

PRICE COMMUNICATIONS CORP

Form 10-Q

August 09, 2004

## SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2004

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)

**45 Rockefeller Plaza,  
New York, New York**

(Address of principal executive offices)

**13-2991700**

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

**10020**

(Zip Code)

Registrant's telephone number (212) 757-5600

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

| Title of each class                              |
|--------------------------------------------------|
| Common Stock, par value \$.01 per share          |
| Associated Common Stock Rights Under Rights Plan |

| Name of each exchange<br>on which registered |
|----------------------------------------------|
| 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 such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes x No o

The number of shares outstanding of the issuer's common stock as of June 30, 2004 was 56,410,345.



PRICE COMMUNICATIONS CORPORATION AND SUBSIDIARIES

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## Item 1. Financial Statements

## PRICE COMMUNICATIONS CORPORATION AND SUBSIDIARIES

## Consolidated Balance Sheets

(\$ in thousands)

|                                                         | June 30,<br>2004<br>(Unaudited) | December 31,<br>2003<br>(Audited) |
|---------------------------------------------------------|---------------------------------|-----------------------------------|
| <b>Assets</b>                                           |                                 |                                   |
| Current assets:                                         |                                 |                                   |
| Cash and cash equivalents                               | \$ 3,963                        | \$ 6,499                          |
| Available for sale securities                           | 13,299                          | 13,587                            |
| Total current assets                                    | 17,262                          | 20,086                            |
| Restricted cash and securities (principally securities) | 87,976                          | 86,430                            |
| Investment in limited partnership                       | 1,147,124                       | 1,138,772                         |
| Other assets                                            | 592                             | 390                               |
|                                                         | \$ 1,252,954                    | \$ 1,245,678                      |
| <b>Liabilities and Shareholders' Equity</b>             |                                 |                                   |
| Current liabilities:                                    |                                 |                                   |
| Income taxes payable (current and deferred)             | 4,341                           | 4,350                             |
| Other current liabilities                               | 5,028                           | 5,175                             |
| Total current liabilities                               | 9,369                           | 9,525                             |
| Accrued income taxes - long term                        | 53,165                          | 53,165                            |
| Deferred income taxes, net                              | 525,000                         | 525,000                           |
| Estimated liability to former minority partners         | 16,000                          | 16,000                            |
| Total liabilities                                       | 603,534                         | 603,690                           |
| Commitments and contingencies                           |                                 |                                   |
| Shareholders' equity                                    | 649,420                         | 641,988                           |
|                                                         | \$ 1,252,954                    | \$ 1,245,678                      |

See accompanying notes to consolidated financial statements.

**PRICE COMMUNICATIONS CORPORATION AND SUBSIDIARIES****Consolidated Statements of Operations**

(\$ in thousands, except per share data)

(Unaudited)

|                                                  | For the three months<br>ended June 30, |            | For the six months<br>ended June 30, |            |
|--------------------------------------------------|----------------------------------------|------------|--------------------------------------|------------|
|                                                  | 2004                                   | 2003       | 2004                                 | 2003       |
| Revenue:                                         |                                        |            |                                      |            |
| Earnings from partnership                        | \$ 8,329                               | \$ 8,133   | \$ 16,628                            | \$ 16,189  |
| Operating expenses:                              |                                        |            |                                      |            |
| General and administrative                       | 874                                    | 1,780      | 4,002                                | 3,959      |
| Operating income                                 | 7,455                                  | 6,353      | 12,626                               | 12,230     |
| Other income, net                                | 2,271                                  | 4,170      | 6,730                                | 5,903      |
| Income before income taxes                       | 9,726                                  | 10,523     | 19,356                               | 18,133     |
| Income tax expense                               | 3,530                                  | 4,209      | 7,030                                | 7,263      |
| Net income                                       | 6,196                                  | 6,314      | 12,326                               | 10,870     |
| Other comprehensive income, net of tax           |                                        |            |                                      |            |
| Unrealized gain on available for sale securities | 1085                                   | 4,700      | 579                                  | 1,558      |
| Reclassification adjustment                      | (663 )                                 | (862 )     | (1,852 )                             | (1,091 )   |
| Comprehensive income                             | \$ 6,618                               | \$ 10,152  | \$ 11,053                            | \$ 11,337  |
| Per share data:                                  |                                        |            |                                      |            |
| Basic earnings per share                         | \$ 0.11                                | \$ 0.11    | \$ 0.22                              | \$ 0.19    |
| Weighted average shares outstanding              | 56,463,000                             | 57,103,200 | 56,527,000                           | 57,165,150 |
| Diluted earnings per share                       | \$ 0.11                                | \$ 0.11    | \$ 0.22                              | \$ 0.19    |
| Weighted average shares outstanding              | 56,738,000                             | 57,355,200 | 56,801,000                           | 57,417,150 |

See accompanying notes to consolidated financial statements.

**PRICE COMMUNICATIONS CORPORATION AND SUBSIDIARIES****Consolidated Statements of Cash Flows**

(\$ in thousands)

(Unaudited)

|                                                                                   | For the six months<br>ended June 30, |            |
|-----------------------------------------------------------------------------------|--------------------------------------|------------|
|                                                                                   | 2004                                 | 2003       |
| Cash flows from operating activities:                                             |                                      |            |
| Net income                                                                        | \$ 12,326                            | \$ 10,870  |
| Adjustments to reconcile net income to net cash provided by operating activities: |                                      |            |
| Earnings from partnership                                                         | (16,628 )                            | (16,189 )  |
| Gain on available for sale marketable securities and options                      | (4,647 )                             | (4,217 )   |
| Increase in income taxes receivable/payable                                       | 841                                  |            |
| Decrease in other current liabilities                                             | (146 )                               |            |
| Changes in other accounts                                                         | (203 )                               | (389 )     |
| Total adjustments                                                                 | (20,783 )                            | (20,795 )  |
| Net cash used in operating activities                                             | (8,457 )                             | (9,925 )   |
| Cash flows from investing activities:                                             |                                      |            |
| Proceeds from sale of securities and put and call options                         | 72,447                               | 106,952    |
| Purchase of securities and put and call options                                   | (71,374 )                            | (113,254 ) |
| Decrease (increase) in cash in collateral account cash                            | 193                                  | (1,690 )   |
| Distribution of profits from partnership                                          | 8,276                                | 8,197      |
| Net cash provided by investing activities                                         | 9,542                                | 205        |
| Cash flows from financing activities:                                             |                                      |            |
| Purchase and retirement of common stock                                           | (3,621 )                             | (4,376 )   |
| Exercise of employee stock options                                                |                                      | 60         |
| Net cash used in financing activities                                             | (3,621 )                             | (4,316 )   |
| Net decrease in cash and cash equivalents                                         | (2,536 )                             | (14,036 )  |
| Cash and cash equivalents at the beginning of period                              | 6,499                                | 20,733     |
| Cash and cash equivalents at the end of period                                    | \$ 3,963                             | \$ 6,697   |
| Supplemental disclosure of cash flow information:                                 |                                      |            |
| Income taxes paid                                                                 | \$ 6,189                             | \$ 7,277   |

See accompanying notes to consolidated financial statements.

**PRICE COMMUNICATIONS CORPORATION AND SUBSIDIARIES****Consolidated Statement of Shareholders' Equity****(in thousands)****(Unaudited)**

|                                                                                           | <b>Common Stock<br/>Class A<br/>Shares</b> | <b>Par Value</b> | <b>Additional<br/>paid-in<br/>capital</b> | <b>Accumulated<br/>other<br/>comprehensive<br/>income/(loss)</b> | <b>Retained<br/>earnings</b> | <b>Total<br/>shareholders<br/>equity</b> |
|-------------------------------------------------------------------------------------------|--------------------------------------------|------------------|-------------------------------------------|------------------------------------------------------------------|------------------------------|------------------------------------------|
| Balance at December 31, 2003                                                              | 56,683                                     | \$ 567           | \$ 163,240                                | \$ 4,590                                                         | \$ 473,591                   | \$ 641,988                               |
| Change in unrealized gain (loss) on<br>available for sale securities net of tax<br>effect |                                            |                  |                                           | (1,273 )                                                         |                              | (1,273 )                                 |
| Purchase and retirement of treasury stock<br>(245) and unexchanged shares (27)            | (272 )                                     | (3 )             | (3,618 )                                  |                                                                  |                              | (3,621 )                                 |
| Net income                                                                                |                                            |                  |                                           |                                                                  | 12,326                       | 12,326                                   |
| Balance, June 30, 2004                                                                    | 56,411                                     | \$ 564           | \$ 159,622                                | \$ 3,317                                                         | \$ 485,917                   | \$ 649,420                               |

See accompanying notes to consolidated financial statements.

**PRICE COMMUNICATIONS CORPORATION AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**(Unaudited)**

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

***Basis of Presentation***

The unaudited interim Consolidated Financial Statements include the accounts of Price Communications Corporation and its subsidiaries (the Company, Price or PCC). Price Communications Wireless, Inc. (PCW) is a wholly owned subsidiary of Price Communications Corporation and prior to the consummation of the asset contribution, which occurred on August 15, 2002, was the operating entity for the cellular business engaged in the construction, development, management and operation of cellular telephone systems in the southeastern United States. All significant intercompany items and transactions have been eliminated.

The unaudited interim Consolidated Financial Statements have been prepared by the Company without audit in accordance with the rules and regulations of the Securities and Exchange Commission. These Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements previously filed on the Company's Form 10-K for the year ended December 31, 2003. In the opinion of management, the statements reflect all adjustments necessary for a fair presentation of the results of interim periods. All such adjustments are of a normal and recurring nature. The results for any interim period are not necessarily indicative of the results to be expected for a full year.

All share and per share information has been adjusted to reflect the 5 percent stock dividend that was paid in May 2004 as if it had occurred on January 1, 2003.

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

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

Under a letter agreement dated August 9, 2002, PCW is a guarantor of \$350 million of the Verizon Partnership debt to Verizon Communications. However, PCW is not obligated to make payment under the guaranty until Verizon Communications has exhausted all remedies against the Verizon Partnership. The Company initially deposited \$70 million in a separate collateral account to support such guaranty. The Company has the right to withdraw certain sums such as interest and dividends from the account and has the right to withdraw up to \$5 million from this account to cover its ordinary operating expenses.

The preferred exchangeable interest is exchangeable into either Verizon Communications common stock or Verizon Wireless common stock depending on the circumstances. If a public offering of Verizon Wireless occurs, the exchangeable interest can be exchanged at the initial public offering price if Price obtains shareholder approval. On January 29, 2003, however, Verizon Wireless announced the withdrawal of its registration statement for an initial public offering of common stock, given that company's ongoing strong cash flow and lack of significant funding requirements.



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

**(2) Contribution of the Company's Wireless Business to the Verizon Partnership (Continued)**

If Verizon Wireless does not complete such an initial public offering by August 15, 2006 or an initial public offering does occur within the prescribed time frame but such exchange does not occur because of a breach of contract by Verizon Wireless, the preferred exchangeable interest will be mandatorily exchanged for shares of Verizon Communications common stock on approximately August 15, 2006. The price used for the calculation of the number of shares that would be issued in such an exchange is the trailing 20-day average for Verizon Communications common stock but not less than \$40, nor more than \$74.

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

**(3) Stock-Based Compensation**

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). As permitted by SFAS No. 123, the Company has chosen to continue accounting for stock options issued to employees 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:

|                                                               | <b>Three Months Ended</b> |             | <b>Six Months Ended</b> |             |
|---------------------------------------------------------------|---------------------------|-------------|-------------------------|-------------|
|                                                               | <b>June 30,</b>           |             | <b>June 30,</b>         |             |
|                                                               | <b>2004</b>               | <b>2003</b> | <b>2004</b>             | <b>2003</b> |
|                                                               | <b>(\$ in thousands)</b>  |             |                         |             |
| Net income as reported                                        | \$ 6,196                  | \$ 6,314    | \$ 12,326               | \$ 10,870   |
| Estimated fair value of net option grants, net of forfeitures | (50 )                     |             | (50 )                   |             |
| Proforma net income                                           | 6,146                     | 6,314       | 12,276                  | 10,870      |
| Proforma basic earnings per share                             | .11                       | .11         | .22                     | .19         |
| Proforma diluted earnings per share                           | .11                       | .11         | .22                     | .19         |

**(4) Shareholders' Equity**

The Company's Board of Directors has authorized stock repurchase programs of the Company's common stock. During the six months ended June 30, 2004 the Company repurchased a total of approximately 245,000 shares in the public market for total consideration of approximately \$3.6million pursuant to such authorizations. As a result of the transaction agreement with the Verizon Partnership, the Company is precluded from using certain of its funds to repurchase its outstanding stock.

On April 20, 2004, the Company's Board of Directors authorized the repurchase of up to 1,000,000 shares of the Company's common stock, in addition to prior authorizations, in open market or privately negotiated transactions.

**PRICE COMMUNICATIONS CORPORATION AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)****(Unaudited)****(4) Shareholders' Equity (Continued)**

On May 5, 2004, the Company's Board of Directors declared a 5% stock dividend, payable on May 24, 2004, to shareholders of record on May 17, 2004. All share and per share information has been adjusted to reflect the 5 percent stock dividend that was paid in May 2004 as if it had occurred on January 1, 2003.

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. In May 2004, the Company's Board of Directors approved the extension of the Rights until October 2014. Until exercisable, the Rights will not be transferable apart from the common stock. Each Right has an exercise price of \$50.00. The Rights will become exercisable only if a person or group acquires 20 percent or more of the Company's common stock, in which event each Right will entitle the holder to purchase for the exercise price common stock in the Company having a market value of twice the exercise price of the Rights. In the event the Company is acquired in a merger or a similar transaction following such a 20 percent acquisition, each right entitles the holder to purchase for the exercise price 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.

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

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

|                               | <b>Three Months<br/>Ended June 30,<br/>2004</b> | <b>Three Months<br/>Ended June 30,<br/>2003</b> | <b>Six Months<br/>Ended June 30,<br/>2004</b> | <b>Six Months<br/>Ended June 30,<br/>2003</b> |
|-------------------------------|-------------------------------------------------|-------------------------------------------------|-----------------------------------------------|-----------------------------------------------|
| <b>Income statement data:</b> |                                                 |                                                 |                                               |                                               |
| Operating revenues            | \$ 124,182                                      | \$ 102,593                                      | \$ 234,104                                    | \$ 193,032                                    |
| Operating expenses            | 79,478                                          | 78,785                                          | 142,506                                       | 153,377                                       |
| Net income                    | 47,314                                          | 18,645                                          | 95,834                                        | 31,964                                        |
|                               |                                                 |                                                 |                                               |                                               |
|                               |                                                 |                                                 | <b>June 30, 2004</b>                          | <b>December 31, 2003</b>                      |
| <b>Balance sheet data:</b>    |                                                 |                                                 |                                               |                                               |
| Current assets                |                                                 |                                                 | \$ 32,040                                     | \$ 26,065                                     |
| Wireless licenses             |                                                 |                                                 | 1,640,655                                     | 1,640,539                                     |
| Total assets                  |                                                 |                                                 | 1,973,331                                     | 1,950,206                                     |
| Total liabilities             |                                                 |                                                 | 448,748                                       | 495,820                                       |
| Partners' capital             |                                                 |                                                 | 1,519,137                                     | 1,446,928                                     |

The Company's portion of total partners' capital in the amount of \$1.147 billion currently earns a preferred return of approximately 2.9% per annum, which amounted to \$8.3 and \$16.6 million for the three and six months ended June 30, 2004.

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

### ***Critical Accounting Policies and Estimates***

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

### ***Financial Instruments***

At June 30, 2004, all of the Company's investment securities were marketable equity securities classified as Available-for-Sale Securities. In addition, substantially all of the balance maintained in the collateral account consisted of marketable equity 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 puts are in the Company's own common stock. These options entitle the holders to buy from or to sell publicly traded securities to the Company during certain periods at certain prices. The Company is required to maintain collateral to support the options it holds. Therefore, such unsettled contracts are classified as liabilities in the Company's consolidated balance sheet, if unsettled at the balance sheet date, with changes in fair values recorded as part of other income. As of June 30, 2004, there were no unsettled option contracts outstanding.

Realized gains and losses are accounted for by specific identification or average cost and are included in other income.

### ***Investment in Limited Partnership***

The Company accounts for the Preferred Exchangeable Interest using a method similar to the equity method of accounting. The initial investment equaled the credit in the capital account on the Partnership's financial statement. Thereafter, the Company increases its investment by the amount of income it will be entitled to based on the availability of profits at the agreed upon preferred rate of return and reduces such investment by any cash distribution to the Company.

### ***Recent Accounting Pronouncements***

In January 2003, the FASB issued Interpretation (FIN) No. 46, *Consolidation of Variable Interest Entities* and in December 2003, a revised interpretation was issued (FIN No. 46 (R)). In general, a variable interest entity (VIE) is a corporation, partnership, trust, or any other legal structure used for business purposes that either does not have equity investors with voting rights or has equity investors that do not provide sufficient financial resources for the entity to support its activities. FIN 46 requires a VIE to be consolidated by a company if that company is designated as the primary beneficiary. Application of FIN 46 is required in financial statements of public entities that have interest in structures that are commonly referred to as special-purpose entities, or SPEs, for periods ending after December 15, 2003. Application by public entities, other than small business issuers, for all other types of VIEs (I.E. non-SPEs) is required in financial statements for periods ending after March 15, 2004. The adoption of FIN 46 did not have any effect on the Company's consolidated financial statements.

## Overview

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

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

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

The Company and Mr. Price (in his capacity as chief executive officer of the Company and in his personal capacity) have been shown a variety of potential acquisitions and opportunities. These include the purchase of a mutual fund management company, banks, cellular properties, independent telephone companies, broadcasting and/or publishing companies and a proposal for the conversion of the Company into a closed-end investment company. Management and the Board of Directors continue to evaluate these and other opportunities.

### *Three and Six Months Ended June 30, 2004 Compared to Three and Six Months Ended June 30, 2003*

**Revenue.** As a result of the contribution on August 15, 2002 of the Company's operating subsidiary to the Verizon Partnership, the sole source of operating revenue during the periods was the earnings on the Company's preferred investment in the Verizon Partnership. Since there were sufficient earnings as indicated in Note 4 in the Notes to Consolidated financial Statements, the Company recorded its proportionate share of profits at a rate of approximately 2.9% per annum on its average investment balance in the limited partnership. The income from the partnership increased to \$16.6 million and \$8.3 million for the six months and quarter ended June 30, 2004 compared to \$16.2 million and \$8.1 million for the six months and quarter ended June 30, 2003 as result of profits accrued on the accumulated balance in the Company's partnership account.

**Operating Expenses.** Operating expenses are comprised of general and administrative expenses and were \$4.0 million for the first six months of both 2004 and 2003. The principal expenses during the first six months of 2004 and 2003 were payroll and related expenses and legal fees. Operating expenses decreased to \$874,000 from \$1.8 million for the three months ended June 30, 2004 compared to 2003 mainly due to a decrease in salaries from severance payments paid in 2003 and a legal settlement of \$350,000 expensed in the second quarter of 2003.

**Other Income, Income Taxes and Net Income.** Other income increased as a result of an increase in net gains from marketable securities transactions principally on the investments maintained in the collateral account. Such gains were \$4.6 million in the six months ended June 30, 2004, compared to \$4.2 million in the six months ended June 30, 2003. Dividend income also increased by approximately \$200,000 to \$1.8 million in the first six months of 2004 from the first six months of 2003. Other income for the three months ended June 30, 2004 was \$2.3 million compared to \$4.2 million in 2003 largely due to a decrease in realized gains on sales of securities of \$1.8 million.

Income tax expense has been provided for the first six months of 2004 and 2003 at effective rates of 37.1 and 40.1%, respectively, which represent the estimated effective rates for the corresponding years.

The net income of \$12.3 million for the first six months of 2004 compared to net income of \$10.9 million for the first six months of 2003 is primarily a function of the increase in income from the partnership and other income as described above.



### **Liquidity and Capital Resources**

As previously discussed, the Company's primary source of revenue is currently its earnings from the Verizon Partnership. Based upon the current results for the Verizon Partnership, there appears to be minimal possibility that the Company will not receive its proportionate share of partnership earnings through August 15, 2006, the last period for which the Company is entitled to its preferred interest if a conversion to Verizon common or Verizon Wireless common does not occur before that date. For the period that the Company is entitled to receive a preferred return, 50% of such return will be paid in cash with the balance being added to the Company's capital account. If the Verizon Partnership incurs losses, such losses are first allocated to Cellco Partnership and its affiliates up to an amount equaling their capital account in the Verizon Partnership before being allocated to the Company.

Under a letter agreement dated August 9, 2002, Verizon Communications provided the Verizon Partnership with \$350 million of debt financing which was used in connection with the covenant defeasance and redemption of PCW's outstanding debt. PCW agreed to guarantee the \$350 million indebtedness. However, PCW is not obligated to make payment under the guarantee until Verizon Communications has exhausted all remedies against the Verizon Partnership. The Company believes that the probability of the guarantee being enforced is remote. In connection with the guaranty, Price established a \$70 million collateral account (with a market value of \$88 million as of June 30, 2004), which now consists principally of marketable securities. Price controls the investment decisions for this account and has the right to withdraw certain sums such as dividends and interest on its investments and has the right to withdraw up to an additional \$5 million in the aggregate from the account in order to cover its ordinary operating expenses.

As of June 30, 2004, the Company has approximately \$4.0 million of cash and cash equivalents and \$13.3 million in marketable securities. It anticipates receiving approximately \$16.6 million during the current year as its 50% distribution from its preferred investment, of which approximately \$8.3 million was received during the first six months of the year. Based on its current and anticipated cash receipts, the Company can meet its current cash requirements. There is a remote risk, however, if significant unexpected cash needs arise, that its funds will be insufficient to meet its obligations and if the Company needs to borrow money to meet such obligations, it may be forced to do so on unfavorable terms.

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

The Company is exposed to market risk as it relates to its investment securities, whose values fluctuate with the market and whose values have been adjusted to reflect their market values as of June 30, 2004. In addition, the realizability of the Company's investment in the Verizon Partnership could be affected if the price of Verizon Communications common stock is below \$40 per share for an extended period of time. The Company believes its investment in the Verizon Partnership is realizable at its recorded value at June 30, 2004.

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

The Company's management carried out an evaluation, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures, as of June 30, 2004 (the end of the period covered by this report), pursuant to Exchange Act Rule 13a-15b. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective at providing reasonable assurance that such disclosure controls and procedures will meet their objective. There has been no change in the Company's internal control over financial reporting identified in connection with such evaluation that has materially affected, or is reasonably likely to materially affect, the Company's internal controls for financial reporting.

**PART II**

**OTHER INFORMATION**

**Item 1. *Legal Proceedings***

None.

**Item 2. *Changes in Securities***

None.

**Item 3. *Defaults Upon Senior Securities***

Not Applicable. The Company has no debt securities outstanding.

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

None.

**Item 5. *Other Information***

None.

**Item 6. *Exhibits and Reports on Form 8-K***

(a) *Exhibits*

- 31.1 Certification of the Chief Executive Officer
- 31.2 Certification of the Chief Financial Officer
- 32 Certification of the Chief Executive Officer and Chief Financial Officer

(b) *Reports on Form 8-K*

Form 8-K Dated May 10, 2004 reporting earnings for the period ended March 31, 2004

Form 8-K Dated May 7, 2004 reporting a 5% stock dividend payable May 24, 2004

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**SIGNATURES**

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

Date: August 9, 2004

PRICE COMMUNICATIONS CORPORATION

By: /s/ Robert Price  
Robert Price  
*Director, President and Treasurer*

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

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