all regulations governing the service. The customer is also responsible for assuring that its users comply with regulations.

B. When placing an order for service, the customer must provide:

1. The name(s) and address(es) of the person(s) responsible for the payment of service charges.

2. The name(s), telephone number(s) and address(es) of the customer contact person(s).

2.7.2 Maintenance, Testing and Adjustment

If a customer's service must be interrupted due to maintenance, Carrier shall notify the affected customer in advance, if possible and will perform the work in such a manner as to minimize inconvenience. Equipment provided by Carrier shall be made available to Carrier for such tests and adjustments as may be necessary to maintain them in satisfactory condition.

2.7.3. Deposits

The Company will not collect deposits from customers within the State of Florida.

2.7. Customer Responsibility (continued)

2.7.4. Cancellation by Customer

Cancellation of service by the customer is applied as follows:

A. Where an application for service is canceled by the customer prior to the start of any design work or installation of facilities, no charge applies.

B. Where installation of facilities has been started prior to the cancellation, appropriate connection charges listed in the Company's tariff will apply.

C. If cancellation is requested subsequent to the time installation has been started, the application will be canceled by the Company and the Company may collect a charge equal to the estimated costs incurred in the installation, less estimated net salvage.

D. Installation is considered to have been started when the Company incurs any expense in connection with, or in preparation for, provision of service which would not otherwise have been incurred, provided:

- the customer has advised the Company to proceed with the installation; and,
- the Company has accepted the order.

2.7.5 Payment and Billing

A. Service is provided and billed on a monthly basis.

B. Payment is due upon receipt. Payment will be considered timely if paid within 20 days after the bill is rendered. The bill shall be considered rendered when deposited in the U.S. mail with postage prepaid.

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2.7. Customer Responsibility (continued)

C. In the event of a dispute concerning a bill, Customer must pay a sum equal to the amount of the undisputed portion of the bill and proceed with complaint procedures set forth herein.

D. The customer is responsible for payment of all charges for service furnished to the customer under this tariff. Charges are based on actual usage during a month and will be billed monthly in arrears.

E. Customer is responsible for payment of any federal, state and local taxes, fees or assessments (*i.e.*, gross receipts tax, sales tax, municipal utilities tax, Universal Service Fund contributions), which will be listed as separate line items and which are not included in the quoted rates.

F. Customers will be charged a late payment penalty in the amount of one and one-half percent (1.5%) per month of the past due amount and any charges associated with disconnection and reconnection of service.

2.7.6. Application of Charges

The charges for service are those in effect for the period that service is furnished.

2.7.7. Customer Complaint Procedure

Carrier will resolve any disputes brought to its attention as promptly and effectively as possible. Customer Service Representatives can be reached via the following 800 telephone number: 1-800-344-1004.

Any unresolved disputes may be brought to the attention of the Florida Public Service Commission, 2540 Shumard Oak Blvd., Gunter Building, Tallahassee, FL 32399-0850, Tel.: (904) 413-6600.

In the event of a dispute concerning an invoice, the customer must pay a sum equal

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.7. Customer Responsibility (continued)

to the amount of the undisputed portion of the bill and notify the Company of the disputed portion.

2.8. Carrier Responsibility

2.8.1. Discontinuance of Service by Carrier

Disconnection of services shall comply with and be governed by the provisions set forth in Florida Public Service Commission Rule 25-4.113.

Eight (8) days prior written notice of pending disconnection shall be rendered to customers setting forth the reason(s) for the notice and the final date by which the account is set to be settled or specific action taken. Such notice shall be forwarded to the customer via U.S. mail to the last known address of the responsible party.

Transmission service will be refused or disconnected, after notice as set forth below, for any of the following reasons:

A. Without notice in the event of a condition on the customer's premises determined by the Carrier to be hazardous.

B. Without notice in the event of customer's use in a manner which may adversely affect the Carrier's equipment or service to others.

C. Without notice in the event of tampering with equipment furnished or owned by Carrier or for unauthorized or fraudulent use.

D. After eight (8) days written notice, for failure of customer or prospective customer to furnish any service equipment, permits, certificates or rights of way specified to be furnished as a condition for obtaining service, or for the withdrawal of that same equipment or the termination of those permissions or rights, or for the failure of the customer or prospective customer

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2.8. Carrier Responsibility (continued)

to fulfill the obligations imposed by this tariff.

E. After eight (8) days written notice for failure of the customer to permit Carrier reasonable access to its equipment.

F. After eight (8) days written notice for nonpayment of any sum due the carrier under this tariff.

2.8.2. Fractional Charges

Charges for a fractional part of a month are calculated by counting the number of days remaining in the billing period before service was discontinued. That figure is divided by 30 days and the resultant fraction is then multiplied by the monthly charge to arrive at the fractional monthly charge.

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SECTION 3 - DESCRIPTION OF SERVICE AND RATES

3.1. Timing of Calls

The customer's monthly usage charges for Carrier service are based upon the total number of minutes the customer uses and service options subscribed to. Chargeable time begins when the connection is established between the calling station and the called station or PBX. Chargeable time ends when either party "hangs up." If the called station "hangs up" but the calling station does not, chargeable time ends when the connection is released by automatic timing equipment within the telecommunications network.

3.2. Service Period

For billing purposes, the start of service is the day on which the customer is provided with service. The end of service date is the last day or any portion of the last day for which service was provided by Carrier.

3.3. Interconnection

Service furnished by Carrier may be interconnected with the services or facilities of other authorized communications common carriers and with private systems, subject to the technical limitations established by Carrier. Service furnished by Carrier is not part of a joint undertaking with such other carriers. Any special interface equipment or facilities necessary to achieve compatibility between the facilities of the carrier and other participating carriers shall be provided at the customer's expense.

Interconnection with the facilities or services of other carriers shall be under the applicable terms and conditions of the other carrier's tariff. The customer is responsible for taking all necessary legal steps for interconnecting his customer-provided terminal equipment or communications systems with Carrier's facilities. The customer shall secure all licenses, permits, rights of way, and other arrangements necessary for such interconnection.

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3.4. Terminal Equipment

Carrier's service may be used with or terminated in customer provided terminal equipment or customer provided communications systems, such as teleprinters, handsets, or data sets. Such terminal equipment will be furnished and maintained at the expense of the providing customer, except as otherwise agreed in writing. The customer is responsible for all costs at their premises, including personnel, wiring, electrical power, and the like incurred in the use of Carrier's service. When such terminal equipment is used, the equipment shall comply with the generally accepted minimum protective criteria standards of the telecommunications industry.

3.5. Calculation of Distance

Usage charges for all intrastate calls are based on flat rates and are not mileage sensitive.

Airline mileage between rate centers is determined by applying the following formula below to the vertical and horizontal coordinates associated with the rate centers involved. The Company uses the rate centers and associated vertical and horizontal coordinates that are generally accepted within the telecommunications industry.

Formula: $$\sqrt{\frac{(V1 - V2)^2 + (H1 - H2)^2}{10}}$$

3.6. Minimum Call Completion Rate

The customer can expect a call completion rate of not less than 99% (number of calls completed/number of calls attempted) during peak use periods for Feature Group D (1+) services.

3.7. Special Services

For purposes of this tariff, a Special Service is deemed to be any service requested by the customer for which there is no prescribed rate in this tariff. Pricing will be above cost and

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3.7. Special Services (continued)

information will be available to the Public Service Commission upon request.

Special Service charges will be based on the cost of furnishing such services including the cost of operating and maintaining such a service, the cost of equipment and materials used in providing such a service, the cost of installation including engineering, labor supervision, transportation, and the cost of any other specific item associated with the Special Service requested.

3.8. Service Offerings

Carrier provides Message Toll Service or MTS, Inbound 800 Service and Travel Card Service. The customer's total monthly use of Carrier's service is charged at the applicable rates per minute set forth herein.

3.8.1. Message Toll Service (MTS)

"1+" Dialing is achieved by customer's telephone lines being programmed by the local exchange carrier (LEC) to automatically route 1+ calls to the Company's network. Service is billed in six second increments, with partial seconds of usage rounded up to the next six second increment, with a minimum billing of 6 seconds.

3.8.2. 800 Service

800 Service is virtual banded inbound toll service which permits calls to be completed at the subscriber's location without charge to the calling party. Access to the service is gained by dialing a ten digit telephone number which terminates at the customer's location. 800 services originate via normal shared use facilities and are terminated via the customer's local exchange service access line.

Carrier will accept a prospective 800 service customer's request for up to ten (10) 800 telephone numbers and will reserve such number(s) on a first come first served basis. All requests

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3.8. Service Offerings (continued)

for 800 number reservations must be made in writing, dated and signed by a responsible representative of the customer. Carrier does not guarantee the availability of number(s) until assigned. The 800 service telephone number does not subscribe to 800 service within 90 days, t he company reserves the right to make the assigned number available for use by another customer.

3.8.3. Travel Card Service

Allows subscribers who are away from home or office to place calls by gaining access to the Carrier's network via an 800 number. Calling Card service is provided upon request to "1+" subscribers and is not a stand-alone product.

3.8.4. Directory Assistance

The Company does not provide Directory Assistance services at this time.

3.8.5. Operator Service

The Company does not provide Operator Service to subscribers.

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SECTION 4 - RATES AND CHARGES

4.1 Rate Periods

Day Rate Period - Hours of 8 a.m. up to, but not including, 5 p.m. Monday through Friday, except on Carrier-recognized Holidays.

Evening Rate Period - Hours of 5 p.m. up to, but not including, 11 p.m. Sunday through Friday.

Night and Weekend Rate Period - The hours of 11 p.m. up to, but not including, 8 a.m. every day; from 8 a.m. up to, but not including, 11 p.m. on Saturday; and from 8 a.m. up to, but not including, 5 p.m. on Sunday.

Off-Peak Rate Period - Services using this rate structure consist of the hours from 5:00 p.m. up to, but not including, 8:00 a.m., seven days a week, regardless of weekends or holidays.

Peak Rate Period - Services using this rate structure consist of the hours from 8:00 a.m. up to, but not including, 5:00 p.m. seven days a week, regardless of weekends or holidays.

4.2. Usage Charges and Billing Increments

A. Usage Charges

Unless flat rated, usage charges are determined by the time of day rate periods and minutes of use within each rate period. The rate period is determined by the time and day of call origination at the customer's location.

B. Billing Increments

Depending on the product the customer chooses, usage is billed in increments of 6 seconds for the initial period with 6 second increments thereafter.

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4.3. MTS Service Plans

A. Plan A

1. Plan A is a month-to-month flat rated two-way calling multipoint service, accessible by customers on a dial-up basis.

2. Rate: .165 flat (Day, Evening, Night)

3. Billing: Plan A is billed at an initial 6 second increment with 6 second increments thereafter.

B. Plan B

1. Plan B is a one-year term, flat rated two-way calling multipoint service, accessible by customers on a dial-up basis.

2. Rate: .155 flat (Day, Evening, Night)

3. Billing: Plan B is billed at an initial 6 second increment with 6 second increments thereafter.

C. Volume Discounts Available to All Plans

	Monthly Usage Level	Discount
1.	$1,001 - $5,000	5%
2.	$5,001 - $10,000	7%
3.	$10,001 - Up	10%

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4.4. 800 Service Plans

A. Plan A

1. Plan A is a month-to-month, incoming service that allows calls which originate on the feature group facilities provided by the local exchange carrier to be terminated on a regular business line or special access line.

2. Rate: .165 flat (Day, Evening, Night)

3. Billing: Plan A is billed at an initial 6 second increment with 6 second increments thereafter.

B. Plan B

1. Plan B is one-year term, incoming service that allows calls which originate on the feature group facilities provided by the local exchange carrier to be terminated on a regular business line or special access line.

2. Rate: .155 flat (Day, Evening, Night)

3. Billing: Plan B is billed at an initial 6 second increment with 6 second increments thereafter.

C. Volume Discounts Available to All Plans

	Monthly Usage Level	Discount
1.	$1,001 - $5,000	5%
2.	$5,001 - $10,000	7%
3.	$10,001 - Up	10%

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4.5. Travel Card Service Plans

A. Plan A

1. Plan A is a special travel feature whereby a customer may access the network by means of an 800 number (provided by Carrier) from any touch tone phone in the continental U.S.

2. Rate: .250 (Peak); .200 (Off-Peak)

3. Billing: Plan A is billed at an initial 6 second increment with 6 second increments thereafter.

B. Volume Discounts Available to All Plans

	Monthly Usage Level	Discount
1.	$1,001 - $5,000	5%
2.	$5,001 - $10,000	7%
3.	$10,001 - Up	10%

4.6. Dedicated Service Plans

A. Plan A

1. Plan A is a month-to-month, one-way outbound service requiring the customer to originate calls via a dedicated access facility which is provided by the local exchange carrier.

2. Rate: .130 flat (Day, Evening, Night)

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4.6. Dedicated Service Plans (continued)

3. Billing: Plan A is billed at an initial 6 second increment with 6 second increments thereafter.

B. Plan B

1. Plan B is one-year term, one-way outbound service requiring the customer to originate calls via a dedicated access facility which is provided by the local exchange carrier.

2. Rate: .110 flat (Day, Evening, Night)

3. Billing: Plan B is billed at an initial 6 second increment with 6 second increments thereafter.

C. Volume Discounts Available to All Plans

	Monthly Usage Level	Discount
1.	$1,001 - $5,000	5%
2.	$5,001 - $10,000	7%
3.	$10,001 - Up	10%

4.7. Dedicated 800 Service Plans

A. Plan A

1. Plan A is a month-to-month, incoming service that allows calls which originate on the feature group facilities provided by the local exchange carrier to be terminated on a dedicated facility.

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4.7. Dedicated 800 Service Plans (continued)

2. Rate: .130 flat (Day, Evening, Night)

3. Billing: Plan A is billed at an initial 6 second increment with 6 second increments thereafter.

B. Plan B

1. Plan B is one-year term, incoming service that allows calls which originate on the feature group facilities provided by the local exchange carrier to be terminated on a dedicated facility.

2. Rate: .110 flat (Day, Evening, Night)

3. Billing: Plan B is billed at an initial 6 second increment with 6 second increments thereafter.

C. Volume Discounts Available to All Plans

	Monthly Usage Level	Discount
1.	$1,001 - $5,000	5%
2.	$5,001 - $10,000	7%
3.	$10,001 - Up	10%

4.8. Special Affiliate Plans

A. Special Affiliate Program is an inbound and outbound product which will be provided to certain companies who subscribe to Metrocall's other, non-long distance products and services.

By: Steven D. Jacoby, Executive V.P./C.O.O.
Metrocall, Inc.
6677 Richmond Highway
Alexandria, VA 22306
(703) 660-6677

4.8. Special Affiliate Plans (continued)

The product features a simple flat rate pricing that does not change regardless of whether a call is made during the day, evening or night.

B. Plan A

1. Plan A is a flat-rated two-way calling multipoint service, accessible by customers on a dial-up basis and intended for special affiliate customers.

2. Rate: .155 flat (Day, Evening, Night)

3. Billing: Plan A is billed at an initial 6 second increment with 6 second increments thereafter.

C. Plan B

1. Plan B is an incoming service that allows calls which originate on the feature group facilities provided by the local exchange carrier to be terminated on a regular business line or special access line. Plan B is intended for special affiliate customers.

2. Rate: .155 flat (Day, Evening, Night)

3. Billing: Plan B is billed at an initial 6 second increment with 6 second increments thereafter.

D. Plan C

1. Plan C is a one-way outbound service requiring the customer to originate calls via a dedicated access facility which is provided by the local exchange carrier and intended for special affiliate customers.

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4.8. Special Affiliate Plans (continued)

2. Rate: .110 flat (Day, Evening, Night)

3. Billing: Plan C is billed at an initial 6 second increment with 6 second increments thereafter.

E. Plan D

1. Plan D is an incoming service that allows calls which originate on the feature group facilities provided by the local exchange carrier to be terminated on a dedicated facility and intended for special affiliate customers.

2. Rate: .110 flat (Day, Evening, Night)

3. Billing: Plan D is billed at an initial 6 second increment with 6 second increments thereafter.

F. Volume Discounts Available to All Plans

	Monthly Usage Level	Discount
1.	$1,001 - $5,000	5%
2.	$5,001 - $10,000	7%
3.	$10,001 - Up	10%

By: Steven D. Jacoby, Executive V.P./C.O.O.
Metrocall, Inc.
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Alexandria, VA 22306
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4.9 Special Promotions

Prior approval of the Commission will be received for any special promotions offered by a carrier. In no event will reduced rates offered under a special promotion extend for more than 90 days in any 12-month period.

4.10. Directory Assistance

The Company does not currently provide Directory Assistance.

4.11 Rates Applicable for Hearing/Speech Impaired Persons

A telephone toll message which is communicated using a telecommunications device for the deaf (TDD) by properly certified hearing or speech impaired persons or properly certified business establishments or individuals equipped with TDDs for communicating with hearing or speech impaired persons will receive, upon request, credit on charges for all intrastate toll calls placed between TDDs. The credit to be given on a subsequent bill for such calls placed between TDDs will be equal to one-half the normal charges applying to the call.

4.12. Returned Check Charge

Customers submitting checks to Carrier which are returned by the issuing institution will be charged a fee of $15.00 per check.

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Metrocall, Inc.
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Alexandria, VA 22306
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METROCALL, INC.
Application for Authority to Operate as a Non-Dominant Reseller of Telecommunications Services
ATTACHMENT A

Attached are relevant portions of Metrocall, Inc.'s Form 10-K filings with the Securities and Exchange Commission, showing financial statements for the most recent preceding three years (1996, 1997 and 1998).

METROCALL, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands, Except Share and Per Share Information)

	December 31, 1997	December 31, 1998
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 24,896	$ 8,436
Accounts receivable, less allowance for doubtful accounts of $6,843 and $6,196 as of December 31, 1997 and 1998, respectively	30,208	44,694
Prepaid expenses and other current assets (Note 4)	18,372	22,795
Total current assets	73,476	75,925
PROPERTY AND EQUIPMENT:		
Land, buildings and leasehold improvements	16,364	15,079
Furniture, office equipment and vehicles	46,588	64,438
Paging and plant equipment	276,993	380,313
Less — Accumulated depreciation and amortization	(115,357)	(168,067)
	224,588	291,763
INTANGIBLE ASSETS, net of accumulated amortization of approximately $58,352 and $219,960 at December 31, 1997 and 1998, respectively	787,003	892,404
OTHER ASSETS	1,947	2,595
TOTAL ASSETS	$ 1,087,014	$ 1,262,687
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt	$ 952	$ 771
Accounts payable	35,160	37,533
Accrued expenses and other current liabilities (Note 4)	46,141	37,728
Deferred revenues and subscriber deposits	15,854	27,769
Total current liabilities	98,107	103,801
CAPITAL LEASE OBLIGATIONS, less current maturities (Note 5)	4,282	3,575
CREDIT FACILITY AND OTHER LONG-TERM DEBT, less current maturities (Note 5)	142,173	40,444
SENIOR SUBORDINATED NOTES (Note 5)	452,534	698,544
DEFERRED INCOME TAX LIABILITY	155,930	209,642
MINORITY INTEREST IN PARTNERSHIP	510	510
Total liabilities	853,536	1,056,516
COMMITMENTS AND CONTINGENCIES (Note 8)		
SERIES A CONVERTIBLE PREFERRED STOCK, 14% cumulative; par value $.01 per share; 810,000 shares authorized; 182,726 shares and 209,203 shares issued and outstanding as of December 31, 1997 and 1998, respectively and a liquidation preference of $46,481 and $53,216 at December 31, 1997 and 1998, respectively (Note 6)	37,918	45,441
SERIES B JUNIOR CONVERTIBLE PREFERRED STOCK, 14% cumulative; par value $.01 per share; 9,000 shares authorized; 1,579 shares and 1,808 shares issued and outstanding as of December 31, 1997 and 1998, respectively and a liquidation preference of $16,064 and $18,391 at December 31, 1997 and 1998, respectively (Note 6)	16,064	18,391
SERIES C CONVERTIBLE PREFERRED STOCK, 8% cumulative; par value $.01 per share; 25,000 shares authorized; 9,595 shares issued and outstanding and a liquidation preference of $96,910 at December 31, 1998 (Note 6)	-	96,910
STOCKHOLDERS' EQUITY (Notes 3 and 6):		
Common stock, par value $.01 per share; 100,000,000 shares authorized; 40,548,414 and 41,583,403 shares issued and outstanding at December 31, 1997 and 1998, respectively	405	416
Additional paid-in capital	336,076	340,249
Accumulated deficit	(156,985)	(295,236)
	179,496	45,429
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 1,087,014	$ 1,262,687

The accompanying notes are an integral part of these consolidated balance sheets.

METROCALL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(In Thousands, Except Share and Per Share Information)

	Year Ended December 31, 1996	1997	1998
REVENUES:			
Service, rent and maintenance	$ 124,029	$ 249,900	$ 416,352
Product sales	25,928	39,464	48,372
Total revenues	149,957	289,364	464,724
Net book value of products sold	(21,633)	(29,948)	(31,791)
	128,324	259,416	432,933
OPERATING EXPENSES:			
Service, rent and maintenance	28,567	61,392	112,774
Selling and marketing	24,101	53,802	73,546
General and administrative	42,905	73,753	121,644
Depreciation and amortization	58,196	91,699	234,948
	153,769	280,646	542,912
Loss from operations	(25,445)	(21,230)	(109,979)
INTEREST AND OTHER INCOME (EXPENSE)	(607)	156	849
INTEREST EXPENSE	(20,424)	(36,248)	(64,448)
LOSS BEFORE INCOME TAX BENEFIT AND EXTRAORDINARY ITEM	(46,476)	(57,322)	(173,578)
INCOME TAX BENEFIT	1,021	4,861	47,094
LOSS BEFORE EXTRAORDINARY ITEM	(45,455)	(52,461)	(126,484)
EXTRAORDINARY ITEM (Note 5)	(3,675)	—	—
Net loss	(49,130)	(52,461)	(126,484)
PREFERRED DIVIDENDS (Note 6)	(780)	(7,750)	(11,767)
Loss attributable to common stockholders	$ (49,910)	$ (60,211)	$ (138,251)
BASIC AND DILUTED LOSS PER SHARE ATTRIBUTABLE TO COMMON STOCKHOLDERS:			
Basic and diluted loss per share before extraordinary item attributable to common stockholders	$ (2.84)	$ (2.22)	$ (3.37)
Basic and diluted extraordinary item, net of income tax benefit	(0.23)	—	—
Basic and diluted loss per share attributable to common stockholders	$ (3.07)	$ (2.22)	$ (3.37)
Weighted-average common shares outstanding	16,252,782	27,086,654	41,029,601

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

METROCALL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In Thousands, Except Share Information)

	Common Stock				
	Shares Outstanding	Par Value	Additional Paid-In Capital	Accumulated Deficit	Total
BALANCE, December 31, 1995	14,626,255	$ 146	$ 201,956	$ (46,864)	$ 155,238
Issuance of shares in employee stock purchase plan (Note 7)	11,942	—	110	—	110
Shares issued in Satellite acquisition	1,771,869	18	10,408	—	10,426
Exercise of stock options (Note 7)	4,739	—	5	—	5
Shares issued in merger with A+ Network	8,106,330	81	42,477	—	42,558
Warrants issued in connection with Series A Preferred Stock (Note 6)	—	—	7,871	—	7,871
Preferred dividends (Note 6)	—	—	—	(780)	(780)
Net loss	—	—	—	(49,130)	(49,130)
BALANCE, December 31, 1996	24,521,135	245	262,827	(96,774)	166,298
Issuance of shares in employee stock purchase plan (Note 7)	109,747	1	429	—	430
Adjustment to shares issued in Satellite acquisition	74,085	1	(213)	—	(212)
Shares issued in acquisition of Radio and Communications Consultants, Inc. and Advanced Cellular Telephone, Inc. (Note 3)	494,279	5	2,899	—	2,904
Issuance of shares in Page America acquisition (Note 3)	3,911,856	39	18,787	—	18,826
Exercise of stock options (Note 7)	1,896	—	2	—	2
Shares issued in ProNet Merger (Note 3)	11,435,416	114	51,345	—	51,459
Preferred dividends (Note 6)	—	—	—	(7,750)	(7,750)
Net loss	—	—	—	(52,461)	(52,461)
BALANCE, December 31, 1997	40,548,414	405	336,076	(156,985)	179,496
Issuance of shares in employee stock purchase plan and other (Note 7)	134,989	2	573	—	575
Shares issued in settlement of litigation related to the ProNet Merger (Note 3)	900,000	9	3,600	—	3,609
Preferred dividends (Note 6)	—	-	—	(11,767)	(11,767)
Net loss	—	-	—	(126,484)	(126,484)
BALANCE, December 31, 1998	41,583,403	$ 416	$ 340,249	$ (295,236)	$ 45,429

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

METROCALL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)

	Year Ended December 31, 1996	1997	1998
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$ (49,130)	$ (52,461)	$ (126,484)
Adjustments to reconcile net loss to net cash provided by operating activities —			
Depreciation and amortization	58,196	91,699	234,948
Amortization of debt financing costs	620	1,152	1,771
Decrease in deferred income taxes	(1,483)	(5,400)	(47,391)
Gain on liquidation of investment (Note 2)	—	—	(130)
Write-off of deferred acquisition costs	388	—	—
Minority interest in loss of investments	207	—	—
Writedown of equity investment	238	240	—
Gain on sale of equipment	(1,188)	—	—
Extraordinary item	3,675	—	—
Changes in current assets and liabilities, net of effects from acquisitions:			
Accounts receivable	(2,626)	(1,408)	(2,387)
Prepaid expenses and other current assets	(1,579)	(5,331)	(4,351)
Accounts payable	5,841	372	2,175
Deferred revenues and subscriber deposits	2,126	(2,481)	(12,263)
Accrued expenses and other current liabilities	323	784	(4,734)
Net cash provided by operating activities	15,608	27,166	41,154
CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash paid for acquisitions, net of cash acquired	(260,600)	(113,466)	(110,000)
Capital expenditures, net	(62,110)	(69,935)	(78,658)
Proceeds from sale of telemessaging operations	—	11,000	—
Additions to intangibles	(3,853)	(5,070)	(1,885)
Other	(1,341)	1,042	(1,204)
Net cash used in investing activities	(327,904)	(176,429)	(191,747)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net proceeds from issuance of common stock	115	432	577
Net proceeds from preferred stock offering (Note 6)	38,323	—	—
Proceeds from long-term debt (Note 5)	194,904	364,261	248,260
Principal payments on long-term debt	(25,464)	(194,222)	(104,362)
Debt tender and consent solicitation costs	(3,675)	—	—
Deferred debt financing costs	(4,562)	(7,240)	(10,332)
Other	(2)	11	(10)
Net cash provided by financing activities	199,639	163,242	134,133
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(112,657)	13,979	(16,460)
CASH AND CASH EQUIVALENTS, beginning of period	123,574	10,917	24,896
CASH AND CASH EQUIVALENTS, end of period	$ 10,917	$ 24,896	$ 8,436

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

METROCALL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Risk Factors

Metrocall, Inc. and subsidiaries (the "Company" or "Metrocall"), is a leading provider of local, regional and national paging and other wireless messaging services in the United States. Through our nationwide wireless network, the Company provides messaging services to over 1,000 U.S. cities, including the top 100 Standard Metropolitan Statistical Areas.

Risks and Other Important Factors

The Company sustained net losses of $49.1 million, $52.5 million and $126.5 million for the years ended December 31, 1996, 1997 and 1998, respectively. The Company's loss from operations for the year ended December 31, 1998 was $110.0 million. In addition, at December 31, 1998, the Company had an accumulated deficit of approximately $295.2 million and a deficit in working capital of $27.9 million. The Company's losses from operations and its net losses are expected to continue for additional periods in the future. There can be no assurance that the Company's operations will become profitable.

The Company's operations require the availability of substantial funds to finance the maintenance and growth of its existing paging operations and subscriber base, development and construction of future wireless communications networks, expansion into new markets, and the acquisition of other wireless communication companies. At December 31, 1998, the Company had incurred approximately $743.3 million in long-term debt and capital leases. Amounts available under the Company's credit facility are subject to certain financial covenants and other restrictions. At December 31, 1998, approximately $160.0 million of additional borrowings were available to the Company under its credit facility. The Company's ability to borrow additional amounts in the future is dependent on its ability to comply with the provisions of its credit facility as well as availability of financing in the capital markets.

The Company is also subject to certain additional risks and uncertainties including changes in technology, business integration, competition, subscriber turnover and regulation.

2. Significant Accounting Policies

Principles of Consolidation

In addition to Metrocall, the accompanying consolidated financial statements include the accounts of Metrocall's 61% interest in Beacon Peak Associates Ltd. ("Beacon Peak") and Metrocall of Virginia, Inc. and Metrocall, USA, Inc., nonoperating wholly owned subsidiaries that hold certain of the Company's regulatory licenses issued by the Federal Communications Commission (the "FCC"). Beacon Peak owns land, adjacent to the Company's headquarters building, which is valued at cost. The minority interest in Beacon Peak was $510,000 as of December 31, 1997 and 1998.

Metrocall had a 20% interest in Beacon Communications Associates ("Beacon Communications"), which was liquidated in November 1998 and had been included in the consolidated financial statements through the date of sale. Beacon Communications owns the building that is the Company's headquarters. Since Beacon Communications' debt related to the building was guaranteed by the Company's lease (expiring 2008) and because the Company had made the only substantive investment in Beacon Communications, the accounts of Beacon Communications had been consolidated in the accompanying financial statements up until its liquidation.

All significant intercompany transactions have been eliminated in consolidation.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition
The Company recognizes revenue under service, rental and maintenance agreements with customers as the related services a performed. The Company leases (as lessor) radio pagers under operating leases. Substantially all the leases are on a month-to-mon basis. Advance billings for services are deferred and recognized as revenue when earned. Sales of equipment are recognized up delivery.

Cash and Cash Equivalents
Cash equivalents consist primarily of repurchase agreements, all having maturities of ninety days or less when purchased. Th carrying amount reported in the accompanying balance sheets for cash equivalents approximates fair value due to the short-ter maturity of these instruments.

Property and Equipment
Property and equipment are carried at cost. Depreciation is computed using the straight-line method over the following estimate useful lives.

	Years
Buildings and leasehold improvements	10—31
Furniture and office equipment	5—10
Vehicles	3—5
Subscriber paging equipment	3
Transmission and plant equipment	5—12

New pagers are depreciated using the half-year convention upon acquisition. Betterments to acquired pagers and the net book valu of lost pagers are charged to depreciation expense.

Purchases of property and equipment in the accompanying consolidated statements of cash flows are reflected net of the net bool value of products sold to approximate the net addition to subscriber equipment.

The Company currently purchases a significant amount of its subscriber paging equipment from one supplier. Although there ar other manufacturers of similar subscriber paging equipment, the inability of this supplier to provide equipment required by th Company could result in a decrease of pager placements and decline in sales, which could adversely affect operating results.

Intangible Assets
Intangible assets, net of accumulated amortization, consist of the following at December 31, 1997 and 1998 (in thousands):

	December 31, 1997	December 31, 1998	Amortization Period in Years
State certificates and FCC licenses	$ 312,873	$ 325,116	10
Goodwill	191,550	196,389	10
Subscriber lists	264,489	328,651	3
Debt financing costs	14,979	23,540	8—12
Covenants	1,658	17,125	3
Other	1,454	1,583	3—7
	$ 787,003	$ 892,404	

Debt financing costs represent fees and other costs incurred in connection with the issuance of long-term debt. These costs are amortized as interest expense over the term of the related debt using the effective interest rate method.

Long-Lived Assets
Long-lived assets and identifiable intangibles to be held and used are reviewed for impairment on a periodic basis and whenever events or changes in circumstances indicate that the carrying amount should be reviewed. Impairment is measured by comparing the book value to the estimated undiscounted future cash flows expected to result from use of the assets and their eventual disposition. The Company has determined that there has been no permanent impairment in the carrying value of long-lived assets reflected in the accompanying balance sheets.

Effective January 1, 1998, the Company reduced the estimated useful lives of certain intangibles recorded in connection witl acquisitions from 15 years to 10 years for goodwill, from 25 years to 10 years for FCC licenses and from 5-6 years for subscribe bases to 3 years. The impact of these changes was to increase amortization expense for the year ended December 31, 1998, b approximately $26.0 million.

Loss Per Common Share Attributable to Common Stockholders
Basic earnings per share is computed by dividing income (loss) available to common stockholders by the weighted-average number o common shares outstanding for the period. Diluted earnings per share is similar to basic earnings per share, except the weighted average number of common shares outstanding is increased to include dilutive stock options and warrants. Stock options an warrants were not included in the computation of loss per share as the effect would be antidilutive. As a result, the basic and dilute earnings per share amounts are identical.

Income Taxes
As prescribed by Statement of Financial Accounting Standards (SFAS) No. 109 "Accounting for Income Taxes," the Compan utilizes the asset and liability method of accounting for income taxes. Under this method, deferred income taxes are recognized fo the tax consequences of temporary differences by applying enacted statutory tax rates applicable to future years to difference between the financial statement carrying amounts and the tax bases of existing assets and liabilities, less valuation allowances, i required.

Reclassifications
Certain amounts in the prior years' consolidated financial statements have been reclassified to conform with the current year' presentation.

3. Mergers, Acquisitions and Dispositions

Presented below is a summary of the Company's merger and acquisitions completed during 1997 and 1998. The transactions have a been accounted for as purchases for financial reporting purposes and the operating results of the purchased businesses have bee included in the statements of operations from the dates of acquisition.

Page America Group, Inc. ("Page America")
On July 1, 1997, the Company acquired substantially all the assets of Page America and subsidiaries. The total purchase price c approximately $63.7 million included consideration of approximately $25.0 million in cash, 1,500 shares of the Series B Junic Convertible Preferred Stock (Series B Preferred) (see Note 6) having a value upon liquidation equal to its stated value, 3,911,85 shares of Common Stock and assumed liabilities and transaction fees and expenses of approximately $4.9 million. The cash portio of the purchase price including fees and expenses was funded through borrowings under the Company's credit facility.

ProNet Inc. ("ProNet")
On December 30, 1997, the Company completed the merger of ProNet with and into Metrocall (the "ProNet Merger"), pursuant to th terms of the Agreement and Plan of Merger dated August 8, 1997. Under the terms of the ProNet Merger, Metrocall issued 0.9 shares of Common Stock for each share of ProNet common stock, or approximately 12.3 million shares of Common Stock (includin 900,000 shares issued in 1998 as settlement of certain ProNet litigation). In connection with the ProNet Merger, the Compan assumed ProNet's $100.0 million aggregate principal amount of 11 7/8% senior subordinated notes, due in 2005 and refinance indebtedness outstanding under ProNet's credit facility with borrowings under the Company's credit facility.

AT&T Wireless Messaging Division ("AMD")
On October 2, 1998, the Company completed a stock purchase agreement with AT&T Wireless Services, Inc. ("Wireless"), McCa Communications Companies, Inc. and AT&T Two Way Messaging Communications, Inc. to acquire the stock of certain subsidiarie of Wireless that operated the paging and messaging services business of AT&T. The Company also acquired a nationwid 50KHz/50KHz narrowband personal communication services license in the transaction. The purchase price for the business an license acquired was $110.0 million in cash and 9,500 shares of the Series C Convertible Preferred Stock (the "Series C Preferred' (see Note 6) having a value upon liquidation equal to its stated value. The cash portion of the purchase price, including fees an expenses, was funded through borrowings under the Company's credit facility.

The purchase prices for the Page America, ProNet and AMD transactions have been allocated as follows (in thousands):

	1997		1998
	Page America	ProNet	AMD
Plant and equipment	$ 2,610	$ 60,381	$ 64,215
Accounts receivable and other assets	846	15,310	18,773
Noncompete agreements	—	—	17,833
Customer lists	29,533	205,582	162,428
FCC licenses and state certificates	29,759	71,475	45,385
Goodwill	—	18,403	—
Liabilities assumed	(28,467)	(230,026)	(140,531)
Direct acquisition costs	(456)	(6,277)	—
Deferred income tax liability	—	(83,389)	(73,103)
	$ 33,825	$ 51,459	$ 95,000

The purchase price allocation for the AMD acquisition may be subject to adjustment for changes in estimates related to costs to be incurred to close duplicate facilities and to settle pending legal and other contingencies. The resolution of these matters is not expected to have a material impact on the Company's financial condition or its results of future operations.

The unaudited pro forma information presented below reflects the acquisitions of Page America, ProNet and AMD as if each had occurred on January 1, 1997. The results are not necessarily indicative of future operating results or of what would have occurred had the acquisitions actually been consummated on that date (in thousands, except per share data).

	Year Ended December 31, 1997	1998
Revenues	$ 602,368	$ 613,211
Loss attributable to common stockholders	$ (214,191)	$ (165,353)
Loss per share attributable to common stockholders	$ (5.28)	$ (4.03)

Radio and Communications Consultants, Inc.

On February 5, 1997, the Company acquired 100% of the outstanding common stock of Radio and Communications Consultants, Inc. and Advanced Cellular Telephone, Inc. (collectively, "RCC") by means of a merger of Metrocall of Shreveport, Inc., a wholly owned subsidiary of Metrocall formed to effect the merger with RCC. The merger was financed through the issuance of 494,279 shares of the Common Stock, approximately $0.8 million in cash and assumed liabilities of approximately $0.2 million. The Company also recorded a deferred tax liability of approximately $1.3 million in connection with this transaction. The RCC acquisition was accounted for as a purchase for financial accounting purposes.

Disposition of Telemessaging Assets

On May 9, 1997, the Company completed the sale of the assets of the telemessaging business acquired in the merger with A+ Network, Inc. in November 1996 pursuant to the terms of an Asset Purchase Agreement for proceeds totaling $11.0 million in cash. For the period from January 1, 1997 through the date of disposition, the telemessaging business generated net revenues of approximately $3.7 million and operating income of approximately $0.1 million. No gain or loss was recognized upon the sale for financial reporting purposes as the carrying value of net assets sold approximated the net proceeds received.

4. Supplementary Balance Sheet Information

Company prepaid expenses and other current assets and accrued expenses and other current liabilities consist of (in thousands):

	December 31, 1997	December 31, 1998
Prepaid expenses and other current assets:		
Refunds due from local exchange carriers (see Note 8)	$ 12,116	$ 13,952
Tax refunds	—	2,000
Inventory	2,663	2,406
Prepaid advertising	1,603	1,101
Deposits	1,151	1,258
Other	839	2,078
Total	$ 18,372	$ 22,795
Accrued expenses and other current liabilities:		
Accrued severance, payroll and payroll taxes	$ 13,729	$ 11,542
Accrued acquisition liabilities	13,579	3,321
Accrued interest payable	9,461	14,216
Accrued state and local taxes	2,955	4,981
Accrued insurance claims	1,616	1,047
Other	4,801	2,621
Total	$ 46,141	$ 37,728

5. Long-Term Debt and Lease Obligations

Company debt consists of (in thousands):

	December 31, 1997	December 31, 1998
Credit facility, interest at a floating rate, defined below, with principal payments beginning March 2001	$ 141,165	$ 40,000
10 3/8% Senior subordinated notes due in 2007 (the "1995 Notes")	150,000	150,000
9 3/4% Senior subordinated notes due in 2007 (the "1997 Notes")	200,000	200,000
11 7/8% Senior subordinated notes due in 2005 (the "ProNet Notes")	100,000	100,000
11% Senior subordinated notes due in 2008 (the "1998 Notes") (net of unamortized discount of $1,740 in 1998)	-	248,260
11 7/8% Senior subordinated notes due in 2005 (the "A+ Notes")	2,534	284
Capital lease obligations at a weighted average interest rate of 9.7%	5,104	4,282
Other	1,138	508
	599,941	743,334
Less — Current portion	952	771
Long-term portion	$ 598,989	$ 742,563

Annual maturities of long-term debt after December 31, 1999 are as follows (in thousands): $643 in 2000; $735 in 2001; $836 in 2002; $949 in 2003 and $739,400 thereafter.

At December 31, 1998 and 1997, the estimated fair value of the Company's long-term debt excluding capital lease obligations is listed below. The fair value of the senior subordinated notes is based on market quotes as of the dates indicated (in thousands):

	December 31, 1997		December 31, 1998	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Credit facility	$ 141,165	$ 141,165	$ 40,000	$ 40,000
Senior subordinated notes	452,534	460,784	698,544	695,045
Other	1,138	1,050	508	503
Total debt, excluding capital leases	$ 594,837	$ 602,999	$ 739,052	$ 735,548

Credit Facility
In October 1997, the Company and its bank lenders executed an amended and restated credit agreement (the "1997 Credit Agreement"). Under the 1997 Credit Agreement, subject to certain conditions, the Company was able to borrow up to $300 million under two reducing loan facilities. On October 2, 1998, the Company and its bank lenders amended and restated the 1997 Credit Agreement to increase the amount of borrowings available under the 1997 Credit Agreement, as amended, to $400 million. The additional $100 million term loan facility was used to fund the cash portion of the AMD acquisition.

On December 22, 1998, the Company revised its $400 million credit facility and entered into a fourth amended and restated loan agreement with its bank lenders (the "1998 Credit Agreement"). Subject to certain conditions set forth in the 1998 Credit Agreement, the Company may borrow up to $200 million under two loan facilities through December 31, 2004. The first facility ("Facility A") is a $150 million reducing revolving credit facility and the second ("Facility B") is a $50 million reducing term credit facility (together Facility A and Facility B are referred to as the "Credit Facility"). The Credit Facility is secured by substantially all the assets of the Company. Required quarterly principal repayments, as defined, begin on March 31, 2001 and continue through December 31, 2004.

The 1998 Credit Agreement requires compliance with certain financial and operating covenants. The Company is required to maintain certain financial ratios, including total debt to annualized operating cash flow, senior debt to annualized operating cash flow, annualized operating cash flow to pro forma debt service, total sources of cash to total uses of cash, and operating cash flow to interest expense (in each case, as such terms are defined in the 1998 Credit Agreement). The covenants also limit additional indebtedness and future mergers and acquisitions without the approval of the lenders and restrict the payment of cash dividends and other stockholder distributions by Metrocall. The 1998 Credit Agreement also prohibits certain changes in ownership control of Metrocall, as defined. At December 31, 1998, the Company was in compliance with all of these covenants.

Under the Credit Facility, the Company may designate all or any portion of the borrowings outstanding as either a floating base rate advance or a Eurodollar rate advance with an applicable margin that ranges from 0.625% to 1.875% for base rate advances and 1.750% to 3.000% for Eurodollar rate advances. The predefined margins are based upon the level of indebtedness outstanding relative to annualized cash flow, as defined in the 1998 Credit Agreement. Commitment fees of 0.375% to 0.750% per year (depending on the level of Metrocall's indebtedness outstanding to annualized cash flow) are charged on the average unborrowed balance and will be charged to interest expense as incurred.

The Company incurred loan origination fees and direct financing costs in connection with its Credit Facility and amendments thereto, of approximately $3.6 million, which are being amortized and charged to interest expense over the term of the facility.

The weighted-average balances outstanding under the Company's credit facilities for the years ended December 31, 1996, 1997 and 1998 were approximately $39.9 million, $170.0 million and $178.6 million, respectively. For the years ended December 31, 1996, 1997 and 1998, interest expense relating to the Company's credit facilities was approximately $3.7 million, $15.5 million and $13.1 million, respectively, at weighted-average interest rates of 9.4%, 9.2%, and 7.3% respectively. The effective interest rates as of December 31, 1997 and 1998 were 8.2% and 7.8%, respectively. As of December 31, 1998, approximately $160.0 million of additional borrowings were available to the Company under its Credit Facility.

Senior Subordinated Notes

10 3/8% Senior Subordinated Notes
In October 1995, the Company completed a public offering of $150.0 million aggregate principal amount of 10 3/8% senior subordinated notes due 2007 (the "1995 Notes"). Interest on the 1995 Notes is payable semi-annually on April 1 and October 1. The 1995 Notes are general unsecured obligations subordinated in right to the Company's existing long-term debt and other senior obligations, as defined.

The 1995 Notes contain various covenants that, among other restrictions, limit the ability of the Company to incur additional indebtedness, pay dividends, engage in certain transactions with affiliates, sell assets and engage in mergers and consolidations except under certain circumstances.

The 1995 Notes may be redeemed at the Company's option after October 1, 2000. The following redemption prices are applicable to any optional redemption of the 1995 Notes by the Company during the 12-month period beginning on October 1 of the years indicated below:

Year	Percentage
2000	105.188%
2001	103.458
2002	101.729
2003 and thereafter	100.000

In the event of a change in control of the Company, as defined, each holder of the 1995 Notes will have the right, at such holder's option, to require the Company to purchase that holder's 1995 Notes at a purchase price equal to 101% of the principal amount thereof, plus any accrued and unpaid interest to the date of repurchase.

9 ¾% Senior Subordinated Notes

In October 1997, the Company completed a private placement of $200.0 million aggregate principal amount of 9 ¾% senior subordinated notes due 2007 (the "1997 Notes). The 1997 Notes bear interest, payable semi-annually on January 15 and July 15. The Notes are callable beginning November 1, 2002. The 1997 Notes are unsecured obligations of the Company,. The Company used the net proceeds from the 1997 Notes, approximately $193.0 million, to repay outstanding indebtedness under its Credit Facility. In March 1998, the 1997 Notes were registered under the Securities Act pursuant to an exchange offer.

The 1997 Notes contain various covenants that, among other restrictions, limit the ability of the Company to incur additional indebtedness, pay dividends, engage in certain transactions with affiliates, sell assets and engage in mergers and consolidations except under certain circumstances.

The 1997 Notes may be redeemed, in whole or in part, at any time on or after November 1, 2002, at the option of the Company. The following redemption prices, plus any accrued and unpaid interest to, but not including, the applicable redemption date, are applicable to any optional redemption of the 1997 Notes by the Company during the 12-month period beginning on November 1 of the years indicated below:

Year	Percentage
2002	104.8750%
2003	102.4375
2004 and thereafter	100.0000

In the event of a change of control of the Company, as defined, each holder of the 1997 Notes will have the right, at such holder's option, to require the Company to repurchase that holder's 1997 Notes at a purchase price equal to 101% of the principal amount thereof, plus any accrued and unpaid interest to the date of repurchase.

11 7/8% Senior Subordinated Notes (the "A+ Notes")

In connection with the A+ Network merger, the Company offered to purchase all $125.0 million of A+ Network's 11 7/8% senior subordinated notes due 2005 for $1,005 per $1,000 principal amount plus accrued and unpaid interest (the "Offer"). Concurrent with the Offer, the Company solicited consents to amend the indenture governing the A+ Notes to eliminate substantially all restrictive covenants and certain related events of default contained therein in exchange for a payment of $5.00 for each $1,000 principal amount of the A+ Notes. Of the total outstanding, approximately $122.5 million of the A+ Notes were validly tendered and retired. The Company incurred fees of approximately $3.7 million in connection with the tender and consent process which has been recorded as an extraordinary item for the year ended December 31, 1996. In December 1998, the Company redeemed an additional $2.3 million of the A+ Notes for approximately $1,005 per $1,000 principal amount plus accrued and unpaid interest. At December 31, 1998, $284,000 of the A+ Notes were outstanding.

11 7/8% Senior Subordinated Notes (the "ProNet Notes")

In connection with the ProNet merger, the Company assumed all $100.0 million aggregate principal amount of ProNet's 11 7/8% senior subordinated notes due 2005. The ProNet Notes bear interest, payable semi-annually on June 15 and December 15. The ProNet Notes are general unsecured obligations subordinated in right to the Company's existing long-term debt and other senior obligations, as defined.

The ProNet Notes contain various covenants that, among other restrictions, limit the ability of the Company to incur additional indebtedness, pay dividends, engage in certain other transactions with affiliates, sell assets and engage in mergers and consolidations except under certain conditions.

The ProNet Notes may be redeemed at the Company's option on or after June 15, 2000. The following redemption prices are applicable to any optional redemption of the ProNet Notes by the Company during the 12-month period beginning on June 15 of the years indicated below:

Year	Percentage
2000	105.938%
2001	103.958
2002	101.979
2003 and thereafter	100.000

In the event of a change of control of the Company, as defined, each holder of the ProNet Notes will have the right to require that the Company repurchase such holder's ProNet Notes at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest to the date of repurchase.

11% Senior Subordinated Notes
In December 1998, the Company completed a private placement of $250.0 million aggregate principal amount of 11% senior subordinated notes due 2008 (the "1998 Notes"). The 1998 Notes bear interest, payable semi-annually on March 15 and September 15. The 1998 Notes are unsecured obligations of the Company, subordinated in right to the Company's existing long-term debt and other senior obligations, as defined. The Company used the net proceeds from the 1998 Notes to repay approximately $229.0 million of indebtedness under its credit facility. The Company is required to register the 1998 Notes under the Securities Act of 1933 within six months of their placement. If this requirement is not met, the annual interest rate on the 1998 Notes will increase by .5% until the 1998 Notes are generally freely transferable.

The 1998 Notes contain various covenants that, among other restrictions, limit the ability of the Company to incur additional indebtedness, pay dividends, engage in certain other transactions with affiliates, sell assets and engage in mergers and consolidations except under certain conditions.

The 1998 Notes may be redeemed at the Company's option on or after September 15, 2003. The following redemption prices are applicable to any optional redemption of the 1998 Notes by the Company during the 12-month period beginning on September 15 of the years indicated below:

Year	Percentage
2003	105.500%
2004	103.667
2005	101.833
2006 and thereafter	100.000

In the event of a change of control of the Company, as defined, each holder of the 1998 Notes will have the right to require that the Company repurchase such holder's 1998 Notes at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest to the date of repurchase.

Lease Obligations
The Company is party to several capital lease agreements for computer equipment and office space. Future minimum rental commitments for capital leases are as follows (in thousands): $1,100 in 1999, $896 in 2000, $923 in 2001, $951 in 2002, $980 in 2003 and $751 thereafter. At December 31, 1998, aggregate future minimum capital lease payments were $5,601 including interest of $1,319. The Company has an option to acquire a 51% interest in the property housing certain office space. The Company may exercise the option through December 31, 1999. At the time the option is exercised, the Company, along with the owners of the remaining 49% interest in the property, will contribute the property to a general partnership for which the Company will serve as a general partner and receive a 51% equity interest. When, if ever, the Company exercises the purchase option to the Purchase Agreement, the purchase price will be approximately $2.9 million, the estimated fair market value at the date of the lease agreement.

The Company has various operating lease arrangements (as lessee) for office space and communications equipment sites. Rental expenses related to operating leases were approximately (in thousands) $8,612, $21,675 and $37,362 for the years ended December 31, 1996, 1997 and 1998, respectively.

Minimum rental payments as of December 31, 1998, required under operating leases that have initial or remaining noncancelable lease terms in excess of one year are as follows (in thousands): $37,567 in 1999, $24,657 in 2000, $21,318 in 2001, $16,504 in 2002, $12,073 in 2003 and $51,453 thereafter.

Rent expense for lease agreements between the Company and related parties for office space, tower sites and transmission systems, excluding consolidated entities, was approximately (in thousands) $334, $761, and $1,033 for the years ended December 31, 1996, 1997 and 1998, respectively. The Company leases office and warehouse space from a company owned by a director of the Company. The annual rental commitment under these leases is approximately $525,000. The Company believes the terms of these leases are at least as favorable as those that could be obtained from a non-affiliated party.

6. Capital Stock

The authorized capital stock of Metrocall consists of 100,000,000 shares of Common Stock and 1,000,000 shares of preferred stock, par value $0.01 per share ("Preferred Stock"), of which 810,000 shares have been designated as the Series A Convertible Preferred Stock (the "Series A Preferred"), 9,000 shares have been designated as Series B Preferred and 25,000 shares have been designated as the Series C Preferred.

Common Stock

Because the Company holds licenses from the FCC, no more than 20 percent of its Common Stock may, in the aggregate, be owned directly, or voted by a foreign government, a foreign corporation, or resident of a foreign country. The Company's amended and restated certificate of incorporation permits the redemption of the Common Stock from stockholders, where necessary, to protect the Company's regulatory licenses. Such stock may be redeemed at fair market value or, if the stock was purchased within one year of such redemption, at the lesser of fair market value or such holder's purchase price.

Series A Preferred

On November 15, 1996, the Company issued 159,600 shares of Series A Preferred, together with the warrants discussed below, for $250 per share or $39.9 million. At December 31, 1998, there were 209,203 shares of the Series A Preferred outstanding, including 26,477 shares issued as dividends during 1998. Each share of the Series A Preferred has a stated value of $250 per share and has a liquidation preference over shares of the Company's Common Stock equal to the stated value. The Series A Preferred carries a dividend of 14% of the stated value per year, payable semi-annually in cash or in additional shares of the Series A Preferred, at the Company's option. Upon the occurrence of a triggering event, as defined in the certificate of designation for the Series A Preferred, and so long as the triggering event continues, the dividend rate increases to 16% per year. Triggering events include, among other things, (i) the Company issues or incurs indebtedness or equity securities senior with respect to payment of dividends or distributions on liquidation or redemption to the Series A Preferred in violation of limitations set forth in the certificate of designation, and (ii) default on the payment of indebtedness in an amount of $5,000,000 or more. At December 31, 1997 and 1998, accrued but unpaid dividends were approximately $799,000 and $915,000, respectively.

Holders of the Series A Preferred have the right, beginning five years from the date of issuance, to convert their Series A Preferred (including shares issued as dividends) into shares of Common Stock based on the market price of the Common Stock at the time of conversion. The Series A Preferred may, at the holders' option, be converted sooner upon a change of control of Metrocall, as defined in the certificate of designation. The Series A Preferred must be redeemed on November 15, 2008, for an amount equal to the stated value plus accrued and unpaid dividends.

The Series A Preferred may be redeemed by the Company in whole or in part (subject to certain minimums) beginning November 15, 1999. Prior to then, the Series A Preferred may be redeemed by the Company in whole in connection with a sale of the Company (as described in the Series A Preferred certificate of designation) unless the holders have exercised their rights to convert to Metrocall Common Stock in connection with the transaction. The redemption price prior to November 15, 2001, is equal to the stated value of the shares of the Series A Preferred, plus accrued and unpaid dividends, and a redemption premium, as defined. After November 15, 2001, the Series A Preferred Stock may be redeemed for the stated value of $250 per share, without a premium.

Employee Stock Purchase Plan
In May 1996, the Company's stockholders approved the Metrocall, Inc. Employee Stock Purchase Plan (the "Stock Purchase Plan"). Under the Stock Purchase Plan up to 1 million shares of Common Stock may be purchased by eligible employees of the Company through payroll deductions of up to 15% of their eligible compensation. Substantially all full-time employees are eligible to participate in the Stock Purchase Plan. Participants may elect to purchase shares of Common Stock at the lesser of 85% of the fair market value on either the first or last trading day of each payroll deduction period. No employee may purchase in one calendar year shares of Common Stock having an aggregate fair market value in excess of $25,000. Employees purchased 11,942 shares, 109,747 shares and 136,885 shares of Common Stock in 1996, 1997, and 1998, respectively, under the Stock Purchase Plan. At December 31, 1998, 85,752 shares of Common Stock were due to Stock Purchase Plan participants.

Accounting for Stock-Based Compensation
The Company accounts for its stock option plans under Accounting Principles Board (APB) Opinion No. 25 "Accounting for Stock Issued to Employees." In accordance with the recognition requirements set forth under this pronouncement, no compensation expense was recognized for the three years ended December 31, 1998 because the Company had granted options to acquire Common Stock at exercise prices equal to the fair value of the Common Stock on the dates of grant. In 1996, the Company elected to adopt SFAS No. 123 "Accounting for Stock Based Compensation" for disclosure purposes only.

For disclosure purposes, the fair value of each stock purchase and option grant was estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions in 1996, 1997, and 1998, respectively: expected volatility of 60.6%, 64.4% and 69.7%, risk free interest rate of 6.4%, 5.7% and 4.7%, and expected life of ten years for all option grants. The weighted-average fair value of stock options granted in 1996, 1997 and 1998 was $5.89, $4.35, and $4.15 respectively. The weighted-average fair value of stock purchase rights in 1996, 1997 and 1998 was $6.56 per share, $4.67 per share, and $5.23 per share respectively.

Under the above model, the total value of stock options granted in 1996, 1997 and 1998 was $6.7 million, $3.0 million and $7.0 million, respectively, which would be recognized ratably on a pro forma basis over the two year vesting period, and the total value of the stock purchase rights granted in 1996, 1997 and 1998 was $307,000, $575,000, and $913,000, respectively. Had compensation costs for the Company's stock-based compensation and purchase plans been determined in accordance with SFAS No. 123, the Company's loss and loss per share information would have been increased to the pro forma amounts indicated below:

	Year Ended December 31,		
	1996	**1997**	**1998**
Pro forma loss before extraordinary item attributable to common stockholders	$ (49,589)	$ (64,802)	$ (144,015)
Pro forma loss attributable to common stockholders	(53,264)	(64,802)	(144,015)
Pro forma loss per share before extraordinary item attributable to common stockholders	(3.05)	(2.39)	(3.51)
Pro forma loss per share attributable to common stockholders	(3.28)	(2.39)	(3.51)

The SFAS No. 123 method of accounting has not been applied to options granted prior to January 1, 1995, and, accordingly, the resulting pro forma compensation cost may not be representative of that to be expected in future years.

Stock option transactions are summarized as follows:

	Number of Shares	Exercise Price Range	Weighted-Average Exercise Price
Options outstanding, December 31, 1995	798,958	$1.035 - $22.125	$17.75
Options granted	656,216	5.625 – 21.25	17.70
Options issued in A+ Network merger	468,904	6.04	6.04
Options exercised	(4,739)	1.035	1.04
Options canceled	(172,337)	6.044 – 20.25	18.11
Options outstanding, December 31, 1996	1,747,002	$1.035 - $22.125	$ 8.18
Options granted	685,000	6.00	6.00
Options issued in ProNet merger	1,212,539	6.42	6.42
Options exercised	(1,896)	1.04	1.04
Options canceled	(171,990)	6.00 - 20.25	14.16
Options outstanding, December 31, 1997	3,470,655	$1.035 - $22.125	$ 6.84
Options granted	1,679,000	5.125 - 6.75	5.13
Options exercised	—	—	—
Options canceled	(144,802)	5.125 - 6.67	5.90
Options outstanding, December 31, 1998	5,004,853	$1.035 - $22.125	$5.84
Options exercisable, December 31, 1996	966,417	$1.035 - $22.125	$6.64
Options exercisable, December 31, 1997	2,362,655	$1.035 - $22.125	$6.28
Options exercisable, December 31, 1998	2,972,353	$1.035 - $22.125	$6.17

The following table summarizes information about the options outstanding at December 31, 1998:

	------------------Options Exercisable-------------------------			-----------Options Outstanding---------	
Range of Exercise Prices	Number Outstanding	Weighted-Average Remaining Life (Years)	Weighted-Average Exercise Price	Number Outstanding	Weighted-Average Exercise Price
$0.00 - $2.00	21,323	5.0	$1.04	21,323	$1.04
$2.01 - $5.00	96,524	8.9	3.95	96,524	3.95
$8.01 - $12.99	2,830,182	8.5	6.19	4,862,682	5.85
$13.00 - $19.00	12,324	5.4	14.56	12,324	14.56
$19.01 - $22.13	12,000	5.3	19.93	12,000	19.93
	2,972,353	8.5	$6.17	5,004,853	$5.84

Profit Sharing Plan and Retirement Benefits

The Metrocall, Inc. Savings and Retirement Plan (the "Plan"), a combination employee savings plan and discretionary profit-sharing plan, covers substantially all full-time employees. The Plan qualifies under section 401(k) of the Internal Revenue Code (the "IRC"). Under the Plan, participating employees may elect to voluntarily contribute on a pretax basis between 1% and 15% of their salary up to the annual maximum established by the IRC. The Company has agreed to match 50% of the employee's contribution, up to 4% of each participant's gross salary. Contributions made by the Company vest 20% per year beginning on the second anniversary of the participant's employment. Other than the Company's matching obligations, discussed above, profit sharing contributions are discretionary. The Company's expenses for contributions under the Plan were $112,000, $372,000 and $150,000 for the years ended December 31, 1996, 1997 and 1998, respectively.

8. Contingencies

Legal and Regulatory Matters

The Company is subject to certain legal and regulatory matters in the normal course of business. In the opinion of management, the outcome of such assertions will not have a material adverse effect on the financial position or the results of the operations of the Company.

Interconnect Complaint

The Company has filed complaints with the FCC against a number of Regional Bell Operating Companies ("RBOCs") and the larg independent telephone company for violations of the FCC's interconnection and local transport rules and the 1996 Act. T complaints allege that these local telephone companies are unlawfully charging the Company for local transport of the telephc companies' local traffic. The Company has petitioned the FCC to rule that these local transport charges are unlawful and to award i reimbursement or credit for any past charges assessed by the respective carrier and paid by the Company since November 1, 1996, t effective date if the FCC's transport rules. The briefing schedule for these complaint proceedings ended in September 1998. T complaints remain pending before the FCC. As of December 31, 1997 and 1998, the Company had recorded credits receivable frc certain of the RBOCs and the largest independent telephone company related to such local transport charges of approximately $1: million and $14.0 million, respectively. These receivables represent management's estimate, subject to significant revision, amounts management believes are fully realizable. These LEC receivables were classified as prepaid expenses and other curre assets in the accompanying consolidated balance sheets as of December 31, 1997 and 1998 (see Note 4).

9. Income Taxes

As of December 31, 1998, the Company had net operating loss and investment tax credit carryforwards of approximately $251 million and $1.2 million, respectively, which expire in the years 1999 through 2012. The benefits of these carryforwards may limited in the future if there are significant changes in the ownership of the Company. Net operating loss carryforwards may be us to offset up to 90 percent of the Company's alternative minimum taxable income. The provision for alternative minimum tax will l allowed as a credit carryover against regular tax in the future in the event regular tax exceeds alternative minimum tax expense. T the extent that acquired net operating losses are utilized in future periods, the benefit will first be recognized to reduce acquir intangible assets before reducing the provision for income taxes.

The tax effect of the net operating loss and investment tax credit carryforwards, together with net temporary differences, represents net deferred tax asset for which management has reserved 100% due to the uncertainty of future taxable income. These carryforwar will provide a benefit for financial reporting purposes when utilized to offset future taxable income.

The components of net deferred tax assets (liabilities) were as follows as of December 31, 1997 and 1998 (in thousands):

	December 31, 1997	December 31, 1998
Deferred tax assets:		
Allowance for doubtful accounts	$ 1,085	$ 2,611
Management reorganization	1,279	610
Contributions	—	169
New pagers on hand	935	1,468
Intangibles	6,170	13,668
Other	2,418	7,688
Investment tax credit carryforward	1,204	1,204
Net operating loss carryforwards	97,444	100,283
Total deferred tax assets	110,535	127,701
Deferred tax liabilities:		
Basis differences attributable to purchase accounting	(155,930)	(209,642)
Depreciation and amortization expense	(10,184)	(11,677)
Other	(1,701)	(10,517)
Total deferred tax liabilities	(167,815)	(231,836)
Net deferred tax liability	(57,280)	(104,135)
Less: Valuation allowance	(98,650)	(105,507)
	$ (155,930)	$ (209,642)

The income tax benefit for the years ended December 31, 1996, 1997 and 1998, is primarily the result of the amortization of the ba: differences attributable to purchase accounting and is composed of the following (in thousands):

	Year Ended December 31, 1996	1997	1998
Income tax (provision) benefit			
Current —			
Federal	$ —	$ —	$ —
State	(447)	(539)	(310)
Deferred —			
Federal	1,277	4,698	41,755
State	191	702	5,649
	$ 1,021	$ 4,861	$ 47,094

The benefit for income taxes for the years ended December 31, 1996, 1997 and 1998, results in effective rates that differ from tl Federal statutory rate as follows:

	Year Ended December 31, 1996	1997	1998
Statutory Federal income tax rate	35.0%	35.0%	35.0%
Effect of graduated rates	(1.0)	(1.0)	(1.0)
State income taxes, net of Federal tax benefit	4.6	5.3	4.6
Net operating losses for which no tax benefit is currently available	(24.6)	(8.1)	(7.1)
Permanent differences	(11.8)	(22.7)	(6.1)
	2.2%	8.5%	25.4%

10. Supplemental Disclosure of Cash Flow Information

The Company made cash payments for interest of $19.1 million, $30.2 million and $58.0 million for the years ended December 3 1996, 1997 and 1998, respectively. The Company made cash payments for income taxes of $264,000, $539,000 and $690,000 for tl years ended December 31, 1996, 1997 and 1998, respectively.

During 1996, 1997, and 1998, the Company issued capital stock to effect certain acquisitions as described in Note 3.

11. Unaudited Quarterly Financial Data

The following table of quarterly financial data has been prepared from the financial records of the Company, without audit, an reflects all adjustments that are, in the opinion of management, necessary for a fair presentation of the results of operations for th interim periods presented (in thousands, except per share amounts):

	March 31 1997	1998	June 30 1997	1998	September 30 1997	1998	December 31 1997	1998
Revenues	$ 66,753	$ 103,331	$ 70,297	$ 103,254	$ 75,019	$ 105,890	$ 77,295	$ 152,249
Loss from operations	(4,428)	(24,138)	(5,942)	(23,654)	(5,204)	(23,747)	(5,656)	(38,440)
Loss attributable to common stockholders	(13,308)	(30,548)	(13,913)	(31,157)	(16,020)	(31,653)	(16,970)	(44,893)
Loss per share attributable to common stockholders	(0.54)	(0.75)	(0.55)	(0.76)	(0.55)	(0.77)	(0.58)	(1.08)

The sum of the per share amounts may not equal the annual amounts because of the changes in the weighted-average number of shares outstanding during the year.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Metrocall, Inc.:

We have audited, in accordance with generally accepted auditing standards, the consolidated financial statements of Metrocall, Inc., and subsidiaries, and have issued our report thereon dated February 5, 1999. Our audits were made for the purpose of forming an opinion on those statements taken as a whole. The schedule included on page F-23 is the responsibility of the Company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly states, in all material respects, the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

Arthur Andersen LLP

Washington, D.C.
February 5, 1999

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F-2<PAGE> 42
METROCALL, INC. AND SUBSIDIARIES CONSOLIDATED
BALANCE SHEETS (IN THOUSANDS, EXCEPT SHARE AND PER SHARE
INFORMATION) <TABLE><CAPTION>
DECEMBER 31,

1996 1997
-------- ----------<S>
<C> <C>
ASSETSCURRENT ASSETS: Cash and cash
equivalents................................ $ 10,917 $ 24,896 Accounts
receivable, less allowance for doubtful accounts of $2,961 and $6,843 as of
December 31, 1996 and 1997,
respectively.. 20,905 30,208
Prepaid expenses and other current assets................ 5,681
18,372 --------
---------- Total current assets............................ 37,503
73,476
-------- ----------PROPERTY AND EQUIPMENT: Land, buildings and leasehold
improvements................ 12,694 16,364 Furniture, office equipment
and vehicles.................. 29,742 46,588 Paging and plant
equipment.............................. 188,236 276,993 Less --
Accumulated depreciation and amortization......... (77,260) (115,357)
-------- ----------
153,412 224,588
-------- ----------
INTANGIBLE ASSETS, net of accumulated amortization of approximately $20,926 and
$58,352 as of December 31, 1996 and 1997,
respectively.................................. 452,639 787,003OTHER
ASSETS.. 3,023 1,947
-------- ----------
TOTAL ASSETS.. $646,577
$1,087,014 ========
========== LIABILITIES AND STOCKHOLDERS' EQUITYCURRENT
LIABILITIES: Current maturities of long-term debt..................... $
700 $ 952 Accounts payable...
17,194 35,160 Accrued expenses and other current liabilities............
18,940 46,141 Deferred revenues and subscriber
deposits................ 7,936 15,854
-------- ---------- Total current
liabilities........................ 44,770 98,107CAPITAL LEASE
OBLIGATIONS, less current maturities (Note
6).. 3,244
4,282CREDIT FACILITY AND OTHER LONG-TERM DEBT, less current maturities (Note
6).................................... 171,314 142,173SENIOR
SUBORDINATED NOTES (Note 6)......................... 152,534 452,534
DEFERRED INCOME TAX LIABILITY............................. 76,687
155,930MINORITY INTEREST IN PARTNERSHIP.......................... 499

510 --------
---------- Total liabilities...............................
449,048 853,536
-------- ----------COMMITMENTS AND CONTINGENCIES (Notes 4, 5 and 9)SERIES A
CONVERTIBLE PREFERRED STOCK, 14% cumulative; par value $.01 per share; 810,000
shares authorized; 159,600 and 182,726 shares issued and outstanding as of
December 31, 1996 and 1997, respectively and a liquidation preference of
$40,598 and $46,481 at December 31, 1996 and December 31, 1997, respectively
(Note 8)................. 31,231 37,918SERIES B JUNIOR CONVERTIBLE
PREFERRED STOCK, 14% cumulative; par value $.01 per share; 9,000 shares
authorized; zero and 1,579 shares issued and outstanding as of December 31,
1996 and 1997, respectively and a liquidation preference of $0 and $16,064 at
December 31, 1996 and 1997, respectively (Note
8).................................. -- 16,064STOCKHOLDERS'
EQUITY (Notes 3 and 8): Common stock, par value $.01 per share; 80,000,000
shares authorized; 24,521,135 and 40,548,414 shares issued and
outstanding as of December 31, 1996 and 1997,
respectively... 245 405
Additional paid-in capital............................. 262,827
336,076 Accumulated deficit.................................... (96,774)
(156,985) --------

166,298 179,496
-------- ----------TOTAL LIABILITIES AND STOCKHOLDERS'
EQUITY................. $646,577 $1,087,014
======== ==========</TABLE> The
accompanying notes are an integral part of these consolidated balance
sheets. F-3
<PAGE> 43 METROCALL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS (IN THOUSANDS,
EXCEPT SHARE AND PER SHARE INFORMATION) <TABLE><CAPTION>
YEAR ENDED DECEMBER 31,

1995 1996 1997
---------- ---------- ----------<S>
<C> <C>
<C>REVENUES: Service, rent and maintenance......................... $
92,160 $ 124,029 $ 249,900 Product
sales.. 18,699 25,928
39,464 ----------
---------- ---------- Total revenues.................................
110,859 149,957 289,364 Net book value of products
sold....................... (15,527) (21,633) (29,948)
---------- ----------
---------- 95,332
128,324 259,416OPERATING EXPENSES: Service, rent and
maintenance........................ 27,258 38,347 76,428
Selling and marketing................................ 15,656 24,228
51,327 General and administrative............................

24,647 32,998 61,192 Depreciation and
amortization.......................... 31,504 58,196 91,699
Management reorganization charge (Note 5)............. 2,050 --
--
---------- ---------- ----------
101,115 153,769 280,646
---------- ---------- ---------- Loss
from operations.......................... (5,783) (25,445)
(21,230) INTEREST AND OTHER INCOME (EXPENSE)..................... 314
(607) 156 INTEREST EXPENSE...
(12,533) (20,424) (36,248)
---------- ---------- ----------LOSS BEFORE INCOME TAX
BENEFIT AND EXTRAORDINARY ITEM.... (18,002) (46,476) (57,322) INCOME
TAX BENEFIT.. 595 1,021
4,861 ----------
---------- ----------LOSS BEFORE EXTRAORDINARY ITEM...........................
(17,407) (45,455) (52,461) EXTRAORDINARY ITEM: Write-off of
unamortized debt financing costs in 1995 and costs of debt refinancing in
1996, net of tax benefit (Note 6).................. (2,695) (3,675)
-- ----------
---------- ---------- Net loss....................................
(20,102) (49,130) (52,461) PREFERRED DIVIDENDS (Note
8)............................ -- (780) (7,750)
---------- ----------
---------- Loss attributable to common stockholders.............. $ (20,102)
$ (49,910) $ (60,211)
========== ========== ==========BASIC AND DILUTED LOSS PER SHARE
ATTRIBUTABLE TO COMMON STOCKHOLDERS: Basic and diluted loss per share before
extraordinary item attributable to common stockholders.............. $
(1.49) $ (2.84) $ (2.22) Basic and diluted extraordinary item, net of
income tax benefit... (0.23)
(0.23) --
---------- ---------- ----------Basic and diluted loss per share
attributable to common stockholders...
$ (1.72) $ (3.07) $ (2.22)
---------- ---------- ----------Weighted-average common
shares outstanding.............. 11,668,140 16,252,782 27,086,654
========== ==========
==========</TABLE> The accompanying notes are an integral part of these
consolidated financial statements.
F-4<PAGE> 44 METROCALL,
INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF STOCKHOLDERS'
EQUITY (IN THOUSANDS) <TABLE>
<CAPTION>
ADDITIONAL COMMON
PAID-IN ACCUMULATED
STOCK CAPITAL DEFICIT TOTAL
------ ---------- ----------- --------<S>
<C> <C>
<C> <C>BALANCE, December 31,

1994.......................... $106 $ 94,792 $ (26,762) $ 68,136
MetroPaging acquisition purchase price adjustment (Note
3)................................... -- (105) --
(105) Exercise of stock options...................... -- 46
-- 46 Net proceeds from public offering (Note 8)........
40 106,938 -- 106,978 Compensation on amendment of stock
options in . management reorganization (Note 5)............ --
285 -- 285 Net
loss... -- --
(20,102) (20,102) ----
-------- --------- --------BALANCE, December 31,
1995.......................... 146 201,956 (46,864) 155,238
Issuance of shares in employee stock purchase plan (Note
8)................................... -- 110 --
110 Shares issued in Satellite acquisition (Note 3)... 18 10,408
-- 10,426 Exercise of stock options (Note 8)...............
-- 5 -- 5 Shares issued in merger with A+
Network (Note 3).. 81 42,477 -- 42,558 Warrants
issued in connection with Series A Convertible Preferred Stock (Note
8).......... -- 7,871 -- 7,871 Preferred dividends
(Note 8).................... -- -- (780) (780)
Net loss..................................... -- --
(49,130) (49,130) ----
-------- --------- --------BALANCE, December 31,
1996.......................... 245 262,827 (96,774) 166,298
Issuance of shares in employee stock purchase plan (Note
8)................................... 1 429 --
430 Adjustment to shares issued in Satellite
acquisition................................. 1 (213)
-- (212) Shares issued in acquisition of Radio and Communications
Consultants, Inc. and Advanced Cellular Telephone, Inc. (Note
3)............. 5 2,899 -- 2,904 Issuance of
shares in acquisition of Page America (Note
3)................................... 39 18,787 --
18,826 Exercise of stock options (Note 8)............... -- 2
-- 2 Shares issued in ProNet Merger (Note 3)..........
114 51,345 -- 51,459 Preferred dividends (Note
8).................... -- -- (7,750) (7,750) Net
loss... -- --
(52,461) (52,461) ----
-------- --------- --------BALANCE, December 31,
1997.......................... $405 $336,076 $(156,985) $179,496
==== ========
========= ========</TABLE> The accompanying notes are an integral
part of these consolidated financial
statements. F-5<PAGE> 45
METROCALL, INC. AND SUBSIDIARIES CONSOLIDATED
STATEMENTS OF CASH FLOWS (IN THOUSANDS)
<TABLE><CAPTION>
YEAR ENDED DECEMBER 31,

1995 1996 1997
-------- --------- ---------

<S> <C>
<C> <C>CASH FLOWS FROM OPERATING ACTIVITIES: Net
loss... $(20,102) $ (49,130) $
(52,461) Adjustments to reconcile net loss to net cash provided by
operating activities -- Depreciation and
amortization......................... 31,504 58,196 91,699
Compensation on amendment of stock options in management
reorganization......................... 285 -- --
Amortization of debt financing costs.................. 595 620
1,152 Decrease in deferred income taxes..................... (686)
(1,483) (5,400) Write-off of deferred acquisition
costs................ -- 388 -- Minority interest in
loss of investments.............. -- 207 --
Writedown of equity investment........................ -- 238
240 Loss (gain) on sale of equipment...................... 3
(1,188) -- Extraordinary
item................................. 2,695 3,675 --
Changes in current assets and liabilities, net of effects from acquisitions:
Accounts receivable................................. (3,554)
(2,626) (1,408) Prepaid expenses and other current assets.............
(1,070) (1,579) (5,331) Accounts
payable................................... 2,050 5,841 372
Deferred revenues and subscriber deposits............. (1,458)
2,126 (2,481) Other current liabilities............................
3,738 323 784
-------- --------- --------- Net cash provided by
operating activities......... 14,000 15,608 27,166
-------- --------- ---------CASH
FLOWS FROM INVESTING ACTIVITIES: Cash paid for acquisitions, net of cash
acquired......... -- (260,600) (113,466) Proceeds from sale of
telemessaging operations........... -- -- 11,000
Purchases of property and equipment, net................. (44,058)
(62,110) (69,935) Additions to intangibles...............................
(1,895) (3,853) (5,070)
Other.. 1,425
(1,341) 1,042
-------- --------- --------- Net cash used in investing
activities............ (44,528) (327,904) (176,429)
-------- --------- ---------CASH
FLOWS FROM FINANCING ACTIVITIES: Net proceeds from issuance of common
stock............... 107,024 115 432 Net proceeds from
preferred stock offering (Note 8)....... -- 38,323 --
Proceeds from long-term debt............................ 163,000 194,904
364,261 Principal payments on long-term debt....................
(113,790) (25,464) (194,222) Debt tender and consent solicitation
costs............... -- (3,675) -- Deferred debt financing
costs........................... (4,984) (4,562) (7,240) Increase

```
(decrease) in minority interest in partnership...        79          (2)
11                                                                --------
---------   ---------              Net cash provided by financing
activities.........    151,329      199,639      163,242
                                          --------    ---------    ---------NET INCREASE
(DECREASE) IN CASH AND CASH EQUIVALENTS........    120,801     (112,657)
13,979CASH AND CASH EQUIVALENTS, beginning of period..............      2,773
123,574       10,917
--------    ---------     ---------CASH AND CASH EQUIVALENTS, end of
period.................... $123,574    $  10,917    $  24,896
                                                ========   =========   =========
```

</TABLE> The accompanying notes are an integral part of these consolidated financial statements.

F-6<PAGE> 46 METROCALL, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS 1. ORGANIZATION AND RISK FACTORS Metrocall, Inc. and subsidiaries (the "Company" or "Metrocall"), is aprovider of local, regional and nationwide paging and other wireless messagingservices in the United States. The Company's selling efforts are concentrated infive operating regions: (i) the Northeast (Massachusetts through Delaware), (ii)the Mid-Atlantic (Maryland, Delaware and the Washington, D.C. metropolitanarea), (iii) the Southeast (including Virginia, the Carolinas, Georgia, Florida, Alabama, Mississippi and Tennessee), (iv) the Southwest (primarily Louisiana and Texas), (v) the Mid-West (including Illinois, Indiana and Wisconsin) and (vi)the West (primarily California, Nevada and Arizona). Through its NationwideNetwork, the Company provides coverage to over 1,000 cities representing the top100 Standard Metropolitan Statistical Areas. Risks and Other Important Factors The Company sustained net losses of $20.1 million, $49.1 million and $52.5 million for the years ended December 31, 1995, 1996 and 1997, respectively. The Company's loss from operations for the year ended December 31, 1997 was $21.2 million. In addition, at December 31, 1997, the Company has an accumulated deficit of approximately $157.0 million and a deficit in working capital of$24.6 million. The Company's losses from operations and its net losses areexpected to continue for additional periods in the future. There can be noassurance that the Company's operations will become profitable. The Company's operations require the availability of substantial funds tofinance the maintenance and growth of its existing paging operations andcustomer base, development and construction of future wireless communicationsnetworks, expansion into new markets, and the acquisition of other wirelesscommunication companies. At December 31, 1997, the Company had incurredapproximately $599.9 million in long-term debt and capital leases. Amountsavailable under the Company's credit facility are subject to certain financialcovenants and other restrictions such that as of December 31, 1997,approximately $49.3 million of additional borrowings were available to theCompany under its credit facility. The Company's ability to borrow additionalamounts in the future is dependent on its ability to comply with the provisionsof its credit facility as well as availability of financing in the capitalmarkets. Many computer systems in use today were designed and developed using twodigits, rather than four, to specify the year. As a result, such systems willrecognize the year 2000 as "00". This could cause many computer applications tofail completely or to create erroneous results unless corrective measures aretaken. The Company utilizes software and related computer technologies essentialto its operations that will be affected by the Year 2000 issue. Many of theCompany's computer systems, including the Company's primary billing system, havebeen enhanced to meet Year 2000 compliance. The Company is continuing to reviewother computer systems, specifically as they relate to recent mergers andacquisitions, and is developing plans for addressing the remaining Year 2000compliance issues in 1998. The expense associated with these plans cannotpresently be determined, but could be material. The Company is also subject to certain additional risks and uncertaintiesincluding changes in technology, business integration, competition andregulation. 2. SIGNIFICANT ACCOUNTING POLICIES Principles of Consolidation In addition to Metrocall, the accompanying consolidated financialstatements include the accounts of Metrocall's 61% interest in Beacon PeakAssociates Ltd. ("Beacon Peak"), Metrocall's 20% interest in BeaconCommunications Associates ("Beacon Communications"), and Metrocall of Virginia,Inc. and F-7<PAGE> 47 METROCALL, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED) 2. SIGNIFICANT ACCOUNTING POLICIES -- (CONTINUED)Metrocall, USA, Inc., nonoperating wholly owned subsidiaries that hold certainof the Company's regulatory licenses issued by the Federal CommunicationsCommission (the "FCC"). Beacon Communications owns the building that is the Company's headquarters.Since Beacon Communications' debt related to the building is guaranteed by theCompany's lease (expiring 2008) and because the Company has made the onlysubstantive investment in Beacon Communications, the accounts of BeaconCommunications have been consolidated in the accompanying financial statements.The Company and Beacon Communications could agree upon alternate arrangementsthat could result in an accounting treatment other than consolidation. BeaconPeak owns land, adjacent to the Beacon Communications building, which is valuedat cost. The minority interest in Beacon Peak is $499,000 and $510,000 as ofDecember 31, 1996 and 1997, respectively. Beacon Communications had apartnership deficit as of December 31, 1996, and accordingly, the minorityinterest is not recognized in the accompanying consolidated financialstatements. All significant intercompany transactions have been eliminated inconsolidation. Use of Estimates in the Preparation of Financial Statements The preparation of financial statements in conformity with generallyaccepted accounting principles requires management to make estimates andassumptions that affect the reported amounts of assets and liabilities anddisclosure of contingent assets and liabilities at the date of the financialstatements and the reported amounts of revenues and expenses during thereporting period. Actual results could differ from those estimates. Revenue Recognition The Company recognizes revenue under service, rental and maintenanceagreements with customers as the related services are performed. The Companyleases (as lessor) radio pagers under operating leases. Substantially all theleases are on a month-to-month basis. Advance billings for services are deferredand recognized as revenue when earned. Sales of equipment are recognized upondelivery. Cash and Cash Equivalents Cash and cash equivalents include short-term, highly liquid investmentspurchased with original maturities of three months or less. Property and Equipment Property and equipment are carried at cost. Depreciation is computed usingthe straight-line method over the following estimated useful lives. <TABLE><CAPTION>

YEARS
-----<S>
<C>Buildings and leasehold
improvements........................ 10-31Furniture and office
equipment............................ 5-10
Vehicles.. 3-5Subscriber
paging equipment.............................. 3-5Transmission and plant
equipment.......................... 5-12</TABLE> The net book
value of lost pagers is charged to depreciation expense.
F-8<PAGE> 48 METROCALL, INC. AND
SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS --
(CONTINUED) 2. SIGNIFICANT ACCOUNTING POLICIES -- (CONTINUED) New pagers are depreciated using the half-year convention upon acquisition.Betterments to acquired pagers are charged to depreciation expense. Purchases of property and equipment in the accompanying consolidatedstatements of cash flows are reflected net of the net book value of productssold to approximate the net addition to subscriber equipment. The Company currently purchases a significant amount of its subscriberpaging equipment from one supplier. Although there are other manufacturers ofsimilar subscriber paging equipment, the inability of this supplier to provideequipment required by the Company could result in a decrease of pager placementsand decline in sales, which could adversely affect operating results. Intangible Assets Intangible assets, net of accumulated amortization, consist of thefollowing at December 31, 1996 and 1997 (dollars in thousands): <TABLE><CAPTION>
DECEMBER 31, AMORTIZATION
------------------- PERIOD IN
1996 1997 YEARS
-------- -------- ------------<S>
<C> <C> <C>State
certificates and FCC licenses.......... $217,914 $312,873 5-40
Goodwill.................................. 180,454 191,550 15-25
Customer lists............................ 40,945 264,489 2-6Debt
financing costs........................ 8,890 14,979 8-12
Other..................................... 4,436 3,112 3-7
-------- --------
$452,639 $787,003
======== ========</TABLE> Debt financing costs represent fees and other costs incurred in connectionwith the issuance of long-term debt. These costs are amortized to interestexpense over the term of the related debt using the effective interest ratemethod. Long-Lived Assets Long-lived assets and identifiable intangibles to be held and used arereviewed for impairment whenever events or changes in circumstances indicatethat the carrying amount should be addressed. Impairment is measured bycomparing the book value to the estimated undiscounted future cash flowsexpected to result from use of the assets and their eventual disposition. TheCompany has determined that there has been no permanent impairment in thecarrying value of long-lived assets reflected in the accompanying balance sheet. Effective July 1, 1996, the Company changed the estimated useful lives ofcertain intangibles acquired in 1994, including goodwill and regulatory licensesissued by the FCC recorded in the acquisitions of FirstPAGE USA, Inc., andMetroPaging, Inc., from 40 years to 15

years for goodwill and from 40 years to25 years for FCC licenses. The impact of these changes was to increaseamortization expense for the year ended December 31, 1996 and 1997, byapproximately $1.3 million and $2.6 million, respectively. Loss Per Common Share Attributable to Common Stockholders In 1997, the Company adopted SFAS No. 128, "Earnings Per Share." SFAS 128requires dual presentation of basic and diluted earnings per share on the faceof the statement of operations for all periods presented. Basic earnings pershare excludes dilution and is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue

F-9<PAGE> 49 METROCALL, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED) 2. SIGNIFICANT ACCOUNTING POLICIES -- (CONTINUED)Common Stock were exercised or converted into Common Stock or resulted in theissuance of Common Stock that then shared in the earnings of the Company.Options and warrants to purchase shares of Common Stock were not included in thecomputation of loss per share as the effect would be antidilutive. As a result,the basic and diluted earnings per share amounts are identical (see Note 8). Reclassifications Certain amounts in the prior years' consolidated financial statements havebeen reclassified to conform with the current year's presentation. 3. MERGERS, ACQUISITIONS AND DISPOSITIONS Presented below is a summary of the Company's mergers and acquisitionscompleted in 1996 and 1997. All transactions have been accounted for aspurchases for financial reporting purposes and their results of operations areincluded in the statements of operations from their respective acquisitiondates. Parkway Paging, Inc. ("Parkway") On July 16, 1996, the Company acquired all the outstanding common stock ofParkway for cash and the assumption of certain long-term obligations togethertotaling approximately $28.0 million. The acquisition was financed throughdrawings under the Company's credit facility. Satellite Paging and Message Network (collectively, "Satellite") On August 30, 1996, the Company acquired substantially all the assets ofSatellite for approximately $17.0 million in cash, the assumption of certainliabilities and the issuance of shares of the Company's Common Stock. TheCompany issued 1,845,954 shares of Metrocall Common Stock. The cash paid in theacquisition was financed through drawings under the Company's credit facility. A+ Network, Inc. ("A+ Network")

On November 15, 1996, the Company completed its merger with A+ Network of Pensacola, Florida pursuant to an Agreement and Plan of Merger dated May 16, 1996. The total purchase price was approximately $286.4 million, consisting of approximately 8.1 million shares of the Company's Common Stock, $.01 par value ("Common Stock") valued at approximately $42.6 million ($5.25 per share), 8.1million indexed Variable Common Rights ("VCRs") valued at zero, approximately$91.8 million paid in a cash tender offer completed in July 1996, indebtednessrefinanced under the Company's existing credit facility of approximately $122.5million, and other assumed indebtedness, estimated future liabilities andtransaction fees. Deferred income tax liabilities of approximately $57.4 millionwere recorded in the merger. Prior to November 15, 1996, the Company acquired approximately 40% of theA+ Network common stock outstanding in a cash tender offer completed in July1996. For financial reporting purposes, the Company accounted for its investmentin A+ Network under

the equity method. As such, the Company recorded its shareof A+ Network's net loss of approximately $4.1 million through November 15,1996, which has been classified as Other Expense in the accompanying statementof operations for the year ended December 31, 1996. In addition, the Company repurchased approximately 40% of all optionsoutstanding to acquire A+ Network common stock for $13.98 per share orapproximately $4.0 million including related payroll taxes. The remaining A+Network options, with an exercise price of $6.04 per common share, were assumedby the Company and exchanged for Metrocall options (see Note 8). F-10<PAGE> 50
METROCALL, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED) 3. MERGERS, ACQUISITIONS AND DISPOSITIONS -- (CONTINUED) Cash payments made in the A+ Network merger were financed through theCompany's credit facility. Page America Group, Inc. ("Page America") On July 1, 1997, the Company acquired substantially all the assets of PageAmerica and subsidiaries. The total purchase price of approximately $63.7million included consideration of approximately $25.0 million in cash, 1,500shares of Series B Junior Convertible Preferred Stock (see Note 6) having avalue upon liquidation of $15.0 million, 3,911,856 shares of Common Stock andassumed liabilities and transaction fees and expenses of approximately $4.9million. The cash portion of the purchase price including fees and expenses wasfunded through borrowings under the Company's credit facility. ProNet Inc. ("ProNet") On December 30, 1997, the Company completed the merger of ProNet with andinto Metrocall (the "ProNet Merger"), pursuant to the terms of the Agreement andPlan of Merger dated August 8, 1997. Under the terms of the ProNet Merger,Metrocall issued 0.90 shares of Common Stock for each share of ProNet commonstock, or approximately 12.3 million shares of Common Stock (including 900,000shares to be issued in 1998 as settlement of certain ProNet litigation). Inconnection with the ProNet Merger, the Company assumed ProNet's $100.0 millionin 11 7/8% senior subordinated notes, due in 2005 and refinanced indebtednessoutstanding, including accrued interest and bank fees, under ProNet's creditfacility with borrowings under the Metrocall credit facility. The purchase prices for the Parkway, Satellite, A+ Network, Page Americaand ProNet transactions have been allocated as follows (in thousands): <TABLE><CAPTION>

1996 ACQUISITIONS 1997 ACQUISITIONS

------------------------ PARKWAY SATELLITE
A+ NETWORK PAGE AMERICA PRONET -------
--------- ---------- ------------ ---------<S>
<C> <C> <C> <C>
<C>Plant and equipment............. $ 1,606 $ 1,425 $ 55,790
$ 2,610 $ 60,381Accounts receivable and other
assets....................... 931 1,170 21,040 846
15,310Noncompete agreements........... 1 -- 2,503
-- --Customer lists.................. 2,795 2,920
25,646 29,533 205,582FCC licenses and state
certificates................. 19,536 20,506 115,913 29,759
71,475Goodwill....................... 13,618 3,514 122,893
-- 18,403Liabilities assumed............ (680) (932)
(23,192) (28,467) (230,026)Direct acquisition costs........ (1,468)

(628) (8,318) (456) (6,277)Deferred income tax
liability... (8,932) -- (57,424) -- (83,389)
------- ------- -------- --------

$27,407 $27,975 $254,851
$ 33,825 $ 51,459
======= =======
======== ======== ========</TABLE> The purchase price allocations for 1997 acquisitions may be subject toadjustment for changes in estimates related to costs to be incurred to closeduplicate facilities and to settle pending legal and other contingencies. Theresolution of these matters is not expected to have a material impact on theCompany's financial condition or its results of future operations. The unaudited pro forma information presented below reflects theacquisitions of Parkway, Satellite, A+ Network, Page America and ProNet as ifeach had occurred on January 1, 1996. The results are not F-11<PAGE> 51
METROCALL, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED) 3. MERGERS, ACQUISITIONS AND DISPOSITIONS -- (CONTINUED)necessarily indicative of future operating results or of what would haveoccurred had the acquisitions actually been consummated on that date (inthousands, except per share data). <TABLE><CAPTION>
YEAR ENDED
DECEMBER 31,

1996 1997
-------- --------<S>
<C> <C>
Revenues.. $372,926 $387,051
Loss attributable to common stockholders before extraordinary
item................................... (156,668) (134,298)Loss attributable
to common stockholders................ (160,343) (134,298)Loss per share
attributable to common stockholders before extraordinary
item............................ (3.78) (3.24)Loss per share
attributable to common stockholders...... (3.87) (3.24)</TABLE>
Radio and Communications Consultants, Inc. On February 5, 1997, the Company acquired 100% of the outstanding commonstock of Radio and Communications Consultants, Inc. and Advanced CellularTelephone, Inc. (collectively, "RCC") by means of a merger of Metrocall ofShreveport, Inc., a wholly owned subsidiary of Metrocall formed to effect themerger with RCC. The merger was financed through the issuance of 494,279 sharesof the Common Stock, approximately $800,000 in cash and assumed liabilities ofapproximately $200,000. The Company also recorded a deferred tax liability ofapproximately $1.3 million in connection with this transaction. The RCCacquisition has been accounted for as a purchase for financial accountingpurposes. Disposition of Telemessaging Assets On May 9, 1997, the Company completed the sale of the assets of the telemessaging business acquired in the merger with A+ Network in November 1996 pursuant to the terms of an Asset Purchase Agreement (the "Asset Purchase Agreement") between Metrocall and Procommunications, Inc. dated April 30, 1997.Pursuant to the terms of the Asset Purchase Agreement, the Company received proceeds totaling $11.0 million in cash. For the period from January 1, 1997 through the date of disposition, the telemessaging business generated net revenues of approximately $3.7 million and operating income of approximately$0.1

million. No gain or loss was recognized upon the sale for financialreporting purposes as net assets sold approximated the net proceeds received.

F-12<PAGE> 52

METROCALL, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

4. PREPAID EXPENSES AND OTHER CURRENT ASSETS

The amounts included in prepaid expenses and other current assets atDecember 31, 1996 and 1997 are as follows (in thousands): <TABLE><CAPTION>

	DECEMBER 31,	
	1996	1997 <S>
	<C>	<C>
Refunds due (local exchange carriers)	$1,129	$12,116
Inventory	--	2,663
Prepaid advertising	1,490	1,603
Deposits	--	1,151
Prepaid insurance	243	205
Prepaid rents	118	142
Interest receivable	18	21
Prepaid taxes	969	17
Other	1,714	454
	$5,681	$18,372

</TABLE>

Pursuant to the Telecommunications Act of 1996 (the "Telecom Act") andconsistent with the FCC's local transport rules, the Company has ceased payinglocal exchange carriers ("LECs"), including a number of the Regional BellOperating Companies ("RBOCs"), in the Company's various service areas for anyfacilities used by those LECs to transport local calls to the Company's localpaging networks. The Company has also notified the LECs that it expects toreceive credit from each LEC, for any such local transport charges assessedagainst the Company by that LEC since November 1, 1996, the effective date forthe FCC's rules governing local transport. As of December 31, 1996 and 1997, theCompany had recorded credits receivable from the LECs related to such localtransport charges of approximately $1.1 million and $12.1 million, respectively.These LEC receivables represent management's estimate, subject to significantrevision, of amounts management believes are fully realizable. These LECreceivables have been classified as Prepaid Expenses and Other Current Assets inthe accompanying balance sheets as of December 31, 1996 and 1997 (see Note 9).

5. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

The amounts included in other current liabilities at December 31, 1996 and1997 are as follows (in thousands): <TABLE><CAPTION>

	DECEMBER 31,	
	1996	1997 <S>
	<C>	<C>
Accrued severance, payroll and payroll taxes	$ 8,684	$13,729
Accrued acquisition liabilities	1,200	13,579
Accrued interest payable	4,522	9,461
Accrued state and		

local taxes............................ 1,616 2,955Accrued insurance
claims................................. 1,224 1,616
Other.. 1,694 4,801
------- -------
$18,940 $46,141
======= =======</TABLE>
Management Reorganization In January 1996, the Company completed a management reorganization. Underthe reorganization, the Company's Chairman of the Board was replaced and theCompany's Chief Executive Officer resigned.
F-13<PAGE> 53
METROCALL, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED) 5. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES -- (CONTINUED)Severance and other separation costs for the former Chairman and former ChiefExecutive Officer were accrued and recorded as a management reorganizationcharge in the accompanying consolidated financial statements as of and for theyear ended December 31, 1995. Additionally, certain nonsales employees wereterminated and related severance costs were included in the managementreorganization charge. Severance costs included approximately $285,000 ofcompensation expense recognized upon amending option agreements with certain former employees and the Company's former Chief Executive Officer to increase vesting and exercise periods. 6. LONG-TERM LIABILITIES Long-Term Debt Long-term debt consists of the following (in thousands): <TABLE>
<CAPTION>
DECEMBER 31,

1996 1997
-------- --------<S>
<C> <C>10 3/8% Senior subordinated notes due in 2007 (the "1995 Notes")..
$150,000 $150,000 9 3/4% Senior subordinated notes due in 2007 (the "1997 Notes").. --
200,00011 7/8% Senior subordinated notes due in 2005 (the "A+ Notes").. 2,534 2,534
11 7/8% Senior subordinated notes due in 2005 (the "ProNet Notes")...................................... -- 100,000Credit agreement, interest at a floating rate, defined below, with principal payments beginning March 2000... 169,904 141,165Industrial development revenue note, interest at 70% of prime rate plus 1/2% (6.3% and 6.5%, respectively), principal of $6 plus interest, payable monthly to December 2008, secured by the Company's headquarters building...
914 572Promissory note payable, bearing interest at 7.5%, principal and interest payable monthly to June 2005, secured by letter of credit......................... 623 567
-------- --------
323,975 594,838Less -- Current
portion.............................. 127 131
-------- --------Long-term
portion..................................... $323,848 $594,707
======== ========</TABLE>
Senior Subordinated Notes 10 3/8% SENIOR SUBORDINATED NOTES In October

1995, the Company completed a public offering of $150.0 millionsenior subordinated notes (the "1995 Notes"), due 2007, bearing interest at 10.375% per annum, payable semiannually on April 1 and October 1. The 1995 Notes are general unsecured obligations subordinated in right to the Company'sexisting long-term debt and other senior obligations, as defined. The Company incurred total loan origination fees and other direct financingcosts of approximately $5.0 million, which will be recognized as interestexpense over the term of the 1995 Notes. Debt financing costs are included inintangible assets in the accompanying consolidated balance sheets as of December31, 1996 and 1997.

F-14<PAGE> 54

METROCALL, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED) 6. LONG-TERM LIABILITIES -- (CONTINUED) The 1995 Notes contain various covenants that, among other restrictions,limit the ability of the Company to incur additional indebtedness, paydividends, engage in certain transactions with affiliates, sell assets andengage in mergers and consolidations except under certain circumstances. The 1995 Notes may be redeemed at the Company's option after October 1,2000. The following redemption prices are applicable to any optional redemptionof the 1995 Notes by the Company during the 12-month period beginning on October1 of the years indicated below:

<TABLE><CAPTION> YEARS
PERCENTAGE -----
----------<S>
<C>2000.. 105.188%
2001.. 103.458%
2002.. 101.729%2003 and
thereafter.. 100.000%</TABLE>

In the event of a change in control of the Company, as defined, each holderof the 1995 Notes will have the right, at such holder's option, to require the Company to purchase that holder's 1995 Notes at a purchase price equal to 101%of the principal amount thereof, plus any accrued and unpaid interest to thedate of purchase. 9 3/4% SENIOR SUBORDINATED NOTES In October 1997, the Company sold $200.0 million aggregate principal amountof 9 3/4% senior subordinated notes due 2007 (the "1997 Notes") in a privateplacement (the "Notes Offering"). The 1997 Notes bear interest, payable semi-annually on January 15 and July 15, at a rate of 9.75% per year and mature on November 1, 2007. The Notes are callable beginning November 1, 2002. The 1997 Notes are unsecured obligations of the Company, subordinated to all present and future senior indebtedness of the Company. The Company used the net proceedsfrom the Notes Offering, approximately $193.0 million, to repay outstanding indebtedness under its credit facility. Pursuant to an exchange offer that was completed in March 1998, the 1997 Notes were registered under the SecuritiesAct.

The 1997 Notes contain various covenants that, among other restrictions, limit the ability of the Company to incur additional indebtedness, paydividends, engage in certain transactions with affiliates, sell assets andengage in mergers and consolidations except under certain circumstances. The 1997 Notes may be redeemed, in whole or in part, at any time on orafter November 1, 2002, at the option of the Company. The following redemptionprices, plus any accrued and unpaid interest to, but not including, theapplicable redemption date, are applicable to any optional redemption of the1997 Notes by the Company during the 12-month period beginning on November 1 ofthe years indicated below:

<TABLE><CAPTION> YEAR
PERCENTAGE ----
----------<S>
<C>2002...
104.8750%2003.. 102.4375
2004 and thereafter... 100.0000
</TABLE> In the event of a change of control of the Company, as defined, each holderof the 1997 Notes will have the right, at such holder's option, to require theCompany to repurchase that holder's 1997 Notes at a purchase price equal to 101%of the principal amount thereof, plus any accrued and unpaid interest to thedate of repurchase.
F-15<PAGE> 55 METROCALL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED) 6.
LONG-TERM LIABILITIES -- (CONTINUED) 11 7/8% SENIOR SUBORDINATED NOTES (THE "A+ NOTES") In connection with the merger with A+ Network, the Company offered topurchase all $125.0 million of A+ Network's 11 7/8% senior subordinated notesdue 2005 for $1,005 per $1,000 principal amount plus accrued and unpaid interest(the "Offer"). Concurrent with the Offer, the Company solicited consents toamend the indenture governing the A+ Notes to eliminate substantially allrestrictive covenants and certain related events of default contained therein inexchange for a payment of $5.00 for each $1,000 principal amount of the A+Notes. Of the total outstanding, approximately $122.5 million of A+ Notes werevalidly tendered and retired. The purchase of the A+ Notes was financed underthe Company's credit facility. Additionally, sufficient consents were receivedso that substantially all restrictive covenants and related events of defaultwere eliminated. The principal balance of the A+ Notes untendered, approximately$2.5 million, has been assumed by the Company. Interest on the A+ Notes ispayable semi-annually on May 1 and November 1. The Company incurred fees ofapproximately $3.7 million in connection with the tender and consent processwhich has been recorded as an extraordinary item for the year ended December 31,1996. The A+ Notes may be redeemed at the Company's option after November 1,2000. The following redemption prices are applicable to any optional redemptionof the A+ Notes by the Company during the 12-month period beginning on November1 of the years indicated below: <TABLE>
<CAPTION> YEARS
PERCENTAGE -----
----------<S>
<C>2000.. 104.5%
2001... 103.0%
2002... 101.5%2003 and
thereafter..................................... 100.0%</TABLE>
11 7/8% SENIOR SUBORDINATED NOTES (THE "PRONET NOTES") In connection with the merger with ProNet, the Company assumed all $100.0million of ProNet's 11 7/8% senior subordinated notes due 2005. Interest on theProNet Notes is payable semi-annually in June and December each year. The ProNetNotes are general unsecured obligations subordinated in right to the Company'sexisting long-term debt and other senior obligations, as defined. The ProNet Notes contain various covenants that, among other restrictions,limit the ability of the Company to incur additional indebtedness, paydividends, engage in certain other transactions with affiliates, sell assets andengage in mergers and

consolidations except under certain conditions. The ProNet Notes may be redeemed at the Company's option on or after June15, 2000. The following redemption prices are applicable to any optionalredemption of the ProNet Notes by the Company during the 12-month periodbeginning on June 15 of the years indicated below: <TABLE><CAPTION> YEARS
PERCENTAGE -----
----------<S>
<C>
2000... 105.938%
2001... 103.958%
2002... 101.979%2003 and
thereafter... 100.000%</TABLE>

In the event of a change of control of the Company, as defined, each holderof the ProNet Notes will have the right to require that the Company repurchasesuch holder's ProNet Notes at a purchase price equal to 101% of the principalamount thereof plus accrued and unpaid interest to the date of repurchase.

F-16<PAGE> 56 METROCALL, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED) 6. LONG-TERM LIABILITIES -- (CONTINUED) Capital Lease Obligations

In April 1994, the Company entered into a lease agreement (the "Lease Agreement") for additional office space. The Lease Agreement required initialminimum monthly rents of $37,500. In January 1997, the Company acquired additional office space under the Lease Agreement at which time monthly minimum rents increased to approximately $68,000. The Lease Agreement is treated as a capital lease for financial reporting purposes in the accompanying balance sheets. The Lease Agreement continues for an initial period of ten years and may be renewed for two additional five-year periods. In connection with the Lease Agreement, the Company entered into an Option and Purchase Agreement (the "Purchase Agreement"), which gives the Company an option to acquire a 51%interest in the property housing the office space, discussed above. The Companymay exercise the option from January 2, 1995, through December 31, 1998. At thetime the option is exercised, the Company, along with the owners of the remaining 49% interest in the property, will contribute the property to ageneral partnership for which the Company will serve as a general partner andreceive a 51% equity interest. When, if ever, the Company exercises the purchaseoption to the Purchase Agreement, the purchase price will be approximately $2.9million, the estimated fair market value at the date of the Lease Agreement. On July 1, 1996, the Company entered into a lease agreement for certaincomputer equipment. The lease agreement requires quarterly rental payments of approximately $115,000 for a period of three years. This lease agreement hasbeen accounted for as a capital lease for financial reporting purposes.

Aggregate maturities of long-term debt and capital lease obligations,excluding interest, as of December 31, 1997, are as follows (in thousands): <TABLE>
<CAPTION> LONG-TERM CAPITAL
LEASE DEBT OBLIGATIONS
TOTAL --------- ------------
--------<S> <C>
<C> <C>1998....................................... $
131 $ 821 $ 9521999....................................
136 708 8442000......................................

141	574	7152001......................................
146	660	8062002......................................
152	756	908Thereafter................................
594,132	1,584	595,716
--------	------	--------
$594,838	$5,103	$599,941
========	======	========

</TABLE> Metrocall Credit Facility On September 20, 1996, the Company entered into an agreement to amend andrestate the loan agreement governing the Company's existing credit facility. InOctober 1997, the credit facility was further amended concurrent with theissuance of the 1997 Notes discussed above. Subject to certain conditions setforth in the amended agreement, the Company may borrow up to $300,000,000 undertwo loan facilities. The first facility ("Facility A") is a $175,000,000reducing revolving credit facility and the second ("Facility B") is a$125,000,000 reducing term credit facility (together Facility A and Facility Bare referred to as the "Metrocall Credit Facility"). The Metrocall CreditFacility has a remaining term of seven years and is secured by substantially allthe assets of the Company. Required quarterly principal repayments, as defined,begin on March 31, 2000 and continue through December 31, 2004. At December 31,1997, a total of $141.2 million was outstanding under the Metrocall CreditFacility. On January 27, 1998, the Company increased its borrowings outstandingunder the Metrocall Credit Facility by $6.0 million. The Metrocall Credit Facility contains various covenants that, among otherrestrictions, require the Company to maintain certain financial ratios,including total debt to annualized operating cash flow (not to

F-17<PAGE> 57

METROCALL, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED) 6. LONG-TERM LIABILITIES -- (CONTINUED)exceed 6.0 to 1.0 to December 31, 1998, and declining thereafter), senior debtto annualized operating cash flow, annualized operating cash flow to pro formadebt service, total sources of cash to total uses of cash, and operating cashflow to interest expense (in each case, as such terms are defined in theagreement relating to the Metrocall Credit Facility). The covenants also limitadditional indebtedness and future mergers and acquisitions without the approvalof the lenders and restrict the payment of cash dividends and other stockholderdistributions by Metrocall during the term of the agreement. The MetrocallCredit Facility also prohibits certain changes in ownership control ofMetrocall, as defined. As of December 31, 1997, approximately $49.3 million ofadditional borrowings were available to the Company under its credit facility. Under the Metrocall Credit Facility, the Company may designate all or anyportion of the borrowings outstanding as either a floating base rate advance ora Eurodollar rate advance with an applicable margin that ranges from 0.0% to1.375% for base rate advances and 0.875% to 2.500% for Eurodollar rate advances.The predefined margins will be based upon the level of indebtedness outstandingrelative to annualized cash flow, as defined in the agreement relating to theMetrocall Credit Facility. Commitment fees of 0.25% to 0.375% per year(depending on the level of Metrocall's indebtedness outstanding to annualizedcash flow) will be charged on the average unused balance and will be charged tointerest expense as incurred. Pursuant to the terms of the Metrocall CreditFacility, Metrocall must obtain and maintain interest rate protection on atleast 50% of Metrocall's outstanding debt; all

fixed rate debt, including allsenior subordinated notes will count against this requirement. The Company incurred loan origination fees and direct financing costs inconnection with the Metrocall Credit Facility and amendments thereto, ofapproximately $6.0 million which are being amortized and charged to interestexpense over the term of the facility. The weighted-average balances outstanding under the Company's creditfacilities for the years ended December 31, 1995, 1996 and 1997, wereapproximately $108,222,000, $39,902,000 and $170,049,000, respectively. Thehighest outstanding borrowings under these facilities for the years endedDecember 31, 1995, 1996 and 1997, were approximately $113,320,000, $169,904,000and $243,904,000, respectively. For the years ended December 31, 1995, 1996 and1997, interest expense relating to these facilities was approximately$7,630,000, $3,737,000 and $15,548,000, respectively, at weighted-averageinterest rates of 7.0%, 9.4% and 9.2%, respectively. The effective interestrates as of December 31, 1996 and 1997 were 8.0% and 8.2%, respectively. Former Credit Facility In connection with its 1995 Notes offering, discussed above, the Companyrepaid all amounts outstanding under a credit facility entered into in 1994 andterminated certain interest rate swap agreements. Accordingly, upon repayment,the Company recorded an extraordinary charge to write-off then existingunamortized debt financing costs of $2.7 million in the year ended December 31,1995. The Company also incurred breakage fees of approximately $1.7 millionassociated with the termination of the interest rate swap agreements which havebeen recorded as interest and other income (expense) in the 1995 consolidatedstatement of operations. Promissory Note Payable The Company assumed indebtedness in the A+ Network merger of approximately$627,000. The promissory note is payable as consideration for an acquisitioncompleted by A+ Network in May 1996. The promissory note bears interest at 7.5%with monthly principal and interest payments of $8,333 through June 2005. F-18
<PAGE> 58 METROCALL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED) 7. FAIR VALUE OF FINANCIAL INSTRUMENTS The carrying amounts reported in the Company's consolidated balance sheetfor cash and cash equivalents, accounts receivable, accounts payable and accruedliabilities approximate fair values due to the short maturity of thoseinstruments. The fair value of the senior subordinated notes is based on marketquotes as of the dates indicated. The fair value of the industrial developmentrevenue note and the promissory note payable is based on the Company'sincremental borrowing rate. The estimated fair values of the Company's other financial instruments areas follows (in thousands).
<TABLE><CAPTION> DECEMBER
31, 1996 DECEMBER 31, 1997
------------------- -------------------
CARRYING FAIR CARRYING FAIR
AMOUNT VALUE AMOUNT VALUE
-------- -------- -------- --------<S>
<C> <C> <C> <C>10 3/8%
senior subordinated notes due 2007................................ $150,000
$127,500 $150,000 $152,250 9 3/4% senior subordinated notes due
2007................................. -- -- 200,000
199,00011 7/8% senior subordinated notes due 2005 (A+
Notes)...................... 2,534 2,331 2,534 2,53411 7/8%

senior subordinated notes due 2005 (ProNet Notes).................. --
-- 100,000 107,000Industrial development revenue note.....
914 780 572 522Promissory note payable................
623 565 568 528</TABLE> 8. STOCK AND STOCK RIGHTS

The authorized capital stock of Metrocall consists of 80,000,000 shares of Common Stock and 1,000,000 shares of preferred stock, par value $0.01 per share ("Preferred Stock"), of which 810,000 shares have been designated as Series AConvertible Preferred Stock ("Series A Preferred") and 9,000 shares has beendesignated as Series B Junior Convertible Preferred Stock ("Series BPreferred"). Common Stock On September 27, 1995, the Company completed a secondary public offering of4.0 million shares of the Common Stock (the "Secondary Offering"), at $28.25 pershare. After underwriting discounts, commissions and other professional fees,net proceeds from the Secondary Offering were approximately $107.0 million. Because the Company holds licenses from the FCC, no more than 20 percent ofthe Common Stock may, in the aggregate, be owned directly, or voted by a foreigngovernment, a foreign corporation, or resident of a foreign country. TheCompany's amended and restated certificate of incorporation permits theredemption of the Common Stock from stockholders, where necessary, to protectthe Company's regulatory licenses. Such stock may be redeemed at fair marketvalue or if the stock was purchased within one year of such redemption, at thelesser of fair market value or such holder's purchase price. Series A Preferred The Board of Directors has designated 810,000 shares of Preferred Stock asSeries A Preferred. On November 15, 1996, the Company issued 159,600 shares ofSeries A Preferred, together with the warrants discussed below, for $250 pershare or $39.9 million. There were 182,726 shares of Series A Preferredoutstanding at December 31, 1997, including 23,126 shares issued as dividendsduring 1997. The Company incurred fees of approximately $1.6 million related tothe issuance of the Series A Preferred. Net proceeds from the Series A PreferredStock ($38.3 million) were used to reduce outstanding bank indebtedness F-19
<PAGE> 59 METROCALL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED) 8. STOCK AND STOCK RIGHTS -- (CONTINUED)($25.0 million) and to fund existing working capital requirements ($13.3million). Each share of Series A Preferred has a stated value of $250 per shareand has a liquidation preference over shares of the Company's Common Stock equalto the stated value. The Series A Preferred carries a dividend of 14% of thestated value per year, payable semiannually in cash or in additional shares ofSeries A Preferred, at the Company's option. Upon the occurrence of a triggeringevent, as defined in the certificate of designation for Series A Preferred, andso long as the triggering event continues, the dividend rate increases to 16%per year. Triggering events include, among other things, (i) the Company issuesor incurs indebtedness or equity securities senior with respect to payment ofdividends or distributions on liquidation or redemption to the Series APreferred in violation of limitations set forth in the certificate ofdesignation, and (ii) default on the payment of indebtedness in an amount of$5,000,000 or more. At December 31, 1996 and 1997, accrued but unpaid dividendswere approximately $698,000 and $799,000, respectively. Holders of Series A Preferred have the right, beginning five years from thedate of issuance, to convert their Series A Preferred (including shares issuedas dividends) into shares of Common Stock based on the market price of theCommon

Stock at the time of conversion. Series A Preferred may, at the holders'option, be converted sooner upon a change of control of Metrocall, as defined inthe certificate of designation. The Series A Preferred must be redeemed onNovember 15, 2008, for an amount equal to the stated value plus accrued andunpaid dividends. The Series A Preferred may be redeemed by the Company in whole or in part(subject to certain minimums) beginning November 15, 1999. Prior to then, theSeries A Preferred may be redeemed by the Company in whole in connection with asale of the Company (as described in the Series A Preferred certificate ofdesignation) unless the holders have exercised their rights to convert toMetrocall Common Stock in connection with the transaction. The redemption priceprior to November 15, 2001, is equal to the stated value of the shares of SeriesA Preferred, plus accrued and unpaid dividends, and a redemption premium, asdefined. After November 15, 2001, the Series A Preferred Stock may be redeemedfor the stated value of $250 per share, without premium. Holders of Series A Preferred have the right to elect two members to theCompany's Board of Directors. If a triggering event has occurred and iscontinuing, the holders of Series A Preferred have the right to elect additionaldirectors so that directors elected by such holders shall constitute no lessthan 40% of the members of the Board of Directors. The Company is required toobtain the approval of the holders of not less than 75% of the Series APreferred before undertaking (i) any changes in Metrocall's certificate ofincorporation and Bylaws that adversely affect the rights of holders of theSeries A Preferred, (ii) a liquidation, winding up or dissolution of the Companyor the purchase of shares of capital stock of Metrocall from holders of over 5%of the issued and outstanding voting securities, (iii) any payment of dividendson or redemption of Common Stock; or (iv) issuance of any additional shares ofSeries A Preferred (except in payment of dividends) or any shares of capitalstock having preferences on liquidation or dividends ranking equally to theSeries A Preferred. The Company is also required to obtain approval of holdersof not less than a majority of the issued and outstanding Series A Preferredbefore undertaking (i) any acquisition involving consideration having a valueequal to or greater than 50% of the market capitalization of the Company or (ii)any sale of the Company unless Metrocall redeems the Series A Preferred. Series B Preferred The Board of Directors designated 9,000 shares of Preferred Stock as SeriesB Preferred Stock ("Series B Preferred"). On July 1, 1997, the Company issued1,500 shares of Series B Preferred in connection with the Page Americatransaction (see Note 3). Each share of Series B Preferred has a stated value of$10,000 per share and a liquidation preference, which is junior to the Series APreferred but senior to the shares of Metrocall Common Stock, equal to itsstated value. The Series B Preferred carries a dividend of 14%

F-20<PAGE> 60 METROCALL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED) 8. STOCK AND STOCK RIGHTS -- (CONTINUED)of the stated value per year, payable semiannually in cash or in additionalshares of Series B Preferred, at the Company's option. During 1997, the Companyissued 79 additional shares of Series B Preferred as dividends. Accrued butunpaid dividends on the Series B Preferred were approximately $276,000 atDecember 31, 1997. The holders of Series B Preferred have the right to convert up to 25% ofthe number of Series B Preferred initially issued (plus shares of Series BPreferred issued as dividends on such shares, and as dividends on suchdividends) into shares of Common Stock at the current market value of the CommonStock, as defined on September 1, 1997 ($6.61 per share), December 1, 1997($5.85 per share), March 1, 1998 ($6.45 per share) and June 1, 1998. As ofDecember 31, 1997, no shares of Series B Preferred had been converted intoshares of Common Stock. The Series B Preferred must be redeemed on the twelfth anniversary of theinitial issuance for an amount equal to the stated value, plus accrued andunpaid dividends. The Series B Preferred may also be redeemed by the Company inwhole or in part at any time for an amount equal to the stated value of theshares to be redeemed plus accrued and unpaid dividends. If Metrocall elects toredeem Series B Preferred, the holders thereof will have the right to convertany shares of Series B Preferred that was then convertible into Metrocall CommonStock within 15 business days after receipt of notice of redemption. The Companymay be limited by the terms of the Series A Preferred in completing anyredemption while the Series A Preferred remains outstanding. The Company is required to obtain the approval of holders of a majority ofthe issued and outstanding Series B Preferred before undertaking (i) any changesin Metrocall's certificate of incorporation and Bylaws that adversely affect therights of the holders of Series B Preferred and (ii) any changes in the Series BPreferred certificate of designation. The Series B Preferred also containsrestrictions on the ability of Metrocall to incur any debt or issue securities(other than the Series A Preferred) that are senior to the Series B Preferred. Warrants In connection with the issuance of the Series A Preferred, discussed above,the Company issued on November 15, 1996, warrants to purchase Common Stock. Eachwarrant represents the right of the holder to purchase 18.266 shares of CommonStock or an aggregate of 2,915,254 shares of Common Stock. The exercise priceper share is $7.40. The warrants expire November 15, 2001. The total value allocated to the warrants for financial reporting purposes,$7.9 million or $2.70 per share, will be accreted over the term of the Series APreferred as preferred dividends. STOCK OPTION PLANS 1993 Stock Option Plan In 1993, the Company adopted a Stock Option Plan (the "1993 Plan"). Underthe 1993 Plan, as amended, options to purchase up to an aggregate of 975,000shares of Common Stock were reserved for grants to key employees of the Company.The 1993 Plan limits the maximum number of shares that may be granted to anyperson eligible under the 1993 Plan to 325,000. All options have been issuedwith exercise prices equal to the fair market value at date of grant. Alloptions granted under the 1993 Plan become fully vested and exercisable on thesecond anniversary of the date of grant. Each option granted under the 1993 Planwill terminate no later than ten years after the date the option was granted. In 1993, the Company also adopted a Directors Stock Option Plan (the"Directors Plan"). Under the Directors Plan, options to purchase up to anaggregate of 25,000 shares of Common Stock are available for grants to directorsof the Company who are neither officers nor employees of the Company ("Eligible F-21<PAGE> 61 METROCALL, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED) 8. STOCK AND STOCK RIGHTS -- (CONTINUED)Director"). Options issued under the Directors Plan vest fully on the six-monthanniversary of the date of grant. Each Eligible Director was also granted anoption to purchase 1,000 shares of Common Stock on the first and secondanniversaries of the grant date of the initial option if the director continuesto be an Eligible Director on each of such anniversary dates. 1996 Stock Option Plan In May 1996, the Company's stockholders approved the

Metrocall 1996 StockOption Plan (as amended, the "1996 Plan"), amendments to which were approved bythe stockholders in November 1996 and December 1997. Under the 1996 Plan,options to purchase up to an aggregate of 4,016,000 shares of Common Stock havebeen reserved for grant to key employees, officers and nonemployee directors whohave never been employed by the Company ("Qualified Directors"). The 1996 Planlimits the maximum number of shares that may be granted to any person eligibleunder the 1996 Plan to 750,000. If any option granted under the 1996 Planexpires or terminates prior to exercise in full, the shares subject to thatoption shall be available for future grants under the 1996 Plan. Substantiallyall employees and Qualified Directors of the Company are eligible to participatein the 1996 Plan. Each option granted under the 1996 Plan will terminate nolater than ten years after the date the option was granted.   Under the 1996 Plan, both incentive stock options and nonstatutory stockoptions are available for grant to employees. For incentive stock options, theoption price shall not be less than the fair market value of a share of CommonStock on the date the option is granted. For nonstatutory options, the optionprice shall not be less than the par value of Common Stock. All options grantedto Qualified Directors shall be nonstatutory options. Upon approval of the 1996Plan, each Qualified Director was granted an initial option to purchase 10,000shares of Common Stock. Thereafter, every Qualified Director will be granted aninitial option to purchase 10,000 shares of Common Stock at the time theQualified Director commences service on the board of directors. Subsequently,each Qualified Director who received an initial grant of an option shall receivean additional option to purchase 1,000 shares of Common Stock on eachanniversary of the initial option, provided that the director continues to be aQualified Director on each anniversary date. Options granted to Qualified Directors shall become fully vested six months after the date of grant. The exercise price for options granted to Qualified Directors shall be the fair market value of Common Stock on the date the option is granted.   In connection with the merger of Metrocall and A+ Network, Metrocallexchanged options to purchase shares of Common Stock with former A+ Networkoption holders. These options are fully vested and exercisable and have anexercise price of approximately $6.04 per share.   In connection with merger of Metrocall and ProNet, Metrocall will issueoptions to acquire 1,212,539 shares of Common Stock under the 1996 Plan inexchange for options previously granted by ProNet and outstanding at December30, 1997, the effective date of the ProNet Merger. These options are fullyvested and exercisable with an average exercise price of approximately $6.42 pershare. The Company expects to formally issue Metrocall stock options to theformer ProNet optionees during early 1998 and has therefore reflected theseoptions as outstanding as of December 31, 1997.
F-22<PAGE>   62   METROCALL, INC. AND SUBSIDIARIES   NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED) 8. STOCK AND STOCK RIGHTS -- (CONTINUED)   Pursuant to the stock option plans discussed above, the Board of Directorshas approved the issuances of the following Common Stock options. <TABLE><CAPTION>

		WEIGHTED-AVERAGE EXERCISE		WEIGHTED-AVERAGE EXERCISE
WEIGHTED-AVERAGE EXERCISEYEAR ENDED DECEMBER 31,	1995	PRICE	1996	PRICE

1997 PRICE- ---------------------- -------------- ---------
-------------- --------- -------------- ---------<S>
<C> <C> <C> <C>
<C> <C>Outstanding, beginning of
period.......... 529,387 $15.75 798,958 $17.75
1,747,002 $ 8.18Granted.............. 303,500 20.24
656,216 17.70 685,000 6.00Canceled.............
(12,500) 20.10 (172,337) 18.11 (171,990) 14.16
Issued in ProNet Merger............. -- --
-- -- 1,212,539 6.42Issued in A+ Network
merger............. -- -- 468,904 6.04
Exercised............ (21,429) 2.21 (4,739) 1.04
(1,896) 1.04 -------------- ------
-------------- ------ -------------- ------Outstanding, end of
period............. 798,958 $17.75 1,747,002 $ 8.18
3,470,655 $ 6.84 ============== ======
============== ====== ============== ======Options exercisable...
339,958 966,417 2,362,655Option
price range -- options outstanding......... $1.035-$22.125
$1.035-$22.125 $1.035-$22.125Option price range -- options
exercisable......... $ 1.035-$19.50 $1.035-$22.125
$1.035-$22.125</TABLE> On September 18, 1996 the Compensation Committee of the Board of Directorsapproved a change in the exercise price for substantially all outstanding CommonStock options for current employees and officers. The new exercise price was$7.94 per share, the fair market value on the date of the change. On February 5,1997, the Compensation Committee of the Board of Directors approved a change inthe exercise price for substantially all outstanding options for currentemployees, officers and directors. The new exercise price was $6.00 per share,the fair market value on the date of the change. Each repricing establishes anew measurement date for the options. Employee Stock Purchase Plan In May 1996, the Company's stockholders approved the Metrocall, Inc.Employee Stock Purchase Plan (the "Stock Purchase Plan"). The stockholdersapproved an amendment to the Stock Purchase Plan in December 1997 including anincrease in the number of shares authorized for issuance from 300,000 to1,000,000 shares. Substantially all full-time employees are eligible toparticipate in the Stock Purchase Plan. Participants in the Stock Purchase Planmay elect to purchase shares of Common Stock at the lesser of 85% of the fairmarket value on either the first or last trading day of each payroll deductionperiod. No employee may purchase in one calendar year shares of Common Stockhaving an aggregate fair market value in excess of $25,000. In July 1996, 11,942shares were issued under the Stock Purchase Plan for $9.24 per share. In January1997 and July 1997, 34,770 shares and 74,977 shares were issued to participantsin the Stock Purchase Plan at prices of $4.14 and $3.80 per share, respectively.At December 31, 1997, 48,134 shares were due participants in the Stock PurchasePlan at a price of $4.09 per share. The weighted-average fair value of sharessold in 1996 and 1997 was $6.56 per share and $4.67 per share, respectively.
F-23<PAGE> 63 METROCALL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED) 8. STOCK AND STOCK RIGHTS -- (CONTINUED) SFAS No. 123, "Accounting for Stock-Based

Compensation"   The Company applies APB Opinion No. 25 and related Interpretations inaccounting for its stock option and stock purchase plans. Since the Company hasgranted options to acquire Common Stock at an exercise price equal to the fairvalue of the Common Stock on the date of grant, no compensation cost has beenrecognized for its stock option and stock purchase plans other than forapproximately $285,000 of compensation expense recognized in 1995 upon amendingoption agreements with certain former employees (see Note 5). Had compensationcost for the Company's stock-based compensation and purchase plans beendetermined for 1995, 1996 and 1997 grants using the fair value at the grantdates for awards under those plans consistent with the method of SFAS StatementNo. 123, the Company's loss and loss per share information would have beenincreased to the pro forma amounts indicated below. <TABLE>
<CAPTION>   1995
    1996   1997
--------   --------   --------<S>
<C>   <C>   <C>   <C>Loss before
extraordinary item   As reported $(17,407) $(46,235) $(60,211)
attributable to common stockholders..... Pro forma   (17,779)   (49,589)
(64,802)Loss attributable to common   As reported   (20,102)
(49,910)   (60,211) stockholders......................... Pro forma
(20,474)   (53,264)   (64,802)Loss per share before extraordinary item   As
reported   (1.49)   (2.84)   (2.22) attributable to common
stockholders..... Pro forma   (1.52)   (3.05)   (2.39)Loss per share
attributable to common   As reported   (1.72)   (3.07)   (2.22)
stockholders........................... Pro forma   (1.75)   (3.28)
(2.39)</TABLE>   Because the Statement No. 123 method of accounting has not been applied tooptions granted prior to January 1, 1995, the resulting pro forma compensationcost may not be representative of that to be expected in future years.   The weighted-average fair value of options granted in 1995, 1996 and 1997was $7.34, $5.89 and $4.35, respectively, after the effect of repricingdiscussed above. The fair value of each option grant is estimated on the date ofgrant using the Black-Scholes option pricing model with the following weighted-average assumptions. <TABLE><CAPTION>
                              1995   1996   1997
                        --------   --------   --------<S>
                          <C>   <C>   <C>Risk Free
Rate................................ 6.43%   6.43%   5.74%Expected
Life................................ 10 years 10 years 10 yearsExpected
Volatility.......................... 60.6%   60.6%   64.4%
</TABLE> 9. COMMITMENTS AND CONTINGENCIES   Legal and Regulatory Matters   The Company is subject to certain legal and regulatory matters in thenormal course of business. In the opinion of management, the outcome of suchassertions will not have a material adverse effect on the financial position orthe results of the operations of the Company.   Source One Wireless, Inc.   In April 1996, the Company entered into an agreement to purchase certain ofthe assets of Source One Wireless, Inc. ("Source One") and placed $1 millioncash in escrow. On June 26, 1996, the Company advised Source One that Source Onehad failed to meet certain conditions to completion of the transaction and
F-24<PAGE>   64
METROCALL, INC. AND SUBSIDIARIES   NOTES TO CONSOLIDATED FINANCIAL

STATEMENTS -- (CONTINUED) 9. COMMITMENTS AND CONTINGENCIES -- (CONTINUED) terminated the agreement. On September 20, 1996, Source One filed an action in the Circuit Court of Cook County, Illinois, claiming that the Company had breached the agreement and seeking specific performance of the purchaseagreement or unspecified damages in excess of $80 million. In March 1998, byagreement of the parties, the lawsuit was dismissed and the parties agreed inprinciple to an equal division of the escrow account plus accrued interest. Americom Paging Corporation Contact Communications, Inc. ("Contact"), a wholly-owned subsidiary ofProNet, entered into an agreement dated May 1995 to acquire substantially all ofthe assets of Americom Paging Corporation ("Americom"). On July 2, 1997, two ofthe former principal shareholders of Americom brought an action in Texas statecourt seeking damages from ProNet (and subsequently Metrocall as successor ininterest to ProNet), Contact and ProNet's former Chief Executive Officer inconnection with the transaction. The plaintiffs alleged claims under Texas statecommon law and the Texas Securities Act and sought compensatory and punitivedamages. Metrocall asserted counterclaims for damages for breach of the purchaseagreement. In March 1998, by mutual agreement, the parties agreed to settle theaction for a settlement payment by Metrocall to the plaintiffs of $2.4 million.Each party released all claims against the others, and all counterclaims weredismissed with prejudice. The settlement payment was accrued at December 31,1997 as part of the purchase accounting in connection with ProNet Merger. Interconnect Complaint Metrocall has filed complaints with the FCC against a number of RBOCs andthe largest independent telephone company for violations of the FCC'sinterconnection and local transport rules and the Telecom Act. The complaintsallege that these local telephone companies are unlawfully charging Metrocallfor local transport of the telephone companies' local traffic. Metrocall haspetitioned the FCC to rule that these local transport charges are unlawful andto award Metrocall a reimbursement for any past charges assessed. Also,Metrocall has asked the FCC to resolve these complaints within the five monthstatutory deadline for complaint proceedings established under the Telecom Act(see Note 4). Leases The Company has various leasing arrangements (as lessee) for office spaceand communications equipment sites. Rental expense related to operating leaseswas approximately $4,818,000, $8,612,000 and $21,675,000 for the years endedDecember 31, 1995, 1996 and 1997, respectively. Minimum rental payments as of December 31, 1997, required under operatingleases that have initial or remaining noncancelable lease terms in excess of oneyear are as follows (in thousands):

<TABLE><S>

<C>1998..	$23,994
1999..	18,849
2000..	6,935
2001..	4,242
2002..	1,601
Thereafter..	794

	$56,415
	=======

</TABLE> Rent expense for lease agreements between the Company and related partiesfor office space, tower sites and transmission systems, excluding consolidatedentities, was approximately $359,000, $334,000 and $761,000 for the years endedDecember 31, 1995, 1996 and

1997, respectively. F-25<PAGE> 65 METROCALL, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED) 9. COMMITMENTS AND CONTINGENCIES -- (CONTINUED) The Company leases office and warehouse space from a company owned by adirector of the Company. The annual rental commitment under these leases, whichexpire in 1998, is approximately $525,000. The Company believes the terms ofthese leases are at least as favorable as those that could be obtained from anon-affiliated party. Profit Sharing Plan and Retirement Benefits In 1995, the Company adopted the Metrocall, Inc. Savings and RetirementPlan (the "Plan") a combination employee savings plan and discretionaryprofit-sharing plan that covers substantially all full-time employees. The Planqualifies under section 401(k) of the Internal Revenue Code (the "IRC"). Underthe Plan, participating employees may elect to voluntarily contribute on apretax basis between 1% and 15% of their salary up to the annual maximumestablished by the IRC. The Company has agreed to match 25% of the employee'scontribution, up to 3% of each participant's gross salary. Contributions made bythe Company vest 20% per year beginning on the second anniversary of theparticipant's employment. Other than the Company's matching obligations,discussed above, profit sharing contributions are discretionary. The Company'sexpense for contributions under the Plan and the Company's previous profitsharing plan, recorded in the accompanying consolidated statements of operationswere $93,000, $112,000 and $372,000 for the years ended December 31, 1995, 1996and 1997, respectively. 10. EQUITY INVESTMENT The Company acquired a 33 1/3% interest in Solo America, a national salesand marketing distribution company. In its relationship with Solo America, theCompany has agreed to advance $1 million to Solo America, payable in threeinstallments, in exchange for Solo America's efforts to market the Company'spaging products and services. Through December 31, 1997, the Company has madeequity installments totaling $666,666. The Company has fully reserved againstthis investment in Solo America at December 31, 1997. 11. INCOME TAXES As of December 31, 1997, the Company had net operating loss and investmenttax credit carryforwards of approximately $244.2 million and $1.2 million,respectively, which expire in the years 1999 through 2012. The benefits of thesecarryforwards may be limited in the future if there are significant changes inthe ownership of the Company. Net operating loss carryforwards may be used tooffset up to 90 percent of the Company's alternative minimum taxable income. Theprovision for alternative minimum tax will be allowed as a credit carryoveragainst regular tax in the future in the event regular tax exceeds alternativeminimum tax expense. To the extent that acquired net operating losses areutilized in future periods, the benefit will first be recognized to reduceacquired intangible assets before reducing the provision for income taxes. Under the provisions of SFAS No. 109, the tax effect of the net operatingloss and investment tax credit carryforwards, together with net temporarydifferences, represents a net deferred tax asset for which management hasreserved 100% due to the uncertainty of future taxable income. Thesecarryforwards will provide a benefit for financial reporting purposes whenutilized to offset future taxable income.
F-26<PAGE> 66 METROCALL, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED) 11. INCOME TAXES -- (CONTINUED) The components of net deferred tax assets (liabilities) were as follows asof December 31, 1996 and 1997 (in

thousands) : <TABLE><CAPTION>
DECEMBER 31,

1996 1997
-------- ---------<S>
<C> <C>Deferred tax assets: Allowance for doubtful
accounts.................. $ 502 $ 1,085 Management
reorganization........................ 217 1,279 New pagers on
hand.............................. 971 935
Intangibles..................................... 2,182 6,170
Other... 887 2,418
Investment tax credit carryforward............... -- 1,204 Net
operating loss carryforwards................. 48,979 97,444
-------- --------- Total
deferred tax assets................... 53,738 110,535
======== =========Deferred tax
liabilities: Basis differences attributable to purchase
accounting.................................... (76,687) (155,930)
Depreciation and amortization expense............ (9,449) (10,184)
Other.. (143) (1,701)
-------- ---------
Total deferred tax liabilities.............. (86,279) (167,815)
======== =========Net deferred tax
liability............................ (32,541) (57,280)Less: Valuation
allowance............................ (44,146) (98,650)
-------- ---------
$(76,687) $(155,930)
======== =========</TABLE> The
income tax benefit for the years ended December 31, 1995, 1996 and1997, is
primarily the result of the amortization of the basis differencesattributable to
purchase accounting and is composed of the following (inthousands):
<TABLE><CAPTION>
YEAR ENDED
DECEMBER 31,

1995 1996 1997 ----
------ ------<S>
<C> <C> <C>Income tax (provision) benefit Current
-- Federal.................................. $(36) $ -- $ --
State................................... (55) (447) (539)
Deferred -- Federal.................................. 597 1,277
4,698 State................................. 89 191
702 ---- ------ ------
$595 $1,021 $4,861
==== ====== ======
</TABLE> F-27<PAGE> 67
METROCALL, INC. AND SUBSIDIARIES NOTES TO
CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED) 11. INCOME TAXES --
(CONTINUED) The benefit for income taxes for the years ended December 31,
1995, 1996and 1997, results in effective rates that differ from the Federal

statutory rateas follows: <TABLE><CAPTION>
YEAR ENDED
DECEMBER 31,

1995 1996 1997
----- ----- -----<S>
<C> <C> <C>Statutory Federal income tax
rate..................... 35.0% 35.0% 35.0%Effect of graduated
rates............................ (1.0) (1.0) (1.0)State income taxes,
net of Federal tax benefit......... 2.8 4.6 5.3Net operating losses
for which no tax benefit is currently
available................................. (30.9) (24.6) (8.1)Permanent
differences................................. (2.6) (11.8) (22.7)
----- ----- -----
3.3% 2.2% 8.5%
===== ===== =====</TABLE> 12.
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION The Company made cash
payments for interest of $9.5 million, $19.1 millionand $30.2 million for the
years ended December 31, 1995, 1996 and 1997,respectively. The Company made cash
payments for income taxes of $55,000,$264,000 and $539,000 for the years ended
December 31, 1995, 1996 and 1997,respectively. A capital lease obligation
of $3.2 million was incurred when the Companyentered into a lease for new office
space in 1994 (see Note 6). A capital leaseobligation of $2.1 million was
incurred when the Company amended itspre-existing office space lease in January
1997. In 1996, the Company executed alease agreement for computer equipment
which is treated as a capital leaseobligation for financial reporting purposes
of $1.1 million. During 1996 and 1997, the Company issued stock to effect
certainacquisitions as discussed in Note 3. 13. INTERIM FINANCIAL DATA
(UNAUDITED) The following table of quarterly financial data has been
prepared from thefinancial records of the Company, without audit, and reflects
all adjustmentsthat are, in the opinion of management, necessary for a fair
presentation of theresults of operations for the interim periods presented:
<TABLE><CAPTION>
(IN THOUSANDS EXCEPT PER SHARE AMOUNTS)
MARCH 31 JUNE 30 SEPTEMBER 30 DECEMBER 31
------------------ -------------------
------------------- ------------------- 1996
1997 1996 1997 1996 1997 1996 1997
------- -------- -------- -------- --------
-------- -------- --------<S> <C>
<C> <C> <C> <C>
<C> <C> <C>Revenues......................
$29,939 $ 66,753 $ 32,048 $ 70,297 $ 36,622 $ 75,019 $ 51,348 $
77,295Loss from operations........... (4,770) (4,428) (8,093) (5,942)
(7,118) (5,204) (5,464) (5,656)Loss before extraordinary item
attributable to common stockholders................ (7,689) (13,308)
(10,955) (13,913) (14,315) (16,020) (13,276) (16,970)Loss attributable
to common stockholders................. (7,689) (13,308) (10,955)
(13,913) (14,315) (16,020) (16,951) (16,970)Loss per share before
extraordinary item attributable to common stockholders................

(0.53) (0.54) (0.75) (0.55) (0.94) (0.55) (0.65)
(0.58)Loss per share attributable to common stockholders................
(0.53) (0.54) (0.75) (0.55) (0.94) (0.55) (0.83)
(0.58)</TABLE> The sum of the per share amounts may not equal the annual amounts becauseof the changes in the weighted-average number of shares outstanding during theyear. Net loss for the three months ended December 31, 1996, includes chargesfor extraordinary items, net of applicable tax benefit for the write-off ofcosts associated with the repurchase of the A+ Notes of $3,675,000 ($0.23 pershare) discussed in Note 6.

F-28<PAGE> 68 REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS To Metrocall, Inc.: We have audited, in accordance with generally accepted auditing standards,the consolidated financial statements of Metrocall, Inc., and subsidiaries, andhave issued our report thereon dated February 9, 1998 (except with respect tothe matters discussed under Source One Wireless, Inc. and Americom PagingCorporation in Note 9 as to which the date is March 26, 1998). Our audits weremade for the purpose of forming an opinion on those statements taken as a whole.The schedule included on page F-30 is the responsibility of the Company'smanagement and is presented for purposes of complying with the Securities andExchange Commission's rules and is not part of the basic financial statements.This schedule has been subjected to the auditing procedures applied in theaudits of the basic financial statements and, in our opinion, fairly states, inall material respects, the financial data required to be set forth therein inrelation to the basic consolidated financial statements taken as a whole. ARTHUR ANDERSEN LLP
Washington, D.C.February 9, 1998(except with respect to the matters discussed underSource One Wireless, Inc. and Americom PagingCorporation in Note 9 as to which the date isMarch 26, 1998) F-29
<PAGE> 69<!--EndFragment-->

METROCALL, INC.
Application for Authority to Operate as a Non-Dominant Reseller of Telecommunications Services
ATTACHMENT B

Managerial Capability

Metrocall, Inc. ("Metrocall"), through various predecessor corporate entities, has provided facilities-based wireless telecommunications services for more than thirty (30) years. In that time, Metrocall has grown from a small, family-held paging company to a publicly-traded company (NASDAQ symbol: MCLL) and the third-largest provider of Commercial Mobile Radio Service ("CMRS") paging and messaging services in the United States. Through facilities licensed to its wholly-owned subsidiary, Metrocall USA, Inc., Metrocall serves approximately 5.5 million paging customers nationwide.

In addition to providing local, regional and nationwide paging services, Metrocall provides advanced information services (such as e-mail) bundled with its wireless messaging services; in 1999, Metrocall is commencing build-out and deployment of a two-way network pursuant to a recently-acquired narrowband Personal Communications Service license. As a successful (and still growing), long-time telecommunications carrier, Metrocall respectfully submits that it has the necessary managerial and capability to provide interexchange services as a reseller.

M:\CLIENTS\RJ78\FL-CERT.EXH

** FLORIDA PUBLIC SERVICE COMMISSION *

DIVISION OF COMMUNICATIONS DEPOSIT DATE
BUREAU OF SERVICE EVALUATION
D216 DEC 03 1999

APPLICATION FORM
for
AUTHORITY TO PROVIDE INTEREXCHANGE TELECOMMUNICATIONS SERVICE
WITHIN THE STATE OF FLORIDA

991811-TI

Instructions

A. This form is used for an original application for a certificate and for approval of sale, assignment or transfer of an existing certificate. In case of a sale, assignment or transfer, the information provided shall be for the purchaser, assignee or transferee (See Appendix A).

B. Respond to each item requested in the application and appendices. If an item is not applicable, please explain why.

C. Use a separate sheet for each answer which will not fit the allotted space.

D. If you have questions about completing the form, contact:

Florida Public Service Commission
Division of Communications
Bureau of Service Evaluation
2540 Shumard Oak Blvd.
Gunter Building
Tallahassee, Florida 32399-0850
(904) 413-6600

JOYCE & JACOBS
ATTORNEYS-AT-LAW, LLP
1019 19TH STREET N.W. (PH-2)
WASHINGTON, DC 20036

MERRILL LYNCH WCMA ACCOUNT
BANK ONE, COLUMBUS, N.A.
COLUMBUS, OHIO 43271

25-80/440

CHECK NO. 6724

DATE Dec 2, 1999 AMOUNT *******$250.00*

Two Hundred Fifty and 0/100 Dollars

THE ORDER: Florida Public Service Comm

OPERATING ACCOUNT

DOCUMENT NUMBER-DATE
14794 DEC-3 99

AUTHORIZED SIGNATURE

Memo: Fee for RJ78

⑈006724⑈

DIVISION OF RECORDS & REPORTING
BLANCA S. BAYÓ
DIRECTOR
(850) 413-6770

Public Service Commission

December 7, 1999

Christine McLaughlin, Attorney
Joyce & Jacobs, L.L.P.
1019 - 19th Street, NW, 14th Floor
Washington, DC 20036

Re: Docket No. 991811-TI

Dear Ms. McLaughlin:

This will acknowledge receipt of an application for approval of assignment of existing certificate to an uncertificated company by Metrocall, Inc., which was filed in this office on December 3, 1999 and assigned the above-referenced docket number. Appropriate staff members will be advised.

Mediation may be available to resolve any dispute in this docket. If mediation is conducted, it does not affect a substantially interested person's right to an administrative hearing. For more information, contact the Office of General Counsel at (850) 413-6078 or FAX (850) 413-6079.

Please make notes as well that Commission Rule 25-22.005(7), F.A.C., requires certificated companies to notify the Commission of any changes in name, telephone, address, or contact person. Should your application be granted by the Commission, you will be expected to comply with this rule by advising us of any changes as they occur.

Division of Records and Reporting
Florida Public Service Commission