PRICE COMMUNICATIONS CORP
Form 10-K
March 29, 2001

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K
Annual Report Pursuant To Section 13 Or 15(d)
Of The Securities Exchange Act Of 1934

(Mark One)

|X| Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 [Fee Required] For the fiscal year ended December 31, 2000 or

|_| Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 [No Fee Required] For the transition period from to

Commission file number 1-8309.

Price Communications Corporation
(Exact name of registrant as specified in its charter)

New York (State or other jurisdiction of incorporation or organization)	13-2991700 (IRS Employer Identification Number)
45 Rockefeller Plaza, New York, New York (Address of principal executive offices)	10020 (Zip code)

Registrant's telephone number, including area code (212) 757-5600

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value $.01 per share	New York Stock Exchange Boston Stock Exchange Chicago Stock Exchange Pacific Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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 the filing requirements for the past 90 days. Yes |X| No |_|

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to the Form 10-K. |_|

AGGREGATE MARKET VALUE OF THE VOTING STOCK
HELD BY NONAFFILIATES OF THE COMPANY

Aggregate market value of the Common Stock held by non-affiliates of the Company, based on the last sale price on the New York Stock Exchange ("NYSE") on March 16, 2001 ($17.01 as reported in the Wall Street Journal): approximately $827.6 million.

The number of shares outstanding of the Company's common stock as of March 16, 2001 was 55,263,799.

DOCUMENTS INCORPORATED BY REFERENCE:

Part III of this Form 10-K incorporates certain information contained in the registrant's definitive proxy statement to be filed by the registrant in connection with its 2001 Meeting of Shareholders.

==

PART I

Item 1. Business

General

Unless otherwise indicated, all references herein to "PCC" refer to Price Communications Corporation and all references herein to the "Company" refer to PCC and its subsidiaries and their respective predecessors. References herein to "PCW" refer to Price Communications Wireless, Inc., a wholly-owned indirect subsidiary of PCC, and its respective subsidiaries and predecessors. References to Holdings are to Price Communications Cellular Holdings, Inc., an indirect wholly-owned subsidiary of PCC and the holder of 100% of the outstanding capital stock of PCW. References herein to the "Acquisition" refer to the acquisition by PCW of Palmer Wireless, Inc. ("Predecessor") and the related sales of the Fort Myers and Georgia-1 systems of the Predecessor. PCC was organized in New York in 1979 and began active operations in 1981. Its principal executive offices are located at 45 Rockefeller Plaza, New York, New York 10020, and its telephone number is (212) 757-5600. See "Certain Terms" for definitions of certain terms used herein.

The Company has historically been a nationwide communications company owning and then disposing of a number of television, radio, newspaper, cellular telephone and other communications and related properties. The Company's business strategy is to acquire communications properties at prices it considers attractive, finance such properties on terms satisfactory to it, manage such properties in accordance with its operating strategy and dispose of them if and when the Company determines such dispositions to be in its best interests. Prior to 1995 the Company owned a number of television, radio, newspaper and other media and related properties which were disposed of pursuant to the Company's long-standing policy of buying and selling media properties at times deemed advantageous by the Company's Board of Directors.

The Company is currently engaged, through PCW, in the construction, development, management and operation of cellular telephone systems in the southeastern United States. At December 31, 2000, the Company provided cellular telephone service to 528,405 subscribers in Georgia, Alabama, South Carolina and Florida in a total of 16 licensed service areas composed of eight Metropolitan Statistical Areas ("MSAs") and eight Rural Service Areas ("RSAs"), with an aggregate estimated population of 3.3 million. The Company sells its cellular telephone service as well as a full line of cellular products and accessories principally through its network of retail stores. The Company markets all of its products and services under the nationally recognized service mark CELLULARONE.

The Company has developed its business through the acquisition and integration of cellular telephone systems, clustering multiple systems in order to provide broad areas of uninterrupted service and achieve certain economies of scale, including centralized marketing and administrative functions as well as multi-system capital expenditures. The Company devotes considerable attention to engineering, maintenance and improvement of its cellular telephone systems in an effort to deliver high-quality service to its subscribers and to implement new technologies as soon as economically practicable. Through its participation in the North American Cellular Network ("NACN"), the Company is able to offer ten-digit dialing access to its subscribers when they travel outside the Company's service areas, providing them with convenient roaming access throughout large areas of the United States, Canada, Mexico and Puerto Rico served by other NACN participants. By marketing its products and services under the CELLULARONE name, the Company also enjoys the benefits of association with a nationally recognized service mark.

On November 14, 2000, the Company, Holdings and PCW collectively ("Price Group") entered into a Transaction Agreement ("Transaction Agreement") with Verizon Wireless, Inc. ("Verizon"), Cellco Partnership and VWI Acquisition Corporation collectively ("Verizon Wireless"). Pursuant to the Transaction Agreement, the Price Group would sell all of the outstanding shares of PCW to Verizon Wireless in exchange for a number of shares of Class A Common Stock, par value $.001 of Verizon ("Verizon Shares") valued at approximately $2.06 billion, less PCW debt assumed which should approximate $550 million, as adjusted for working capital and other adjustments provided for in the Transaction Agreement. The number of shares to be received by the Company will be based upon the price of the Verizon Shares at Verizon's initial public offering ("IPO"). See "Agreement to Sell Price Communications Wireless" for a more complete summary of this transaction. At the closing, the Company will enter into a Lock-up agreement which prevents the Company from pledging or selling the shares received for a period of 270 days except with respect to $20 million of Verizon Shares, the number of which shares will be determined by the IPO price. The Transaction Agreement, which is subject to the completion of the IPO and approval of the Company's stockholders among other things, must be completed by September 30, 2001. If these conditions are not met, either party may terminate the Transaction Agreement.

Markets and Systems

The Company's cellular telephone systems serve contiguous licensed service areas in Georgia, Alabama and South Carolina. The Company also has a cellular service area in Panama City, Florida. The following table sets forth, with respect to each service area in which the Company owns a cellular telephone system, the estimated population, the Company's beneficial ownership percentage and the Net Pops as of December 31, 2000.

Service Area	MSA Rank	Estimated Population(1)	Percentage	Net Pops
Albany, GA....................	271	118,442	100.0%	118,442
Augusta, GA...................	106	440,242	100.0	440,242
Columbus, GA..................	165	249,365	99.1	247,121
Macon, GA.....................	139	322,093	99.6	320,805
Savannah, GA..................	153	287,349	98.5	283,039
Georgia-6 RSA.................	---	204,765	99.5	203,741
Georgia-7 RSA.................	---	134,698	100.0	134,698
Georgia-8 RSA.................	---	159,858	100.0	159,858
Georgia-9 RSA.................	---	119,299	100.0	119,299
Georgia-10 RSA................	---	152,871	100.0	152,871
Georgia-12 RSA................	---	220,340	100.0	220,340
Georgia-13 RSA................	---	150,714	100.0	150,714
Dothan, AL....................	250	134,980	95.2	128,487
Montgomery, AL................	137	323,675	94.6	306,197
Alabama-8, RSA................	---	178,813	100.0	178,813
Subtotal.................		3,197,504		3,164,667
Panama City, FL...............	233	178,813	92.0	136,548
Total....................		3,345,926		3,301,215

(1) Based on population estimates for 1999 from the DLJ 1999-2000 Summer Book

Georgia/Alabama

Seven MSAs, Montgomery and Dothan, Alabama and Macon, Columbus, Albany, Augusta and Savannah, Georgia make up the core of the Company's Georgia/Alabama cluster. The Company owns additional cellular service areas in this region including the Georgia-9 RSA, Alabama-8 RSA, Georgia-7 RSA, Georgia-8 RSA, Georgia-10 RSA, Georgia-12 RSA, Georgia-13 RSA and the Georgia-6 RSA. The Augusta, Georgia MSA includes Aiken County in South Carolina. In the aggregate, these markets now cover a contiguous service area of approximately 38,000 square miles that includes Montgomery, the state capital of Alabama, prominent resort destinations in Jekyll Island, St. Simons Island and Sea Island, Georgia, and over 710 miles of interstate highway, including most of 1-95 from Savannah, Georgia to Jacksonville, Florida. The Company collects substantial roaming revenue from cellular telephone subscribers from other systems traveling in these markets from nearby population centers such as Atlanta and Birmingham, as well as from vacation and business traffic in the southeastern United States. Due in part to the favorable labor environment, moderate weather and relatively low cost of land during the last several years, there has been an influx of new manufacturing plants in this market. As of December 31, 2000 the Company utilized 312 cell sites in this cluster.

Panama City

The Company owns the non-wireline cellular license for the Panama City, Florida market. The Company collects substantial roaming revenue in this market from subscribers from other systems who visit Panama City, a popular spring and summer vacation destination. As of December 31, 2000, the Company utilized 16 cell sites in this market.

Strategy

The Company's four strategic objectives are to: (1) expand its revenue base by increasing penetration in existing service areas and encouraging greater usage among its existing customers, (2) provide high-quality customer service to

create and maintain customer loyalty, (3) enhance performance by aggressively pursuing opportunities to increase operating efficiencies and (4) expand its regional wireless communications presence by selectively acquiring additional interests in cellular telephone systems (including minority interests). Specifically, the Company strives to achieve these objectives through implementation of the following:

Aggressive, Direct Marketing. The Company employs a two-tier direct sales force. A retail sales force handles walk-in traffic at the Company's 42 retail outlets and a targeted sales staff solicits certain industry and government subscribers. The Company's management believes that its internal sales force is the best way to successfully select and screen new subscribers and select pricing plans that realistically match subscriber means and needs. The Company tries to minimize its use of independent agents.

Flexible, Value-Oriented Pricing Plans. The Company provides a range of pricing plans, each of which includes a monthly access fee and a bundle of "free" minutes. Additional home rate minutes are charged at rates dependent on the customer's usage plan and time of day. In addition, the Company offers nation wide area home rate roaming in the Company's systems and low flat rate roaming in a four state region in the Southeastern United States.

The Company believes that its bundled minute offerings will encourage greater customer usage. By increasing the number of minutes a customer can use for one flat rate, subscribers perceive greater value in their cellular service and become less usage sensitive, i.e.; they can increase their cellular phone usage without seeing large corresponding increases in their cellular bills.

Continually Adopting State of the Art System Design. The Company's network allows the delivery of full personal communication services ("PCS") functionality to its digital cellular customers, including caller ID, short message paging and extended battery life. The Company's network provides for "seamless handoff" between digital cellular and PCS operators that, like the Company, employ TDMA (Time Division Multiple Access) technology, one of three industry standards and the one employed by AT&T, SBC and others; i.e. the Company's customers may leave the Company's service area and enter an area serviced by a PCS provider using TDMA technology without noticing the difference and vice versa.

Focusing on Customer Service. Customer service is an essential element of the Company's marketing and operating philosophy. The Company is committed to attracting new subscribers and retaining existing subscribers by providing consistently high-quality customer service. In each of its cellular service areas, the Company maintains a local staff, including a market manager, customer service representatives, technical and engineering staff, sales representatives and installation and repair facilities. Each cellular service area handles its own customer-related functions such as credit evaluations, customer evaluations, account adjustments and rate plan changes. To ensure high-quality service, Cellular One Group authorizes a third-party marketing research firm to perform customer satisfaction surveys of each of its licensees. Licensees must achieve a minimum satisfaction level in order to continue using the Cellular One service mark. The Company has repeatedly ranked number one in customer satisfaction among all Cellular One operators (#1 MSA in its category in 1998,1997, 1996, 1995, 1993, and 1992; #1 RSA in its category in 1995) and in 1999 two of the company's RSA's received service excellence awards.

Agreement to Sell Price Communications Wireless

On November 14, 2000, the Company, Price Communications Cellular Inc., Holdings and PCW (collectively the "Price Group"), Verizon Wireless, Inc. ("Verizon"), Cellco Partnership and VWI Acquisition Corporation, a newly-formed, wholly owned subsidiary of Verizon ("VWI") entered into a Transaction Agreement (the "Transaction Agreement"). Pursuant to the Transaction Agreement, the acquisition of PCW by Verizon will be accomplished by the merger (the "Merger") of VWI with and into PCW, with PCW remaining as the surviving corporation and becoming a wholly owned subsidiary of Verizon. The Transaction Agreement provides that, upon effectiveness of the Merger (the "Effective Time"), (i) each share of common stock of PCW outstanding immediately prior to the Effective Time will be converted into the right to receive a number of shares of Class A Common Stock, par value $.001 per share, of Verizon (the "Verizon Shares") valued at $2.06 billion, (less PCW's net indebtedness, estimated at $550 million, and subject to working capital and other adjustments as provided in the Transaction Agreement) based upon the price of the Verizon Shares at Verizon's initial public offering ("IPO") and (ii) each share of VWI common stock outstanding immediately prior to the Effective Time will be converted into the right to receive one share of the common stock of PCW. Concurrently with the Merger, PCW will transfer its assets to Cellco, in exchange for a partnership interest in Cellco.

At the closing, the Price Group will enter into a Lock-up Agreement pursuant to which they will agree that, except with respect to up to $20 million of Verizon Shares (valued at the price of Verizon Shares in the IPO) received by the Price Group in a working capital adjustment, until the later of (x) the date 270 days after the closing and (y) the first day of the Company's federal taxable year after the taxable year in which the closing occurs, they shall not, directly or indirectly, pledge, sell, transfer or contract to sell any of the Verizon Shares.

At the closing, the Price Group will enter into a Pledge Agreement pursuant to which they will agree to pledge to Verizon $150 million of the Verizon Shares (valued at the price of the Verizon Shares in the IPO) to secure their indemnity obligations under the Transaction

4

Agreement. At the first and second anniversaries of the closing, the number of Verizon Shares subject to the pledge shall be reduced to $75 million and $25 million, respectively (in each case, valued at the price of the Verizon Shares in the IPO). The Pledge Agreement will terminate on the third anniversary of the closing unless any claim under the Transaction Agreement is asserted or commenced on such date and in such event, the Pledge Agreement will terminate upon satisfaction of such claim.

The consummation of the transactions contemplated by the Transaction Agreement is subject to termination in certain events and is subject to the completion of the IPO and other conditions, including the approval by the stockholders of the Company. If the closing of the transaction does not occur by September 30, 2001, either party may terminate the Transaction Agreement.

Certain Considerations

In addition to the other matters described herein, holders of PCC's Common Stock should carefully consider the following risk factors.

Leverage and Liquidity. The Company is highly leveraged which could limit significantly its ability to make acquisitions, withstand competitive pressures or adverse economic conditions, obtain necessary financing or take advantage of business opportunities that may arise.

The Company at year-end had approximately $180.7 million in cash or cash equivalents. Its ability to borrow additional funds is limited by the covenants contained in the two outstanding debt instruments. The Company's cash interest requirement is approximately $68.5 million for the next several years until the $525.0 million 9 1/8% notes are repaid in 2006. The Company expects to generate sufficient operating cash flow to meet its liquidity needs for the next 12 months.

The Company's ability to meet its debt service requirements will require significant and sustained growth in the Company's cash flow. In addition, the Company expects to fund its growth strategy with cash from operations. There can be no assurance that the Company will be successful in improving its cash flow by a sufficient magnitude or in a timely manner or in raising additional equity or debt financing to enable the Company to meet its debt service requirements or to sustain its growth strategy.

Limitations on Access to Cash Flow of Subsidiaries. PCC does not have, and may not in the future have, any significant assets other than the common stock of its subsidiaries and cash which approximated $10.6 million at December 31, 2000. The current indentures of the Company's subsidiaries impose substantial restrictions on the ability of the Company's subsidiaries to pay dividends to the Company. Any payment of dividends to the Company is subject to the satisfaction of certain financial conditions set forth in the indentures as well as restrictions under applicable state corporation law. Under these financing documents, the Company's subsidiaries are prohibited for the foreseeable future from dividending an aggregate of more than $10.0 million to the Company which amount was paid to the Company in December of 2000. The Company has not in the past paid any cash dividends to its common shareholders and does not expect to pay any cash dividends to common shareholders in the foreseeable future. The ability of the Company and its subsidiaries to comply with the conditions of its financial obligations may be affected by events that are beyond the control of the Company. The breach of any such conditions could result in a default under the financing agreements and in the event of any such default, the lenders could elect to accelerate the maturity of the loans under such indebtedness. In the event of such acceleration, all outstanding debt would be required to be paid in full before any cash could be distributed to the Company. There can be no assurance that the assets of the Company and its subsidiaries would be sufficient to repay all outstanding indebtedness or meet other financial obligations.

Competition. Although current policies of the FCC authorize only two licensees to operate cellular telephone systems in each cellular market, there is, and the Company expects there will continue to be, competition from various wireless technology licensees authorized to serve each market in which the Company operates, as well as from resellers of cellular service. Competition for subscribers between the two cellular licensees and other wireless providers in each market is based principally upon the services and enhancements offered, the technical quality of the cellular telephone system, customer service, system coverage and capacity and price. The Company competes with a cellular wireline licensee in each of its cellular markets, most of which are larger and have access to more substantial capital resources than the Company.

The Company also faces competition from other existing communications technologies such as conventional mobile telephone service, specialized mobile radio ("SMR") and enhanced specialized mobile radio ("ESMR") systems and paging services and to a limited extent, satellite systems for mobile communications. The Company also faces competition from and may in the future face increased competition from PCS. Broadband PCS involves a network of small, low-powered transceivers placed throughout a neighborhood, business complex, community or metropolitan area to provide customers with mobile and portable voice and data communications. PCS may be capable of offering, and PCS operators claim they

will offer, additional services not offered by cellular providers. There can be no assurances that the Company will be able to provide nor that it will choose to pursue, depending on the economics thereof, such services and features. The FCC has also completed or announced plans for auctions in wireless services such as narrowband PCS, local multipoint multichannel distribution service ("LMDS"), interactive video distribution service ("IVDS"), wireless communication service ("WCS") and general wireless communication service

("GWCS") spectrum. Some of this spectrum might be used for services competitive in some manner with cellular service. The Company cannot predict the effect of these proceedings and auctions on the Company's business. However, the Company currently believes that traditional tested cellular is economically proven unlike many of these other technologies and therefore does not intend to pursue such other technologies.

Although the Company believes that the technology, financing and engineering of these other technologies is not as advanced as their publicity would suggest there can be no assurance that one or more of the technologies currently utilized by the Company in its business will not become obsolete at some time in the future.

Potential for Regulatory Changes and Need for Regulatory Approvals. The FCC regulates the licensing, construction, operation, acquisition, assignment and transfer of cellular telephone systems, as well as the number of licensees permitted in each market. Changes in the regulation of cellular activities could have a material adverse effect on the Company's operations. In addition, all cellular licenses in the United States are granted for an initial term of up to 10 years and are subject to renewal. The Company's cellular licenses expire in the following years with respect to the following number of service areas: 2001 (four); 2002 (three); 2006 (one); 2008 (six) and 2010 (two). While the Company believes that each of these licenses will be renewed based upon FCC rules establishing a renewal expectancy in favor of licensees that have complied with their regulatory obligations during the relevant license period, there can be no assurance that all of the Company's licenses will be renewed in due course. In the event that a license is not renewed, the Company would no longer have the right to operate in the relevant service area. The non-renewal of licenses could have a material adverse effect on the Company's results of operations. See "Business of the Company--Regulation."

Fluctuations in Market Value of License. A substantial portion of the Company's assets consists of its interests in cellular licenses. The assignment of interests in such licenses is subject to prior FCC approval and may also be subject to contractual restrictions, future competition and the relative supply and demand for radio spectrum. The future value of the Company's interests in its cellular licenses will depend significantly upon the success of the Company's business. While there is a current market for the Company's licenses, such market may not exist in the future or the values obtainable may be significantly lower than at present. As a consequence, in the event of the liquidation or sale of the Company's assets, there can be no assurance that the proceeds would be sufficient to pay the Company's obligations and a significant reduction in the value of the licenses could require a charge to the Company's results of operations.

Reliance on Use of Third Party Service Mark. The Company currently uses the registered service mark CELLULARONE to market its services. The Company's use of this is and has historically been governed by five-year contracts between the Company and Cellular One Group, the owner of the service mark, for each of the markets in which the Company operates. See "Description of Cellular One

Agreements." Such contracts currently in effect are expiring at different times through December 1, 2001. If for some reason beyond the Company's control, the name CELLULARONE were to suffer diminished marketing appeal, the Company's ability both to attract new subscribers and to retain existing subscribers could be materially affected. AT&T Wireless Services, Inc., which has been the single largest user of the CELLULARONE service mark, has significantly reduced its use of the service mark as a primary service mark as has Centennial Cellular. There can be no assurance that such reduction in use by any of such parties will not have an adverse effect on the marketing appeal of the brand name.

Dependence on Key Personnel. The Company's affairs are managed by a small number of key management and operating personnel, the loss of whom could have an adverse impact on the Company. The success of the Company's operations and expansion strategy depends on its ability to retain and to expand its staff of qualified personnel in the future.

Radio Frequency Emission Concerns. Media reports have suggested that certain radio frequency ("RF") emissions from portable cellular telephones may be linked to certain types of cancer. In addition, recently a limited number of lawsuits have been brought, not involving the Company, alleging a connection between cellular telephone use and certain types of cancer. Concerns over RF emissions and interference may have the effect of discouraging the use of cellular telephones, which could have an adverse effect upon the Company's business. As required by the Telecom Act, in August 1996, the FCC adopted new guidelines and methods for evaluating RF emissions from radio equipment, including cellular telephones. While the new guidelines impose more restrictive standards on RF emissions from low power devices such as portable cellular telephones, the Company believes that all cellular telephones currently marketed and in use comply with the new standards.

The Company carries $2.0 million in General Liability insurance and $25.0 million in umbrella liability coverage. This insurance would cover (subject to coverage limits) any liability suits with respect to human exposure to radio frequency emissions.

Equipment Failure, Natural Disaster. Although the Company carries "business interruption" insurance, a major equipment failure or a natural disaster affecting any one of the Company's central switching offices or certain of its cell sites could have a significant adverse effect on the Company's operations.

6

<

Operations

General

The Company is currently engaged in the construction, development, management and operation of cellular telephone systems in the southeastern United States. At December 31, 2000, the Company provided cellular telephone service to 528,405 subscribers in Georgia, Alabama, Florida and South Carolina in a total of 16 licensed service areas composed of eight MSAs and eight RSAs with an aggregate estimated population of 3.3 million. The Company sells its cellular telephone service as well as a full line of cellular products and accessories, including pagers, principally through its network of retail stores. The Company markets all of its products and services under the nationally recognized service mark CELLULARONE. The Company has developed its business through the acquisition and integration of cellular telephone systems, clustering multiple systems in order to provide broad areas of uninterrupted service and achieve certain economies of scale, including centralized marketing

and administrative functions as well as multi-system capital expenditures. The Company devotes considerable attention to engineering, maintenance and improvement of its cellular telephone systems in an effort to deliver high-quality service to its subscribers. Through its participation in NACN, the Company is able to offer ten-digit dialing access to its subscribers when they travel outside the Company's service areas, providing them with convenient roaming access throughout large areas of the United States, Canada, Mexico and Puerto Rico. By marketing its products and services under the CELLULARONE name, the Company also enjoys the benefits of association with a nationally recognized service mark.

The following table sets forth information, at the dates indicated after giving effect to the Acquisition, regarding subscribers, penetration rate, cost to add a net subscriber, average monthly churn rate and average monthly service revenue per subscriber for the Company and its Predecessor.

	Company		
		Year ended December 3	
	2000	1999	1998
Subscribers at end of period (1)	528,405	453,984	381,977
Penetration at end of period (2)	15.89%	13.65%	11.57%
Cost to add a gross subscriber (3)	$ 177	$ 199	$ 214
Average monthly churn (4)	1.95%	1.95%	1.91%
Average monthly service revenue per subscriber (5)	$ 53.93	$ 56.11	$ 52.04

----

(1) Each billable telephone number in service represents one subscriber.

(2) Determined by dividing the aggregate number of subscribers by the estimated population.

(3) Determined for the periods by dividing (i) all costs of sales and marketing, including salaries, commissions and employee benefits and all expenses incurred by sales and marketing personnel, agent commissions, credit reference expenses, losses on cellular telephone sales, rental expenses allocated to retail operations, net installation expenses and other miscellaneous sales and marketing charges for such period by (ii) the gross subscribers added during such period.

(4) Determined for the periods by dividing total subscribers discontinuing service by the average number of subscribers for such period, and divided by the number of months in the relevant period.

(5) Determined for the periods by dividing the (i) sum of the access, airtime, roaming, long distance, features, connection, disconnection and other revenues for such period by (ii) the average number of subscribers for such period, divided by the number of months in the relevant period.

(6) Combines operating information of the Company for the period October 6, 1997 to December 31, 1997 and its Predecessor for the period January 1, 1997, to October 6, 1997.

Subscribers and System Usage

The Company's subscribers have increased to 528,405 at December 31, 2000.

Reductions in the cost of cellular telephone services and equipment at the retail level have led to an increase in cellular telephone usage by general consumers for non- business purposes. As a result, the Company believes that there is an opportunity for significant growth in each of its existing service areas. The Company will continue to broaden its subscriber base for basic cellular telephone services as well as increase its offering of customized services. The sale of custom calling features typically results in increased usage of cellular telephones by subscribers thereby further enhancing revenues. In 2000, cellular telephone service revenues represented 93.3% of the Company's total revenues with equipment sales and installation representing the balance.

Marketing

The Company's marketing strategy is designed to generate continued net subscriber growth by focusing on subscribers who are likely to generate lower than average deactivations and delinquent accounts, while simultaneously maintaining a low cost of adding net subscribers. Management has implemented its marketing strategy by training and compensating its sales force in a manner designed to stress the importance of high penetration levels and minimum costs per net subscriber addition. The Company's sales staff has a two-tier structure. A retail sales force handles walk-in traffic and a targeted sales staff solicits certain industry and government subscribers.

The Company believes its use of an internal sales force keeps marketing costs low, both because commissions are lower and because subscriber retention is higher than if it used independent agents. The Company believes its cost to add a subscriber will continue to be among the lowest in the cellular telephone industry, principally because of its in-house direct sales and marketing staff.

The Company's sales force works principally out of retail stores in which the Company offers its cellular products and services. As of December 31, 2000, the Company maintained 41 retail stores, 1 kiosk and 3 offices. Retail stores, which range in size up to 11,000 square feet, are fully equipped to handle customer service and the sale of cellular services, telephones and accessories. Eight of the newer and larger stores are promoted by the Company as "Superstores," seven of which are located in the Company's Georgia/Alabama service areas and one in the Panama City, Florida service area. Each Superstore has an authorized warranty repair center and provides cellular telephone installation and maintenance services. Most of the Company's larger markets currently have at least one Superstore. To enhance convenience for its customers, the Company has opened some smaller stores in locations such as shopping malls. The Company's stores provide subscriber-friendly retail environments-extended hours, a large selection of phones and accessories, an expert sales staff, and convenient locations-which make the sales process quick and easy for the subscriber.

The Company markets all of its products and services under the name CELLULARONE. The national advertising campaign conducted by Cellular One Group enhances the Company's advertising exposure compared to what could be achieved by the Company alone. The Company also obtains substantial marketing benefits from the name recognition associated with this widely used service mark, both with existing subscribers traveling outside the Company's service areas and with potential new subscribers moving into the Company's service areas.

Through its membership in NACN and other special networking arrangements, the Company provides extended regional and national service to its subscribers, thereby allowing them to make and receive calls while in other cellular service areas without dialing special access codes.

Products and Services

In addition to providing high-quality cellular telephone service in each of its markets, the Company also offers various custom-calling features such as voicemail, call forwarding, call waiting, three-way conference calling, no answer and busy transfer. Several rate plans are presented to prospective subscribers so that they may choose the plan that will best fit their expected calling needs. Generally, these rate plans include a high user plan, a medium user plan, a basic plan and an economy plan. Most rate plans combine a fixed monthly access fee, per minute usage charges and additional charges for custom-calling features in a package that offers value to the subscriber while enhancing airtime use and revenues for the Company. In general, rate plans that include a higher monthly access fee typically include a lower usage rate per minute. An ongoing review of equipment and service pricing is maintained to ensure the Company's competitiveness and appropriate revisions to pricing of service plans and equipment are made to meet the demands of the local marketplace. The Company offers paging as an accessory to its cellular customers.

8

The following table sets forth a breakdown of the Company's revenues after giving effect to the Fort Myers and Georgia Sales from the sale of its services and equipment for the periods indicated.

	Company			
				For the Per
				Oct. 1, 19
				Through
	For the Year Ended Dec. 31,			Dec. 31,
	2000	1999	1998	1997
Service Revenue:				
Access and usage (1)................	$175,988	$166,030	$140,024	$31,786
Roaming (2).........................	40,491	39,665	27,029	5,691
Long distance (3)...................	26,537	22,188	13,045	2,014
Other (4)...........................	9,497	5,692	4,554	891
Total service revenue...............	252,513	233,575	184,652	40,382
Equipment sales and installation (5)	17,995	15,548	12,053	2,308
Total...............................	$270,508	$249,123	$196,705	$42,690

(1) Access and usage revenues include monthly access fees for providing service and usage fees based on per minute usage rates.

(2) Roaming revenues are fees charged for providing services to subscribers of other systems when such subscribers or "roamers" place or receive a telephone call within one of the Company's service areas.

(3) Long distance revenue is derived from long distance telephone calls placed by the Company's subscribers.
(4) Other revenue includes, among other things, connect fees charged to subscribers for initial activation on the cellular telephone system and fees for feature services such as voicemail, call forwarding and call waiting.
(5) Equipment sales and installation revenue includes revenue derived from the sale of cellular telephones and fees for the installation of such telephones.

Reciprocal roaming agreements between each of the Company's cellular telephone systems and the cellular telephone systems of other operators allow their respective subscribers to place calls in most cellular service areas throughout the country. The roamers home systems are charged usage fees, which are generally higher than a given cellular telephone system's regular usage fees, thereby resulting in a higher profit margin on roaming revenue. Roaming revenue is a substantial source of incremental revenue for the Company. In 2000, roaming revenues accounted for 16.0% of the Company's service revenues and 14.0% of the Company's total revenue. This level of roaming revenue is due in part to the fact that the Company's markets include several vacation destinations and a number of its systems are located along major interstate travel corridors.

In order to develop the market for cellular telephone service, the Company provides retail distribution and maintains inventories of cellular telephones and accessories. The Company negotiates volume discounts for the purchase of cellular telephones and, in many cases, passes such discounts on to its customers. The Company believes that earning an operating profit on the sale of cellular telephones is of secondary importance to offering cellular telephones at competitive prices to potential subscribers. To respond to competition and to enhance subscriber growth, the Company has historically sold cellular telephones below cost. However, the Company generally tries to earn a profit on the sales of accessories.

The Company is currently developing several new services which it believes will provide additional revenue sources. Using the TDMA IS-136 standard for the Company's digital services, the Company will offer Enhanced Short Messaging Services (SMS) including text messaging and e-mail addresses. Subscribers will also be able to order content from internet sources such as weather reports, horoscopes, stock quotes and various other data at their discretion, on a subscription basis. The Company has engaged a third party provider to customize this service for its subscribers. Additionally, the Company will deploy Wireless Application Protocol (WAP) to allow customers to browse the internet with new handsets to be introduced by certain manufacturers. This service will provide customers the means to be totally interactive by selecting what information they desire real time via wireless handsets.

Customer Service

The Company is committed to attracting new subscribers and retaining existing subscribers by providing consistently high-quality customer service. In each of its cellular service areas, the Company maintains a local staff, including a store manager, customer service representatives, technical and engineering staff, sales representatives and installation and repair facilities. Each cellular service area handles its own customer-related functions such as customer activations, account adjustments and rate plan

changes. Local offices and installation and repair facilities enable the Company to better service customers, schedule installations and repairs and monitor the

technical quality of the cellular service areas.

To ensure high-quality customer service, the Cellular One Group authorizes a third-party marketing research firm to perform customer satisfaction surveys of each of its licensees. Licensees must achieve a minimum customer satisfaction level in order to be permitted to continue using the CELLULARONE service mark. In 1999, the Company received service excellence awards for two of its RSA's. In 1998, the Company was awarded the #1 MSA in CELLULARONE's National Customer Satisfaction Survey. The Company has held number one ranking in its category in six out of the last nine years. The Company believes it has achieved this first place ranking through effective implementation of its direct sales and customer service support strategy.

The Company has implemented a software package to combat cellular telephone service fraud. This software system can detect counterfeit cellular telephones while they are being operated and enable the Company to terminate service to the fraudulent user of the counterfeit cellular telephone. The Company also helps protect itself from fraud with pre-call customer validation and subscriber profiles specifically designed to combat the fraudulent use of subscriber accounts.

Networks

The Company strives to provide its subscribers with virtually seamless coverage throughout its cellular service market areas, thereby permitting subscribers to travel freely within this region and have their calls and custom calling features, such as voicemail, call waiting and call forwarding, follow them automatically without having to notify callers of their location or to rely on special access codes. The Company has been able to offer virtually seamless coverage by implementing a switch inter-connection plan to mobile telephone switching offices ("MTSO") located in adjoining markets. The Company's equipment is built by NORTEL, formerly Northern Telecom, Inc. ("NTI"), and interconnection between MTSOs is achieved by using the IS-41, Rev.C, standard protocol.

Through its participation in NACN since 1992 and other special networking arrangements, the Company has pursued its goal of offering seamless regional and national cellular service to its subscribers. NACN is the largest wireless telephone network system in the world linking non-wireline cellular operators throughout the United States and Canada. Membership in NACN has aided the Company in integrating its cellular telephone systems within its region and has permitted the Company to offer cellular telephone service to its subscribers throughout a large portion of the United States, Canada, Mexico and Puerto Rico. NACN has provided the Company with a number of distinct advantages: (i) lower costs for roaming verification, (ii) increased roaming revenue, (iii) more efficient roaming service and (iv) integration of the Company's markets with over 7,500 cities worldwide.

System Development and Expansion

The Company develops its service areas by adding channels to existing cell sites and by building new cell sites. Such development is done for the purpose of increasing capacity and improving coverage in direct response to projected subscriber demand. Projected subscriber demand is calculated for each cellular service area on a cell by cell basis. These projections involve a traffic analysis of usage by existing subscribers and an estimation of the number of additional subscribers in each such area. In calculating projected subscriber demand, the Company builds into its design assumptions a maximum call "blockage" rate of 2.0% (percentage of calls that are not connected on first attempt at peak usage time during the day).

The following table sets forth, by market, at the dates indicated, the number of the Company's operational cell sites.

	At December 31,				
	2000	1999	1998	1997	1996
Georgia/Alabama	312	257	223	207	181
Panama City, FL	16	15	13	12	11
Total	328	272	236	219	192

The Company constructed 56 cell sites in 2000 and plans to construct additional cell sites with respect to its existing cellular systems during 2001 to meet projected subscriber demand and improve the quality of service. Cell site expansion is expected to enable the Company to continue to add subscribers, enhance use of its cellular telephone systems by existing subscribers, increase services used by subscribers of other cellular telephone systems due to the larger geographic area covered by the cellular telephone networks and further enhance the overall efficiency of the network and decrease churn. The Company believes that the increased cellular telephone coverage will have a positive effect on market penetration and subscriber usage.

Microwave networks, previously built by the Company, enable the Company to connect switching equipment and cell sites without making use of local landline telephone carriers, thereby reducing or eliminating fees paid to landline carriers. The

Company also owned a fiber optic network which carries calls between its Dothan, Alabama market and Panama City, Florida market. During 1999, the Company sold the fiber optic network but retained the right to use such network until October 31, 2001 at no additional charge, another means of reducing fees paid to landline carriers.

Digital Cellular Technology

Over the next decade, it is expected that cellular telephones will gradually convert from analog to digital technology. This conversion is due in part to capacity constraints of analog technology. As carriers reach limited capacity levels, certain calls may be unable to be completed, especially during peak hours. Digital technology increases system capacity and offers other advantages over analog technology, including improved overall average signal quality, improved call security, potentially lower incremental costs for additional subscribers and the ability to provide data transmission services. The conversion from analog to digital technology is expected to be an industry-wide process that will take a number of years. The exact timing and overall costs of such conversion are not yet known.

The Company began offering Time Division Multiple Access ("TDMA") standard digital service, one of three standards for digital service, during 1997. This digital network allows the Company to offer advanced cellular features and services such as caller-ID, short message paging and extended battery life. Where cell sites are not yet at their maximum capacity of radio channels, the Company is adding digital channels to the network incrementally based on the relative demand for digital and analog channels. Where cell sites are at full capacity, analog channels are being removed and redeployed to expand capacity elsewhere within the network and replaced in such cell sites by digital channels. The implementation of digital cellular technology over a period of several years will involve modest incremental expenditures for switch software

and possible significant cost reductions as a result of reduced purchases of radio channels and a reduced requirement to split existing cells. However, as indicated above, the extent of any implementation of digital radio channels and the amount of any cost savings ultimately to be derived therefrom will depend primarily on subscriber demand. In the ordinary course of business, equipment upgrades at the cell sites have involved purchasing dual mode radios capable of using both analog and digital technology.

The benefits of digital radio channels can only be achieved if subscribers purchase cellular telephones that are capable of transmitting and receiving digital signals. Currently, such telephones are more costly than analog telephones. The widespread use of digital cellular telephones is likely to occur only over a substantial period of time and there can be no assurance that this technology will replace analog cellular telephones. In addition, since most of the Company's existing subscribers currently have cellular telephones that exclusively utilize analog technology, it will be necessary to continue to support and if necessary, increase the number of analog radio channels within the network for many years.

Competition

The cellular telephone service industry in the United States is highly competitive. Cellular telephone systems compete principally on the basis of services and enhancements offered, the technical quality of the cellular system, customer service, coverage capacity and price of service and equipment. Currently, the Company's primary competition in each of its service areas is the other cellular licensee-the wireline carrier. The table below lists the wireline competitor in each of the Company's existing service areas:

Market	Wireline Competitor
Albany, GA..............	ALLTEL
Augusta, GA.............	ALLTEL
Columbus, GA............	Public Service Cellular
Macon, GA...............	Cingular Wireless
Savannah, GA............	ALLTEL
Georgia-6 RSA...........	Cingular Wireless and Public Service Cellular
Georgia-7 RSA...........	ALLTEL and Cingular Wireless(1)
Georgia-8 RSA...........	ALLTEL
Georgia-9 RSA...........	ALLTEL and Public Service Cellular(1)
Georgia-10 RSA..........	ALLTEL
Georgia-12 RSA..........	ALLTEL
Georgia-13 RSA..........	ALLTEL
Dothan, AL..............	ALLTEL
Montgomery, AL..........	ALLTEL
Alabama-8 RSA...........	Public Service Cellular and ALLTEL
Panama City, FL.........	ALLTEL

----

(1) The purchasers of the authorization have subdivided the wireline service area into two service areas for the RSA.

The Company also faces competition from and may in the future face increased competition from broadband PCS. Broadband PCS involves a network of small, low-powered transceivers placed throughout a neighborhood, business complex, community or metropolitan area to provide customers with mobile and portable voice and data communications. PCS subscribers communicate using digital radio handsets.

The FCC allocated 120 MHz of spectrum for licensed broadband PCS. The allocations for licensed PCS services are split into six blocks of frequencies--blocks "A" and "B" being two 30 MHz allocations for each of the 51 Major Trading Areas ("MTAs") throughout the United States; block "C" being one 30 MHz allocation in each of 493 Basic Trading Areas ("BTAs") in the United States; and blocks "D," "E" and "F" being three 10 MHz allocations in each of the BTAs. The FCC has concluded the initial auction of all broadband PCS frequency blocks, although a limited number of PCS licenses are from time to time reauctioned due to a failure of the initial auction winner to complete the required payments for the licenses. In some of these reauctions, the FCC subdivided certain markets and frequencies. Following the initial PCS auctions, the FCC adopted rules that permit parties to engage in partitioning or geographic disaggregation of PCS spectrum. Partitioning is the sale of less than the full 30 MHz or 10 MHz spectrum block to a third party. Disaggregation is the sale of the full 30 MHz or 10 MHz spectrum block for less than an entire MTA or BTA. The FCC also permitted parties to return a portion of their spectrum to the government to avoid defaulting on payment obligations for their remaining spectrum.

The FCC recently held a reauction of C-Block and F-Block licenses that closed in January 2001. In connection with that reauction, the FCC made a number of changes to its wireless and PCS licensing rules, and to the size of the licenses being sold. Specifically, the FCC subdivided the C-Block licenses slated for reauction into three 10 MHz licenses. Certain of these licenses were subject to open bidding while for others, the FCC retained its C-Block and F-Block eligibility requirements permitting only certain "designated entities" to bid. There is litigation challenging the validity of the auction and other parties have indicated an intent to challenge the validity of the auction and grants thereunder, as well.

The Company also faces competition from other existing communications technologies such as conventional mobile telephone service, SMR, and ESMR systems and paging services.

In addition, the FCC has licensed operators to provide mobile satellite service in which transmissions from mobile units to satellites would augment or replace transmissions to land-based stations. Although such systems are designed primarily to serve remote areas and are subject to transmission delays inherent in satellite communications, mobile satellite systems could augment or replace communications with segments of land-based cellular systems. Based on current technologies, however, satellite transmission services have not been competitively priced with cellular telephone services.

In order to grow and compete effectively in the wireless market, the Company plans to follow a strategy of increasing its bundled minute offerings. By increasing the number of minutes a customer can use for one flat rate, subscribers perceive greater value in their cellular service and become less usage sensitive. For example, customers can increase their cellular phone usage without seeing large corresponding increases in their cellular bill. These factors translate into more satisfied customers, greater customer usage and assist in the control of churn among existing subscribers. The perceived greater value also increases the number of potential customers in the marketplace. The Company believes that this strategy will enable it to increase its share of the wireless market.

Service Marks

CELLULARONE is a registered service mark with the U.S. Patent and Trademark Office. The service mark is owned by Cellular One Group, a Delaware general partnership of Cellular One Marketing, Inc., a subsidiary of Southwestern Bell Mobile Systems, Inc., together with Cellular One Development,

Inc., a subsidiary of AT&T and Vanguard Cellular Systems, Inc. The Company uses the CELLULARONE service mark to identify and promote its cellular telephone service pursuant to licensing agreements with Cellular One Group. In 2000, the Company paid $352,000 in licensing and advertising fees under these agreements. See "Certain Considerations--Reliance on Use of Third Party Service Mark."

Description of Cellular One Agreements

The Company is currently party to sixteen license agreements with Cellular One Group, which cover separate cellular telephone system areas. The terms of each agreement (each, a "Cellular One Agreement") are substantially identical. Pursuant to each Cellular One Agreement, Cellular One Group has granted a license to use the "CELLULARONE" mark (the "Mark") in its

FCC-licensed territory (the "Licensed Territory") to promote its cellular telephone service. Cellular One Group has agreed not to license such mark to any other cellular telephone service provider in such territory during the term of the agreement.

Each Cellular One Agreement has a term of five years and is renewable, subject to the conditions described herein, at the option of the Company for three additional five-year terms subject to provision of advanced written notice by the Company. In connection with any renewal, the Company must execute Cellular One Group's then-current form of license renewal agreement, which form may contain provisions materially different than those in the Cellular One Agreement.

Cellular One Group may terminate the Cellular One Agreements at any time without written notice to the Company upon certain events, including bankruptcy, insolvency and dissolution of the Company.

Cellular One Group may terminate the Cellular One Agreements if the Company (i) fails to pay any amounts thereunder when due or fails to submit information required to be provided pursuant to the Cellular One Agreement when due or makes a false statement in connection therewith, (ii) fails to operate its business in conformity with FCC directives, technical industry standards and other standards specified from time to time by Cellular One Group, (iii) misuses, makes unauthorized use of or materially impairs the goodwill of the Mark, (iv) engages in any business under a name that is confusingly similar to the Mark, or (v) permits a continued violation of any law or regulation applicable to it, in each case subject to a thirty-day cure period.

The Cellular One Agreements are terminable by the Company at any time subject to 120 days written notice.

The Company has agreed to indemnify Cellular One Group and its employees and affiliates, including its constituent partners, against all claims arising from the operation of its cellular phone business and the costs, including attorneys fees, of defending against them.

Regulation

As a provider of cellular telephone services, the Company is subject to extensive regulation by the federal government.

The licensing, construction, operation, acquisition and transfer of cellular telephone systems in the United States are regulated by the FCC pursuant to the Communications Act of 1934, as amended (the "Communications

Act"). The FCC has promulgated rules governing the construction and operation of cellular telephone systems and licensing and technical standards for the provision of cellular telephone service ("FCC Rules"). For cellular licensing purposes, the United States is divided into MSAs and RSAs. In each market, the frequencies allocated for cellular telephone use are divided into two equal blocks designated as Block A and Block B. Block A licenses were initially reserved for non-wireline companies, such as PCW, while Block B licenses were initially reserved for entities affiliated with a local wireline telephone company. Under current FCC Rules, a Block A or Block B license may be transferred with FCC approval without restriction as to wireline affiliation, but generally, no entity may own any substantial interest in both systems in any one MSA or RSA. The FCC may prohibit or impose conditions on sales or transfers of licenses.

Initial operating licenses are generally granted for terms of up to 10 years, renewable upon application to the FCC. Licenses may be revoked and license renewal applications denied for cause after appropriate notice and hearing. The Company's cellular licenses expire in the following years with respect to the following number of service areas: 2001 (four); 2002 (three); 2006 (one); 2008 (six) and 2010 (two). The FCC has issued a decision confirming that current licensees will be granted a renewal expectancy if they have complied with their obligations under the Communications Act during their license terms and provided substantial public service. A potential challenger will bear a heavy burden to demonstrate that a license should not be renewed if the licensee's performance merits renewal expectancy. The Company believes that the licenses it controls will continue to be renewed in a timely manner. However, in the event that a license is not renewed, the Company would no longer have the right to operate in the relevant service area which would have an adverse effect on the Company's results of operations.

Under FCC rules, each cellular licensee was given the exclusive right to construct one of two cellular telephone systems within the licensee's MSA or RSA during the initial five-year period of its authorization. At the end of such five-year period, other persons are permitted to apply to serve areas within the licensed market that are not served by the licensee and current FCC Rules provide that competing applications for these "unserved areas" are to be resolved through the auction process. The Company has no material unserved areas in any of its cellular telephone systems.

The Company also regularly applies for FCC authority to use additional frequencies, to modify the technical parameters of existing licenses, to expand its service territory and to provide new services. The Communications Act requires prior FCC approval for acquisitions by the Company of other cellular telephone systems licensed by the FCC and transfers by the Company of a controlling interest in any of its licenses or any rights thereunder. Although there can be no assurance that any future requests

for approval or applications filed by the Company will be approved or acted upon in a timely manner by the FCC, based upon its experience to date, the Company has no reason to believe such requests or applications would not be approved or granted in due course.

The Communications Act prohibits the holding of a common carrier license (such as the Company's cellular licenses) by a corporation of which more than 20% of the capital stock is owned directly or beneficially by aliens. Where a corporation such as the Company controls another entity that holds an FCC license, such corporation may not have more than 25% of its capital stock owned directly or beneficially by aliens, in each case, if the FCC finds that the

public interest would be served by such prohibitions. The 25% limitation has been relaxed with regard to certain foreign investors pursuant to a World Trade Organization treaty and FCC actions implementing the treaty. Failure to comply with these requirements may result in the FCC issuing an order to the Company requiring divestiture of alien ownership to bring the Company into compliance with the Communications Act. In addition, fines or a denial of renewal, or revocation of the license are possible.

From time to time, federal and state legislators may propose legislation, which could potentially affect the Company, either beneficially or adversely. On February 8, 1996, the Telecommunications Act of 1996 (the "Telecom Act") was signed into law, revising the Communications Act to eliminate unnecessary regulation and to increase competition among providers of communications services. The Company cannot predict the future impact of this or other legislation on its operations.

The major provisions of the Telecom Act potentially affecting the Company are as follows:

Interconnection. The Telecom Act required state public utilities commissions and the FCC to implement policies that mandate cost-based reciprocal compensation between cellular carriers and local exchange carriers ("LEC") for interconnection services.

The FCC has established procedures for the Company's renegotiations of interconnection agreements with the incumbent local exchange carrier in each of the Company's markets. The Company has renegotiated certain interconnection agreements with LECs in most of the Company's markets. These negotiations have resulted in a substantial decrease in interconnection expenses incurred by the Company.

Facilities siting for personal wireless services. The siting and construction of cellular transmitter towers, antennas and equipment shelters are often subject to state or local zoning, land use and other regulation. Such regulation may require zoning, environmental and building permit approvals or other state or local certification.

The Telecom Act provides that state and local authority over the placement, construction and modification of personal wireless services (including cellular and other commercial mobile radio services and unlicensed wireless services) shall not prohibit or have the effect of prohibiting personal wireless services or unreasonably discriminate among providers of functionally equivalent services. In addition, local authorities must act on requests made for siting in a reasonable period of time and any decision to deny must be in writing and supported by substantial evidence. Appeals of zoning decisions that fail to comply with the provisions of the Telecom Act can be made on an expedited basis to a court of competent jurisdiction, which can be either federal district or state court. The Company anticipates that, as a result of the Telecom Act, it will more readily receive local zoning approval for proposed cellular base stations. In addition, the Telecom Act codified the Presidential memorandum on the use of federal lands for siting wireless facilities by requiring the President or his designee to establish procedures whereby federal agencies will make available their properties, rights of ways and other easements at a fair and reasonable price for service dependent upon federal spectrum.

Environmental effect of radio frequency emissions. The Telecom Act provides that state and local authorities cannot regulate personal wireless facilities based on the environmental effects of radio frequency emissions if those facilities comply with the federal standard.

Universal service. The Telecom Act also provides that all communications

carriers providing interstate communications services, including cellular carriers, must contribute to the federal universal service support mechanisms established by the FCC. The FCC also provided that any cellular carrier is potentially eligible to receive universal service support. The universal service support fund will support telephone service in high-cost and low-income areas and support access to telecommunications facilities by schools, libraries and rural health care facilities. States will also be implementing requirements that carriers contribute universal service funding from intrastate telecommunications revenues. The Company has revised its customer billing to reflect additional costs related to these universal service fund requirements. There can be no guarantee that the Company will be able to continue to pass the costs of the fund requirements on to its subscribers in the future.

Other Recent Industry Developments. The FCC has a number of other complex requirements and proceedings that affect the operation of our business. For example, FCC rules currently require wireless carriers to make available emergency 911 services, including enhanced emergency 911 services that provide the caller's telephone number, and a requirement that emergency 911 services be made available to users with speech or hearing disabilities. We also are subject or potentially subject to interconnection, reciprocal compensation and universal service obligations; number portability obligations; rules governing billing and subscriber privacy; rules governing wireless resale and roaming obligations; rules that require wireless service providers to configure their networks to facilitate electronic surveillance by law enforcement officials; and rules requiring the Company to offer equipment and services that are accessible to and usable by persons with disabilities. These requirements are the subject of pending FCC or judicial proceedings, and we are unable to predict how they may affect our business, financial condition or results of operations.

The FCC has eliminated its cellular-PCS cross ownership rule, but retained a spectrum cap on aggregation of CMRS spectrum. A cellular licensee and its affiliates may not hold an attributable interest in more than 45 MHz of licensed cellular, broadband PCS and SMR spectrum in a particular geographic area, although the FCC recently relaxed its cellular PCS cross ownership rule to permit ownership of 55 MHz of licensed cellular, broadband PCS and SMR spectrum in RSA markets.

The Communications Act preempts state and local regulation of the entry of, or the rates charged by, any provider of cellular service. The FCC, to date, has denied all state petitions to regulate the rates charged by commercial mobile radio service providers. State and local governments are permitted to manage public rights of way and can require fair and reasonable compensation from telecommunications providers, on a competitively neutral and nondiscriminatory basis for the use of such rights of way by telecommunications carriers, so long as the compensation required is publicly disclosed by the government. States may also impose competitively neutral requirements that are necessary for universal service, conserving telephone numbering resources, protecting the public safety and welfare, ensuring continued service quality and safeguarding the rights of consumers. While a state may not impose requirements that effectively function as barriers to entry or create a competitive disadvantage, the scope of state authority to maintain existing or to adopt new such requirements is unclear.

Certain Terms

Interests in cellular markets that are licensed by the FCC are commonly measured on the basis of the population of the market served with each person in the market area referred to as a "Pop." The number of Pops or Net Pops owned is

not necessarily indicative of the number of subscribers or potential subscribers. As used herein, unless otherwise indicated, the term "Pops" means the estimate of the 1999 population of an MSA or RSA, as derived from the 1999-2000 Donaldson, Lufkin & Jenrette Market Information Service. The term "Net Pops" means the estimated population with respect to a given service area multiplied by the percentage interest that the Company owns in the entity licensed in such service area. MSAs and RSAs are also referred to as "markets." The term "wireline" license refers to the license for any market initially awarded to a company or group that was affiliated with a local landline telephone carrier in the market, and the term "non-wireline" license refers to the license for any market that was initially awarded to a company, individual or group not affiliated with any landline carrier. The term "System" means an FCC-licensed cellular telephone system.

Employees

At December 31, 2000, the Company had approximately 741 full-time employees, none of whom is represented by a labor organization. Management considers its relations with employees to be good.

Item 2. Properties

For each market served by the Company's operations, the Company maintains at least one sales or administrative office and operates a number of cell transmitter and antenna sites. As of December 31, 2000, the Company had approximately 42 leases for retail stores (including one kiosk) used in conjunction with its operations and 3 leases for administrative offices. The Company also had approximately 235 leases to accommodate cell transmitters and antennas as of December 31, 2000.

The Company leases space for its headquarters in New York City. (See Note 13 of the Notes to Consolidated Financial Statements for information on minimum lease payments by the Company and its subsidiaries for the next five years.)

Item 3. Legal Proceedings

The Company is not currently involved in any pending legal proceedings likely to have a material adverse impact on the Company.

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

Not Applicable

PART II

Item 5. Market for Company's Common Stock and Related Stockholder Matters

(a) Market for Common Stock

Effective February 17, 2000, the Company became listed on the New York Stock Exchange ("NYSE") under the ticker symbol "PR". The range of high and low last sale prices for the Company's Common Stock on the NYSE and prior to February 17, 2000 on the American Stock Exchange as adjusted to reflect the Company's January 1999 and May 1999 5 for 4 stock splits, and the August 1999 5%

stock dividend for each of the quarters of 2000 and 1999 as reported by the NYSE and the American Stock Exchange was:

	2001		2000		
Quarter	High	Low	High	Low	H
First (through March 16, 2001).........	$19.89	$16.25	$26.56	$21.00	$1
Second................................			25.00	18.75	1
Third.................................			24.38	18.38	2
Fourth................................			23.00	15.50	2

The Company's Common Stock has been afforded unlisted trading privileges on the Pacific Stock Exchange under the ticker symbol "PR.P", on the Chicago Stock Exchange under the ticker symbol "PR.M" and on the Boston Stock Exchange under the ticker symbol "PR.B" and trades in Euros on the Frankfurt and Munich Stock Exchanges.

(b) Holders

On March 27, 2001, there were approximately 400 holders of record of the Company's Common Stock. The Company estimates that brokerage firms hold Common Stock in street name for approximately 5,000 persons.

(c) Dividends

The Company, to date, has paid no cash dividends on its Common Stock. The Board of Directors will determine future dividend policy based on the Company's earnings, financial condition, capital requirements and other circumstances.

Item 6. Selected Consolidated Financial Data

The following tables contain certain consolidated financial data with respect to the Company and for Palmer ("Predecessor") for the periods and dates set forth below. This information has been derived from the audited consolidated financial statements of the Company and Palmer or the Company's unaudited data.

The following data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Consolidated Financial Statements and Notes thereto, included elsewhere herein.

	Consolidated Operati Comp Year ended		
	2000	1999	1998
Service Revenue	$252,513	$233,575	$184,6
Equipment Sales and Installation	17,995	15,548	12,0
Media Revenue	--	--	

Revenue	270,508	249,123	196,7
Engineering, Technical and Other Direct Expenses	25,321	29,666	28,1
Cost of Equipment	32,685	28,650	23,0
Media Operating Expenses	--	--	
Selling, General and Administrative Expenses	64,984	65,150	61,0
Non-cash Compensation - Selling, General and Administrative	3,649	1,973	
Depreciation and Amortization	46,981	45,157	43,6
Operating Income (Loss)	96,888	78,527	40,7
Other Income (Expense):			
Interest, net	(59,661)	(72,892)	(76,9
Other, net	7,711	12,251	15,2
Total Other Income (Expense)	(51,950)	(60,641)	(61,6
Minority Interest	(1,432)	(1,664)	(2,1
Extraordinary Item-Loss on Early Extinguishment of Debt (net of tax benefit of $15,893)	--	--	(27,0
Cumulative effect on prior year change in revenue recognition (net of tax expense of $92)	(158)	--	
Income Tax (Expense) Benefit	(14,972)	(6,002)	8,5
Net Income (Loss)	$ 28,376	$ 10,220	$(41,5
Per Share Amounts (1):			
Basic Earnings (Loss) Per Share Before Cumulative Effect of Accounting Change and Extraordinary Item	$ .51	$ .22	$ (.
Basic Earnings (Loss) for Accounting Change and Extraordinary Item	--	--	(.
Basic Earnings (Loss) Per Share	$ .51	$ .22	$ (1.
Diluted Earnings Per Share Before and After Cumulative Effect of Accounting Change and Extraordinary Item	$ .50	$ .22	$ (1.
Other Data:			
Capital Expenditures	$ 27,218	$ 24,575	$ 14,7
Operating Income Before Depreciation and Amortization - Adjusted EBITDA (2)	$150,367	$130,150	$ 88,5
Adjusted EBITDA Margin on Service Revenue	59.6%	55.7%	48
Net Cash Provided By (Used In):			
Operating Activities	$ 63,075	$ 74,591	$ 12,3
Investing Activities	(41,490)	(30,746)	21,3
Financing Activities	(32,108)	(57,613)	141,8
Penetration (3)	15.90%	13.65%	11.
Subscribers at the End of Period (4)	528,405	453,984	381,9
Cost to Add a Net Subscriber (5)	$ 509	$ 471	$ 4
Average Monthly Revenue per Subscriber (6)	$ 53.93	$ 56.11	$ 52.

18

Average Monthly Churn (7)	1.90%	1.95%	1.
Ratio of Earnings to Fixed Charges (8)	1.61x	1.21x	

19

(1) Per share amounts have been retroactively adjusted to reflect 5 for 4 stock splits in May 1999, January 1999, April 1998 (2), and December 1997, the 2 for 1 stock split in August 1998 and the 5% stock dividend in August 1999. All per share amounts prior to 1997 have been restated to comply with Statement of Financial Accounting Standards No. 128, "Earnings Per Share". See notes to consolidated financial statements.

(2) Adjusted EBITDA represents operating income before Depreciation and Amortization, non-cash compensation, and overhead of the parent company for 2000 ($3.6 million), 1999 ($4.5 million), 1998 ($4.2 million) and 1997 ($3.9 million). Adjusted EBITDA may not be identical to similarly titled measures reported by other companies. Adjusted EBITDA should not be considered in isolation or as an alternative measurement of operating performance or liquidity to net income (loss), operating income (loss), cash flows from operating activities or any other measure of performance under GAAP. The Company believes that adjusted EBITDA is viewed as a relevant supplemental measure of performance in the cellular telephone industry.

(3) Determined by dividing the aggregate number of subscribers by the estimated population.

(4) Each billable telephone number in service represents one subscriber.

(5) Determined for a period by dividing (i) costs of sales and marketing, including salaries, commissions and employee benefits and all expenses incurred by sales and marketing personnel, agent commissions, credit reference expenses, losses on cellular telephone sales, rental expenses allocated to retail operations, net installation expenses and other miscellaneous sales and marketing charges for such period, by (ii) the net subscribers added during such period.

(6) Determined for a period by dividing (i) the sum of the access, airtime, roaming, long distance, features, connection, disconnection and other revenues for such period by (ii) the average number of post paid subscribers for such period divided by the number of months in such period.

(7) Determined for a period by dividing total subscribers discontinuing service by the average number of subscribers for such period, and dividing that result by the number of months in such period.

(8) The ratio of earnings to fixed charges is determined by dividing the sum of earnings before interest expense, taxes and a portion of rent expense representative of interest by the sum of interest expense and a portion of rent expense representative of interest. The ratio of earnings to fixed charges is not meaningful for periods that result in a deficit. For the years ended December 31, 1998 and 1997, the deficit of earnings to fixed charges was $41,584 and $8,949, respectively.

(9) Operating information for PCC in 1997 includes the cellular operating results of PCW for the period subsequent to the acquisition of Palmer. The results of PCC's operations do not include any cellular operating results in 1996.

	Consolidated Balance Sheet It			
	As of December 31,			
	2000	1999	1998	199
Total Current Assets....................	$ 255,904	$ 229,600	$ 237,859	$ 79
Total Assets............................	1,266,420	1,258,994	1,286,269	1,173
Total Current Liabilities...............	52,289	52,000	47,099	55
Long-Term Debt..........................	700,000	700,000	909,432	690
Shareholders' Equity....................	172,612	173,190	4,379	60

	Consolidated Operating Statement Items Predecessor	
	For The Nine Months Ended September 30, 1997	For The Year Ended December 31, 1996(a)
Revenue:		
Cellular Service	$ 134,123	$ 151,119
Equipment Sales and Installation	7,613	8,624
Total Revenue	141,736	159,743
Engineering, Technical and Other Direct Expenses	23,301	28,717
Cost of Equipment	16,112	17,944
Selling, General and Administrative Expenses	41,014	46,892
Depreciation and Amortization	25,498	25,013
Operating Income	35,811	41,177
Other Income (Expense):		
Interest, net	(24,467)	(31,462)
Other, net	208	(429)
Total Other Expenses	(24,259)	(31,891)
Minority Interest	(1,310)	(1,880)
Income Tax Expense	(4,153)	(2,724)
Net Income	$ 6,089	$ 4,682
Other Data:		
Capital Expenditures	$ 40,757	$ 41,445
Operating Income Before Depreciation and Amortization ("EBITDA") (2)	$ 61,309	$ 66,190
EBITDA Margin on Service Revenue	45.7%	43.8%
Net Cash Provided By (used in):		
Operating Activities	$ 38,791	$ 30,130
Investing Activities	(73,759)	(110,610)
Financing Activities	36,851	78,742
Penetration (3)	8.60%	7.45%
Subscribers at the End of Period (4)	337,345	279,816
Cost to Add a Net Subscriber (5)	$ 514	$ 407
Average Monthly Service Revenue per Subscriber (6)	$ 53.99	$ 52.20
Average Monthly Churn (7)	1.89%	1.84%
Ratio of Earnings to Fixed Charges (8)	1.45x	1.28x

(a) Includes the acquisition of the Georgia-1 RSA, which occurred on June 20, 1996, and the Georgia-6 RSA, which occurred on July 5, 1996. The acquisitions of the GA-1 and GA-6 RSA resulted in revenues to the Predecessor of $1,239 and $2,682, respectively, and operating (loss) income of $(278) and $743, respectively, during such year.

21

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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 the 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 and 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 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.

Overview

The Company is engaged in the construction, development, management and operation of cellular telephone systems in the southeastern United States. As of December 31, 2000, the Company provided cellular telephone service to 528,405 subscribers in Georgia, Alabama, South Carolina and Florida in a total of 16 licensed service areas, composed of eight MSA's and eight RSA's, with an aggregate estimated population of 3.3 million. The Company sells its cellular telephone service as well as a full line of cellular products and accessories principally through its network of retail stores. The Company markets all of its products and services under the nationally recognized service mark CELLULARONE.

Results of Operations

The following table sets forth for the periods indicated, the percentage which certain amounts bear to total revenue.

	For The Year Ended December 31,		
	2000	1999	199
Revenue:			
Service..	93.4%	93.8%	93
Equipment sales and installation................	6.6	6.2	6
Total Revenue..	100.0	100.0	100
Operating Expenses:			

Engineering, technical and other direct:			
Engineering and technical (1)	5.2	5.5	6
Other direct costs of services (2)	4.1	6.5	8
Cost of equipment (3)	12.1	11.5	11
Selling, general and administrative:			
Selling and marketing (4)	8.6	8.6	10
Customer service (5)	7.4	6.6	6
General and administrative (6)	8.0	11.0	13
Non-cash compensation	1.4	.8	-
Depreciation and amortization	17.4	18.0	22
Total Operating Expenses	64.2	68.5	79
Operating Income	35.8%	31.5%	20
Operating Income Before Depreciation and Amortization and Non-Cash Compensation (7)	54.5%	50.4%	42

(1) Consists of costs of cellular telephone network, including inter-trunk costs, span-line costs, cell site repairs and maintenance, cell site utilities, cell site rent, engineers' salaries and benefits and other operational costs.

(2) Consists of net costs of roaming, costs of long distance, costs of interconnection with wireline telephone companies and other costs of services.

(3) Consists primarily of the costs of the cellular telephones and accessories sold, sales and marketing personnel, employee and agent commissions.

(4) Consists primarily of salaries and benefits of advertising and promotional expenses.

(5) Consists primarily of salaries and benefits of customer service personnel and costs of printing and mailing subscriber's bills.

(6) Includes salaries and benefits of general and administrative personnel and other overhead expenses.

(7) Operating income before depreciation and amortization and non-cash compensation ("EBITDA") should not be considered in isolation or as an alternative to net income, operating income or any other measure of performance under generally accepted accounting principles. The Company believes that operating income before depreciation and amortization and non-cash compensation is viewed as a relevant supplemental measure of performance in the cellular telephone industry.

Year ended December 31, 2000 compared to Year ended December 31, 1999

Operating results for the year ended December 31, 2000 reflect the continued improvement in operating cash flow ("EBITDA"), subscriber growth and the related increase in penetration, a slight decrease in the Average Revenue Per Subscriber ("ARPU") and the continuation of strong cost controls which translate to a low average operating cost per subscriber.

Revenue. Service revenues totaled approximately $252.5 million for the current year compared to approximately $233.6 million for 1999 or an increase of 8.1%. The increase is principally a result of the greater amount of access revenue ($5.7 million) due to the increase in the average number of post paid subscribers, as well as increases in toll revenue ($4.4 million), feature revenue ($2.5 million) and prepaid airtime revenue ($4.0 million). The increase in toll revenue is primarily due to the increase in the number of minutes used by post paid subscribers (an increase of 463 million minutes) which per

subscriber increased from 250 minutes per post paid subscriber in 1999 to 318 minutes in 2000. Despite the increase in minutes of use, airtime revenue was flat as the Company's rate plans provided larger amounts of free minutes than in the past in order to remain competitive in its markets. As a result of increased competition for additional post paid cellular subscribers, the Company's local revenue per cellular subscriber decreased slightly from $40.16 in 1999 to $39.42 in 2000. In addition, the Company's outcollect roaming revenue, which is revenue that the Company derives from other cellular companies' subscribers roaming in our markets, increased by ($826,000) as a result of an increase in usage from 105.8 million minutes in 1999 to 129.9 million minutes in 2000, partially offset by reduced reimbursement rates from the other carriers. The Company expects this trend to continue as a result of new roaming rates negotiated with some of the Company's roaming partners as well as the increased number of wireless carriers in each market which can be utilized by other carriers.

Equipment and installation revenue amounted to $18.0 million for the current year compared to $15.5 million in 1999. The increase in equipment revenue of 16.1% is primarily a combination of a greater number of gross pre and post paid subscriber additions (39,409 increase over 1999) as well as a greater emphasis on accessory sales to new subscribers.

Operating Expenses. Operating expenses increased $3.0 million from $170.6 million in 1999 to $173.6 million in 2000. As a percentage of total revenue, operating expenses decreased from 68.5% of total revenue in 1999 to 64.2% of total revenue in 2000. After excluding non-cash compensation and depreciation and amortization, operating expenses amount to 45.5% of total revenue for 2000 compared to 49.6% of total revenue for 1999. Total operating costs per cellular subscriber excluding PCC overhead and all non-cash charges amounted to $17.27 in 2000 and $20.68 in 1999.

Engineering, technical and other direct expenses decreased from $29.7 million in 1999 to $25.3 million in 2000. There are three major components in this category. The net cost of incollect roaming, which represents the difference between the amount paid to other cellular carriers for the Company's subscribers roaming in other carriers' markets and the amount charged to these subscribers, variable network costs such as inter trunk, long distance and directory assistance costs, and engineering costs which consist principally of salaries and related fringe benefits, fixed span line costs and tower rentals.

As a result of negotiations with other cellular carriers (see comments above concerning outcollect revenue), the Company was able to reduce the amount it reimburses those carriers for incollect roaming resulting in net incollect revenue of $1.1 million for the current year compared to a net cost of $4.0 million for 1999. This reduction was augmented by decreased long distance and directory assistance costs resulting from renegotiated rates. Partially offsetting these cost savings, were increases in variable telephone costs such as interconnect and reverse toll charges as well as the direct cost of prepaid usage due to the increase in prepaid revenue and the implementation of a new prepaid software system.

Decreases in engineering salaries and related expenses were offset by increases in fixed span line costs and additional cell site rental costs as the Company continued to build out its system by adding 56 new cell sites and increasing the number of radios in the existing cell sites.

The increase in gross subscriber additions combined with the increase in cellular phone upgrades as well as the higher cost of digital phones, resulted in an increase of the cost of equipment sold from $28.7 million in 1999 to $32.7 million in 2000. In

addition, increases in the sale of accessories contributed to the increase. As a percentage of recovered cost, the Company recovered 55.1% of the cost of equipment in 2000 compared to a recovery of 54.3% in 1999.

Selling, general and administrative ("SG&A") decreased slightly from $65.2 million for 1999 to $65.0 for the current year. As a percentage of total revenue, SG&A decreased from 26.2% of total revenue in 1999 to 24.0% in 2000. Sales and marketing costs which include installation costs, salaries, commissions and advertising, amounted to $23.2 million for the year 2000 and $21.5 million for 1999. Increases in salaries and related benefits, commissions and advertising expenditures increased in total by $1.2 million as the number of gross activations increased for the current year. The cost to add a gross subscriber, which consists of the net loss on equipment sales and sales and marketing expenditures, decreased from $198.68 in 1999 to $177.63 in 2000.

Customer service costs, primarily billing costs and payroll and related benefits, increased to $20.2 million in 2000 from $16.4 million in 1999. Increases in personnel and billing costs are a direct function of the increases in the number of subscribers. Additional subscribers require an increase in the number of cellular bills mailed out, as well as an increase in the number of customer service representatives necessary to handle the additional subscriber inquiries.

General and administrative expenses were reduced to $21.6 million in 2000 compared with $27.3 million in 1999. The Company's provision for bad debts decreased from $7.1 million in 1999 to $4.2 million in 2000 due to additional customer service staffing, as well as the utilization of outside collection services. Additional savings in PCC overhead ($1.6 million reduction principally from payroll related costs) as well as reductions in legal and professional fees ($800,000) and computer support services ($1.0 million) contributed to the $5.6 million reduction in expenses.

Included in operating expenses for 2000 and 1999 is a charge of $3.6 million and $2.0 million representing the non-cash compensation charges related to the conversion by an officer of the Corporation of the Company's Preferred stock into common stock (see Notes to Consolidated Financial Statements). Such charges are being expensed over the vesting period of the common stock. The conversions occurred during 1998 and 1999. Since the conversions occurred in varying stages prior to December 31, 1999, the year 2000 has a full year of amortization whereas 1999 has less than twelve months.

Depreciation and amortization increased from $45.2 million in 1999 to $47.0 million in 2000. The increase is primarily a result of additional depreciation expense due to the significant capital equipment additions during 1999 and 2000.

Operating income grew from $78.5 million 1999 to $96.9 million in 2000. Earnings before non-cash compensation and depreciation and amortization ("EBITDA") amounted to $147.5 million for 2000 or 54.5% of total revenue compared to $125.7 million or 50.4% of total revenue for 1999. The improvement is a function of management's ability to control costs while still maintaining subscriber growth. The increase in EBITDA from 1999 to 2000 represents a growth of 17.3%.

Interest Expense, Other Income, Income Taxes, and Net Income. Interest expense decreased to $71.4 in 2000 from $82.6 million in 1999. During 1999, long term debt consisted of, $175 million of 11 3/4% Senior Subordinated Notes, $525 million of 9 1/8% Senior Secured Notes and $200 million of 11 1/4% Senior Exchangeable Payable-in-Kind Notes. In June 1999, the Company allowed the conversion of the $200 million 11 1/4% Payable-in-Kind Notes and therefore

incurred an additional six months of interest expense. The increase of $2.0 million in interest income is a result of the increase in the average rate the Company earned on its cash during the year.

Other income for 2000 resulted largely from gains from security transactions of the Parent company and in 1999 resulted primarily from the liquidation of a long-standing investment by the Company ($8.5 million) combined with net gains realized from security transactions by the Parent Company.

The income tax provision for 2000 of $15.0 million compared to the provision of $6.0 million is principally a result of the increase in taxable income in 2000 at an effective rate of approximately 37%.

The net income of $28.4 million for 2000 compared to net income of $10.2 million for 1999 is a function of the items discussed above. During the current year, the Company adopted Securities and Exchange Commission Staff Accounting Bulletin No. 101 ("SAB 101") which requires the deferral of certain revenue over the approximate length of a subscribers' contract or over the remaining unused minutes for prepaid revenue. The effect on the current financial statements was not material.

Year ended December 31, 1999 compared to Year ended December 31, 1998

Operating results for the year ended December 31, 1999 reflect the continued improvement in operating cash flow, subscriber growth and the related increase in penetration, maintenance of a strong Average Revenue Per Subscriber ("ARPU") and strong cost controls which translate to a low average cost per subscriber.

Revenue. Service revenues totaled approximately $233.6 million for the current year compared to approximately $184.7 million for 1998 or an increase of 26.5%. The increase is principally a result of greater access revenue ($21.8 million) due to an increase in the average number of cellular subscribers. The increase in airtime usage from .8 billion minutes of use for 1998 (188 minutes per average subscriber) to 1.2 billion minutes of use in 1999 (250 minutes per average subscriber) generated an additional amount of airtime revenue ($4.2 million) as well as toll revenue ($9.1 million). There is not necessarily a direct relationship between the increase in minutes of use and revenue since a significant portion of airtime usage is included in a subscriber's monthly fee. Despite the increasing competition for additional cellular subscribers, the Company was able to increase its local revenue per cellular subscriber from $38.20 in 1998 to $40.16 in 1999. In addition, the Company's outcollect roaming revenue, which is revenue that the Company derives from other cellular companies' subscribers roaming in our markets, increased approximately $12.6 million as a result of an increase in usage from 51.5 million minutes in 1998 to 105.8 million minutes in 1999.

Equipment revenue amounted to $15.5 million for the current year compared to $12.1 million in 1998. The increase in equipment revenue of 29% is a combination of a greater portion of the cost being recovered from subscribers. The increase in the average revenue per gross addition (from $80 to $89) resulted in an increase of $1.9 million for phone sales. In addition, a greater emphasis on accessory sales to new subscribers resulted in an increase of $1.6 million.

Operating Expenses. Operating expenses increased $14.7 million from $155.9 million in 1998 to $170.6 million in 1999. As a percentage of total revenue, operating expenses decreased from 79.3% of total revenue in 1998 to 68.5% of

total revenue in 1999. Approximately $5.6 million was related to additional equipment costs (for the reasons stated in equipment revenue), approximately $4.1 million was for selling, general and administrative for the reasons indicated below and $3.5 million was a function of increases in non-cash compensation and depreciation and amortization. After excluding non-cash compensation and depreciation and amortization, operating expenses amount to 49.6% of total revenue for 1999 compared to 57.1% of total revenue for 1998. Total operating costs per cellular subscriber excluding PCC overhead and all non-cash charges amounted to $20.68 in 1999 and $23.48 in 1998.

Engineering, technical and other direct expenses increased from $28.1 million in 1998 to $29.7 million in 1999. There are three major components in this category. The net cost of incollect, which represents the difference between the amount paid to other cellular carriers for the Company's subscribers roaming in other carriers' markets and the amount charged to these subscribers, variable network costs such` as inter trunk, long distance and directory assistance costs, and engineering costs which consist principally of salaries and fixed span line costs and tower rentals.

As a result of negotiations with other cellular carriers, the Company was able to reduce the amount it reimburses those carriers for incollect roaming resulting in a recovery of 90% of cost for 1999 compared to a 78% recovery for 1998 or a decrease of $4.4 million of net expense. The Company expects to realize additional benefits in the future thus expecting this significant component of direct expenses to decrease in the future. Offsetting these savings were increases in long distance, directory assistance and interconnect costs related to the increased utilization of the system which is evidenced by a 53% increase in minutes of use.

Decreases in engineering salaries and related expenses ($900,000) were offset by increases in fixed span line costs ($1.2 million) and additional cell site rents ($1.0 million) as the Company continued to build out its system by adding new cell sites and increasing the number of radios in the existing cell sites.

The increase in gross subscriber additions combined with the increase in cellular phone upgrades as well as the higher cost of digital phones, resulted in an increase of the cost of equipment from $23.1 million in 1998 to $28.7 million in 1999. In addition, increases in the sale of accessories contributed to the increase in equipment cost. The Company recovered 54.3% of the cost of equipment in 1999 compared to a recovery of 52.2% in 1998.

Selling, general and administrative ("SG&A") increased to $65.2 million for the current year compared to $61.1 million in 1998. As a percentage of total revenue, SG&A decreased from 31.1% of total revenue in 1998 to 26.2% in 1999. Sales and marketing costs which include installation costs (included as engineering in 1998), salaries, commissions and advertising, amount to $21.5 million for both 1999 and 1998. Decreases in salaries and related benefits were offset by increases in commissions ($240,000) and advertising expenditures ($739,000). The cost to add a gross cellular subscriber, which consists of the net loss on equipment sales and sales and marketing expenditures, decreased from $214.30 in 1998 to $198.68 in 1999.

Customer service costs, which consist principally of billing costs and payroll and related benefits, increased to $16.4 million in 1999 from $12.5 million in 1998. Increases in personnel and billing costs are a direct function of the increases in the number of

subscribers. Additional subscribers require an increase in the number of cellular bills mailed out, as well as an increase in the number of customer service representatives to handle the additional subscriber inquiries.

General and administrative expenses remained almost constant amounting to $27.3 million in 1999 and $27.1 million in 1998. Significant savings in payroll and related benefits ($1.2 million) were offset by the increase in the provision for bad debts ($600,000).

Included in operating expenses for 1999 is a charge of $2.0 million representing the non-cash compensation charges related to the conversion by an officer of the Corporation of the Company's Preferred stock into common stock (see Notes to Consolidated Financial Statements). Such charges are being expensed over the vesting period of the common stock. The conversions occurred during 1998 and 1999. Had there been a full year of expense, the total non-cash compensation would have amounted to $3.6 million for 1999.

Depreciation and amortization increased from $43.6 million in 1998 to $45.2 million in 1999. Decreases in the amortization of intangibles related to the finalization in 1998 of the value of the cellular licenses from the acquisition, were more than offset by increases in depreciation expense due to fixed asset additions in 1999.

Operating income improved significantly from $40.8 million achieved in 1998 to $78.5 million in 1999. Earnings before non-cash compensation and depreciation and amortization ("EBITDA") amounted to $125.7 million for 1999 or 50.4% of total revenue compared to $84.4 million or 42.9% of total revenue for 1998. The improvement is a function of management's ability to control costs while still maintaining significant subscriber growth and maintaining and growing ARPU in the face of a declining trend in the cellular industry. The increase in EBITDA from 1998 to 1999 represents a growth of 49%.

Net Interest Expense, Other Income, Income Taxes, Extraordinary Item and Net Income. Net interest expense decreased to $72.9 in 1999 from $76.9 million in 1998. During 1998, long term debt consisted of at various times the revolving loan and credit facility at variable interest rates, $80 million of 13 1/2% Senior Secured Discount Notes, $175 million of 11 3/4% Senior Subordinated Notes, $525 million of 9 1/8% Senior Secured Notes and $200 million of 11 1/4% Senior Exchangeable Payable-in-Kind Notes. In June 1999, the Company allowed the conversion of the $200 million 11 1/4% Payable-in-Kind Notes and therefore incurred only six months of non-cash interest expense. The $175 million 11 3/4% Notes and the $525 million 9 1/8% Notes were outstanding for the full year. The effect of the different borrowings resulted in interest savings of $500,000. The additional cash on hand as a result of the new borrowings in 1998 resulted in additional interest income of $3.6 million. The current debt outstanding pays cash interest and would result in interest expense of $68.5 million for a full year.

Other income for 1998 resulted largely from the gain from the sale of PriCellular Corporation warrants and stock. Other income for 1999 resulted primarily from the liquidation of a long-standing investment by the Company ($8.5 million) and from net gains realized from security transactions by the Parent Company.

The income tax provision for 1999 of $6.0 million compared to the income tax benefit of $8.5 million in 1998 is a result of taxable income in 1999 at an effective rate of approximately 37% compared to a taxable loss at a benefit of approximately 37%.

The net income of $10.2 million for 1999 compared to a net loss of $41.6 million for 1998 is a function of the items discussed above. In addition, 1998 includes $27.1 million net of tax benefit of deferred finance charges written

off, the premium associated with the early extinguishment of debt and interest paid for the early liquidation of the interest rate swap contracts.

Liquidity and Capital Resources

The Company's long-term capital requirements consist of funds for capital expenditures, acquisitions and debt service. Historically, the Company has met its capital requirements primarily through equity contributions, long-term debt, and to a lesser extent, operating cash flow. Net cash provided by operating activities amounted to $63.1 million for the year ended December 31, 2000. Working capital at December 31, 2000 approximated $203.6 million. The current level of operating cash flow is sufficient to fund the current anticipated level of capital expenditures and cash interest, which interest amounts to approximately $68.5 million.

In the year ended December 31, 2000, the Company spent approximately $27.2 million for capital expenditures. The Company expects capital expenditures for the coming year to be approximately $24.0 million, depending upon the timing of the proposed acquisition of PCW by Verizon Wireless. The Company anticipates that its capital expenditure requirements will be funded by operating activities.

Accounting Policies

For financial reporting purposes, the Company reports 100% of revenues and expenses for the markets for which it provides cellular telephone service. However, in several of its markets, the Company holds less than 100% of the equity ownership. The minority stockholders' and partners' share of income or losses in those markets is reflected in the consolidated financial statements as "minority interest" except for losses in excess of their capital accounts and cash call provisions which are not eliminated in consolidation. For financial reporting purposes, the Company consolidates each subsidiary and partnership in which it has a controlling interest (greater than 50%) in each.

Year 2000 Impact

During the year ended December 31, 2000 the Company did not experience any significant problems related to the Year 2000 conversion.

Item 7a. Quantitative and Qualitative Disclosures About Market Risk

The Company generally utilizes fixed debt to fund its acquisitions. Management believes that the use of fixed rate debt minimizes the Company's exposure to market conditions and the ensuing increases and decreases that could arise with variable rate financing. See notes to consolidated financial statements for description and terms of long term debt.

Item 8. Financial Statements and Supplementary Data

See Index to Financial Statements on page 28.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

28

PART III

The information called for by Items 10, 11, 12 and 13 is incorporated herein by reference from the following portions of the definitive proxy statement to be filed by the Company in connection with its 2001 Meeting of Shareholders.

	Item	Incorporated from
Item 10.	Directors and Executive Officers of the Company	"Directors and Executive Of
Item 11.	Executive Compensation	"Executive Compensation" an Transactions"
Item 12.	Security Ownership of Certain Beneficial Owners and Management	"Principal Shareholders" an Ownership of Management"
Item 13.	Certain Relationships and Related Transactions	"Executive Compensation" an Transactions"

29

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) (1) and (2) List of financial statements and financial statement schedules:

See Index to Financial Statements on page 28.

(Schedules other than those listed are omitted for the reason that they are not required or are not applicable or the required information is shown in the financial statements or notes thereto.)

(3) Exhibits

See Exhibit Index at page E-1, which is incorporated herein by reference.

(b) Reports on Form 8-K.

Form 8-K filed on December 4, 2000, reporting agreement to sell the Company's operating subsidiary, Price Communications Wireless, Inc. to Verizon Wireless, Inc.

30

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

PRICE COMMUNICATIONS CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

Auditors' Report F-1
Consolidated Balance Sheets as of December 31, 2000 and 1999 .... F-2
Consolidated Statements of Operations and Comprehensive Income for the Years Ended December 31, 2000, 1999 and 1998 .... F-3
Consolidated Statements of Cash Flows for the Years Ended December 31, 2000, 1999 and 1998 .... F-4
Consolidated Statements of Shareholders' Equity for the Years Ended December 31, 2000, 1999 and 1998 .... F-5
Notes to Consolidated Financial Statements F-6

PRICE COMMUNICATIONS CORPORATION AND SUBSIDIARIES

FINANCIAL STATEMENTS SCHEDULE

Schedule No.
I. Condensed Financial Information of Registrant F-16
II. Valuation and Qualifying Accounts F-20

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Shareholders of
Price Communications Corporation:

We have audited the accompanying consolidated balance sheets of Price Communications Corporation (a New York Corporation) and subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of operations and comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2000. These consolidated financial statements and the schedules referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and schedules based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Price Communications Corporation and subsidiaries as of December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States.

As discussed in Note 3, the Company changed its methodology for revenue recognition.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the index to consolidated financial statements are presented for purposes of complying with the Securities and Exchange Commission's rules and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

/S/ ARTHUR ANDERSEN LLP

New York, New York
February 22, 2001

F-1

PRICE COMMUNICATIONS CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2000 AND 1999
($ in thousands except share data)

	2000
Current assets:	
Cash and cash equivalents	$ 180,708
Accounts receivable, net of allowance for doubtful accounts of $1,396 in 2000 and $2,003 in 1999	36,052
Receivables from other cellular carriers	4,101
Available for sale securities	23,517
Inventory	6,015
Deferred income taxes	1,091
Prepaid expenses and other current assets	4,420
Total current assets	255,904
Property and equipment:	
Land and improvements	7,480
Buildings and improvements	11,440
Equipment, communication systems and furnishings	198,347
	217,267
Less accumulated depreciation	70,034
Net property and equipment	147,233
Equity investment in other cellular properties	11,810
Licenses, net of accumulated amortization of $74,628 in 2000 and $51,848 in 1999	832,471
Other intangible and other assets, net of accumulated amortization of $6,555 in 2000 and $4,097 in 1999	19,002
Total assets	$ 1,266,420

Current liabilities:	
Accounts payable	$ 8,181
Accrued interest payable	12,374
Accrued salaries and employee benefits	1,329
Deferred revenue	9,029
Customer deposits	1,153
Outstanding put option contract	3,109
Income taxes payable	8,013
Accrued engineering, technical and other direct	4,480
Excise and sales taxes payable	1,811
Other current liabilities	2,810
Total current liabilities	52,289
Long-term debt	700,000
Accrued income taxes long-term	53,165
Deferred income taxes (net)	283,075
Commitments and contingencies	
Minority interests in cellular licenses	5,279
Shareholders' equity:	
Preferred stock, par value $.01 per share; authorized 18,907,801 shares; no shares outstanding	--
Common stock, par value $.01; authorized 120,000,000 shares; outstanding 55,436,061 shares in 2000 and 56,649,277 shares in 1999	555
Additional paid-in-capital	189,053
Unearned compensation	(62,329)
Accumulated other comprehensive income (loss)	(457)
Retained earnings	45,790
Total shareholders' equity	172,612
Total liabilities and shareholders' equity	$ 1,266,420

See accompanying notes to consolidated financial statements.

PRICE COMMUNICATIONS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998
($ in thousands, except per share data)

	2000
Revenue:	
Cellular operations:	
Service	$ 252,513
Equipment sales and installation	17,995
Total revenue	270,508
Operating expenses:	
Engineering, technical and other direct	25,321
Cost of equipment	32,685

Selling, general and administrative	64,984
Non-cash compensation	3,649
Depreciation and amortization	46,981
Total operating expenses	173,620
Operating income	96,888
Interest income	11,758
Interest expense	(71,419)
Other income	7,711
Minority interest	(1,432)
Income (loss) before income taxes	43,506
Income tax (expense) benefit	(14,972)
Income before cumulative effect of accounting change	28,534
Cumulative effect on prior year of change in revenue recognition (net of income tax expense of $92)	(158)
Income (loss) before extraordinary item	28,376
Extraordinary item - loss on early extinguishment of debt (net of income tax benefit of $15,893)	--
Net income (loss)	28,376
Other comprehensive income (net of income tax benefit of $1,027 and $905 for the years 2000 and 1999 respectively and income tax expense of $404 for 1998)	
Unrealized gains (losses) on available for sale securities	(457)
Reclassification adjustment	(1,291)
Comprehensive income (loss)	$ 26,628
Per share data:	
Basic earnings (loss) per share before cumulative effect of accounting change and extraordinary item	$ .51
Basic earnings (loss) for accounting change and extraordinary item	--
Basic earnings (loss) per share	$ .51
Diluted earnings per share before and after cumulative effect of accounting change and extraordinary item	.50
Weighted average number of common shares outstanding - basic	56,013
Weighted average number of common shares outstanding - diluted	56,531

See accompanying notes to consolidated financial statements.

PRICE COMMUNICATIONS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998
($ in thousands)

	2000

Cash Flows From Operating Activities:		
Net income (loss)	$ 28,376	$
Adjustments to reconcile net income to net cash provided by Operating activities:		
Depreciation and amortization	46,981	
Amortization of deferred finance costs	2,430	
Minority interest share of income	1,432	
Deferred income taxes	(9,716)	
Interest deferred and added to long-term debt	--	
Accrued interest satisfied by issuance of PCC stock	--	
Gain on available for sale securities	(6,724)	
Extraordinary item	--	
Non-cash compensation	3,649	
Increase in accounts receivable	(13,645)	
Decrease in other current assets	(4,039)	
(Decrease) increase in accounts payable and accrued expenses	(11,402)	
Increase in accrued interest payable	432	
(Decrease) increase in other current liabilities	(382)	
Increase (decrease) in deferred revenue	3,504	
Increase in income taxes payable	5,028	
Increase (decrease) in accrued income taxes long-term	17,044	
Other	107	
Total adjustments	34,699	
Net cash provided by operating activities	63,075	
Cash Flows From Investing Activities:		
Capital expenditures	(27,218)	
Acquisition of Palmer Wireless Inc.	--	
Purchase of available-for-sale securities	(59,556)	
Proceeds from sale of available-for-sale securities	42,045	
Purchase of additional minority interests in majority owned Company systems	(553)	
Purchase of minority equity interests in other cellular properties	--	
Other	792	
Net cash (used in) provided by investing activities	(44,490)	
Cash Flows From Financing Activities:		
Repayment of long-term debt	--	
Proceeds from long-term debt	--	
Costs associated with early extinguishment of debt	--	
Payment of debt issuance costs	--	
Repurchase of Company's common stock	(32,584)	
Exercise of employee stock options and warrants	476	
Net cash (used in) provided by financing activities	(32,108)	
Net (decrease) increase in cash and cash equivalents	(13,523)	
Cash and Cash Equivalents, beginning of year	194,231	
Cash and Cash Equivalents, end of year	$ 180,708	$

See accompanying notes to consolidated financial statements.

PRICE COMMUNICATIONS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2000, 1999, AND 1998
($ and share amounts in thousands)

	Common Stock Class A Shares	Common Stock Class A Value	Additional paid-in capital	Accu o c h i
Balance, December 31, 1997	6,994	$ 70	$ 9,930	$
Net (loss)	--	--	--	
Change in unrealized gain on marketable equity securities, net of tax effect	--	--	--	
Purchase and retirement of common stock	(2,249)	(22)	(17,390)	
Exchange of preferred stock for common stock	411	4	6	
Stock options exercised	189	2	604	
Tax benefit from the exercise of stock options	--	--	641	
Issuance of common stock for payment of bonus	62	1	499	
Issuance of warrants	626	6	(6)	
Stock splits	15,662	157	(157)	
Balance, December 31, 1998	21,695	218	(5,869)	
Stock splits and stock dividend	14,663	147	(147)	
Issue of warrants from $105M debt redeemed in 1998	2,347	23	(23)	
Change in unrealized gain on marketable equity securities, net of tax effect	--	--	--	
Purchase and retirement of treasury stock	(3,544)	(35)	(57,020)	
Exercise of stock options and warrants	462	5	226	
Other	56	--	686	
Conversion of Class A and Class B preferred stock to common stock	3,725	37	67,938	
Deferred compensation expense associated with the conversion of preferred stock to common stock	--	--	--	
Conversion of PIK notes, net	17,245	172	211,319	
Tax benefit from the exercise of stock options	--	--	2,786	
Net income	--	--	--	
Balance, December 31, 1999	56,649	567	219,896	
Change in unrealized gain on marketable equity securities, net of tax effect	--	--	--	
Purchase and retirement of treasury stock	(1,495)	(15)	(32,569)	
Exercise of stock options	279	3	473	
Deferred compensation expense associated with the conversion of preferred stock to common stock	--	--	--	
Tax benefit from the exercise of stock options	--	--	1,253	
Net income	--	--	--	
Balance, December 31, 2000	55,433	$ 555	$ 189,053	$

Total

	Retained earnings	Deferred compensation	share holder equit
Balance, December 31, 1997	48,778	--	$ 60,9
Net (loss)	(41,584)	--	(41,5
Change in unrealized gain on marketable equity securities, net of tax effect	--	--	6
Purchase and retirement of common stock	--	--	(17,4
Exchange of preferred stock for common stock	--	--	
Stock options exercised	--	--	6
Tax benefit from the exercise of stock options	--	--	6
Issuance of common stock for payment of bonus	--	--	5
Issuance of warrants	--	--	
Stock splits	--	--	
Balance, December 31, 1998	7,194	--	4,3
Stock splits and stock dividend	--	--	
Issue of warrants from $105M debt redeemed in 1998	--	--	
Change in unrealized gain on marketable equity securities, net of tax effect	--	--	(1,5
Purchase and retirement of treasury stock	--	--	(57,0
Exercise of stock options and warrants	--	--	2
Other	--	--	6
Conversion of Class A and Class B preferred stock to common stock	--	$(67,951)	
Deferred compensation expense associated with the conversion of preferred stock to common stock	--	1,973	1,9
Conversion of PIK notes, net	--	--	211,4
Tax benefit from the exercise of stock options	--	--	2,7
Net income	10,220	--	10,2
Balance, December 31, 1999	17,414	(65,978)	173,1
Change in unrealized gain on marketable equity securities, net of tax effect	--	--	(1,7
Purchase and retirement of treasury stock	--	--	(32,5
Exercise of stock options	--	--	4
Deferred compensation expense associated with the conversion of preferred stock to common stock	--	3,649	3,6
Tax benefit from the exercise of stock options	--	--	1,2
Net income	28,376	--	28,3
Balance, December 31, 2000	$ 45,790	$(62,329)	$ 172,6

See accompanying notes to consolidated financial statements.

PRICE COMMUNICATIONS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Acquisition

Price Communications Corporation ("Price" or the "Company") owns 100% of Price Communications Cellular, Inc., which owns 100% of Price Communications Cellular Holdings, Inc. ("Holdings"), which owns 100% of Price Communications Wireless, Inc. ("PCW"). References herein to the "Acquisition" refer to the acquisition by PCW of Palmer Wireless, Inc. ("Predecessor") and the related sales of the Fort Myers and Georgia-1 systems of the Predecessor. The Company has majority ownership in corporations and partnerships which operate the non-wireline cellular telephone systems in eight Metropolitan Statistical Areas ("MSA") in four states: Florida (one), Georgia (five), Alabama (two), and South Carolina (one). The Company's ownership percentages in these entities range from approximately 92 percent to 100 percent. The Company owns directly and operates eight non-wireline cellular telephone systems in Rural Service Areas ("RSA") in Georgia (seven) and Alabama (one).

2. Agreement to Sell Price Communications Wireless

On November 14, 2000, the Company, Price Communications Cellular Inc., Holdings and PCW (collectively the "Price Group"), Verizon Wireless, Inc. ("Verizon"), Cellco Partnership and VWI Acquisition Corporation, a newly-formed, wholly owned subsidiary of Verizon ("VWI") entered into a Transaction Agreement (the "Transaction Agreement"). Pursuant to the Transaction Agreement, the acquisition of PCW by Verizon will be accomplished by the merger (the "Merger") of VWI with and into PCW, with PCW remaining as the surviving corporation and becoming a wholly owned subsidiary of Verizon. The Transaction Agreement provides that, upon effectiveness of the Merger (the "Effective Time"), (i) each share of common stock of PCW outstanding immediately prior to the Effective Time will be converted in the right to receive a number of shares of Class A Common Stock, par value $.001 per share, of Verizon (the "Verizon Shares") valued at $2.06 billion, (less PCW's net indebtedness, estimated at $550 million, and subject to working capital and other adjustments as provided in the Transaction Agreement) based upon the price of the Verizon Shares at Verizon's initial public offering ("IPO") and (ii) each share of VWI common stock outstanding immediately prior to the Effective Time will be converted into the right to receive one share of the common stock of PCW. Concurrently with the Merger, PCW will transfer its assets to Cellco, in exchange for a partnership interest in Cellco.

At the closing, the Price Group will enter into a Lock-up Agreement pursuant to which they will agree that, except with respect to up to $20 million of Verizon Shares (valued at the price of Verizon Shares in the IPO) received by the Price Group in a working capital adjustment, until the later of (x) the date 270 days after the closing and (y) the first day of the Company's federal taxable year after the taxable year in which the closing occurs, they shall not, directly or indirectly, pledge, sell, transfer or contract to sell any of the Verizon Shares.

At the closing, the Price Group will enter into a Pledge Agreement pursuant to which they will agree to pledge to Verizon $150 million of the Verizon Shares (valued at the price of the Verizon Shares in the IPO) to secure their indemnity obligations under the Transaction Agreement. At the first and second anniversaries of the closing, the number of Verizon Shares subject to the pledge shall be reduced to $75 million and $25 million, respectively (in each case, valued at the price of the Verizon Shares in the IPO). The Pledge Agreement will terminate on the third anniversary of the closing unless any claim under the Transaction Agreement is asserted or commenced on such date and in such event, the Pledge Agreement will terminate upon satisfaction of such claim.

The consummation of the transactions contemplated by the Transaction Agreement is subject to termination in certain events and is subject to the completion of the IPO and other conditions, including the approval by the stockholders of the Company. If the closing of the transaction does not occur by

September 30, 2001, either party may terminate the Transaction Agreement.

3. Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements include the accounts of Price and its subsidiaries. All significant intercompany balances and transactions have been eliminated in the consolidated financial statements. Certain prior year amounts have been reclassified to conform to current year presentation.

Estimates

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 these estimates.

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments, including treasury bills, purchased with original maturities of three months or less to be cash equivalents.

Financial Instruments

At December 31, 2000 and 1999, substantially all of the Company's investment securities were marketable equity securities classified as "Available-for-Sale Securities". Unrealized holding gains and losses for Available-for-Sale Securities are excluded from earnings and reported, net of taxes, as accumulated other comprehensive income (loss).

The Company sells put and call options, some of which are for the Company's own common stock. These puts entitle the holders to sell publicly traded securities to the Company during certain periods at certain prices. The Company is required to maintain collateral to support options issued, therefore such unsettled contracts have been classified as liabilities in the accompanying consolidated balance sheets with changes in fair values recorded as part of Other income.

Inventory

Inventory, consisting primarily of cellular telephones and telephone accessories, is stated at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) method.

Property and Equipment

Property and equipment are stated at cost. The cost of additions and improvements are capitalized while maintenance and repairs are charged to expense when incurred. Depreciation is provided principally by the straight-line method over the estimated useful lives, ranging from 5 to 20 years for buildings

and improvements and 5 to 10 years for equipment, communications systems and furnishings.

Acquisitions and Licenses

The cost of acquired companies is allocated first to the identifiable assets, including licenses, based on the fair market value of such assets at the date of acquisition. Accordingly, the Company has not recorded any goodwill. Licenses are amortized on a straight-line basis over a 40-year period.

Subsequent to the acquisition of licenses and other long-lived assets, the Company continually evaluates whether subsequent events and circumstances have occurred that indicate the remaining estimated useful life of such licenses might warrant revision or that the remaining balance of the license rights may not be recoverable. The Company utilizes projected undiscounted cash flows over the remaining life of the licenses and sales of comparable businesses to evaluate the recorded value of licenses. The assessment of the recoverability of the remaining balance of the license rights may be impacted if projected cash flows are not achieved.

Other Intangible Assets

Other intangible assets consist principally of deferred financing costs. These costs are being amortized on a straight-line basis over the lives of the related debt agreements, which range from 8 to 10 years.

Revenue Recognition

Service revenue from cellular operations for prepaid and post paid customers includes local subscriber revenue and outcollect roaming revenue.

In accordance with the Securities and Exchange Commission Staff Accounting Bulletin No. 101 ("SAB 101"), which was adopted in the fourth quarter effective January 1, 2000, prepaid airtime revenue is recognized when the airtime is utilized and activation revenue is recognized over the estimated life of the subscriber's contract. Accordingly, the financial statements for the year ended December 31, 2000, include a deferral of unearned revenue, as well as a cumulative catch up adjustment representing the effect of the application of SAB 101 on prior years. Local subscriber revenue is earned by providing access to the cellular network ("access revenue") or, as applicable, for usage of the cellular network ("airtime revenue"). Access revenue is billed one month in advance and is recognized when earned. Postpaid airtime revenue is recognized when the service is rendered.

Outcollect roaming revenue represents revenue earned for usage of its cellular network by subscribers of other cellular carriers. Outcollect roaming revenue is recognized when the services are rendered.

Equipment sales and installation revenues are recognized upon delivery to the customer or installation of the equipment.

Operating Expenses - Engineering, Technical and Other Direct

Engineering, technical and other direct operating expenses represent certain costs of providing cellular telephone services to customers. These costs include incollect roaming expense. Incollect roaming expense is the result of the Company's subscribers using cellular networks of other cellular carriers. Incollect roaming revenue, collected from the Company's subscribers, is netted against the incollect roaming expense to determine net incollect roaming expense.

Cost to Add a Subscriber

The cost to add a subscriber which consists principally of the net loss on the sale of equipment, as well as commissions, are recognized at the time the subscriber starts to receive cellular service.

Per Share Data

Basic earnings per share exclude the dilutive effects of options, warrants and convertible securities. Diluted earnings per share gives effect to all dilutive securities that were outstanding during the period. The only difference between basic and diluted earnings per share of the Company is the effect of dilutive stock options and warrants.

The following table reconciles the number of shares used in the earnings per share calculations:

Diluted Average Common Shares Computation	2000	1999
Basic average common shares outstanding	56,013	46,334
Dilutive potential common shares - options and warrants	518	1,161
Diluted Average Common Shares	56,531	47,495
Options excluded from the computation of earnings per share - diluted since option exercise price was greater than the market price of the common shares for the period	69	---

Stock Options

In 1995, the FASB issued SFAS No. 123, "Accounting for Stock - Based Compensation" ("SFAS No. 123"). As permitted by SFAS No. 123, the Company continues to apply the recognition and measurement provisions of Accounting Principles Board Opinion No. 25 "Accounting for Stock Issued to Employees" (APB 25). However, the Company has adopted the disclosure requirement of SFAS No. 123 as shown later in the document.

Income Taxes

The Company records income taxes to recognize full inter-period tax allocations. Under the liability method, deferred taxes are recognized for the future tax consequences of temporary differences by applying enacted statutory tax rates applicable to future years differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

PRICE COMMUNICATIONS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Impact of New Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133 ("Accounting for Derivative Instruments and Hedging Activities"). This statement establishes accounting and reporting standards requiring that all derivative instruments (including certain derivative instruments embedded in other contracts) be recorded on the balance sheet as an asset or a liability and measured at its fair value. This statement requires that changes in the derivatives fair value be recognized currently in earnings unless specific hedge accounting criteria are met. This statement is effective for fiscal years beginning after June 15, 2000, as amended by Statement of Financial Accounting Standards No. 137 ("FAS No. 137") but can be adopted earlier. The Company does not believe that at this time the adoption of FAS No. 137 will have a significant impact.

4. Fair Value of Financial Instruments

Fair value estimates, methods and assumptions used to estimate the fair value of financial instruments are set forth below:

For cash and cash equivalents, accounts receivable, receivables from other cellular carriers, accounts payable and accrued expenses, and virtually all current liabilities, the carrying value approximates fair value due to the short-term nature of those accounts. Investment securities are recorded at fair value.

Rates currently available for long-term debt with similar terms and remaining maturities are used to discount the future cash flows to estimate the fair value of long-term debt.

As mentioned earlier, the Company has sold put and call options (including some on the Company's common stock) which grant the holders the right to sell publicly traded securities to the Company during certain periods at certain prices. At December 31, 2000, open put contracts of approximately $4.8 million, which expire in May of 2001, have a settlement value of approximately $3.1 million. Accordingly, the Company recognized income of $1.7 million which is included in other income.

5. Investment in Partially Owned Companies

On December 21, 1995, the Company acquired warrants for $8.4 million to purchase approximately 1.8 million shares of PriCellular Corporation's ("PriCellular") Class B Common Stock. During 1996, the Company purchased 1,726,250 shares of PriCellular Class A Common Stock for approximately $13.1 million. During 1998, PriCellular was sold to American Cellular Corporation. The Company's warrants and Class A Common Stock were redeemed at $14.00 per share, and in the case of the Warrants, net of the exercise price of $5.42 per warrant. The gains on these transactions ($15.2 million) are included in Other income in the Consolidated Statements of Operations and Comprehensive Income for the year ended December 31, 1998.

The President of the Company was a director and Chairman of PriCellular.

6. Long-Term Debt

Long-term debt consists of the following:

	December 31, ($ in thousands) 2000	1999
11 3/4% Senior Subordinated Notes	$175,000(a)	$175,000(a)
9 1/8% Senior Secured Notes	525,000(b)	525,000(b)
Long-term debt	$700,000	$700,000

(a) In July 1997, PCW issued $175.0 million of 11 3/4% Senior Subordinated Notes ("11 3/4% Notes") due July 15, 2007 with interest payable semi-annually commencing January 15, 1998. The 11 3/4% Notes contain covenants that restrict the payment of dividends, incurrence of debt and sale of assets. The fair market value of these notes approximated $191.6 million as of December 31, 2000.

(b) In June 1998, PCW issued $525.0 million of 9 1/8% Senior Secured Notes ("9 1/8% Notes") due December 15, 2006 with interest payable semi-annually commencing December 15, 1998. The 9 1/8% Notes contain covenants that restrict the payment of dividends, incurrence of debt and the sale of assets. The net proceeds of the notes were used to retire the outstanding indebtedness under a credit facility. The unamortized deferred finance costs relating to a prior credit facility were written off and accordingly, approximately $6.2

million is included in the caption. Extraordinary item in the Consolidated Statements of Operations and Comprehensive Income. The fair market value of these notes approximated $543.4 million as of December 31, 2000.

The aggregate maturities of long-term debt are as follows:

December 31,	
2001 to 2005..............................	$ ---
Thereafter................................	700,000
	$700,000

7. Extraordinary Item

In June and August 1998, the Company and Holdings retired certain outstanding indebtedness. The additional costs incurred to retire the debt, as well as the write-off of deferred financing costs associated with these financings, resulted in an extraordinary loss of $27.1 million which is net of a

tax benefit of $15.9 million.

8. Income Taxes

Provision (benefit) for income taxes consists of the following:

	Year Ended December 31, ($ in thousands)		
	2000	1999	1998
Current:			
Federal	$ 4,073	$ 8,868	$ 364
State and local	630	782	58
	4,703	9,650	422
Deferred:			
Federal	8,803	(3,352)	(7,713)
State and local	1,286	(296)	(1,232)
	10,089	(3,648)	(8,945)
Tax provision (benefit)	$ 14,972	$ 6,002	$(8,523)

For the years ended December 31, 2000, 1999 and 1998, the provision for income taxes differs from the amount computed by applying the federal income tax rate (34%) because of the following items:

	Year Ended December 31, ($ in thousands)		
	2000	1999	1998
Tax at statutory federal income tax rate	$ 14,792	$ 5,678	$(7,836)
State taxes, net of federal income tax benefit	856	324	(648)
Non deductible interest expense	--	--	234
Non-taxable gain on sale of securities	(1,034)	--	--
Other	(358)	--	(273)
	$ 14,972	$ 6,002	$(8,523)

Deferred tax assets and liabilities and the principal temporary differences from which they arise are as follows:

	December 31, ($ in thousands) 2000	1999
Deferred tax assets:		
Allowance for doubtful accounts	$ 517	$ 741
Inventory reserve	--	133
Non-deductible accruals	121	107
Reserve on long-term investments	185	185
Unrealized loss on marketable equity securities .	268	--
Deferred compensation	2,080	--
Total deferred tax assets	3,171	1,166
Deferred tax liabilities:		
Accumulated depreciation	17,942	15,827
Licenses	267,213	276,654
Unrealized gain on marketable equity securities	--	758
Total deferred tax liabilities	285,155	293,239
Net deferred tax liabilities	$281,984	$292,073

As a result of PCW's current federal tax provision, the Company utilized the entire prior years' tax carryforwards in the year ended December 31, 2000.

9. Other Income

Other income consists of the following:

	Year Ended December 31, ($ in thousands) 2000	1999	1998
Gain on investments, net	$ 6,724	$ 12,651	$ 15,767
Other, net	987	(400)	(488)
	$ 7,711	$ 12,251	$ 15,279

10. Shareholders' Equity

In October 1994, the Company declared a dividend distribution of one Common Share Purchase Right (a "Right") for each outstanding share of the Company's common stock. Until exercisable, the Rights will not be transferable apart from the common stock. When exercisable, each Right will entitle its holder to buy one share of the Company's common stock at an exercise price of $3.51 until October 17, 2004. The Rights will become exercisable only if a person or group acquires 20 percent of more of the Company's common stock. In the event the Company is acquired in a merger, each Right entitles the holder to purchase common stock of the surviving company having a market value of twice the exercise price of the Rights. The Rights may be redeemed by the Company at a nominal price prior to the acquisition of 20 percent of the outstanding shares of the Company's common stock.

The following represents the various stock splits authorized by the Company's Board of Directors during the period 1998-2000 including the approximate number of shares issued. In each case, the stated par value per share of $.01 was not changed.

Date Authorized	Holders of Record Date	Type	Number of Shares
April 1, 1998	March 19, 1998	5 for 4	1,815,000
April 30, 1998	April 17, 1998	5 for 4	2,279,000
August 31, 1998	August 17, 1998	2 for 1	11,561,000
January 4, 1999	January 12, 1999	5 for 4	5,421,000
April 14, 1999	April 21, 1999	5 for 4	6,688,000

August 5, 1999	August 12, 1999	5% stock dividend	2,560,000

All current and prior year earnings (loss) per common share as well as all other share data have been adjusted to reflect all stock splits and the stock dividend.

The Company is authorized by its Board of Directors to make purchases of its common stock from time to time in the market or in privately negotiated transactions when it is legally permissible to do so or believed to be in the best interests of its shareholders. Approximately 2.5 million shares were purchased and retired in 1997. During 1998, the Company's Board of Directors authorized the repurchase of 3.3 million shares of its common stock in addition to previous authorization. During 1998, approximately 2.1 million shares were repurchased and retired at an average cost of $8.48 per share. During 1999, an additional 3.5 million shares were repurchased and retired at an average cost of $16.10 per share. During 2000, an additional 1.5 million shares were repurchased and retired at an average cost of $21.80.

In August 1997, in connection with the issuance by a subsidiary of the Company of the 13 1/2% Senior Secured Discount Notes, the Company issued Warrants to purchase approximately 2.6 million shares of its common stock at an exercise price of less than $0.01 per share. The Warrants expire on August 1, 2007. As of December 31, 2000, approximately 37,200 warrants remain unexercised, which are convertible into approximately 238,000 shares of the Company's common stock.

In June 1999, the Company allowed the conversion of the outstanding indebtedness of its wholly-owned subsidiary, Price Communications Cellular Holdings, Inc. ("Holdings"). According to the indenture, in the event the daily high price of the Company's common stock equaled or exceeded 115% of the Exchange Price for 10 out of 15 consecutive trading days, the Company could convert PCH's $200 million 11 1/4% Senior Exchangeable Payable-in-Kind Notes plus accrued interest. The terms of the indenture were met and the Company issued 17.2 million shares of its common stock in exchange for PCH's Notes which

included $20.7 million of accrued interest to the date of conversion.

11. Redeemable Preferred Stock

During 1997, the Board of Directors authorized the issuance of approximately 728,000 shares of the Company's Series A Preferred Stock, and 364,000 shares of the Company's Series B Preferred Stock to the Company's Chief Executive Officer, Mr. Price. In June 1998, Mr. Price notified the Company that he was considering the exercise of his right to have the Series B Preferred Stock redeemed by the Company. The Series B Preferred Stock had a carrying value of $10,000. Mr. Price, pursuant to the terms of the Series B Preferred Stock, would have received a cash payment of $5.0 million in respect of the redemption. In order to avoid a significant cash payment to Mr. Price at a time when the Company had substantial indebtedness, Mr. Price and the Board agreed that in place of such cash payment, the Company would issue 1.3 million shares of its $.01 par value common stock to Mr. Price in exchange for his shares of Series B Preferred Stock. The value of the Company's common stock received by Mr. Price on the date of conversion approximated $5.0 million. The common stock vests over a ten-year period or immediately upon a change of control or other events. Accordingly, included in the Consolidated Statements of Operations for the years ended December 31, 2000 and 1999 is a charge for $500 thousand and $625 thousand, respectively, representing such non-cash compensation expense.

In June and August 1999, Mr. Price notified the Company that he was considering the exercise of his right to have the Series A Preferred Stock redeemed by the Company. The Series A Preferred Stock had a carrying value of $25,000. Mr. Price, pursuant to the terms of the Series A Preferred Stock, would have received cash payments totaling $63.0 million in respect of such redemptions. In order to avoid a significant cash payment to Mr. Price at a time when the Company had substantial indebtedness, Mr. Price and the Board agreed that in place of such cash payment, the Company would issue approximately 3.7 million shares of its $.01 par value common stock to Mr. Price in exchange for approximately 728,000 shares of Series A Preferred Stock. The value of the Company's common stock received by Mr. Price on the two respective dates of conversion approximated $63.0 million. The common stock vests over a twenty year period or immediately upon a change of control or other events. Accordingly, included in the Consolidated Statement of Operations for the years ended December 31, 2000 and 1999 is a charge for $3.1 million and $1.3 million, respectively which in 1999 represents seven month's compensation expense for the first redemption and four month's compensation expense for the second redemption.

Included as an offset to shareholders' equity is the remaining unamortized unearned compensation related to the conversions of the Class B and Class A Preferred Stock.

12. Stock Option Plan

The Company has a long-term incentive plan (the "1992 Long-Term Incentive Plan"), which provides for granting incentive stock options, as defined under current law, and other stock-based incentives to key employees and officers. The maximum number of shares of the Company that are subject to awards granted under the 1992 Long-Term Incentive Plan is 7,898,017. The exercise of such options will be at a price not less than the fair market value on the date of grant, for

a period up to ten years.

In accordance with SFAS 123, the fair value of option grants is estimated on the date of grant using the Black Scholes option pricing model for proforma footnote purposes with the following assumptions used for grants; dividend yield of 0% in all years; risk free interest rate of 7.5% in 2000, 6.5% and 5.7%, in 1999, and 5.7% in 1998, respectively; and an expected life of 7 years for all years. Expected volatility was assumed to be 44.6%, 49.0%, and 67.4% in 2000, 1999 and 1998, respectively.

A summary of plan transactions is presented in the table below:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Fair Value
Outstanding at December 31, 1997	5,383,301	$ 1.51	
Granted	88,594	$ 3.96	$ 2.76
Exercised	(488,140)	$ 1.25	
Canceled	(3,306,881)	$ 1.52	
Outstanding at December 31, 1998	1,676,874	$ 1.68	
Granted	249,115	$10.34	$ 6.15
Exercised	(784,542)	$ 1.62	
Canceled	(500,971)	$ 2.13	
Outstanding at December 31, 1999	640,476	$ 4.96	
Granted	145,000	$23.02	$13.51
Exercised	(284,749)	$ 2.17	
Canceled	(32,153)	$13.28	
Outstanding at December 31, 2000	468,575	$11.68	

The following table summarizes information about stock options outstanding at December 31, 2000:

Exercise Price	Number Outstanding at 12/31/00	Weighted Average Remaining Life	Number Exercisable at 12/31/00
$ 1.64................................	113,964	7 years	113,964
$ 3.96................................	22,969	7 years	22,969
$ 8.02................................	90,235	7 years	--
$ 9.05................................	42,657	8 years	--
$13.90................................	36,750	8 years	--
$15.20................................	21,000	8 years	--
$21.00................................	31,000	9 years	--
$25.56................................	64,000	9 years	--
$20.75................................	41,000	9 years	--
$23.31................................	5,000	9 years	--
	468,575		

PRICE COMMUNICATIONS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

As permitted by SFAS 123, the Company has chosen to continue accounting for stock options at their intrinsic value. Accordingly, no compensation expense is recognized. Had the fair value method of accounting been applied, the proforma net income would be as follows:

	($ in thousands)		
	2000	1999	
Net income (loss), as reported	$28,376	$10,220	$(
Estimated fair value of the year's net option grants, net of forfeitures and taxes	868	861	
Proforma net income (loss)	$27,508	$ 9,359	$(
Porforma basic earnings (loss) per share	$ .49	$ .20	$
Porforma diluted earnings (loss) per share	$ .49	$ .20	$

13. Commitments and Contingencies

The Company is involved in various claims and litigation in the ordinary course of business. In the opinion of legal counsel and management, the ultimate disposition of these matters will not have a material adverse effect on the Company's consolidated financial statements.

The Company and its subsidiaries lease a variety of assets used in their operations, including office space. Renewal options are available in the majority of leases. The following is a schedule of the Company's minimum rental commitment for operating leases of real and personal property for each of the five years subsequent to 2000 and in the aggregate.

Year ending December 31,:	($ in thousands)
2001...	$5,192
2002...	4,843
2003...	3,947
2004...	2,672
2005...	1,334
Thereafter.......................................	1,282

Rental expense, net of sublease income, for operating leases was approximately $5.2 million, $4.0 million and $3.2 million for the years ended December 31, 2000, 1999 and 1998, respectively.

14. Supplemental Cash Flow Information

The following is supplemental disclosure cash flow information for the years ended December 31, 2000, 1999 and 1998.

	($ in thousands)		
	2000	1999	1998
Cash paid for:			
Income taxes	$ 2,031	$ 280	$ 780

Interest	$68,469	$68,469	$81,379

PRICE COMMUNICATIONS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

15. Selected Quarterly Financial Data (Unaudited):

	($ in thousands Except Per Share Amounts)				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	T
Year Ended December 31, 1999					
Total revenue	$ 56,286	$63,939	$64,035	$64,863	$2
Operating income	16,041	22,102	20,963	19,421	
Net income (loss)	(3,307)	734	3,798	8,995	
Net income (loss) per share:					
Basic and diluted	(0.10)	0.02	0.07	0.16	
Year Ended December 31, 2000					
Total revenue (a)	$ 65,355	$69,759	$68,766	$66,628	$2
Operating income (a)	21,287	26,048	24,064	25,489	
Net income	5,600	7,709	7,862	7,204	
Net income per share:					
Basic	.10	0.14	0.14	0.13	
Net income per share:					
Diluted	.10	0.14	0.14	0.12	

(a) Prior quarters restated due to adoption of Staff Accounting Bulletin No. 101.

PRICE COMMUNICATIONS CORPORATION

SCHEDULE I--CONDENSED FINANCIAL INFORMATION OF REGISTRANT

BALANCE SHEETS
December 31, 2000 and 1999
($ in thousands)

	2000	1999
ASSETS:		
Cash and cash equivalents	$ 10,641	$ 51,004
Available for sale securities	23,517	2,056
Deferred income taxes	453	--
Prepaid expenses and other current assets	12	12
Total current assets	34,623	50,072
Investments in and receivables from subsidiaries*	137,844	123,596
Deferred income taxes	2,080	--

Property and equipment	--	11
Other Assets	15,473	12,485
	$190,020	$189,164
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Accounts payable and accrued expenses	$ 97	$ 827
Other current liabilities	17,311	15,147
Total current liabilities	17,408	15,974
Shareholders' equity	172,612	173,190
	$190,020	$189,164

* Eliminated in consolidation

See accompanying notes to condensed financial statements

F-19

PRICE COMMUNICATIONS CORPORATION

SCHEDULE I-CONDENSED FINANCIAL INFORMATION OF REGISTRANT

STATEMENTS OF OPERATIONS
($ in thousands)

	Year Ended December 31	
	2000	1999
Corporate expenses	$ (2,849)	$ (4,493)
Non-cash compensation	(3,649)	(1,973)
Other income (expense)	913	(494)
Interest income	1,702	1,563
Interest expense	(17)	(19)
Depreciation and amortization	(11)	(56)
Net gain on security transactions	6,724	12,651
Income (loss) of unconsolidated subsidiaries	25,479	5,697
Income (loss) before income taxes	28,292	12,876
Income tax (expense) benefit	84	(2,656)
Net income (loss)	28,376	10,220
Other comprehensive income, net of tax:		
Unrealized gains (losses) on available for sale securities	(457)	1,291
Reclassification adjustment	(1,291)	(2,832)
Comprehensive income (loss)	$ 26,628	$ 8,679
Per share data:		
Basic earnings (loss) per share	$ .51	$ .22
Diluted earnings (loss) per share	$ .50	$ .22

See accompanying notes to condensed financial statements

PRICE COMMUNICATIONS CORPORATION

SCHEDULE I-CONDENSED FINANCIAL INFORMATION OF REGISTRANT

STATEMENTS OF CASH FLOWS
($ in thousands)

	Year Ended December	
	2000	1999
Cash flows from operating activities:		
Net income (loss)	$ 28,376	$ 10,220
Adjustments to reconcile net income to cash provided by (used in) operating activities:		
Depreciation and amortization	11	56
(Income) loss of unconsolidated subsidiaries	(25,479)	(5,697)
Non-cash compensation	3,649	1,973
Deferred income taxes	(2,348)	--
Decrease in prepaid expenses and other assets	--	207
Decrease in other assets	12	--
(Decrease) increase in accounts payable and accrued expenses	(730)	327
Increase in other liabilities	4,257	7,940
Gain on sale of securities, net	(6,724)	(12,651)
Total adjustments	(27,434)	(7,845)
Net cash provided by operating activities	1,024	2,375
Cash flows from investing activities:		
Sale of available for sale securities	42,045	21,435
Purchase of available for sale securities	(59,556)	(7,718)
Purchase of investment in other cellular operations	--	(11,810)
Other	(3,000)	--
Advances from (to) subsidiaries	1,231	178
Net cash (used in) provided by investing activities	(19,280)	2,085
Cash flows from financing activities:		
Cash transferred from PCH including cash used by PCC during the year	--	86,588
Dividend received from Company's subsidiary	10,000	--
Repurchase of Company's common stock	(32,584)	(57,055)
Proceeds from exercise of employee stock options and warrants	477	230
Net cash (used in) provided by financing activities	(22,107)	29,763
Net (decrease) increase in cash and cash equivalents	(40,363)	34,223
Cash and cash equivalents at beginning of year	51,004	16,781
Cash and cash equivalents at end of year	$ 10,641	$ 51,004

Supplemental disclosure of cash flow information:

Cash paid during the year for:		
Income taxes, net of refunds	$ 1,115	$ --
	========	========
Interest	$ --	$ --
	========	========

See accompanying notes to condensed financial statements

PRICE COMMUNICATIONS CORPORATION

SCHEDULE I-CONDENSED FINANCIAL INFORMATION OF REGISTRANT

NOTES TO CONDENSED FINANCIAL STATEMENTS

1. Basis of Presentation

In the parent company-only financial statements, the Company's investment in subsidiaries is stated at cost plus equity in undistributed earnings of subsidiaries since the date of acquisition. The parent company-only financial statements should be read in conjunction with the Company's consolidated financial statements.

2. Acquisition

In May 1997, the Company, through a wholly-owned indirect subsidiary, entered into an agreement to acquire Palmer Wireless, Inc. The transaction was consummated on October 6, 1997. See Note 1 of Notes to Consolidated Financial Statements.

3. Agreement to Sell Price Communications Wireless

On November 14, 2000, the Company, Price Communications Cellular Inc., Holdings and PCW (collectively the "Price Group"), Verizon Wireless, Inc. ("Verizon"), Cellco Partnership and VWI Acquisition Corporation, a newly-formed, wholly owned subsidiary of Verizon ("VWI") entered into a Transaction Agreement (the "Transaction Agreement"). Pursuant to the Transaction Agreement, the acquisition of PCW by Verizon will be accomplished by the merger (the "Merger") of VWI with and into PCW, with PCW remaining as the surviving corporation and becoming a wholly owned subsidiary of Verizon. The Transaction Agreement provides that, upon effectiveness of the Merger (the "Effective Time"), (i) each share of common stock of PCW outstanding immediately prior to the Effective Time will be converted into the right to receive a number of shares of Class A Common Stock, par value $.001 per share, of Verizon (the "Verizon Shares") valued at $2.06 billion, (less PCW's net indebtedness, estimated at $550 million, and subject to working capital and other adjustments as provided in the Transaction Agreement) based upon the price of the Verizon Shares at Verizon's initial public offering ("IPO") and (ii) each share of VWI common stock outstanding immediately prior to the Effective Time will be converted into the right to receive one share of the common stock of PCW. Concurrently with the Merger, PCW will transfer its assets to Cellco, in exchange for a partnership interest in Cellco.

At the closing, the Price Group will enter into a Lock-up Agreement pursuant to which they will agree that, except with respect to up to $20 million of Verizon Shares (valued at the price of Verizon Shares in the IPO) received by the Price Group in a working capital adjustment, until the later of (x) the date 270 days after the closing and (y) the first day of the Company's federal

taxable year after the taxable year in which the closing occurs, they shall not, directly or indirectly, pledge, sell, transfer or contract to sell any of the Verizon Shares.

At the closing, the Price Group will enter into a Pledge Agreement pursuant to which they will agree to pledge to Verizon $150 million of the Verizon Shares (valued at the price of the Verizon Shares in the IPO) to secure their indemnity obligations under the Transaction Agreement. At the first and second anniversaries of the closing, the number of Verizon Shares subject to the pledge shall be reduced to $75 million and $25 million, respectively (in each case, valued at the price of the Verizon Shares in the IPO). The Pledge Agreement will terminate on the third anniversary of the closing unless any claim under the Transaction Agreement is asserted or commenced on such date and in such event, the Pledge Agreement will terminate upon satisfaction of such claim.

The consummation of the transactions contemplated by the Transaction Agreement is subject to termination in certain events and is subject to the completion of the IPO and other conditions, including the approval by the stockholders of the Company. If the closing of the transaction does not occur by September 30, 2001, either party may terminate the Transaction Agreement.

PRICE COMMUNICATIONS CORPORATION AND SUBSIDIARIES

SCHEDULE II-VALUATION AND QUALIFYING ACCOUNTS

FOR THE YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998
($ in thousands)

Description	Balance at Beginning of Period	Additions Charged to Expenses	Deduc Net of R
For the year ended December 31, 2000:			
Allowance for doubtful accounts.......................	$2,003	$4,395	$(5
For the year ended December 31, 1999:			
Allowance for doubtful accounts.......................	$1,596	$6,303	$(5
For the year ended December 31, 1998:			
Allowance for doubtful accounts.......................	$ 818	$7,159	$(6

SIGNATURES

Pursuant to the requirements of Sections 13 and 15(d) of the Securities and Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PRICE COMMUNICATIONS CORPORATION

By: /s/ ROBERT PRICE

Robert Price,
President

Dated: March 29, 2001

Pursuant to the requirements of the Securities and Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Company and in the capacities and on the dates indicated. Each person whose signature appears below hereby authorizes and appoints Robert Price as his attorney-in-fact to sign and file in his behalf individually and in each capacity stated below any and all amendments to this Annual Report.

Signature	Title	Date
BY: /S/ ROBERT PRICE Robert Price	Director and President (Principal Executive Officer)	March 29, 2001
By: /S/ STUART B. ROSENSTEIN Stuart B. Rosenstein	Director	March 29, 2001
BY: /S/ ROBERT F. ELLSWORTH Robert F. Ellsworth	Director	March 29, 2001
BY: /S/ KIM I. PRESSMAN Kim I. Pressman	Executive Vice President and Principal Financial and Accounting Officer	March 29, 2001

EXHIBIT INDEX

Exhibit No.	Description
2.1	Agreement and Plan of Merger with Palmer Wireless, Inc., incorporated by reference to Registration Statement on Form S-4 of Price Communications Wireless, Inc. ("Wireless") (File No. 333-36253)
3.1	Restated Certificate of Incorporation of the Registrant as filed with the Secretary of State of the State of New York on December 29, 1992, incorporated by reference to Exhibit 3(a) to Registrant's Form 10-K for the year ended December 31, 1992
3.2	Certificate of Amendment of the Certificate of Incorporation of the Registrant as filed with the Secretary of State of New York on March 17, 1995, incorporated by reference to Exhibit 3(a)(2) to Registrant's Form 10-K for the year ended December 31, 1996
3.3	Certificate of Amendment of the Certificate of Incorporation of the Registrant as filed with the Secretary of State of New York on January 2, 1996, incorporated by reference to Exhibit 3(a)(2) to Registrant's Form

10-K for the year ended December 31, 1996

3.4 Certificate of Amendment of the Certificate of Incorporation of the Registrant as filed with the Secretary of State of New York on October 29, 1997

3.5 Certificate of Amendment of the Certificate of Incorporation of the Registrant as filed with the Secretary of State of New York on January 12, 1998

3.6 Restated By-laws of the Registrant, incorporated by reference to Exhibit 3(a)(2) to Registrant's Form 10-K for the year ended December 31, 1996

3.7 Certificate of Amendment of the Certificate of Incorporation of the Registrant as filed with the Secretary of the State of New York on July 26, 1999.

4.1 Indenture to 11 3/4% Senior Subordinated Notes due 2007 between Wireless and Bank of Montreal Trust Company, as Trustee (including form of Note), incorporated by reference to Registration Statement on Form S-4 of Wireless (File No. 333-36254)

4.2 Indenture to 9 1/8% Senior Secured Notes due 2006 among Wireless, each of the guarantors party thereto and Bank of Montreal Trust Company, as trustee (including form of Note, form of Guarantee and form of Security Agreement) incorporated by reference to Registration Statement on Form S-4 of Wireless (333-64773)

10.1 The Registrant's 1992 Long Term Incentive Plan, incorporated by reference to Exhibit 10(a) to Registrant's Form 10-K for the year ended December 31, 1992

10.2 Indenture to 9 1/8% Senior Secured Notes due 2006 among Wireless, each of the guarantors party thereto and Bank of 10.2 Iontreal Trust Company, as trustee (including form on Note and Guarantee) incorporated by reference to registration Statement on Form S-4 of Wireless (333-64773)

10.3 Indenture to 11 3/4% Senior Subordinated Notes due 2007 between Wireless and Bank of Montreal Trust Company, as Trustee (including form of Note), incorporated by reference to Registration Statement on Form S-4 of Wireless (File No. 333-36254)

10.4 Rights Agreement dated as of October 6, 1994 between the Registrant and Harris Trust Company of New York, incorporated by reference to Exhibit 4 to Registrant's Form 8-K filed to report an event on October 6, 1994

10.5 Amendment dated January 12, 1995 to Rights Agreement dated as of October 6, 1994 between the Registrant and Harris Trust Bank of New York, incorporated by referenced to Exhibit 4 to Registrant's Form 8-K filed to report an event on January 12, 1995

EXHIBIT INDEX

Exhibit No.	Description
10.6	Amendment dated April 7, 1995 to Rights Agreement dated as of October 6,

1994 between the Registrant and Harris Trust Bank of New York

10.7 Amendment dated June 19, 1997 to Rights Agreement dated as of October 6, 1994 between the Registrant and Harris Trust Bank of New York

10.8 Amendment dated June 11, 1998 to Rights Agreement dated as of October 6, 1994 between the Registrant and Harris Trust Bank of New York, incorporated by reference to Registrant's Form 8-K filed to report on event on August 11, 1998

10.9 Transaction Agreement dated as of November 14, 2000 among Registrant, Price Communications Cellular Inc., Holdings, Wireless, Verizon Wireless, Inc. ("Verizon"), Cellco Partnership ("Cellco") and VWI Acquisition Corporation ("VWI")

21.1 Subsidiaries of Registrant

23.1 Consent of Public Accountants