

PRICE COMMUNICATIONS CORP  
Form 10-Q  
January 19, 2007

# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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## FORM 10-Q

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QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2006

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 1-8309

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## Price Communications Corporation

(Exact name of registrant as specified in its charter)

New York

(State or other jurisdiction of incorporation or organization)

13-2991700

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

45 Rockefeller Plaza

New York, NY

(Address of principal executive offices)

10020

(Zip Code)

(212) 757-5600

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

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Large accelerated filer  x

Accelerated filer  o

Non-accelerated filer  o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  o No  o

As of September 30, 2006, there were 56,362,701 shares of the registrant's common stock, par value \$0.01 per share, outstanding.

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**PRICE COMMUNICATIONS CORPORATION AND SUBSIDIARIES**

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## PRICE COMMUNICATIONS CORPORATION AND SUBSIDIARIES

**Consolidated Statement of Net Assets as of September 30, 2006 (Liquidation Basis)**  
**Consolidated Balance Sheet as of December 31, 2005 (Going Concern Basis)**  
(\$ in thousands)

|  | September 30,<br>2006<br>(Unaudited) | December 31,<br>2005<br>(Audited) |
|--|--------------------------------------|-----------------------------------|
| <u>Assets</u>  |                                      |                                   |
| Current assets:  |                                      |                                   |
| Cash and cash equivalents  | \$ 18,626                            | \$ 4,067                          |
| Restricted cash and securities (principally securities)            |                                      | 71,227                            |
| Available for sale securities                                      | 55,503                               | 2,421                             |
| Verizon Communications common stock, restricted to August 10, 2007 | 1,094,337                            |                                   |
| Other assets   | 389                                  |                                   |
| Prepaid expense  |                                      | 108                               |
| Total current assets   | 1,168,855                            | 77,823                            |
| Investment in limited partnership                                  |                                      | 882,871                           |
| Other assets   |                                      | 538                               |
|  | \$ 1,168,855                         | \$ 961,232                        |
| <u>Liabilities and Shareholders' Equity</u>                        |                                      |                                   |
| Current liabilities:   |                                      |                                   |
| Income taxes payable (current and deferred)                        | \$2,429                              | 2,655                             |
| Estimated liability to former minority partners                    |                                      | 17,038                            |
| Other current liabilities  | 1,197                                | 1,551                             |
| Accrued costs of liquidation                                       | 1,722                                |                                   |
| Total current liabilities  | 5,348                                | 21,244                            |
| Deferred income taxes, net   |                                      | 423,348                           |
| Total liabilities  | 5,348                                | 444,592                           |
| Commitments and contingencies                                      |                                      |                                   |
| Shareholders' equity   |                                      | 516,640                           |
| Total liabilities and shareholders' equity                         |                                      | \$ 961,232                        |
| NET ASSETS IN LIQUIDATION (available to common shareholders)       | \$ 1,163,507                         |                                   |

See accompanying notes to consolidated financial statements.

## PRICE COMMUNICATIONS CORPORATION AND SUBSIDIARIES

## Consolidated Statement of Changes in Net Assets in Liquidation

(\$ in thousands)

(Unaudited)

|  | For the<br>period from<br>July 24 to<br>September 30<br>2006 |
|--|--|
| Shareholders' Equity at July 24, 2006  | \$ 529,184   |
| Liquidation basis adjustments:   |  |
| Adjust assets and liabilities to fair value                                    | (306 )   |
| Reversal of deferred tax on potential gain on conversion of preferred interest | 428,033  |
| Net assets in liquidation July 25, 2006  | 956,911  |
| Gain on exchange of partnership interest                                       | 124,282  |
| Adjust assets to fair value  | 85,826   |
| Cash received from exercise of options   | 1,477  |
| Accrue estimated net costs in liquidation                                      | (1,722 )   |
| Income from partnership from July 25, 2006 to August 15, 2006                  | 2,091  |
| Investment income from July 25, 2006 to September 30, 2006                     | 874  |
| Costs incurred from July 25, 2006 to September 30, 2006                        | (6,232 )   |
| Net assets in liquidation September 30, 2006                                   | \$ 1,163,507   |

## PRICE COMMUNICATIONS CORPORATION AND SUBSIDIARIES

## Consolidated Statements of Operations and Comprehensive Income (GOING CONCERN BASIS)

(\$ in thousands, except per share data)

(Unaudited)

|   | For the<br>period from<br>January 1 to<br>July 24,<br>2006 | For the nine<br>months<br>ended<br>September 30,<br>2005 | For the<br>period from<br>July 1 to<br>July 24,<br>2006 | For the three<br>months<br>ended<br>September 30,<br>2005 |
|---|--|--|---|---|
| Revenue:  |  |  |   |   |
| Earnings from partnership                               | \$ 19,290  | \$ 25,324  | \$ 2,185  | \$ 8,467  |
| Operating expenses:                                     |  |  |   |   |
| General and administrative                              | 5,573  | 5,258  | 393   | 1,326   |
| Loss (gain) on contribution of cellular business        | (108   | ) 2,459  |   | 1,259   |
| Interest expense  |  | 1,502  |   | 401   |
| Other income, net                                       | (2,900   | ) (3,380   | ) (690  | ) (1,141  |
| Income before income taxes                              | 16,725   | 19,485   | 2,482   | 6,622   |
| Income tax expense                                      | 5,843  | 6,157  | 746   | 1,570   |
| Net income  | 10,882   | 13,328   | 1,736   | 5,052   |
| Other comprehensive income, net of tax                  |  |  |   |   |
| Unrealized gain (loss) on available for sale securities | 1,868  | \$ (9,420  | ) (1,322  | ) (2,368  |
| Reclassification adjustment                             | (337   | ) \$ (873  | )   | (119  |
| Comprehensive income                                    | \$ 12,413  | \$ 3,035   | \$ 414  | \$ 2,565  |
| Per share data:   |  |  |   |   |
| Basic earnings per share                                | \$ 0.19  | \$ 0.24  | \$ 0.03   | \$ 0.09   |
| Weighted average shares outstanding                     | 56,234,000   | 56,224,000   | 56,234,000  | 56,240,000  |
| Diluted earnings per share                              | \$ 0.19  | \$ 0.24  | \$ 0.03   | \$ 0.09   |
| Weighted average shares outstanding                     | 56,516,000   | 56,503,000   | 56,524,000  | 56,516,000  |

See accompanying notes to consolidated financial statements.

## PRICE COMMUNICATIONS CORPORATION AND SUBSIDIARIES

## Consolidated Statements of Cash Flows

(\$ in thousands)

(Unaudited)

|   | For the<br>period from<br>January 1<br>to July 24,<br>2006 | For the<br>nine months<br>ended<br>September 30,<br>2005 |
|---|--|--|
| Cash flows from operating activities:   |  |  |
| Net income  | \$ 10,882  | \$ 13,328  |
| Adjustments to reconcile net income to net cash used in operating activities: |  |  |
| Earnings from partnership   | (19,290)   | (25,324)   |
| Depreciation and amortization   | 48   | 59   |
| Stock-based compensation expense  | 136  |  |
| Gain on available for sale marketable securities                              | (276)  | (435)  |
| Increase in escrow deposit  |  | 13,666   |
| Increase in other current assets  | (871)  |  |
| Increase (decrease) in income taxes receivable/payable                        | 3,250  | (1,193)  |
| Decrease in other current liabilities   | (63)   | (3,036)  |
| Decrease in estimated liability to former minority partners                   | (17,038)   | (9,958)  |
| Increase (decrease) in deferred income tax liability                          | (3)  | 1  |
| Total adjustments   | (34,107)   | (26,220)   |
| Net cash used in operating activities   | (23,225)   | (12,892)   |
| Cash flows from investing activities:   |  |  |
| Increase in other assets  |  |  |
| Proceeds from sale of securities and put and call options                     | 13,655   | 38,107   |
| Purchase of securities and put and call options                               | (2,260)  | (34,561)   |
| (Increase) decrease in cash in collateral account cash                        | 999  | (2,209)  |
| Distribution of profits from partnership                                      | 8,521  | 12,616   |
| Net cash provided by investing activities                                     | 20,915   | 13,953   |
| Cash flows from financing activities:   |  |  |
| Purchase and retirement of common stock                                       |  | (144)  |
| Exercise of employee stock options  |  | 397  |
| Net cash provided by financing activities                                     |  | 253  |
| Net decrease in cash and cash equivalents                                     | (2,310)  | 1,314  |
| Cash and cash equivalents at the beginning of period                          | 4,067  | 2,739  |
| Cash and cash equivalents at the end of period                                | \$ 1,757   | \$ 4,053   |
| Supplemental disclosure of cash flow information:                             |  |  |
| Income taxes paid   | \$ 2,596   | \$ 7,359   |

See accompanying notes to consolidated financial statements.

## PRICE COMMUNICATIONS CORPORATION AND SUBSIDIARIES

## Consolidated Statement of Shareholders Equity (GOING CONCERN BASIS)

(in thousands)

(Unaudited)

|  | Common Stock<br>Class A<br>Shares | Par Value | Additional<br>paid-in<br>capital | Accumulated<br>other<br>comprehensive<br>income/(loss) | Retained<br>earnings | Total<br>shareholders<br>equity |
|--|-----------------------------------|-----------|----------------------------------|--|----------------------|---------------------------------|
| Balance at December 31, 2005   | 56,233                            | \$ 562    | \$ 156,881                       | \$ (4,030 )  | \$ 363,227           | \$ 516,640                      |
| Change in unrealized gain (loss) on available<br>for sale securities net of tax effect |                                   |           |                                  | 1,526  |                      | 1,526                           |
| Amortization of stock-based compensation<br>expense                                    |                                   |           | 136                              |  |                      | 136                             |
| Net income   |                                   |           |                                  |  | 10,882               | 10,882                          |
| Balance, July 24, 2006   | 56,233                            | \$ 562    | \$ 157,017                       | \$ (2,504 )  | \$ 374,109           | \$ 529,184                      |

See accompanying notes to consolidated financial statements.



**PRICE COMMUNICATIONS CORPORATION AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

**(1) Summary of Significant Accounting Policies***Basis of Presentation*

The unaudited interim Consolidated Financial Statements include the accounts of Price Communications Corporation and its subsidiaries (the Company, Price or PCC). Price Communications Wireless, Inc. (PCW) is a wholly owned subsidiary of Price Communications Corporation and prior to the consummation of the asset contribution, which occurred on August 15, 2002, was the operating entity for the cellular business engaged in the construction, development, management and operation of cellular telephone systems in the southeastern United States. All significant intercompany items and transactions have been eliminated. On July 25, 2006 the shareholders of Price Communications Corporation approved a plan of dissolution (the Plan) of the Company and all of its subsidiaries including PCW, whereby all of the Company's assets will be distributed to the shareholders in August of 2007.

The consolidated financial statements for the period January 1, 2006 to July 24, 2006 and for the year ended December 31, 2005 were prepared on the going concern basis of accounting, which contemplates realization of assets and satisfaction of liabilities in the normal course of business. As a result of the shareholders' approval of the Plan, the Company adopted the liquidation basis of accounting effective July 25, 2006. This basis of accounting is considered appropriate when, among other things, liquidation of a company is probable and the net realizable values of assets are reasonably determinable. Under this basis of accounting, assets are valued at their net realizable values and liabilities are stated at their estimated settlement amounts.

The conversion from the going concern to liquidation basis of accounting required management to make significant estimates and judgments. In order to record assets at estimated net realizable value and liabilities at estimated settlement amounts under the liquidation basis of accounting, the Company recorded the following adjustments to record its assets and liabilities to fair value as of July 25, 2006, the date of adoption of the liquidation basis of accounting:

|  | <b>(In thousands)</b> |
|--|-----------------------|
| Adjust assets and liabilities to fair value: |                       |
| Prepaid insurance                            | (249 )                |
| Fixed Assets                                 | (100 )                |
| Deferred Rent                                | 43                    |
| Total  | (306 )                |

The Company has other assets still reflected on the Consolidated Statement of Net Assets as of September 30, 2006 of \$389,000 for which it has not yet determined the realizable value.

The unaudited interim Consolidated Financial Statements have been prepared by the Company without audit in accordance with the rules and regulations of the Securities and Exchange Commission. These Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements previously filed on the Company's Form 10-K for the year ended December 31, 2005. In the opinion of management, the statements reflect all adjustments necessary for a fair presentation of the results of interim periods. All such adjustments are of a normal and recurring nature. The results for any interim period are not necessarily indicative of the results to be expected for a full year.

**(2) Contribution of the Company's Wireless Business to the Verizon Partnership Background for Liquidation**

As per an agreement of December 18, 2001, on August 15, 2002 the Company contributed substantially all of the assets and liabilities of PCW to Verizon Wireless of the East (the Verizon Partnership). As consideration for such contribution, the Company received a preferred exchangeable interest in the Verizon Partnership initially valued at approximately \$1.112 billion. According to the Partnership agreement, the Company was entitled to an allocation of any profits from the Verizon Partnership for a period of up to four years subsequent to August 15, 2002 equal to its preferred return, which was approximately 2.9% per annum. The Company received only 50% of its preferred return in cash, with the balance being added to its capital account.



Under a letter agreement dated August 9, 2002, PCW was a guarantor of \$350 million of the Verizon Partnership debt to Verizon Communications. However, PCW was not obligated to make payment under the guaranty until Verizon Communications has exhausted all remedies against the Verizon Partnership. The Company initially deposited \$70 million in a separate collateral account to support such guaranty. The Company had the right to withdraw certain sums such as interest and dividends from the account.

PCC exchanged the Preferred Exchangeable Interest for common stock of Verizon Communications on August 15, 2006. The price used for the calculation of the number of shares that was issued in the exchange was to be the trailing 20-day average for Verizon Communications common stock but not less than \$40, or more than \$74. Verizon Communications common stock was trading substantially below the \$40 per share minimum price, therefore it was exchanged at \$40. The Company received 29,473,000 shares which was approximately 4.8 million fewer shares than the shares of Verizon common stock the Company could have purchased in the open market with the dollar equivalent of our capital account, based upon the \$34.39 closing price on August 15, 2006. At December 31, 2005, the Company had treated the investment in the partnership as other-than-temporarily impaired due to the lower trading value of the Verizon common stock. The Company valued the partnership account on that date based upon the closing price of Verizon (\$30.12 per share). Upon the August 15, 2006 conversion, the Company valued the stock it received at the closing price on that date (\$34.39 per share) and recognized a gain on the conversion of the shares in the amount of \$124.3 million, which is recorded on the statement of changes in net assets in liquidation.

The Company accounted for the preferred exchangeable interest before the conversion to common stock in a manner similar to the equity method of accounting. The initial investment equaled the credit in the capital account on the partnership's financial statement. Thereafter, the Company increased its investment by the amount of income it was entitled to receive based on the availability of profits at the agreed upon preferred rate of return and reduced such investment by any cash distributions to the Company.

The Verizon Communications shares the Company received in August 2006, under the terms of PCC's lockup agreement with Verizon, are restricted and become eligible for distribution to PCC's shareholders in August 2007. The Board of Directors of the Company determined to pursue the dissolution of the Company and at the Company's annual meeting of shareholders on July 25, 2006, the shareholders of the Company approved the dissolution.

### (3) Stock-Based Compensation

The Company has a long-term incentive plan (the 2003 Long-Term Incentive Plan), which replaced the 1992 Long-Term Incentive Plan and provides for granting incentive stock options, as defined under current law, and other stock-based incentives to key employees, officers and directors. The plan was approved by the Company's shareholders at the 2003 annual meeting of shareholders. The 2003 plan was authorized for 2,100,000 options of which 183,750 have been issued to date and 1,916,250 remain available for future grants.

A summary of activity under the 2003 Long Term Incentive Plan for the period ended July 24, 2006 follows:

|                                  | Shares    | Weighted Average Exercise Price |
|----------------------------------|-----------|---------------------------------|
| Outstanding at December 31, 2005 | 637,956   | \$ 24.52                        |
| Granted                          |           |                                 |
| Exercised                        |           |                                 |
| Repurchases                      | (420,000) | \$ 30.40                        |
| Outstanding at July 24, 2006     | 217,956   | \$ 13.19                        |

A summary of stock options outstanding as of July 24, 2006 is as follows:

| Exercise Price | Number Outstanding | Weighted Average Remaining Life | Number Exercisable |
|----------------|--------------------|---------------------------------|--------------------|
| \$3.76         | 24,117             | 2 Years                         | 24,117             |
| \$7.62         | 25,839             | 2 Years                         | 25,839             |
| \$19.71        | 10,500             | 4 Years                         | 10,500             |
| \$15.11        | 157,500            | 8 Years                         |                    |
| Total          | 217,956            |                                 |                    |



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Effective January 1, 2006, we adopted the provisions of Statement of Financial Accounting Standards ( SFAS ) No. 123 (R), Share-Based Payment , which establishes accounting for equity instruments exchanged for employee services. Under the provisions of SFAS 123 (R), share-based compensation cost is measured at the grant date, based on the calculated fair value of the award, and is recognized as an expense over the employees requisite service period (generally the vesting period of the equity grant). Before January 1, 2006, we accounted for share-based compensation to employees in accordance with Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations. We also followed the disclosure requirements of SFAS No. 123, Accounting for Stock-Based Compensation. We elected to adopt the modified prospective transition method as provided by SFAS 123 (R) beginning January 1, 2006 and, accordingly, financial statement amounts for the periods before the 2006 presented in this Form 10-Q have not been restated to reflect the fair value method of expensing share-based compensation.

We estimate the fair value of stock options using the Black-Scholes valuation model. Key input assumptions used to estimate the fair value of stock options include the exercise price of the award, expected option term, expected volatility of our stock over the option s expected term, risk-free interest rate over the option s expected term and the expected annual dividend yield.

The share-based employee compensation cost included in the determination of net income as reported for the periods ended July 24, 2006 and the share-based employee compensation cost that would have been included in the determination of net income for the periods ended September 30, 2005 if the fair value based method had been applied for that period and the assumptions used for the valuation of the options on the date of grant are presented in the table below:

|  | Period<br>from<br>January 1<br>to<br>July 24,<br>2006 | Nine<br>Months<br>Ended<br>September<br>30,<br>2005 | Period<br>from July<br>1 to July<br>24,<br>2006 | Three<br>months<br>ended<br>September<br>30,<br>2005 |
|--|---|---|---|--|
| <b>Net income as reported</b>  | \$ 10,882   | \$ 13,328   | \$ 1,736  | \$ 5,052   |
| <b>Add: Stock-based employee compensation costs, net of related tax effects, included in net income as reported</b>  | 85  |   |   |  |
| <b>Deduct: Stock-based employee compensation costs, net of related tax effects, that would have been included in the determination of net income if the fair value-based method had been applied to all awards</b> | (85 )   | (247 )  |   | (63 )  |
| <b>Proforma net income</b>   | \$ 10,882   | \$ 13,081   | \$ 1,736  | \$ 4,989   |
| <b>Proforma basic earnings per share</b>   | \$ .19  | \$ .23  | \$ .03  | \$ .09   |
| <b>Proforma diluted earnings per share</b>   | \$ .19  | \$ .23  | \$ .03  | \$ .09   |
| <b>Black-Scholes methodology assumptions:</b>  |   |   |   |  |
| <b>Dividend Yield</b>  | 0   | % 0   | % 0   | % 0  |
| <b>Risk-free interest rate</b>   | 3.72  | % 3.72  | % 3.72  | % 3.72   |
| <b>Expected lives of options</b>   | 5 years   | 5 years   | 5 years   | 5 years  |

Volatility of 31.326% was used to determine the Fair Value of options issued to employees.

At June 30, 2006, there was no unrecognized compensation cost related to share-based payments.

The Company receives a tax deduction for certain stock option exercises during the period in which they are exercised, generally for the excess of the prices at which the options are sold over the exercise prices of the options. Prior to the adoption of FAS 123 (R), we reported all tax benefits resulting from the exercise of stock options as operating cash flows in our condensed consolidated statements of cash flows. During the period from July 25, 2006 through September 30, 2006, options on 128,706 shares were exercised for total consideration of approximately \$1.48 million, which is recorded in the statement of changes in net assets in liquidation.

**(4) Equity Investment in Verizon Partnership**

The following table summarizes financial information of the Verizon Partnership (in thousands):

|                                      | <b>Three Months<br/>Ended<br/>September 30,<br/>2005</b> | <b>Nine Months<br/>Ended<br/>September 30,<br/>2005</b> |
|--------------------------------------|--|---|
| <b><u>Income statement data:</u></b> |  |   |
| Operating revenues                   | \$ 167,568   | \$ 465,640  |
| Operating expenses                   | 107,564  | 290,562   |
| Net income                           | 55,157   | 159,871   |

|                                   | <b>December 31, 2005</b> |
|-----------------------------------|--------------------------|
| <b><u>Balance sheet data:</u></b> |                          |
| Current assets                    | \$ 156,054               |
| Wireless licenses                 | 1,640,655                |
| Total assets                      | 2,154,767                |
| Total liabilities                 | 387,963                  |
| Partners' capital                 | 1,759,770                |

The Company's portion of total partners' capital earned a preferred return of approximately 2.9% per annum, which amounted to \$2.2 million and \$8.5 million for the period from July 1 to July 24, 2006 and the quarter ended September 30, 2005 and \$19.3 million and \$25.3 million for the period from January 1 to July 24, 2006 and the nine months ended September 30, 2005. As a result of the exchange that took place on August 15, 2006, financial information for the periods January 1, 2006 to July 24, 2006 and through August 15, 2006 are not available.

**(5) Estimated Liability to Former Minority Partners**

On October 19, 2005, the petitioners in the case of Gerhard Frank Dobler et al ( Dobler ) v. Montgomery Cellular Holding Co. Inc. ( MCHC ) et al, the appraisal action to determine the value of the shares held in MCHC, by Mr. Dobler and other petitioners at the time of the merger of MCHC into Palmer filed an application for legal and expert fees, which the Supreme Court of the state of Delaware had held the Company liable for, in the amount of \$2,459,000. The Company contested the reasonability of such amount. The judge assigned this matter to a Special Master to determine the reasonability of petitioners' legal fees. The Company paid approximately \$1,421,000 of this amount and the remainder in the amount of \$1,038,000 was accrued on the balance sheet in the estimated liability to former minority partners-current as of December 31, 2005. On March 31, 2006, the Special Master issued a report finding the Company responsible for \$445,000 of the original legal fees. With legal and court fees related to the appeal included, the Company was liable for a total of \$930,000. As a result, the Company reversed \$108,000 in the income statement as a gain on contribution of cellular business for the period ended July 24, 2006.

In March 2006 the Company entered into a settlement agreement for all of the remaining claims of the former minority holders for \$16 million. This amount had been accrued during prior periods, and was paid in full in April 2006. In connection with the settlement agreement, Verizon Communications released \$11 million from the collateral account to pay toward the settlement with minority holders.

**(6) Recent Accounting Pronouncements**

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In June 2006, the FASB issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes-an interpretation of SFAS No. 109 ( FIN 48 ). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in financial statements in accordance with SFAS No. 109, and recommends a recognition threshold and measurement characteristic for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The differences between a tax position taken in a tax return and amounts recognized in the financial statements may result in an increase in a liability for income taxes payable, a reduction of an income tax refund receivable, a reduction in a deferred tax asset or an increase in a deferred tax liability. FIN 48 also provides guidance on classification, interest and penalties, accounting in interim periods, disclosure, and transition. The Company does not expect that the adoption of FIN 48 will have a material impact on its results of operations or financial position.

**(7) Subsequent Events**

On October 24, 2006, the Company declared a cash dividend of \$.19 to shareholders of record on November 10, 2006. Pursuant to that declaration, a total of \$10.7 million was distributed to shareholders on November 22, 2006.

On October 24, 2006, the Board of Directors of Verizon Communications announced that the Company would spin off its directories business to its shareholders. Each holder of 20 shares of Verizon common stock as of November 1, 2006 was to receive 1 share of the new company holding the directories business. The shares of the spin off company began trading when issued on November 1, 2006. The Company received approximately 1.5 million shares in the new company, which it sold for total gross proceeds before taxes of approximately \$37.9 million.

On January 10, 2007, the Company declared a cash dividend of \$.58 to shareholders of record on February 1, 2007 and payable February 15, 2007. Pursuant to the declaration, the Company will distribute \$32.7 million to shareholders.

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## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

### **Overview**

The following discussion is intended to facilitate an understanding and assessment of significant changes and trends related to the financial condition and results of operations of the Company. This discussion should be read in conjunction with the Company's Consolidated Financial Statements and related notes thereto.

The discussion contains statements, which constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are made regarding the intent, belief, or current expectations of the Company, its directors, or officers primarily with respect to the future operating performance of the Company. Readers are cautioned that any such forward-looking statements are not guarantees of future performance and may involve risks and uncertainties and that the actual results may differ from those in the forward-looking statements as a result of factors, many of which are outside the control of the Company.

References to the Company or Price in this report include Price Communications Corporation and its subsidiaries unless the context otherwise indicates.

At the Company's annual meeting of shareholders on July 25, 2006, the Company's shareholders approved its dissolution in August 2007.

### **Background for Liquidation**

As per an agreement of December 18, 2001, on August 15, 2002 the Company contributed substantially all of the assets and liabilities of PCW to Verizon Wireless of the East (the Verizon Partnership). As consideration for such contribution, the Company received a preferred exchangeable interest in the Verizon Partnership initially valued at approximately \$1.112 billion. According to the Partnership agreement, the Company was entitled to an allocation of any profits from the Verizon Partnership for a period of up to four years subsequent to August 15, 2002 equal to its preferred return, which was approximately 2.9% per annum. The Company received only 50% of its preferred return in cash, with the balance being added to its capital account.

PCC exchanged the Preferred Exchangeable Interest for common stock of Verizon Communications on August 15, 2006. The price used for the calculation of the number of shares that was issued in the exchange was the trailing 20-day average for Verizon Communications common stock but not less than \$40, or more than \$74. Verizon Communications common stock was trading substantially below the \$40 per share minimum price therefore it was exchanged at \$40. The Company received 29,473,000 shares which was 4.8 million fewer shares than the shares of Verizon common stock the Company could have purchased in the open market with the dollar equivalent of our capital account, based upon the \$34.39 closing price on August 15, 2006. At December 31, 2005, the Company had treated the investment in the partnership as other-than-temporarily impaired due to the lower trading value of the Verizon common stock. The Company valued the partnership account on that date based upon the closing price of Verizon (\$30.12 per share). Upon the August 15, 2006 conversion, the Company valued the stock it received at the closing price on that date (\$34.39 per share) and recognized a gain on the conversion of the shares in the amount of \$124.3 million, which is recorded in the statement of changes in net assets in liquidation.

The Verizon Communications shares the Company received in August 2006, under the terms of PCC's lockup agreement with Verizon, are restricted and become eligible for distribution to PCC's shareholders in August 2007. The Board of Directors of the Company determined to pursue the dissolution of the Company and at the Company's annual meeting of shareholders on July 25, 2006, the shareholders of the Company approved the dissolution.

### ***Liquidation Basis of Accounting***

The consolidated financial statements for the period January 1, 2006 to July 24, 2006 and for the year ended December 31 2005 were prepared on the going concern basis of accounting, which contemplates realization of assets and satisfaction of liabilities in the normal course of business. As a result of the shareholders approval of the Plan, the Company adopted the liquidation basis of accounting effective July 25, 2006. This basis of accounting is considered appropriate when, among other things, liquidation of a Company is probable and the net realizable values of assets are reasonably determinable. Under this basis of accounting, assets are valued at their net realizable values and liabilities are stated at their estimated settlement amounts. The conversion from the going concern to liquidation basis of accounting required management to make





significant estimates and judgments to record assets at estimated net realizable value and liabilities at estimated settlement amounts.

#### *Critical Accounting Policies and Estimates*

**Our discussion and analysis of financial condition and results of operations are based upon our consolidated financial statements, which have been prepared by the Company without audit in accordance with the rules and regulations of the Securities and Exchange Commission. The preparation of our financial statements requires us to make estimates that affect the reported amounts of assets, liabilities, revenue and expense, and related disclosure of contingent assets and liabilities. We base our accounting estimates on historical experience and other factors that are believed to be reasonable under the circumstances. However, actual results may vary from these estimates under different assumptions or conditions.**

Pursuant to the plan of dissolution, which was approved by stockholders on July 25, 2006, the Company filed articles of dissolution with the Secretary of State of New York on September 12, 2006. Since July 25, 2006, our operations have been limited to winding-up our business and affairs, selling our remaining assets and discharging our known liabilities. We plan to distribute our remaining assets to our stockholders, in accordance with the plan of dissolution.

#### *Accrued Costs of Liquidation*

**Under the liquidation basis of accounting, we accrue for the known costs to be incurred in liquidation, including severance (\$462,000 of \$5.6 million) for the two remaining employees to be paid in August 2007 over the remaining service period through that date, rent (\$135,000) and directors and officers insurance (\$1.1 million) for the period subsequent to August 2007. The Company will continue to incur operating costs and receive income on its investments throughout the liquidation period. On a regular basis, we evaluate our assumptions, judgments and estimates that can have a significant impact on our reported net assets in liquidation based on the most recent information available to us, and when necessary make changes accordingly. Actual costs and income may differ from our estimates, which might reduce net assets available in liquidation to be distributed to shareholders.**

**The Company expects to distribute to its shareholders its remaining cash and the Verizon common stock it received in the exchange, less any amount applied to or reserved for actual or contingent liabilities (which will be deposited in a liquidating trust), on or about August 8, 2007. The amount reserved will be based on a determination by the board of directors, derived from consultation with management and outside experts, if the board of directors determines that it is advisable to retain such experts, and a review of, among other things, our estimated contingent liabilities and our estimated ongoing expenses, including, but not limited to, payroll, legal expenses, regulatory filings and other miscellaneous expenses. If any assets deposited in the liquidating trust are not actually required to pay the Company's liabilities, these assets will be distributed to shareholders at one or more later dates. Each shareholder will receive its pro rata share of each distribution based on the number of shares held at the time of the record date for such distribution.**

#### *Financial Instruments*

At September 30, 2006, the Company's marketable securities were classified as Available-for-Sale Securities. In addition, the Company holds Verizon's common stock received in the exchange, which is subject to a lock up agreement until distribution in August 2007 and has classified it as restricted and also accounts for them as available-for-sale. Unrealized holding gains and losses for Available-for-Sale Securities were excluded from earnings and reported, net of taxes, as accumulated other comprehensive income (loss) through July 24, 2006. Under the liquidation basis of accounting, these gains and losses are recognized as changes in net assets in liquidation for the period from July 25, 2006 to September 30, 2006.

Realized gains and losses are accounted for by specific identification or average cost, and are included in other income for the period through July 24, 2006.

#### *Investment in Limited Partnership*

The Company accounted for the Preferred Exchangeable Interest before the conversion to Verizon common stock using a method similar to the equity method of accounting. The initial investment equaled the credit in the capital account on the Partnership's financial statement. Thereafter, the Company increased its investment by the amount of income it was entitled to based on the availability of profits at the agreed upon preferred rate of return and reduced such investment by any cash distribution to the Company.

#### *Recent Accounting Pronouncements*

The Company expects to distribute to its shareholders its remaining cash and the Verizon common stock it received

In June 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*-an interpretation of SFAS No. 109 ( *FIN 48* ). *FIN 48* clarifies the accounting for uncertainty in income taxes recognized in financial statements in accordance with SFAS No. 109, and recommends a recognition threshold and measurement characteristic for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The differences between a tax position taken in a tax return and amounts recognized in the financial statements may result in an increase in a liability for income taxes payable, a reduction of an income tax refund receivable, a reduction in a deferred tax asset or an increase in a deferred tax liability. *FIN 48* also provides guidance on classification, interest and penalties, accounting in interim periods, disclosure, and transition. The Company does not expect that the adoption of *FIN 48* will have a material impact on its results of operations or financial position.

*Periods ended July 24, 2006 and Quarter and Nine Months Ended September 30, 2005*

**Revenue.** As a result of the contribution on August 15, 2002 of the Company's operating subsidiary to the Verizon Partnership, the sole source of operating revenue during the periods was the earnings on the Company's preferred investment in the Verizon Partnership. Since there were sufficient earnings by the Verizon partnership (see Note 4 in the Notes to Consolidated Financial Statements), the Company recorded its proportionate share of profits at a rate of approximately 2.9% per annum on its average investment balance in the limited partnership. The income from the partnership was \$8.5 million and \$25.3 million for the quarter and nine months ended September 30, 2005. For the short period from July 1, 2006 to July 24, 2006 the income from partnership was \$2.2 million and for the period from January 1, 2006 to July 24, 2006 was \$19.3 million. Due to the shortened time periods as a result of the liquidation basis of accounting, these numbers are not comparable to the prior year.

**Operating Expenses.** Operating expenses are comprised mainly of general and administrative expenses, which were approximately \$1.3 million and \$5.3 million for the quarter and nine months ended September 30, 2005 and \$.4 million for the period from July 1, 2006 to July 24, 2006 and \$5.6 million for the period from January 1, 2006 to July 24, 2006. The principal expenses through July 24, 2006 continued to be payroll (\$2.6 million) and related expenses and legal fees (\$1.2 million), primarily in connection with the company's dissolution plans. Due to the shortened time periods, the 2006 and 2005 expenses are not comparable.

**Provision for Cellular Legal Matters.** Former minority interest holders in certain of the Company's subsidiaries which were merged and/or dissolved into Palmer Wireless Holdings, Inc. ( *Palmer* ), a wholly-owned subsidiary of Price Communications Wireless, Inc. ( *PCW* ), in June 2001 were entitled to receive merger consideration. Amounts payable to such minority interest holders were finally determined by negotiations between the parties and by applicable state court proceedings. During both the quarter and nine months ended September 30, 2005, the Company accrued amounts of \$1.3 million and \$2.5 million, respectively, for amounts due to minority partners for legal fees pursuant to those state court proceedings. These amounts were reflected in the statement of operations as losses on contribution of cellular business. In addition, during the quarter and nine months ended September 30, 2005, the Company accrued an additional \$400,000 and \$1.5 million of interest on the estimated liability payable to former minority partners. During 2006, the liabilities were settled for \$108,000 less than the accruals which amount was reversed and reflected as a gain on contribution of cellular business.

In March 2006 the Company entered into a settlement agreement for all of the remaining claims of former minority holders for \$16 million. The amount had been accrued during prior periods, and was paid in full in April 2006. In connection with the settlement agreement, Verizon Communications permitted the Company to withdraw \$11 million from the collateral account.

**Other Income, Income Taxes and Net Income.** Other income was \$1.1 million in the quarter ended September 30, 2005 and \$3.4 million in the nine months ended September 30, 2005. For the period from July 1, 2006 to July 24, 2006, other income was \$690,000 and for the period from January 1, 2006 to July 24, 2006 it was \$2.9 million. The main components of other income for the periods were dividends and interest income on investments and realized gains on the sales of securities. There were no sales of securities for the period from July 1, 2006 to July 24, 2006.

The Company expects to distribute to its shareholders its remaining cash and the Verizon common stock it received

Income tax expense has been provided for the quarter and nine months ended September 30, 2005 at effective rates of 23.7% and 31.6%, respectively, which represent the estimated effective rates for the corresponding periods. For the period from July 1 to July 24, 2006 and for the period from January 1 to July 24, 2006 income tax was provided at a rate of 30% and 34.9%, respectively.

Net income was approximately \$5.1 million for the three months ended September 30, 2005 and \$13.3 million for the nine months ended September 30, 2005. For the period from July 1, 2006 to July 24, 2006 net income was \$1.7 million and for the period from January 1 to July 24, 2006 it was \$10.9 million. These periods are not comparable to the prior year periods since they are shorter in length.

***Changes in Net Assets in Liquidation for the Period from July 25, 2006 to September 30, 2006***

During the period from July 25, 2006 to September 30, 2006, the Company's net assets in liquidation increased to approximately \$1,164,000 from approximately \$957,000 on July 25, 2006. The main reason for the increase in assets was a gain on the exchange of the Verizon Partnership interest to Verizon common stock on August 15, 2006. The Verizon investment was revalued based on the Verizon stock price on August 15, 2006 of \$34.39 resulting in a gain of approximately \$124 million. The Verizon stock was marked to market on September 30, 2006 when it closed at \$37.13 and resulted in an unrealized gain in assets of approximately \$80.8 million which is included in the \$86 million adjustment of assets to fair value on the statement of changes in net assets in liquidation.

**Liquidity and Capital Resources**

As previously discussed, the Company's primary source of revenue before the conversion to common stock of Verizon was its earnings from the Verizon Partnership. Since the August 15, 2006 conversion, the Company's primary source of revenue is the dividends on the common stock of Verizon Communications that it holds.

Under a letter agreement dated August 9, 2002, Verizon Communications provided the Verizon Partnership with \$350 million of debt financing which was used in connection with the covenant defeasance and redemption of PCW's outstanding debt. PCW agreed to guarantee the \$350 million indebtedness. This guarantee expired when the Company converted the partnership interest to Verizon common stock in August of 2006. In connection with the guaranty, Price had established a collateral account, which consisted principally of marketable securities. The restrictions on this account ended upon the August 15, 2006 conversion of the partnership interest to Verizon Communications common stock.

As of September 30, 2006, the Company has approximately \$1.16 billion of net assets in liquidation which includes the Verizon investment of approximately \$1.1 billion which is restricted under a lockup agreement until August 10, 2007, \$18.6 million of cash and cash equivalents and \$55.5 million in marketable securities, partially offset by \$10.7 million in liabilities for costs to be incurred during liquidation. Based on its anticipated cash receipts and estimated expenses during the period of liquidation, the Company can meet its cash requirements through dissolution in August 2007. The Board of Directors declared a dividend of \$.19 per share in October of 2006 to shareholders of record on November 10, 2006. Pursuant to that declaration, a total of \$10.7 million was paid to shareholders on November 22, 2006.

In a letter dated July 28, 2006, the New York Stock Exchange (the "NYSE") notified Price Communications Corporation (NYSE:PR) that it intended to suspend trading in the Company's common stock prior to the opening on Monday, August 28, 2006 or such earlier date as i) the Company commences trading in another securities marketplace or ii) there is a material adverse development. The NYSE took this action under Rule 802.01D of the NYSE in view of the Company's announcement subsequent to its 2006 Annual Meeting, held on July 25, 2006, that holders of approximately 83% of the Company's outstanding shares have approved the dissolution of the Company. On August 28, 2006, the Company's stock began trading on the pink sheets under the symbol PCMC.PK.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

The only market risk that the Company is exposed to relates to its investment securities, whose values fluctuate with the market and whose values have been adjusted to reflect their market values as of September 30, 2006. Since August 15, 2006, the Company's investment securities include the Verizon Communications common stock it received in exchange for its investment in the Verizon Partnership which stock is subject to a 360-day lockup before the Company can distribute it to its shareholders.

**Item 4. Procedures and Controls**

As of September 30, 2006 the Chief Executive Officer and the Chief Financial Officer of the Company carried out an evaluation of the effectiveness of the Company's design and operation of disclosure controls and procedures (as such term is defined in Rules 13a-15 (e) and 15d-15(e) promulgated under the Securities and Exchange Act of 1934, as amended). Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that both our disclosure controls and procedures were not effective to record, process, summarize and report within the time periods specified in the SEC's rules and forms and that our internal controls were not effective to provide reasonable assurance that our financial statements are fairly presented in conformity with generally accepted accounting principles based on our delay in filing of our Form 10-Q as a result of the change to the liquidation basis of accounting and the lack of review performed by the Company's consultants over certain internal controls and procedures over financial reporting.

Except as disclosed above, there have been no changes in our internal controls over financial reporting that occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

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**PART II**

**OTHER INFORMATION**

**Item 1. *Legal Proceedings***

None

**Item 1A. *Risk Factors***

*The Company has been delisted from the New York Stock Exchange*

In a letter dated July 28, 2006, the New York Stock Exchange (the "NYSE") notified Price Communications Corporation (NYSE:PR) that it intended to suspend trading in the Company's common stock prior to the opening on Monday, August 28, 2006 or such earlier date as i) the Company commences trading in another securities marketplace or ii) there is a material adverse development. The NYSE took this action under Rule 802.01D of the NYSE in view of the Company's announcement subsequent to its 2006 Annual Meeting, held on July 25, 2006, that holders of approximately 83% of the Company's outstanding shares have approved the dissolution of the Company. The Company accepted the NYSE's determination and did not appeal it. The Company's stock began trading on the pink sheets on August 28, 2006 with the symbol PCMC.PK.

*No Assurances can be Made on the Amount of any Distribution to Shareholders in Dissolution*

Although the Company expects to distribute to shareholders its shares of Verizon common stock in August 2007, the Company cannot assure shareholders of the precise nature, amount or timing of any distribution. Uncertainties as to the precise amount of our assets and liabilities make it difficult to predict with certainty the aggregate net value ultimately distributable to shareholders.

*Additional Liabilities and Expenses May Reduce the Amount Available for Distribution to Shareholders*

The actual amount of the Company's liabilities, including contingent liabilities, may exceed the amounts shown on its balance sheet. In addition, the Company could incur additional claims, liabilities and other expenses (such as payroll, regulatory filings, legal expenses, consulting fees and miscellaneous office expenses). These amounts will reduce the extent to which assets will be available for distribution to shareholders.

*The Realizable Value of the Company's Assets May be Less Than Their Current Market Value*

The market value of the Company's assets may decline, or the Company may be unable for other reasons to realize the current market value of its assets. In this case, the assets available for distribution to shareholders (or the value of such assets) will be reduced.

*Distribution of Assets to Shareholders Could be Delayed*

The Company expects to distribute Verizon common stock to its stockholders in August 2007. However, the Company is currently unable to predict the precise timing of any subsequent distribution. The timing of the distributions will depend on and could be delayed by, among other things, claim settlements with creditors. Additionally, a creditor could seek an injunction against the making of distributions to shareholders on the grounds that the amounts to be distributed were needed to provide for payment of the Company's liabilities and expenses. Any action of this type could delay or diminish the amount available for distribution to shareholders.

*Shareholders Could be Liable for Price's Liabilities up to the Amount of Distribution Received by Them*

If the assets the Company reserves at the time of any distribution are insufficient to satisfy the Company's remaining liabilities, shareholders may be required to return all or a portion of the amount of their distributions so as to ensure that all of the Company's actual and contingent liabilities are satisfied in full. A shareholder's liability would not, however, exceed the aggregate amount of the distributions that it receives.

**Item 2. *Unregistered Sale of Equity Securities and Use of Proceeds***

None

**Item 3. *Defaults upon Senior Securities***

**Item 4. *Procedures and Controls***



Not Applicable. The Company has no debt securities outstanding.

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**Item 4. Submission of Matters to a Vote of Security Holders**

- (a) On July 25, 2006 the Registrant held its annual meeting of shareholders.
- (b) Mr. Robert F. Ellsworth was elected a director at the meeting. The term as director of Robert Price, Kim I. Pressman, Frank Osborn and Stuart Rosenstein continued after the meeting.
- (c) The votes cast at the meeting for director were as follows:

|                     | Votes Cast<br>For | Authority<br>Withheld |
|---------------------|-------------------|-----------------------|
| Robert F. Ellsworth | 52,863,815        | 729,952               |

- (d) The dissolution of the Registrant was approved.
- (e) The votes cast at the meeting for dissolution were as follows:

| Votes For  | Votes Against | Abstain |
|------------|---------------|---------|
| 46,699,200 | 8,813         | 2,524   |

**Item 5. Other Information**

None.

**Item 6. Exhibits**

31.1 Certification of the Chief Executive Officer

31.2 Certification of the Chief Financial Officer

32 Certification of the Chief Executive Officer and Chief Financial Officer

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**SIGNATURES**

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has fully caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PRICE COMMUNICATIONS CORPORATION

Date: January 19, 2007

By: /s/ Robert Price  
Robert Price  
President and Treasurer

By: /s/ Kim I. Pressman  
Kim I. Pressman  
Executive Vice President  
and Chief Financial Officer

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