

PRICE COMMUNICATIONS CORP

Form 10-K

March 16, 2006

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

**FORM 10-K**

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

**For the fiscal year ended December 31, 2005**

**OR**

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

**For the transition period from to**

**Commission file number: 1-8309**

**PRICE COMMUNICATIONS CORPORATION**

(Exact name of registrant as specified in its charter)

**NEW YORK**

(State or other jurisdiction of  
incorporation or organization)

**13-2991700**

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

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

(Address of principal executive offices)

**10020**

(Zip Code)

**212-757-5600**

(Registrant's telephone number, including area code)

**None**

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(Former name, former address and former fiscal year, if changed since last report)

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

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

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.

Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K 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 this Form 10-K.

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

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

As of June 30, 2005, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was \$726.4 million based on the closing sale price as reported on the New York Stock Exchange.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

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**Class**  
Common Stock, \$.01 par value per share

**Outstanding at February 28, 2006**  
56,233,995 shares

**DOCUMENTS INCORPORATED BY REFERENCE**

<b>Document</b>	<b>Parts Into Which Incorporated</b>
Proxy Statement for the 2006 Annual Meeting of Shareholders	Part III

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*Certain information in this annual report on Form 10-K contains statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including without limitation statements regarding our future operating performance and the application of complex provisions of the Internal Revenue Code. 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 our control. Readers should carefully review our financial statements and the notes thereto, as well as the section entitled "Risk Factors" described in Item 1A of this annual report and the other documents we file from time to time with the Securities and Exchange Commission.*

### **PART I**



**Item 1. Business**

**General**

Unless otherwise indicated, all references herein to Price and PCC refer to Price Communications Corporation and all references herein to the Company refer to PCC and its subsidiaries. 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.

Prior to August 15, 2002, Price Communications Corporation was engaged, through its wholly owned subsidiary Price Communications Wireless, Inc. ( PCW ), in the construction, development, management and operation of cellular telephone systems in the southeastern United States. The Company provided cellular telephone service to subscribers in Georgia, Alabama, South Carolina and Florida in a total of 16 licensed service areas composed of eight Metropolitan Statistical Areas ( MSA ) and eight Rural Service Areas ( RSA ), with an aggregate estimated population of 3.4 million.

**Contribution of the Company s Wireless Business to the Verizon Partnership -Potential Dissolution of the Company**





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On August 15, 2002, the Company contributed (the "asset contribution") substantially all of the assets of PCW and approximately \$149 million in cash to Verizon Wireless of the East (the "Verizon Partnership"), a limited partnership controlled by Cellco Partnership (doing business as "Verizon Wireless"), in exchange for a preferred limited partnership interest (the "Preferred Exchangeable Interest") in the Verizon Partnership. As a result of the asset contribution, the Company currently has no operating assets. PCC's shares are listed on the New York Stock Exchange, the Archipelago (f/k/a the Pacific Stock Exchange), the Boston Stock Exchange, the Chicago Stock Exchange and Frankfurt and Munich Stock Exchanges. The Verizon Partnership assumed certain liabilities of PCW relating to the contributed business.

PCW's initial capital account in the Verizon Partnership was approximately \$1.112 billion. Pursuant to the Verizon Partnership agreement, PCW is entitled to an allocation of any profits from the Verizon Partnership for a period up to August 15, 2006 equal to its preferred return, which currently approximates 2.9% per annum. Any losses incurred by the Partnership will be allocated to Cellco Partnership and its affiliates up to an amount equal to their capital account in the Verizon Partnership before being allocated to PCW. PCW receives 50% of its preferred return in cash with the balance being added to its capital account.

The Preferred Exchangeable Interest is exchangeable for common stock of either Verizon Wireless Inc. (if a qualifying initial public offering of Verizon Wireless occurs by August 15, 2006) or Verizon Communications Inc. (if, in general, such an offering does not occur). At the time PCC negotiated the transaction with Verizon, PCC's board of directors and management thought it possible that a qualifying initial public offering of Verizon Wireless would occur and that, consequently, PCC could probably receive Verizon Wireless common stock. On January 29, 2003, however, Verizon Wireless announced the withdrawal of its registration statement for an initial public offering of its common stock, given Verizon Wireless' ongoing strong cash flow and lack of significant funding requirements. Moreover, since PCC entered into its transaction with Verizon, PCC has received no other indications as to if or when a Verizon Wireless public offering might occur. As a result, PCC does not believe that such an offering will take place in the foreseeable future.

PCC expects that the Preferred Exchangeable Interest will be exchanged for common stock of Verizon Communications on or about August 15, 2006. If this happens, the number of shares of Verizon Communications common stock issued to PCC would equal the amount of PCW's capital account in the Verizon Partnership divided by the 20-day average closing price of the Verizon Communications common stock, but such price may not be less than \$40 or more than \$74. Verizon Communications common stock has been trading substantially below the \$40 per share minimum price. If the trailing 20-day average closing price of Verizon common stock at the time of the exchange is at or below \$40 per share, the Company would receive approximately 29,473,000 shares of Verizon common stock in the exchange based upon its expected balance in its capital account in the Verizon Partnership at August 15, 2006. This would be less than the number of shares of Verizon common stock than the Company could purchase in the open market with the dollar equivalent of its capital account. (See Management's Discussion and Analysis of Financial Condition and Results of Operation-Contribution of the Company's Wireless Business to the Verizon Partnership and Note 2 of Notes to Consolidated Financial Statements for valuation considerations.)

Verizon Communications common stock has been trading substantially below the \$40 per share minimum price. As a result of this, the Company has treated the investment in the partnership as other-than-temporarily impaired. It has valued the partnership account based upon the closing price of Verizon as of December 31, 2005 (\$30.12 per share) and the number of shares that the capital account is convertible into as of December 31, 2005 (29,312,000 shares). Consequently, the Company

recognized a loss on impairment of \$289.6 million for financial statement purposes for the year ended December 31, 2005 based upon the lower price of the Verizon stock it would receive if the exchange had occurred on December 31, 2005. Since the balance sheet date, the price of Verizon has partially recovered. During the month of February, Verizon stock closed as high as \$34.44. If the valuation of the Company's partnership interest had been made at that price, which would not be in accordance with generally accepted accounting principles in the United States, the loss to the Company would have been less by approximately \$126.6 million. Management believes that presentation of this non-GAAP information is useful to investors' appreciation of the sensitivity of the impairment charge to changes in the per share price of Verizon Communications common stock.

The Company has accounted for the Preferred Exchangeable Interest in a manner similar to the equity method of accounting. The initial investment on the Company's balance sheet equaled the credit in its capital account on the Verizon Partnership's financial statements. Thereafter, the Company increased its investment by the amount of income it was entitled to based on the availability of profits and the agreed upon preferred rate of return and reduced its investment balance by any cash distributed by the Verizon Partnership to the Company. At December 31, 2005, the Company recorded an other-than-temporary impairment loss of \$289.6 million on the partnership interest as described above.

If PCC receives Verizon Communications shares in August 2006, such shares would, under the terms of PCC's lockup agreement with Verizon, become eligible for distribution to PCC's shareholders in August 2007. Since PCC expects to receive Verizon Communications stock on or about August 15, 2006, the discussion under Business-General-Contribution of the Company's Wireless Business to Verizon Partnership; Possible Dissolution of the Company does not address other possibilities. Reference is made to Management's Discussion and Analysis of Financial Condition and Results of Operations-Overview and Note 2 to the Company's Consolidated Financial Statements for further discussion of the exchange of the Preferred Exchangeable Interest for shares of Verizon Wireless Inc. or Verizon Communications Inc. common stock.

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 Senior Subordinated Notes and Senior Secured Notes. PCW guaranteed such indebtedness. However, PCW is not obligated to make payment under such guaranty until Verizon Communications has exhausted all remedies against the Verizon Partnership. Price has guaranteed PCW's obligation under the guaranty, and upon closing of the transaction deposited \$70 million (\$71.2 million as of December 31, 2005) in cash and other property into a collateral account to secure the guaranty. The Company controls the investment of the assets in the collateral account, and has the right to withdraw certain sums such as dividends, interest, and earnings on investments from the account. The Company believes that the probability of the guaranty being enforced is remote. Moreover, upon consummation of the exchange, the funds held in the collateral account will be released to the Company if the net worth of the Verizon Partnership is at least \$500 million. Based on the most recent financial statements of the Verizon Partnership, the Company believes that the net worth condition will be satisfied. As a result, the Company expects to receive all of the funds held in the collateral account upon the consummation of the exchange.

Under PCC's proxy statement for its 2003 annual meeting of shareholders, PCC conducted a non-binding, advisory vote of its shareholders permitting shareholders to express their views as to whether the Company should follow a dissolution strategy with a view toward the dissolution of the Company in the years ahead, or as an alternative to a dissolution strategy, the Company's management should seek to acquire another business that meets the economic and fiduciary requirements of the board of directors. A majority of the votes cast in this non-binding, advisory vote favored seeking to acquire another business. The Company's proxy statement for this meeting noted that there could be no assurance that the Company would identify or succeed in acquiring a business that met its economic and fiduciary requirements, and stated that since this was only a non-binding, advisory vote for the purpose of providing guidance to the board of directors and management, the outcome of the advisory vote would be only one factor considered by the board of directors and management in determining their views regarding the proper future course to be followed by the Company. The proxy statement further noted that regardless of the outcome of the vote, the board of directors and management would have the right, consistent with their fiduciary duties and exercise of their business judgment, to recommend to the shareholders that the Company be dissolved (subject to the requisite vote of at least 66 2/3% of the Company's outstanding shares at a future meeting of shareholders), to seek other potential business opportunities, or to follow another course of action with respect to the Company's future.

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The Company and Mr. Price (in his capacity as chief executive officer of the Company and in his personal capacity) have reviewed a number 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. To date, the Company has not identified a business that it believes, in light of the price being asked for such business and other considerations deemed by the board of directors and management to be relevant, would be in the best interests of the Company to acquire, and there can be no assurance that the Company will identify or succeed in acquiring a business that meets its economic and fiduciary requirements.

The board of directors of the Company has determined to pursue a dissolution of the Company, subject to shareholder approval. The board has determined that dissolution would be in the best interests of shareholders, taking into account among other considerations the following:

Unless the Company is dissolved and the Verizon common stock is distributed to the Company's shareholders pursuant to a plan of dissolution, any subsequent sale or distribution of the Company's Verizon common stock will cause the Company to recognize a substantial amount of taxable gain which may result in the Company

incurring substantial tax liability. For example, if the Company were to receive 29,473,000 shares of Verizon common stock and sell those shares at \$31.66 per share, which was the closing market price of Verizon common stock on January 31, 2006, the taxable gain resulting from the sale would exceed \$1.17 billion.

Although the Company has reviewed a number of potential acquisitions and other opportunities for the Company, it has been unable to identify or succeed in acquiring any business that would meet the economic and fiduciary requirements of the board of directors, particularly in light of the adverse tax consequences that would result if the Company is not dissolved.

If the Company retains the Verizon common stock, it may have to register as an investment company under the Investment Company Act of 1940 (the "Investment Company Act") which could significantly limit the Company's ability to take advantage of potential business opportunities and would also impose stringent regulatory requirements.

If dissolution is approved by the Company's shareholders, Price would file a certificate of voluntary dissolution with the Secretary of State of the State of New York as soon as is reasonably practicable after the exchange of the Preferred Exchangeable Interest for Verizon common stock, and would immediately commence its dissolution by preparing and distributing the appropriate notices to creditors and claimants under applicable provisions of New York law.

After filing the certificate of dissolution with the Secretary of State, Price would proceed to convert any remaining non-cash assets (other than the Verizon common stock received in the exchange) into cash for the purpose of winding up its affairs, paying or contesting liabilities and claims and distributing the remaining assets to its shareholders. During the period of dissolution, assets of the Company would be applied first to pay (or provide for the payment of) the actual and contingent liabilities of the Company, including payment of expenses associated with the exchange and dissolution, as well as the payment of all other liabilities of the Company that are, or become, known during this period.

Subject to the terms of the lockup agreement with Verizon, assuming approval of dissolution by the shareholders, the Company expects to make an initial distribution to shareholders of the remaining cash and the Verizon common stock received in the exchange, less the amount applied to or reserved for actual or contingent liabilities, shortly before the expiration of one year from the exchange. The amount reserved will be based on a determination by the board of directors, derived from consultation with management and outside experts, if the board of directors determines that it is advisable to retain such experts, and a review of, among other things, possible contingent liabilities and estimated ongoing expenses, including, but not limited to, payroll, legal expenses, regulatory filings and other miscellaneous expenses. If the assets reserved at the time of a distribution are not actually required to pay the liabilities, these assets will be distributed to shareholders at one or more later dates. Each shareholder will receive its pro rata share of each distribution based on the number of shares held at the time of the record date for such distribution.

Under New York law, the affirmative vote of the holders of at least 66-2/3% of the Company's outstanding shares is required at a shareholders meeting to approve dissolution of the Company and, therefore, the proposed dissolution. Robert Price, the Company's president, chief executive officer and treasurer, the chief financial officer and the other directors of the Company, who collectively have voting power over approximately 5.74% of the Company's outstanding shares, have advised the Company that they will vote all those shares to approve the proposed dissolution. However, 6% to 18% of the Company's shareholders have failed to vote on matters submitted for approval at its annual meetings in recent years. Any shares that are not voted will be counted as voted against the dissolution proposal. Accordingly, it may be difficult to obtain the affirmative vote of at least 66-2/3% of the Company's outstanding shares as required to approve the proposed dissolution.

**Business of The Verizon Partnership**

The business of the Verizon Partnership consists of the ownership and operation of all of the assets contributed by PCW and Cellco Partnership, and its subsidiaries to the Verizon Partnership. PCW contributed substantially all of its assets and

approximately \$149 million in cash, and Cellco Partnership and its subsidiaries have contributed an aggregate 85% partnership interest in Orange County-Poughkeepsie Limited Partnership (including the general partner interest and its associated management rights), certain FCC licenses, a \$500 million promissory demand note receivable and approximately \$250 million in cash.

The operations of the Verizon Partnership are closely integrated with Cellco Partnership's other wireless telecommunications assets. Cellco Partnership provides or arranges for the provision of certain services to the Verizon Partnership in connection with its business. These services may include: (i) administrative, accounting, billing, credit, collection, insurance, legal, purchasing, clerical and such other general services as may be necessary to administer the Verizon Partnership; (ii) design, engineering, optimization, implementation, surveillance, maintenance, repair and such other technical services as may be necessary to operate the Verizon Partnership's wireless network; and (iii) assistance in the preparation of filings with regulatory authorities and in the negotiation of transactions with respect to the FCC licenses owned by the Verizon Partnership.

### **The Company's Contributed Assets**

As of August 15, 2002, the date of the contribution, PCW provided cellular telecommunications service in Alabama, Florida, Georgia and South Carolina in a total of 16 licensed service areas, composed of eight MSAs and eight RSAs, with an aggregate population of approximately 3.4 million. The Company sold its cellular telecommunications service as well as a full line of cellular products and accessories principally through its network of retail stores. The Verizon Partnership has converted these markets to the Verizon Wireless brand name.

Seven MSAs, Montgomery and Dothan, Alabama and Macon, Columbus, Albany, Augusta and Savannah, Georgia, make up the core of the Georgia/Alabama cluster. Additional cellular service areas in this region include 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 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 I-95 from Savannah, Georgia to Jacksonville, Florida. Substantial roaming revenue is earned 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, there has been an influx of new manufacturing plants in this market.

The Verizon Partnership also owns the non-wireline cellular license for the Panama City, Florida market. Substantial roaming revenue is earned in this market from subscribers from other systems who visit Panama City, a popular spring and summer vacation destination.

### **Cellco Contributed Assets**

#### *Orange County-Poughkeepsie Limited Partnership*

The Orange County-Poughkeepsie Limited Partnership (OCP) operates as a wholesale provider of wireless services in the Orange County, NY MSA and the Poughkeepsie, NY MSA. As a wholesale provider, OCP owns and operates a cellular telecommunications network and sells lines of service to reseller companies who in turn sell to individual subscribers.

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OCP is owned 85% by NYNEX Mobile Limited Partnership 2 (which is beneficially owned 100% by Cellco Partnership) and 7.5% by each of Taconic Telephone Corporation and Warwick Valley Telephone Company. Cellco Partnership presently acts as the general partner, which makes all decisions and is empowered to do or cause to be done all acts necessary for the operation of OCP and also as a limited partner.

OCP operates using two wireline cellular licenses on the 800 MHZ frequency band. The licenses cover the two MSA markets stated above. Orange County has a population of over 341,000, a population density of approximately 414 persons per square mile and a median household annual income over \$40,000. Poughkeepsie has a population of over 280,000, a population density of approximately 348 persons per square mile and a median household annual income over \$40,000.

OCP operates on the CDMA digital standard. As a wholesale provider, OCP does not have its own retail subscribers but instead sells lines of service to reseller companies. The main reseller is Cellco Partnership, which contracts for lines and is responsible for most of OCP's service revenue. Because OCP operates on a wholesale basis only, it does not operate any retail stores directly or contract with any agents for the retail distribution of cellular service or wireless communication devices.

All services and network operations are performed on behalf of OCP by employees of Cellco Partnership managed through the Cellco Partnership regional and area operations groups. OCP does not have any employees.

The partners make capital contributions, share in the operating results and receive distributions from OCP in accordance with their respective ownership percentages.

#### *FCC Licenses*

Cellco Partnership contributed to Verizon Wireless of the East the FCC licenses which provide broadband PCS wireless communications services within the Macon, Georgia BTA, and all of Cellco Partnership's rights, title and interest in the FCC license which provides broadband wireless communications service within a portion of the Atlanta, Georgia BTA. These licenses authorize operation on the 10MHz E block spectrum constituting the 1885-1890 MHz and 1965-1970 MHz frequency bands.

#### **Integration with the Verizon Wireless Business**

Cellco Partnership (doing business as Verizon Wireless) is one of the leading wireless communications providers in the United States in terms of the number of subscribers, revenues and operating cash flow and offers wireless voice and data services across the most extensive wireless network in the United States.

Their 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).

The operations of the Verizon Partnership are closely integrated with the operations of Cellco Partnership.

*The Verizon Partnership's services are marketed under the Verizon Wireless brand name. Cellco Partnership's studies have found that its brand awareness is over 90% among wireless users and prospective customers.*

*The Verizon Partnership's marketing, sales and distribution are coordinated by and integrated with Cellco Partnership's national marketing campaign. Cellco Partnership's marketing efforts are focused on a coordinated program of television, print, radio, outdoor signage, internet and point of sale media promotions. Cellco Partnership coordinates marketing efforts throughout its service area, which includes the Verizon Partnership's service area, to ensure that its marketing message is uniformly presented across all of its markets. In particular, the Verizon Partnership has adopted the Cellco Partnership pricing plans, including its national America's Choice plans, which appeal to nationwide travelers, its*



Corporate America's Choice national plans, for large corporate customers, and prepaid plans that appeal to new users and various other business and consumer segments. The Verizon Partnership's sales strategy is consistent with that of Cellco Partnership's sales strategy-to use a mix of direct, indirect and resale distribution channels in order to increase customer growth while reducing customer acquisition costs.

*The Verizon Partnership's customer care is integrated with and coordinated by Cellco Partnership. Customer care, retention and satisfaction are essential elements of the Verizon Partnership's and Cellco Partnership's strategies. Through Cellco Partnership's customer care network, the Verizon Partnership will offer customer care twenty-four hours a day/ seven days a week.*

*The systems contributed by the Company were converted from time division multiple access, or TDMA, to code division multiple access or CDMA. The network contributed by PCW used a wireless transmission standard known as TDMA. Cellco Partnership's digital network uses a wireless digital transmission standard known as CDMA. These two digital technologies are not compatible. Accordingly, the Verizon Partnership converted the Company's contributed TDMA network and handsets used by the Company's subscribers to CDMA. Pursuant to the terms of the limited partnership agreement (1) all losses realized upon the sale, disposition or write-off of any assets in connection with the conversion and (2) all costs of purchasing handsets provided to then existing customers in connection with the conversion were specifically allocated to the capital accounts of the subsidiaries of Cellco Partnership which are partners of the Verizon Partnership and such costs will not effect the computation of the preferred participation of PCW. The foregoing two categories do not include all of the costs to be incurred as a result of the conversion.*

*The Verizon Partnership's information systems are integrated with and provided by Cellco Partnership. The Verizon Partnership's information systems include billing, point of sale, provisioning, customer care, data warehouse, and fraud detection and prevention.*

## Competition

There is substantial competition in the wireless telecommunications industry. The Verizon Partnership expects competition to intensify as a result of the consolidation of the industry, the entrance of new competitors, the development of new technologies, products and services, the auction of additional spectrum and regulatory changes. Other wireless providers, including other cellular and PCS operators and resellers, serve each of the markets in which the Verizon Partnership operates. ALLTEL is the principal competitor in most of the markets contributed by PCW, with Public Service Cellular and or Cingular Wireless competing in six of the contributed markets. OCP, however, is a wholesale provider of wireless services and thus does not compete directly for individual subscribers. OCP does compete, however, with the other wireless licensees in its service areas for resellers. In addition, the impact of such competition on OCP's resellers affects their use of OCP's wireless services. OCP's principal competitor in the wholesale wireless business is American Cellular, a joint venture between Dobson Communications and Cingular Wireless (formerly AT&T Wireless).

*Brand recognition.* The Verizon Partnership's retail wireless services in the Company's former markets are marketed under the Verizon Wireless brand, which has developed strong brand recognition. In these markets, there are other brands that are well established.

*Network coverage.* In recent years, competition in the wireless industry has led to lower prices and to the popularity of pricing plans that do not charge for roaming. As a result, the ability to offer national coverage through one's own network is important. The ability to provide service over a single network also offers other advantages, including the ability to ensure uniform performance and the availability of features throughout the country, as many features are not fully available through roaming partners. Through the integration of the Verizon Partnership's network with Cellco Partnership's network, the Verizon Partnership believes that it will realize the benefits of Cellco Partnership's network. None of the competitors of the Verizon Partnership have as extensive a network in the former Company's markets as Cellco Partnership does, and most have build-out needs, although some have affiliate relationships with other wireless providers.

*Digital service.* Digital service offers benefits to the customer and also permits a network to have greater capacity. Neither the Verizon Partnership's nor Cellco Partnership's network is fully digital yet, while some competitors in the Company's former markets have fully digital networks. In addition, those competitors with fully digital networks generally achieve higher revenue per subscriber.

*Technology.* CDMA, global system for mobile communications ( GSM ), and TDMA each have their respective strengths and weaknesses. The Verizon Partnership believes that CDMA digital technology provides approximately eight times greater capacity than that of analog technology. CDMA has proven in the marketplace that it can provide significant operating and cost efficiencies. CDMA is also currently used by several other wireless providers in the United States, providing additional potential CDMA roaming partners, and ensuring continued support and development of CDMA handsets and network equipment by manufacturers. While the Verizon Partnership believes that CDMA has competitive advantages, proponents of GSM and TDMA believe that those systems provide different advantages. Cingular Wireless, one of the leading wireless providers in the United States, uses TDMA while GSM is used throughout Europe, although T-Mobile is the only major wireless provider in the United States that exclusively uses GSM. Cingular Wireless has announced an intention to add a GSM-overlay to its network, which will increase the use

in the United States.

*Capital Resources.* In order to expand and build-out networks and introduce next generation services; wireless providers require significant capital resources. While the Verizon Partnership's indirect majority owner, Cellco Partnership, is well capitalized and has more operating cash flow than any other wireless provider, Cellco Partnership has no obligation to fund the Verizon Partnership's capital needs.

The Verizon Partnership's ability to anticipate and respond to various competitive factors will depend in part on its marketing efforts and on its ability to anticipate and respond to various competitive factors affecting the industry, including new services and technologies, changes in consumer preferences, demographic trends, economic conditions and pricing strategies by competitors.

#### **Environmental Matters**

The Verizon Partnership is subject to various federal, state and local environmental protection and health safety laws and regulations, including those related to the location and construction of transmitter towers, and will incur costs to comply with those laws. Although the Verizon Partnership currently anticipates that such compliance will not materially adversely affect it, there is no assurance that material costs in the future will not be incurred due to the discovery of new facts or conditions, the occurrence of new releases of hazardous materials or a change in environmental laws.

## Intellectual Property

Verizon Communications owns the trademarks issued for Verizon and Verizon Wireless and some service offerings, such as SingleRate, that the Verizon Partnership intends to use. Verizon Communications has licensed these and other marks to Cellco Partnership on a non-exclusive basis until 2 1/2 years after it ceases to own any interest in Cellco Partnership or Cellco Partnership begins to use a different brand name. Neither Verizon Communications nor Cellco Partnership has any obligation to permit the Verizon Partnership to use these trademarks and could require the Verizon Partnership to discontinue their use at any time.

## Regulations and Broadband Wireless Service Systems

The licensing, construction, operation, acquisition and transfer of wireless systems in the United States are regulated by the FCC pursuant to the Communications Act of 1934, as amended by the Telecommunications Act of 1996 and other legislation and the associated rules, regulations and policies promulgated by the FCC. Wireless systems are subject to Federal Aviation Administration and FCC regulations governing the location, lighting and construction of transmitter towers and antennas and are subject to regulation under federal environmental laws and the FCC environmental regulations, including limits on radio frequency radiation from mobile handsets and antennas. State or local zoning and land use regulations also apply to tower siting and construction activities. States and localities also have authority to impose taxes and adopt consumer protections regulations.

A cellular system operates on one of two 25 MHz frequency blocks, known as the A and B blocks, in the 850 MHz band that the FCC allocates for cellular radio services, including two-way mobile voice applications, data applications and fixed wireless services. Cellular licenses are issued for either Metropolitan Statistical Areas (MSAs) or Rural Service Areas (RSAs), two in each area. 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 also uses common carrier point-to-point microwave facilities to connect its wireless cell sites and to link them to the main switching office. Where it uses point-to-point microwave facilities, the FCC licensed these facilities separately, and they are subject to regulation as to technical parameters and service. Microwave licenses must also be renewed every 10 years.

In addition to its cellular licenses, the Verizon Partnership also holds geographic service area licenses granted by the FCC which provide personal communications service (PCS). While most of the Verizon Partnership's competitors hold cellular or PCS licenses, one of its principal competitors, Nextel Communications, provides wireless service on frequencies allocated to the Specialized Mobile Radio service. The Verizon Partnership does not hold specialized mobile radio licenses.

A broadband PCS system operates on one of six frequency blocks in the 1800-1900MHz bands that the FCC allocated for personal communications services. PCS systems generally are used for services similar to cellular services. For the purpose of awarding PCS licenses, the FCC divided the country into 51 large regions called major trading areas, which are comprised of 493 smaller regions called basic trading areas. The FCC awarded two PCS licenses for each major trading area, known as the A and B blocks, and four licenses for each basic trading area known as C, D, E and F blocks. The two major trading area licenses authorize the use of 30 MHz of PCS spectrum. One of the basic trading area licenses is for 30 MHz of spectrum, and the other three are for 10 MHz each. The Verizon Partnership holds E block 10 MHz PCS licenses for the Macon, GA BTA and for a portion of the Atlanta, GA BTA.

## Spectrum Acquisitions

As is the case with many other wireless providers, the Verizon Partnership anticipates that it may need additional spectrum to meet future demand. The Verizon Partnership can attempt to meet its needs for new spectrum, in two ways, by acquiring spectrum held by others and by acquiring new spectrum licenses from the FCC. The Communications Act requires the FCC to award new licenses for most commercial wireless services to applicants through a competitive bidding process. If the Verizon Partnership needs additional spectrum, it may be able to acquire that spectrum through Cellco Partnership, if Cellco Partnership participates in an auction for any new licenses that may become available or by purchasing existing facilities and then contributing or selling such licenses or facilities to the Verizon Partnership for incorporation into its system. There can be no assurances that the Verizon Partnership will be able to acquire spectrum to meet its projected needs on a timely basis or at all, given the increasing competition for licenses among commercial mobile radio service providers and others seeking to become mobile radio service providers.

The FCC recently initiated a proceeding in which it tentatively concluded that it will modify certain rules governing benefits for businesses that qualify as designated entities ( DE ) in FCC auctions. In its proceeding, the FCC preliminarily concluded that it should modify its rules to restrict the award of DE status to an otherwise qualified DE which has a material relationship with a large in-region incumbent wireless service provider. The FCC also is seeking comment on whether it should restrict the award of DE status in cases where an otherwise qualified DE has a material relationship with a large entity that has a

significant interest in the provision of communications services, such as voice or data providers, content providers, equipment manufacturers, or other media interests. The FCC indicated that it intends to complete this proceeding in advance of the Advanced Wireless Services auction, which is currently scheduled to begin June 29, 2006, so that any modifications to its DE rules will apply to that auction. Any modifications to the FCC's DE regulations may impose additional costs on the Verizon Partnership's ability to obtain spectrum to meet its needs.

### Recent Federal Regulatory Developments

The FCC does not specify the rates that the Verizon Partnership may charge for its services nor does it require it to file tariffs for its U.S. wireless operations. However, the Communications Act states that an entity that provides commercial mobile radio services is a common carrier, and is thus subject to the requirements of the Act that it not charge unjust or unreasonable rates, nor engage in unreasonable discrimination. The FCC may invoke these provisions to regulate the rates, terms and conditions under which the Verizon Partnership provides service. In addition, the Act defines a commercial mobile radio service provider as a telecommunications carrier, which makes it subject to a number of other regulatory requirements in its dealings with other carriers and subscribers. These requirements impose restrictions on the Verizon Partnership's business and increase its costs. Among the requirements that affect it are the following:

The FCC has imposed rules for making emergency 911 services available by cellular, PCS and other broadband commercial mobile radio service providers, including enhanced 911 services that provide the caller's communications number, location and other information. These rules require the Verizon Partnership to make significant investments in its network and to reach agreements both with vendors of 911 equipment and state and local public safety dispatch agencies with no assurance that it can obtain reimbursement for the substantial costs it will incur. Many carriers, including the Verizon Partnership, have sought extensions of certain deadlines imposed under the FCC's enhanced 911 (E-911) regulations with respect to the penetration of location-capable handsets. The FCC has yet to act on many of these extension requests and, to the extent that the FCC denies these requests, the Verizon Partnership may sustain additional costs associated with the implementation of the E-911 requirements.

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. Many states are also moving forward to develop state universal service fund programs. A number of these state funds require contributions, varying greatly from state to state, from cellular carriers such as the Verizon Partnership. The FCC has been considering whether to change the method for calculating each carrier's contribution from being revenue-based to connection-based. The FCC has also initiated a proceeding to determine whether it should spread its universal service support fund contribution requirements to additional classes of telecommunications carriers. There can be no guarantee that the Verizon Partnership will be able to continue to pass the costs of the fund requirements on to its subscribers in the future.

The FCC has adopted rules regulating the use of telephone numbers by wireless carriers and other providers as part of an effort to achieve more efficient number utilization. In addition, it adopted rules on communications number portability that will enable customers to keep their communications number when switching to another carrier. Wireless carriers must offer number portability to their customers. The FCC has also adopted rules requiring wireless providers to provide functions to facilitate electronic surveillance by law enforcement officials pursuant to the Communications Assistance for Law Enforcement Act of 1995 and establishing standards for carriers to provide priority access to certain government and public safety agencies. These and other regulatory mandates and regulations will impose costs on the Verizon Partnership to purchase, install and maintain the software and other equipment needed.

Under reciprocal compensation, a cellular licensee is entitled to collect the same charges for terminating wireline-to-wireless traffic on their system that the Local Exchange Carriers (LEC) charge for terminating wireless-to-wireline calls. Carriers typically negotiate interconnection

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agreements, but in the event of a dispute, state public utility commissions, courts and the FCC all have a role in enforcing the interconnection provisions of the Telecom Act. Interconnection agreements are subject to modification, expiration or termination in accordance with their terms. The FCC is reassessing its interconnection compensation rules.

The FCC has adopted rules to govern customer billing by all telecommunications carriers. It adopted additional detailed billing rules for landline telecommunications service providers and has extended certain of these rules to commercial mobile radio service providers, which could add to the expense of the Verizon Partnership's billing process as systems are modified to conform to any new requirements.

The FCC has initiated a proceeding to determine whether it should impose additional regulations to prevent the unauthorized disclosure of sensitive customer information held by telecommunications carriers, including wireless providers. The commencement of the FCC's proceeding follows media reports that third-party data brokers have taken advantage of inadequate carrier security measures to gain access to personally-identifiable customer information under false pretenses. Under the FCC's Customer Proprietary Network Information (CPNI) regulations, telecommunications carriers must establish safeguards to protect against the unwarranted disclosure of customer CPNI and other personally-identifiable information. Any additional security requirements adopted by the FCC during its proceeding may impose additional costs on the Verizon Partnership and subject it to additional liability for any unwarranted disclosure of CPNI or personally-identifiable information.

The Communications Act generally preempts state and local regulation of the entry of, or the rates charged by, any provider of cellular service. 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 and the scope of state authority to maintain existing or to adopt new such requirements is unclear, activity by the states has been increasing. State and local taxation of wireless services also has increased in recent years, and many states now impose significant taxes and fees on the use of wireless services. Continued state activity in these areas may result in restrictions on the Verizon Partnership's business, increases in operating and compliance costs and reductions in demand for wireless services.

Other FCC rules determine the obligation of telecommunications carriers to make their services accessible to individuals with disabilities. Accordingly, the rules may require the Verizon Partnership to make material changes to its network, product line or services at its own expense.

The FCC also permits limited operation on unlicensed spectrum that can be used for Internet access, data transmissions and voice applications. These services, known as Wi-Fi or 802.11, may provide limited competition to the Verizon Partnership and may also be used by the Verizon Partnership to utilize its existing licensed spectrum more efficiently. The FCC has ordered the allocation of an additional 255 MHz of spectrum for use by unlicensed devices in the 5 GHz band. As a result of the ruling, unlicensed devices will have nearly 650 MHz of spectrum to use in the 5 GHz, 2.4 GHz, and 915 MHz bands. The FCC indicated that it allocated the additional spectrum to ensure that unlicensed devices do not experience interference in the increasingly congested 2.4 GHz band. Concerns over interference with U.S. military radar systems had delayed the spectrum allocation, but a compromise reached by the Department of Defense and the wireless industry should allow effective unlicensed operation in the 5 GHz band.

In January 2003, the FCC authorized mobile satellite service (MSS) providers to incorporate an ancillary terrestrial component (ATC) into their MSS systems. In conjunction with its ATC ruling, the FCC reallocated 30 MHz of MSS spectrum for fixed and mobile terrestrial services, including third-generation (3G) wireless offerings. Specifically, the Commission reallocated spectrum in the 1990-2000 MHz, 2020-2025 MHz and 2165-2180 MHz bands. The reallocation of this spectrum may enable wireless operators such as the Verizon Partnership to expand their service footprints with high-speed data technology to support advanced mobile services.

The ATC ruling could permit direct competition to the Verizon Partnership by MSS operators that include an ATC in their MSS systems. The FCC, however, imposed a number of conditions that MSS providers must meet prior to employing ATCs, including the provision of an integrated MSS/ATC service and the maintenance of a substantial satellite service, among others. Mobile Satellite Ventures has been authorized to incorporate an ATC into its MSS system in the L-band. The other L-band MSS provider in the U.S., Inmarsat, has indicated that it intends to pursue an MSS/ATC system as soon as it can find a partner to build out the terrestrial network. Inmarsat has not yet filed an application with the FCC to incorporate an ATC. Globalstar has been authorized to incorporate an ATC into its Big LEO satellite system. The other Big LEO satellite system, Iridium, has indicated that it has no plans to pursue an MSS/ATC system. The FCC in December 2005 divided the remaining 40 MHz of S-band spectrum (2 GHz range) between the two remaining MSS licensees in that band, TMI/TerreStar and ICO. Neither TMI/TerreStar nor ICO have filed ATC applications with the FCC but both companies have indicated that they intend to do so. Both TMI/TerreStar and ICO



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are in the process of manufacturing satellites to launch their MSS/ATC systems and have indicated that they intend to commence service in the 2007-2008 time frame.

**Certain Terms**



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Interests in cellular markets that are licenses 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 2000 population of an MSA or RSA, as derived from the 2000 U.S. Census. 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, 2005, the Company had three full-time employees.

### Available Information

The Company routinely files reports and other information with the SEC, including Forms 8-K, 10-K and 10-Q. The public may read and copy any materials the Company files with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy, and information statements, and other information regarding issuers that file electronically with the SEC. The address of that site is <http://www.sec.gov>.

The Company maintains a website at the address <http://www.pricecommunicationscorp.com/> containing information about the Company, its officers and directors and its policies and charters. Information on the Company's website is not incorporated herein.

The Company does not make its filings available on the Internet (except through the SEC's Internet site) since all the filings are readily available on that SEC site. Paper copies of the Company's annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act may be obtained free of charge upon request, by writing to the Company at 45 Rockefeller Plaza, Suite 3200, New York, New York 10020.

### Item 1A. Risk Factors

*Any dissolution of the Company is subject to various uncertainties.*

Under the Company's lock up agreement with Verizon, a dissolution of the Company is not permitted until 360 days after the exchange of the Preferred Exchangeable Interest for Verizon stock. The Company currently expects that the Preferred Exchangeable Interest will be exchanged for common stock of Verizon Communications on or about August 15, 2006. If this happens, dissolution cannot, in general, occur prior to approximately August 2007. Notwithstanding that the board is pursuing the dissolution of the Company, under New York State law, the affirmative vote of at least 66 2/3% of Price's outstanding shares will be required at a shareholders meeting to approve a dissolution of the Company. In recent votes of Price's shareholders between 6% and 18% of Price's shareholders have failed to vote (with any such failure to vote at a meeting of shareholders making it more difficult to reach the 66 2/3% affirmative vote required to approve dissolution). The board of directors consequently believes that it may be difficult at any future shareholders' meeting to obtain the necessary votes to approve dissolution.

*A failure to dissolve the Company could result in significant adverse tax consequences to the Company and the Company's shareholders.*

Unless the Company is dissolved within one year following an exchange of the Preferred Exchangeable Interest for shares of Verizon common Stock, and the Verizon common stock is distributed to shareholders pursuant to a plan of dissolution, any subsequent sale or distribution of Verizon common stock will cause the Company to recognize a substantial amount of taxable gain which may result in the Company incurring substantial tax liability. For example, if the Company were to receive 29,473,000 shares of Verizon common stock and sell all of those shares at \$31.66 per share, which was the closing market price of Verizon common stock on January 31, 2006, the taxable gain resulting from the sale would exceed \$1.17 billion.

In addition, in the event the Company were not dissolved within such one year period, if the Company's board of directors determined to make a subsequent distribution of the Verizon common stock to the Company's shareholders that was not in dissolution of the Company, the value of the stock distributed would be treated as a dividend to the extent of the Company's current or accumulated earnings and profits (which would include the gain recognized by the Company on the distribution of the stock), and taxed to the shareholders as ordinary dividend income. Any amount in excess of earnings and profits would be treated as a return of basis, to the extent thereof, and thereafter as capital gain. If the Verizon common stock is sold by the Company, a

distribution of the cash proceeds would be treated in the same manner. Alternatively, if the shareholders approved a subsequent distribution to shareholders at a future meeting of shareholders in dissolution of the Company (which would require a 66 2/3% affirmative vote of the shareholders at a future meeting of shareholders), each shareholder would recognize gain or loss to the extent of the difference between the value of the Verizon common stock (and any other Company assets) received by the shareholder and the aggregate tax basis of shares in the Company held by the shareholder.

*If the Company does not dissolve it may be unable to identify a new business meeting the Company's economic and fiduciary requirements.*

Although the Company has reviewed a number of potential acquisitions and other opportunities, it has been unable to identify or succeed in acquiring any business that would meet the economic and fiduciary requirements of its board of directors particularly in light of the adverse tax consequences that would result if the Company is not dissolved.

*If the Company retains the Verizon common stock, it may have to register as an investment company.*

If the Company retains the Verizon common stock, it may have to register as an investment company under the Investment Company Act, which could significantly limit the Company's ability to take advantage of potential business opportunities and would also impose stringent regulatory requirements.

*The Company or PCW may be subject to substantial income tax liability as a result of the asset contribution and the exchange of the Preferred Exchangeable Interest.*

Although Proskauer Rose LLP has opined, subject to certain assumptions and conditions, that neither the asset contribution nor the exchange of the Preferred Exchangeable Interest for Verizon common stock should be a taxable transaction to PCC or PCW, there is a risk that the asset contribution or the exchange will be a taxable transaction, which may result, in either case, in PCC or PCW incurring in excess of \$500 million of federal, state and local income tax liability.

*Future activities of Robert Price.*

Although Robert Price has informed the Company that he currently plans to remain with the Company if it determines to seek to acquire another business, Mr. Price has stated that it is possible that he will leave the Company and begin another company, including for the purpose of pursuing one of the acquisitions or other business opportunities studied by the Company and Mr. Price.

*The Preferred Exchangeable Interest is non-transferable and the Verizon common stock issuable upon an exchange is subject to lock-up agreements.*

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Except for certain intercompany transfers or a pledge of all of the Preferred Exchangeable Interest in connection with a financing transaction consented to by Cellco Partnership, the Preferred Exchangeable Interest is non-transferable by the Company. In addition, the shares of Verizon common stock issuable upon an exchange are subject to lock-up agreements, which restrict the ability of the Company to dispose of such shares for a period of time.

*The Company has limited sources of cash, and its funds may be insufficient to meet its obligations.*

Until the exchange of the Preferred Exchangeable Interest for Verizon common stock, the Preferred Exchangeable Interest and the investments in the collateral account are expected to be substantially all of the Company's assets. For a period of up to four years after August 15, 2002, PCW will receive taxable allocations of any profits from the Verizon Partnership equal to its preferred return (which allocations to the extent not distributed in cash, will increase PCW's capital account in the Verizon Partnership). PCW will receive cash distributions equal to 50% of its preferred return. During the period, the Company expects to have as sources of cash, the cash distributions from the Verizon Partnership prior to the exchange for Verizon stock, income from interest or dividends on investments in the collateral account, and other cash balances and funds that the Company may be able to borrow. The Company currently anticipates that its cash and income are sufficient to meet any cash obligations in the future. There is a remote risk, however, if significant unexpected cash needs arise (such as a demand for payment under the

Company's guaranty to Verizon Communications), 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.

*There are restrictions on the Company's activities*

Price and PCW obtained an order from the SEC exempting them from all provisions of the Investment Company Act in connection with the asset contribution. The exemption will terminate in August 2006, and will coincide with the exchange of the Preferred Exchangeable Interest in the Verizon Partnership for shares of Verizon Communications common stock. Until August 2006, Price and PCW will remain subject to the conditions of the order, which include limits on the types of securities that Price may hold, and prohibitions on certain types of business.

*The Company has limited management rights with respect to the Verizon Partnership.*

Subject to the veto rights granted to the Company under the limited partnership agreement of the Verizon Partnership relating to, among other things, acquisitions and dispositions of assets, engaging in other business activities, incurring indebtedness, capital contributions and distributions, related party transactions and equity issuances, a subsidiary of Celco Partnership will have the right to manage the Verizon Partnership as its managing general partner. There are no assurances that such subsidiary will be successful in managing the Verizon Partnership or that such subsidiary's interests in managing the Verizon Partnership will not conflict with the interests of the Company.

*Possible delisting of the Company's shares.*

As a result of the asset contribution transaction with Verizon Wireless, the Company currently has no operating assets. Under the rules of the New York Stock Exchange, if a listed company's operating assets are substantially reduced or if the company ceases to be an operating company, the Exchange may in its discretion initiate delisting procedures. If the dissolution is approved by the Company's shareholders, the Company expects that its shares will be delisted from the New York Stock Exchange.

#### **Item 1B. Unresolved Staff Comments**

None.

#### **Item 2. Properties**





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The Company maintains one office, its headquarters in New York City, and occupies approximately 5400 square feet. The monthly lease payments are approximately \$27,000 per month through December 31, 2007.

### **Item 3. Legal Proceedings**



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The Company is not currently involved in any pending legal proceedings likely to have a material adverse impact on the Company. The Company is party to a number of separate actions instituted by minority interest holders in the Company's subsidiary corporations, general partnerships and limited partnerships alleging misconduct or asserting dissenters' rights in connection with the dissolution or mergers of various such entities affected in connection with the contribution of the Company's wireless business to the Verizon partnership. These actions are pending in the United States District Court for the Middle District of Georgia and the Court of Chancery of the State of Delaware in and for New Castle County. The Company has tentatively agreed to a settlement of all such actions in exchange for \$16 million, subject to the Company obtaining permission from Verizon to withdraw approximately \$11 million from the collateral account.

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

Not Applicable.

**PART II****Item 5. Market for Company's Common Stock, Related Stockholder Matters and Issuer Purchases of Equity Securities***(a) Market for Common Stock*

PCC is listed on the New York Stock Exchange ( NYSE ) under the ticker symbol PR . The range of high and low last sale prices for PCC's Common Stock on the NYSE for each of the quarters of 2005 and 2004 as reported by the NYSE was:

Quarter	2006		2005		2004	
	High	Low	High	Low	High	Low
First (through February 28, 2006)	\$ 16.92	\$ 14.86	\$ 18.40	\$ 17.11	\$ 15.13	\$ 13.39
Second			17.50	16.33	15.33	14.28
Third			17.69	16.15	15.60	13.97
Fourth			16.41	14.69	18.62	15.39

PCC's Common Stock has been afforded unlisted trading privileges on the Archipelago (f/k/a 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 February 28, 2006 there were approximately 300 holders of record of PCC's Common Stock. The Company estimates that brokerage firms hold Common Stock in street name for approximately 1,900 persons.

*(c) Dividends*

PCC 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.

*(d) Securities Authorized for Issuance Under Equity Compensation Plans*

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EQUITY COMPENSATION PLAN INFORMATION as of December 31, 2005

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options (a)</b>	<b>Weighted average exercise price of outstanding options (b)</b>	<b>Number of securities available for future issuance (c)</b>
Equity Compensation Plans Approved by Shareholders	637,956	\$ 24.52	1,916,250
Equity Compensation Plans Not Approved by Shareholders	None	None	None

*(e) Issuer Purchases of Securities*

None.

**Item 6. Selected Consolidated Financial Data**

The following tables contain certain consolidated financial data with respect to the Company for the periods and dates set forth below. This information has been derived from the audited consolidated financial statements of the Company.

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 Operating Statement Items  
Year ended December 31,**



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	(amounts in thousands except per share data)				
	2005 Audited	2004 Audited	2003 Audited	2002(1) Audited	2001 Unaudited(4)
Service revenue				168,935	\$ 271,943
Equipment sales and installation				11,635	17,731
Income from partnership	\$ 33,822	\$ 33,332	\$ 32,837	12,380	
Revenue	33,822	33,332	32,837	192,950	289,674
Engineering, technical and other direct expenses				39,370	58,922
Cost of equipment				19,124	33,028
Selling, general and administrative expenses	5,979	6,124	8,243	46,736	74,738
Depreciation and amortization	83	38		15,859	47,975
Other (income) expense:					
Loss on impairment in value of partnership interest	289,600				
(Gain) loss on contribution of cellular business	5,483	10,519	1,082	(659,181)	
Interest (income) expense, net	(375)	(69)	2,968	41,585	61,248
Other (income) expense, net	1,575	(12,526)	(10,097)	427	(7,157)
Total other (income) expense	296,283	(2,076)	(6,383)	(617,169)	54,091
Minority interest					631
Income tax (benefit) expense	(85,883)	(43,030)	9,554	231,151	7,045
Net income (loss)	\$ (182,640)	\$ 72,276	\$ 21,087	\$ 457,879	\$ 13,244
Per share amounts (2):					
Basic (loss) earnings per share	\$ (3.25)	\$ 1.28	\$ .37	\$ 7.99	\$ .23
Diluted (loss) earnings per share	(3.25)	\$ 1.28	\$ .37	\$ 7.94	\$ .23
<b>Other Data:</b>					
Capital expenditures	\$ 3	\$ 266		\$ 9,725	\$ 18,620
Net cash provided by (used in):					
Operating activities	\$ (17,276)	\$ (27,694)	\$ (12,621)	\$ 26,835	\$ 67,745
Investing activities	18,351	30,551	5,601	(245,684)	10,381
Financing activities	253	(6,617)	(7,214)	(6,865)	(12,387)
Ratio of earnings to fixed charges (3)	N/A	N/A	N/A	16.08x	1.27x

(1) On August 15, 2002, the Company contributed the operations of PCW to the Verizon Partnership; therefore results for the year ended December 31, 2002 include results for the wireless operations of the Company through that date.

(2) Per share amounts have been retroactively adjusted to reflect a 5% stock dividend in May 2004.

(3) The ratio of earnings to fixed charges for the years 2001 and 2002 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 the years after 2002 since the Company did not have any debt.

(4) Restated to reflect correction in accounting for non-cash compensation and related tax benefit. The financial statements for the year ending December 31, 2002 are unaudited due to the restatement, and because the Company's auditors for that period, Arthur Andersen & Co. ceased operation and were unable to reaudit.

**Consolidated Balance Sheet Items  
As of December 31,**

	<b>2005 Audited</b>	<b>2004 Audited</b>	<b>2003 Audited</b>	<b>2002 Audited</b>	<b>2001 Unaudited(4)</b>
Total Current Assets	\$ 77,823	\$ 26,989	\$ 20,086	\$ 25,243	\$ 289,392
Total Assets	961,232	1,274,103	1,246,423	1,229,712	1,261,698
Total Current Liabilities	21,244	21,806	10,270	6,714	56,751
Long-Term Debt					700,000
Shareholders' Equity	516,640	709,259	641,988	628,833	175,642

See Footnotes on preceding page.

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

**Overview**

The Company was engaged in the construction, development, management and operation of cellular telephone systems in the southeastern United States. Effective August 15, 2002, the Company contributed substantially all of the assets and liabilities of its operating subsidiary, Price Communications Wireless, Inc. (PCW), to the Verizon Partnership. Accordingly, the Company had no operating assets in the years ended December 31, 2005, 2004 and 2003.

The Company remains listed on the New York and other stock exchanges, has an illiquid preferred partnership interest in the Verizon Partnership, cash and marketable securities, but has no operating assets.

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

On August 15, 2002, the Company contributed substantially all of the assets of PCW and approximately \$149 million in cash to Verizon Wireless of the East (Verizon Partnership) in exchange for a preferred limited partnership interest in the Verizon Partnership. The Verizon Partnership assumed certain liabilities of PCW relating to the contributed business. After giving effect to certain adjustments, as defined in the transaction agreement, PCW's initial capital account approximated \$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 after August 15, 2002 equal to its preferred return, which currently approximates 2.9% per annum. The Company receives in cash 50% of its preferred return, with the balance being added to its capital account.

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 debt. PCW guaranteed such indebtedness. However, PCW is not obligated to make payment under the guaranty until Verizon Communications has exhausted all remedies against the Verizon Partnership. The Company believes that the probability of the guaranty being enforced is remote. Price guaranteed PCW's obligation under the guaranty, and deposited \$70 million in cash (\$71.2 million as of December 31, 2005) and other property into a collateral account to secure the guaranty. Price controls the investment of the assets in the collateral account, and has the right to withdraw certain sums such as dividends and interest on investments from the account. Upon consummation of an exchange as described below, the funds held in the collateral account will be released to the Company if the net worth of the Verizon Partnership is at least \$500 million. Based upon the most recent financial statements of the Verizon Partnership, the Company believes that the net worth condition will be satisfied. As a result, the Company expects to receive all of the funds held in the collateral account upon the consummation of the exchange.

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Preferred Exchangeable Interest is exchangeable for common stock of either Verizon Wireless Inc. (if a qualifying initial public offering of Verizon Wireless occurs by August 15, 2006) or Verizon Communications Inc. (if, in general, such an offering does not occur). At the time PCC negotiated the transaction with Verizon, PCC's board of directors and management thought it possible that a qualifying initial public offering of Verizon Wireless would occur and that, consequently, PCC could probably receive Verizon Wireless common stock. On January 29, 2003, however, Verizon Wireless announced the withdrawal of its registration statement for an initial public offering of its common stock, given Verizon Wireless' ongoing strong cash flow and lack of significant funding requirements. Moreover, since PCC entered into its transaction with Verizon, PCC has received no other indications as to if or when a Verizon Wireless public offering might occur. As a result, PCC does not believe that such an offering will take place in the foreseeable future.

PCC expects that the Preferred Exchangeable Interest will be exchanged for common stock of Verizon Communications on or about August 15, 2006. If this happens, the number of shares of Verizon Communications common stock issued to PCC

would equal the amount of PCW's capital account in the Verizon Partnership divided by the 20-day average closing price of the Verizon Communications common stock, but such price may not be less than \$40 or more than \$74. Verizon Communications common stock has been trading substantially below the \$40 per share minimum price. If the trailing 20-day average closing price of Verizon common stock at the time of the exchange is at or below \$40 per share, the Company would receive fewer shares than the shares of Verizon common stock that the Company could purchase in the open market with the dollar equivalent of our capital account. As a result of this, the Company has treated the investment in the partnership as other-than-temporarily impaired. It has valued the partnership account based upon the closing price of Verizon as of December 31, 2005 (\$30.12 per share). Consequently, the Company recognized a pretax impairment loss of \$289.6 million for the year ended December 31, 2005 based upon the lower price of the Verizon stock it would receive if the exchange had occurred on December 31, 2005. Since the balance sheet date, the price of Verizon has partially recovered. During the month of February, Verizon stock closed as high as \$34.44. If the valuation of the Company's partnership interest had been made at that price, which would not be in accordance with generally accepted accounting principles in the United States, the impairment loss would have been less by approximately \$126.6 million. Management believes that presentation of this non-GAAP information is useful to investors' appreciation of the sensitivity of the impairment charge to changes in the per share price of Verizon Communications common stock.

If PCC receives Verizon Communications shares in August 2006, such shares would, under the terms of PCC's lockup agreement with Verizon, become eligible for distribution to PCC's shareholders in August 2007. The Board of Directors of the Company has determined to pursue the dissolution of the Company, subject to shareholder approval.

The Company has accounted for the Preferred Exchangeable Interest in a manner similar to the equity method of accounting. The initial investment on the Company's balance sheet equaled the credit in its capital account on the Verizon Partnership's financial statements. Thereafter, the Company increased its investment by the amount of income it was entitled to based on the availability of profits and the agreed upon preferred rate of return and reduced its investment balance by any cash distributed by the Verizon Partnership to the Company. At December 31, 2005, the Company realized an impairment loss of \$289.6 million on the partnership interest as described above.

## **Results of Operations**

**Year ended December 31, 2005 compared to year ended December 31, 2004**

During the years ended December 31, 2005 and 2004, the Company had no operating assets and its main source of income was the investment in the Verizon Partnership. During the year 2005, the Company had \$33.8 million of income from the partnership, slightly higher than the \$33.3 million in 2004, due to the higher balance which has accumulated in the Company's partnership account.

The Company incurred \$6.0 million of general and administrative expenses during the year 2005 compared to \$6.1 million in 2004, a decrease of about 2 percent. For the year ended December 31, 2005 and 2004, the largest of the general and administrative expenses were salaries \$2.7 million and \$2.8 million and legal expenses \$1.8 million and \$1.7 million, respectively, primarily related to the ongoing valuation cases with the Company's former minority partners.

*Loss due to impairment in value of Verizon partnership.* The Company recorded an impairment charge of \$289.6 million at December 31, 2005 on its investment in the Verizon partnership. The assessment of other-than-temporary impairment reflects the decline during 2005 of the stock price of Verizon common stock which the partnership is expected to be exchanged for in August 2006. Management was unable to predict when and if the stock price would again rise above \$40. The impairment charge is based on the value that the Company would have received if such exchange had been made as of December 31, 2005, when Verizon common stock closed at \$30.12 per share. During the year 2005, Verizon common stock closed at prices ranging from \$29.13 to \$41.06, although it was below \$40 for most of the year. Since December 31, 2005 through February 28, 2006, the stock has risen as high as \$34.44 per share. If the impairment charge had been recorded at that price, which would not be in accordance with Generally Accepted Accounting Principles in the United States, the loss would have been reduced by approximately \$126.6 million. (See Notes 2 and 3 of Notes to Consolidated Financial Statements.)

*Estimated Liability to Former Minority Holders.* The Company accrued an additional \$5.5 million in 2005 compared to \$10.5 million in expense in 2004 to increase its estimated liability to former minority interest holders. On August 1, 2005, the Company was notified that the Supreme Court of the State of Delaware affirmed the judgment in the case of Gerhard Frank Dobler et al ( Dobler ) v. Montgomery Cellular Holding Co. Inc. ( MCHC ) which the Company had appealed during 2004. (See Year ended December 31, 2004 compared to year ended December 31, 2003 below.) The affirmation by the court also made the Company responsible for payment of the petitioners' reasonable legal fees. The judgment was paid out of the escrow account that had been set up after the 2004 Opinion and Final Order. On October 19, 2005, the petitioners filed an application for legal and expert fees in the amount of \$2,459,000. The Company is contesting the reasonableness of such amount. The judge has assigned this matter to a special master to determine the reasonability of petitioners' legal fees. The Company paid approximately

\$1,421,000 of the legal and expert fees and the remainder of \$1,038,000 has been accrued as part of the estimated liability to former minority partners, pending the judgment by the court.

In addition, during 2005, the Company entered into negotiations to settle the remaining claims of the former minority holders. The Company has tentatively agreed to a settlement with all remaining parties in the amount of \$16 million, subject to Verizon's release of approximately \$11 million from the collateral account. The Company has provided in full for the settlement as of December 31, 2005. The provision for 2005 and 2004 for former minority holders is reflected as loss on contribution of cellular business on the statement of operations and comprehensive income.

*Net Interest Expense, Other Income, Income Taxes and Net Income.* Interest expense for the year ended December 31, 2005 was \$57,000 and was related to a balance due on a prior year's tax audit.

The Company had \$1.6 million of other expense, net in 2005 compared to \$12.5 million of other income, net in 2004. In 2004, the Company had \$8.1 million of realized gains on sales of securities, mainly in the Company's collateral account, compared to only \$439,000 in 2005 due to unfavorable market conditions and declines in value in equity securities held in the Company's portfolio. Additionally, the Company determined that at December 31, 2005, holdings of Ford common stock that had declined in value could not be expected to recover to the Company's cost in the foreseeable future and therefore, the Company has treated these holdings as other-than-temporarily impaired and recognized a pre-tax loss of approximately \$5.5 million on such securities for the year ended December 31, 2005. (See Note 3 of Notes to consolidated financial statements.)

The Company had income tax benefits of \$85.9 million and \$43.0 million for the years 2005 and 2004. In 2005, the tax benefit was accrued based upon the Company's net loss due mainly to the impairment loss on the Verizon partnership. In 2004, following the expiration of applicable statutes of limitations, the Company reversed a \$53.165 million of accrued income taxes-long term resulting in a reduction of income tax expense for that amount for the year. The Company incurred \$10.1 million of tax expense on pretax income of \$29.2 million in 2004 which was netted against that tax benefit.

The Company incurred a net loss of \$182.6 million for the year ended December 31, 2005 compared to net income of \$72.3 million for the year ended December 31, 2004. In 2005, the loss was caused mainly by the loss on the impairment in the Verizon partnership of \$289.6 million offset in part by the above mentioned tax benefits. In 2004, the Company's net income was boosted by other income, net of \$12.5 million and the reversal of the accrued income taxes of \$53.165 million and offset by amounts due to the Company's minority partners of \$10.5 million.

#### **Year ended December 31, 2004 compared to Year ended December 31, 2003**

During the years ended December 31, 2004 and 2003, the Company had no operating assets and its main source of income was the investment in the Verizon Partnership. During the year 2004, the Company had \$33.3 million of income from the partnership, slightly higher than the \$32.8 million in 2003, due to the higher balance which has accumulated in the Company's partnership account.

The Company incurred \$6.1 million of general and administrative expenses during the year 2004 compared to \$8.2 million in 2003. This difference was primarily due to legal settlements expensed during 2003 of approximately \$1.9 million in connection with two matters related to

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the Company's wireless business prior to its merger into the Verizon partnership. Expenses for such settlements netted only \$15,000 in 2004. For the year ended December 31, 2004, the largest of the general and administrative expenses were salaries (\$2.8 million) and legal expenses (\$1.7 million), primarily related to the ongoing valuation cases with the Company's former minority partners.

*Estimated Liability to Former Minority Partners.* The Company accrued an additional \$10.5 million in expense to increase its estimated liability to former minority interest holders during 2004. On September 30, 2004, the Court of Chancery of the State of Delaware issued a Memorandum Opinion in the case of Dobler v. MCHC et al, the appraisal action to determine the value of the shares held in MCHC, by Mr. Dobler and other petitioners at the time of the merger of those shares into Palmer. The Court held that PCW, Palmer and MCHC jointly and severally owed \$12.7 million to the Petitioners as payment for their minority shares in MCHC, including pre-judgment interest. On October 13, 2004 a Final Order and Judgment ( Final Order ) was entered. PCW, Palmer and MCHC appealed the Memorandum Opinion and Final Order to the Supreme Court of the State of Delaware on November 12, 2004, by asserting that both contained errors of law and fact that warrant a remand to the Court of Chancery to further consider the amount due to the Petitioners.

Prior to the issuance of the Memorandum Opinion and Final Order, the Company had accrued \$16 million for amounts potentially due in this case and other similar minority valuation cases, its best estimate of these amounts. The Company accrued an additional \$10.5 million to provide for the higher valuation, including interest to December 31, 2004, by the Court in the Dobler case, on the assumption that this valuation would be the basis for determining value of the minority interests in such other



cases. The \$10.5 million provision is reflected as loss on contribution of cellular business on the statement of operations and comprehensive income

**Net Interest Expense, Other Income, Income Taxes and Net Income.** Interest expense for the year ended December 31, 2003 was \$3.1 million was related to a tax audit.

The Company had \$12.5 million of other income, net in 2004 compared to \$10.1 million in 2003. The increase was due to increased realized gains on sales of securities, mainly in the Company's collateral account, of \$8.5 million compared to \$5.9 million in 2003, an increase of \$2.6 million.

The Company had an income tax benefit for the year 2004 of \$43.0 million compared to an expense of \$9.6 million in 2003. During the third quarter of 2004, following the expiration of applicable statutes of limitations, the Company reversed the \$53.165 million of accrued income taxes-long term resulting in a reduction of income tax expense for that amount for the year. The Company incurred \$10.1 million of tax expense on pretax income of \$29.2 million which was netted against that tax benefit.

Net income was \$72.3 million for the year ended December 31, 2004 compared to \$21.1 million for the year ended December 31, 2003. The difference was mainly due to the reversal of the long term tax liability, partially offset by the increase of \$10.5 million in the accrual for amounts due to former minority interest holders.

#### **Liquidity and Capital Resources**



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As a result of the asset contribution transaction with Verizon, the Company has substantial assets but due to their illiquid nature, limited future sources of revenue and cash. From the asset contribution transaction (August 15, 2002) to the expected exchange of the Preferred Exchangeable Interest for Verizon Communications Inc., the Preferred Exchangeable Interest, and the investments in the collateral account described under Contribution of the Company's Wireless Business to the Verizon Partnership above are expected to be substantially all of the Company's assets. After the asset contribution for a period of up to four years through August 15, 2006, PCW's share of partnership profits (if available) will be determined by multiplying a rate of return (currently approximately 2.9% per annum) by the balance in its capital account. Of such share of profits (taxable whether or not distributed), PCW is entitled to receive 50% in cash, with the balance being added to its capital account in the Verizon Partnership. During the year ended December 31, 2005 the Company received \$16.8 million in distributions and expects to receive such distributions on a pro-rata basis for the remainder of the four year period ending on approximately August 15, 2006.

During the period following the asset contribution, the Company retained sufficient cash to meet its requirement under the collateral agreement and as of December 31, 2005 had unencumbered cash and securities equal to approximately \$6.5 million to meet its current needs. Besides the anticipated quarterly cash distributions from the Verizon Partnership, the Company had and will have potential additional sources of cash from interest and dividends on investments in the collateral account and its other cash.

The Company has tentatively settled with all remaining parties who brought suits resulting from the 2001 mergers of its subsidiaries into Palmer Wireless Holdings, Inc. (a wholly-owned subsidiary of the Company). This settlement in the amount of \$16 million has been accrued on the Company's balance sheet as of December 31, 2005, and is subject to the Company obtaining permission from Verizon to withdraw approximately \$11 million from the collateral account. Additionally, there is an amount of \$1,038,000 in legal fees pending from the judgment in the Supreme Court of the State of Delaware in the case of Gerhard Frank Dobler et al v. Montgomery Cellular Holding Co. Inc. which has also been accrued.

The Company currently anticipates that its cash and income will be sufficient to meet any cash obligations in the future. There is a remote risk, however, if significant unexpected cash needs arise (such as a demand for payment under the Company's guaranty to Verizon Communications), that its funds (including distributions, interest and dividends) 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. The board of directors of the Company has determined to pursue a dissolution of the Company, subject to shareholder approval (see Item 1 for further details.)

The following table presents the Company's contractual obligations as of December 31, 2005, which consist only of its obligations under its lease for office space in New York City.

Contractual Obligations	Total	Payment due by period			
		Less than 1 year	1-3 years	3-5 years	More than 5 years
Operating Leases	\$ 648,000	\$ 324,000	\$ 324,000	None	None

*Significant 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 in accordance with the standards of the Public Company Accounting Oversight Board (United States). The preparation of our financial statements requires us to make estimates that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosures 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:

***Investment in Limited Partnership.*** The Company has accounted for the Preferred Exchangeable Interest in the investment in limited partnership in a manner similar to the equity method of accounting. The initial investment on the Company's balance sheet equaled the credit in its capital account on the Verizon Partnership's financial statements. Thereafter, the Company increased its investment by the amount of income it was entitled to based on the availability of profits and the agreed upon preferred rate of return and reduced its investment balance by any cash distributed by the Verizon Partnership to the Company.

***Financial Instruments.*** At December 31, 2005 and 2004, 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 in the Company's own 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 options issued. Therefore, such unsettled contracts have been classified as liabilities in the accompanying consolidated balance sheets (if unsettled at the balance sheet date), with changes in fair values recorded as part of other (income) expense. As of December 31, 2005 and 2004, there were no unsettled contracts outstanding.

***Other-than-temporary impairment in investments.*** Investments are reviewed periodically to determine if they have sustained any impairment in value that is considered to be other than temporary. If available-for-sale securities are determined to be impaired, the cost basis of the investment is written down to fair value at the balance sheet date and a corresponding realized loss is charged to the income statement in the period in which it is determined. If unquoted investments held at cost are determined to be impaired, the carrying value of the investment is written down to estimated fair value at the balance sheet date and a corresponding impairment expense is charged to the income statement in the period in which it is determined. The identification of potentially impaired investments, the assessment of whether any decline in value is other than temporary, and, for the unquoted investment in particular, the estimation of fair value involves significant management judgment. These judgments impact the carrying value of the investments in the consolidated balance sheets and the results from continuing operations.

The Company recorded an impairment charge of \$289.6 million during the year ended December 31, 2005 on its investment in the Verizon partnership. The assessment of other-than-temporary impairment reflects the decline during 2005 of the stock price of Verizon common stock which the partnership is expected to be exchanged for in August 2006. Management was unable to predict when and if the stock price would again rise above \$40. The impairment charge is based on the value that the Company would have received if such exchange had been made as of

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December 31, 2005, when Verizon common stock closed at \$30.12 per share. During the year 2005, Verizon common stock closed at prices ranging from \$29.13 to \$41.06, although it was below \$40 for most of the year. Since December 31, 2005 through February 28, 2006, the stock has risen as high as \$34.44 per share. If the impairment charge had been recorded at that price, which would not have been in accordance with generally accepted accounting principles in the United States, the impairment charge would have been reduced by approximately \$126.6 million.

The Company also recorded an impairment charge of \$5.5 million on Ford common stock which it holds its portfolio. The assessment of other-than-temporary impairment reflects the decline during 2005 of the stock price of Ford common stock. This investment has been below cost for a significant period of time in light of Ford's ongoing financial problems. Management was unable to predict when and if the stock price would again rise above the Company's cost.

**Share-Based Payment.** In December 2004, the FASB issued FAS No. 123 (R), *Share-Based Payment*, which establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value

of the entity's equity instruments or that may be settled by the issuance of those equity instruments. This Statement focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. This Statement does not change the accounting guidance for share-based payment transactions with parties other than employees provided in FAS 123 originally issued and EITF Issue No. 96-18, *Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling Goods or Services*. This Statement is effective for interim and annual periods beginning after June 15, 2005 and applies to all outstanding and unvested stock-based payment awards at the date of adoption. We anticipate the adoption of FAS 123 ( R ) will affect our results of operation to an extent similar to that as presented in our FAS 123 pro forma disclosure included in the Company's consolidated financial statements (note 3 to Consolidated Financial Statements).

**Item 7A. Quantitative and Qualitative Disclosures About Market Risk**

The only market risk that the Company is exposed to relates to the Company's investment securities, whose values fluctuate with the market and have been adjusted to reflect the market values as of December 31, 2005. On or about August 15, 2006, the Company's investment securities will include the Verizon Communications common stock it will receive in exchange for its investment in the Verizon Partnership which stock is subject to a 360 day lockup before the Company can distribute it to its shareholders.

In addition, the realizability of the Company's carrying value of its investment in the Verizon Partnership could be affected if the 20-day average closing price of Verizon Communications common stock prior to the date that the investment in the Verizon Partnership is exchanged into Verizon common stock is below \$30.12. The Company believes its investment in the Verizon Partnership is realizable at its carrying value at December 31, 2005.

**Item 8. Financial Statements and Supplementary Data**

See Index to Consolidated Financial Statements on page 27.

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

None

**Item 9A. Controls and Procedures**

*Evaluation of Disclosure Controls and Procedures*

As of December 31, 2005 the Chief Executive Officer and the Chief Financial Officer of the Company carried out an evaluation of the effectiveness of the Company's design and operation of disclosure controls and procedures (as such term is defined in Rules 13a-15 (e) and 15d-15(e) promulgated under the Securities and Exchange Act of 1934, as amended). Since the contribution of the Company's wireless business in 2002 to a limited partnership controlled by Verizon Wireless, Inc. as described in the Annual Report to Shareholders in Item 1, the Company has not had an active operating business. The Company is primarily a holding Company for its investment in the Verizon Partnership and for other investments in marketable securities and cash. The Company has reduced its staff to a minimal level to support these activities and maximize shareholder value.

The evaluation considered our various procedures designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission. The Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2005.

*Management's Report on Internal Control and Financial Reporting*

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in the securities and Exchange Act of 1934 Rule 13A-15(f) or 15d-15(f)). Those rules define internal control over financial reporting as a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;

provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal controls over financial reporting may not prevent or detect misstatements or fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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During 2005, we devoted significant resources and time to comply with the provision of the Sarbanes Oxley Act related to internal control over financial reporting. Based on our work, management assessed the effectiveness of our internal control over financial reporting as of December 31, 2005 using the criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).



Based upon our assessment, management has concluded that, as of December 31, 2005, our internal control over financial reporting was effective.

*Changes in Internal Control over Financial Reporting*

There were no changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2005 that materially effected or are reasonably likely to significantly affect our internal controls over financial reporting.

Management's assessment of our internal control over financial reporting has been audited by BDO Seidman, and independent registered public accounting firm, as stated in their report which follows.

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Board of Directors and Stockholders  
Price Communications Corporation  
New York, New York

We have audited management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting, that Price Communications Corporation and subsidiaries maintained effective internal control over financial reporting as of December 31, 2005, based on the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a



material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that Price Communications Corporation and subsidiaries maintained effective internal control over financial reporting as of December 31, 2005, is fairly stated, in all material respects, based on the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Price Communications Corporation and subsidiaries as of December 31, 2005 and 2004 and the related consolidated statements of operations and comprehensive income (loss), shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2005 and our report dated March 14, 2006 expressed an unqualified opinion.

/s/ BDO Seidman, LLP  
New York, New York  
March 14, 2006

**PART III**

The information called for by Items 10, 11, 12, 13 and 14 is incorporated herein by reference from the following portions of the definitive proxy statement to be filed by the Company in connection with its 2006 Meeting of Shareholders.

<b>Item</b>	<b>Incorporated from</b>
Item 10. Directors and Executive Officers of the Company	Directors and Executive Officers and Section 16 (a) Beneficial Ownership Reporting Compliance
<p>Price has adopted a code of ethics that complies with Item 406 of Regulation S-K and NYSE Listing requirements. A copy of Price's code of ethics may be obtained free of charge upon request, by writing to Price Communications Corporation at 45 Rockefeller Plaza, New York, New York 10020.</p>	
Item 11. Executive Compensation	Executive Compensation and Related Transactions
Item 12. Security Ownership of Certain Beneficial Owners and Management	Principal Shareholders and Security Ownership of Management
Item 13. Certain Relationships and Related Transactions	Executive Compensation and Related Party Transactions
Item 14. Principal Accounting Fees and Services	Matters Related to our Accountants

**PART IV**

Item 15. Exhibits and Financial Statement Schedules

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

See Index to Consolidated Financial Statements on page 27.

(Schedules 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.

**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

**PRICE COMMUNICATIONS CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS**

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of December 31, 2005 and 2004

Consolidated Statements of Operations and Comprehensive Income (Loss) for the Years Ended December 31, 2005, 2004 and 2003

Consolidated Statements of Cash Flows for the Years Ended December 31, 2005, 2004 and 2003

Consolidated Statements of Changes in Shareholders' Equity for the Years Ended December 31, 2005, 2004 and 2003

Notes to Consolidated Financial Statements

**Report of Independent Registered Public Accounting Firm**

Board of Directors

Price Communications Corporation

New York, New York

We have audited the accompanying consolidated balance sheets of Price Communications Corporation and subsidiaries as of December 31, 2005 and 2004 and the related consolidated statements of operations and comprehensive income (loss), shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the 2005, 2004 and 2003 financial statements of Verizon Wireless of the East LP, in which the Company is a limited partner and holds a preferred exchangeable interest. The 2005, 2004 and 2003 financial information provided in Note 14 to the Company's financial statements has not been audited by us but has been derived from the Verizon Wireless of the East LP financial statements, which were audited by other auditors whose report has been furnished to us. Our opinion, insofar as it relates to the 2005, 2004 and 2003 financial information disclosure included in Note 13 to the Company's financial statements is based solely on the report of the other auditors.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (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 and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors with respect to the 2005, 2004 and 2003 financial information provided in Note 13 to the consolidated financial statements, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Price Communications Corporation and subsidiaries at December 31, 2005 and December 31, 2004 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2005, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Price Communications Corporation's internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated March 14, 2006 expressed an unqualified opinion thereon.

BDO Seidman, LLP

New York, New York

March 14, 2006





## PRICE COMMUNICATIONS CORPORATION AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2005 AND 2004

(Amounts in thousands except share data)

	2005	2004
Current assets:		
Cash and cash equivalents	\$ 4,067	\$ 2,739
Cash and securities (principally securities) deposited in collateral account	71,227	
Available for sale securities	2,421	5,588
Escrow deposit		13,666
Deferred income taxes		4,890
Prepaid expenses	108	106
<b>Total current assets</b>	<b>77,823</b>	<b>26,989</b>
Cash and securities (principally securities) deposited in collateral account		90,998
Investment in limited partnership	882,871	1,155,499
Other assets	538	617
<b>Total assets</b>	<b>\$ 961,232</b>	<b>\$ 1,274,103</b>
Current liabilities:		
Income taxes payable (current and deferred)	\$ 2,655	3,893
Estimated liability to former minority partners-current	17,038	12,947
Other current liabilities, including accrued interest of \$3,056 in 2004	1,551	4,966
<b>Total current liabilities</b>	<b>21,244</b>	<b>21,806</b>
Estimated liability to former minority partners-long-term		13,570
Deferred income taxes	423,348	529,468
Commitments and contingencies		
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 56,233,995 shares in 2005 and 56,216,445 shares in 2004	562	562
Additional paid-in-capital	156,881	156,628
Accumulated other comprehensive (loss) income	(4,030)	6,202
Retained earnings	363,227	545,867
<b>Total shareholders' equity</b>	<b>516,640</b>	<b>709,259</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 961,232</b>	<b>\$ 1,274,103</b>

See accompanying notes to consolidated financial statements.

**PRICE COMMUNICATIONS CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)**

**FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003**

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(Amounts in thousands, except per share data)

	2005	2004	2003
<b>Revenue:</b>			
Income from partnership	\$ 33,822	\$ 33,332	\$ 32,837
<b>Expenses:</b>			
Selling, general and administrative	5,979	6,124	8,243
Depreciation and amortization	83	38	
Loss on impairment in value of partnership interest	289,600		
Loss on contribution of cellular business	5,483	10,519	1,082
Interest income	(432)	(69)	(88)
Interest expense	57		3,056
Other expense (income)	1,575	(12,526)	(10,097)
(Loss) income before income taxes	(268,523)	29,246	30,641
Income tax (benefit) expense	(85,883)	(43,030)	9,554
Net (loss) income	(182,640)	72,276	21,087
Other comprehensive (loss) income, net of income tax (benefit) expense of (\$6,147) for 2005, \$772 for 2004 and \$57 for 2003, respectively)			
Unrealized (losses) on available for sale securities	(9,600)	4,337	432
Reclassification adjustment	(632)	(2,725)	(1,150)
Comprehensive (loss) income	\$ (192,872)	\$ 73,888	\$ 20,369
<b>Per share data:</b>			
Basic and diluted (loss) earnings per share	\$ (3.25)	\$ 1.28	\$ .37
Weighted average number of common shares outstanding basic	56,227	56,406	56,980
Weighted average number of common shares outstanding diluted	56,227	56,680	57,232

See accompanying notes to consolidated financial statements.



**PRICE COMMUNICATIONS CORPORATION AND SUBSIDIARIES**

## CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003

(Amounts in thousands)

	2005	2004	2003
<b>Cash Flows From Operating Activities:</b>			
Net (loss) income	\$ (182,640)	\$ 72,276	\$ 21,087
Adjustments to reconcile net income to net cash provided by Operating activities:			
Loss on impairment in value of partnership	289,600		
Loss on contribution of cellular business			1,082
Loss due to impairment on available-for-sale securities	5,495		
Depreciation and amortization	83	38	
Income from partnership	(33,822)	(33,332)	(32,837)
Deferred income taxes	(95,091)	(4,684)	
Net gain on available for sale securities	(416)	(8,422)	(5,123)
Net gain on put and call options	(17)	(40)	(768)
Change in working capital			
Decrease (increase) in escrow deposit	13,666	(13,666)	
Decrease (increase) in other current assets	(2)	(106)	1,382
(Decrease) increase in other current liabilities	(3,415)	(209)	2,150
(Decrease) increase in income taxes payable	(1,238)	3,097	744
(Decrease) in liability to former minority partners	(9,479)	10,519	
Decrease in accrued income taxes-long term		(53,165)	
Changes in other accounts			(338)
Total adjustments	165,364	(99,970)	(33,708)
Net cash used in operating activities	(17,276)	(27,694)	(12,621)
<b>Cash Flows From Investing Activities:</b>			
Capital expenditures	(3)	(266)	
Purchase of available-for-sale securities and put and call options	(4,413)	(53,762)	(93,153)
Proceeds from sale of available-for-sale securities and put and call options	6,730	62,306	83,612
Purchase of securities for collateral account	(31,744)	(98,694)	(71,394)
Sale of securities for collateral account	32,494	104,483	69,451
(Increase) decrease in cash in collateral account	(1,562)	(121)	540
Distribution of profits from partnership	16,849	16,605	16,398
Other			147
Net cash provided by investing activities	18,351	30,551	5,601
<b>Cash Flows From Financing Activities:</b>			
Repurchase and retirement of Company's common stock	(144)	(6,617)	(7,273)
Exercise of employee stock options and warrants	397		59
Net cash provided (used) in financing activities	253	(6,617)	(7,214)
Net increase (decrease) in cash and cash equivalents	1,328	(3,760)	(14,234)
<b>Cash and Cash Equivalents, beginning of year</b>	<b>2,739</b>	<b>6,499</b>	<b>20,733</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 4,067</b>	<b>\$ 2,739</b>	<b>\$ 6,499</b>

See accompanying notes to consolidated financial statements.



**PRICE COMMUNICATIONS CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**



**FOR THE YEARS ENDED DECEMBER 31, 2005, 2004, AND 2003**

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(Amounts and share amounts in thousands)

	Common Stock Class A Shares	Value	Additional paid-in capital	Accumulated Other compre- hensive income (loss)	Retained earnings	Total share- holders equity
<b>Balance, December 31, 2002</b>	57,270	\$ 573	\$ 170,448	\$ 5,308	\$ 452,504	\$ 628,833
Change in unrealized gain on marketable equity securities, net of tax effect				(718)		(718)
Purchase and retirement of stock	(594)	(6)	(7,267)			(7,273)
Exercise of stock options	7		59			59
Net income					21,087	21,087
<b>Balance, December 31, 2003</b>	56,683	\$ 567	\$ 163,240	\$ 4,590	\$ 473,591	\$ 641,988
Change in unrealized gain on marketable equity securities, net of tax effect				1,612		1,612
Purchase and retirement of stock and unexchanged shares	(467)	(5)	(6,612)			(6,617)
Net income					72,276	72,276
<b>Balance, December 31, 2004</b>	56,216	\$ 562	\$ 156,628	\$ 6,202	\$ 545,867	\$ 709,259
Change in unrealized gain on marketable equity securities, net of tax effect				(10,232)		(10,232)
Purchase and retirement of stock	(9)		(144)			(144)
Exercise of stock options	26		397			397
Net (loss)					(182,640)	(182,640)
<b>Balance, December 31, 2005</b>	56,233	\$ 562	\$ 156,881	\$ (4,030)	\$ 363,227	\$ 516,640

See accompanying notes to consolidated financial statements.

**PRICE COMMUNICATIONS CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. Ownership**

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 ). The Company had total ownership in corporations and partnerships which operated 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 owned and operated eight non-wireline cellular telephone systems in Rural Service Areas ( RSA ) in Georgia (seven) and Alabama (one). On August 15, 2002, the Company contributed substantially all of the assets and liabilities of its operating subsidiary, PCW, to Verizon Wireless of the East.

**2. Contribution of the Company s Wireless Business to the Verizon Partnership**

On August 15, 2002, the Company contributed substantially all of the assets of PCW and approximately \$149 million in cash to Verizon Wireless of the East ( Verizon Partnership ) in exchange for a preferred limited partnership interest in the Verizon Partnership. The Verizon Partnership assumed certain liabilities of PCW relating to the contributed business. After giving effect to certain adjustments, as defined in the transaction agreement, PCW s initial capital account approximated \$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 after August 15, 2002 equal to its preferred return, which currently approximates 2.9% per annum. The Company receives in cash 50% of its preferred return, with the balance being added to its capital account.

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 debt. PCW guaranteed such indebtedness. However, PCW is not obligated to make payment under the guaranty until Verizon Communications has exhausted all remedies against the Verizon Partnership. The Company believes that the probability of the guaranty being enforced is remote. Price guaranteed PCW s obligation under the guaranty, and deposited \$70 million in cash (\$71.2 million as of December 31, 2005) and other property into a collateral account to secure the guaranty. Price controls the investment of the assets in the collateral account, and has the right to withdraw certain sums such as dividends and interest on investments from the account. Upon consummation of an exchange as described below, the funds held in the collateral account will be released to the Company if the net worth of the Verizon Partnership is at least \$500 million. Based upon the most recent financial statements of the Verizon Partnership, the Company believes that the net worth condition will be satisfied. As a result, the Company expects to receive all of the funds held in the collateral account upon the consummation of the exchange.

Preferred Exchangeable Interest is exchangeable for common stock of either Verizon Wireless Inc. (if a qualifying initial public offering of Verizon Wireless occurs by August 15, 2006) or Verizon Communications Inc. (if, in general, such an offering does not occur). At the time PCC negotiated the transaction with Verizon, PCC s board of directors and management thought it possible that a qualifying initial public offering of Verizon Wireless would occur and that, consequently, PCC could probably receive Verizon Wireless common stock. On January 29, 2003,

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however, Verizon Wireless announced the withdrawal of its registration statement for an initial public offering of its common stock, given Verizon Wireless' ongoing strong cash flow and lack of significant funding requirements. Moreover, since PCC entered into its transaction with Verizon, PCC has received no other indications as to if or when a Verizon Wireless public offering might occur. As a result, PCC does not believe that such an offering will take place in the foreseeable future.

PCC expects that the Preferred Exchangeable Interest will be exchanged for common stock of Verizon Communications on or about August 15, 2006. If this happens, the number of shares of Verizon Communications common stock issued to PCC would equal the amount of PCW's capital account in the Verizon Partnership divided by the 20-day average closing price of the Verizon Communications common stock, but such price may not be less than \$40 or more than \$74. Verizon Communications common stock has been trading substantially below the \$40 per share minimum price. If the trailing 20-day average closing price of Verizon common stock at the time of the exchange is at or below \$40 per share, the Company would receive approximately 29,312,000 shares of Verizon common stock in the exchange based on its Verizon Partnership capital account balance as of December 31, 2005. This is less than the number of shares of Verizon common stock that the Company could have purchased in the open market on December 31, 2005 with the dollar equivalent of our capital account. As a result of this, the Company has treated the investment in the partnership as other-than-temporarily impaired. It has valued the partnership account based upon the closing price of Verizon as of December 31, 2005 (\$30.12 per share). Consequently, the Company recognized an impairment loss of \$289.6 million for the year ended December 31, 2005 based upon the lower price of the Verizon stock it would receive if the exchange had occurred on December 31, 2005. Since

the balance sheet date, the price of Verizon common stock has partially recovered. During February 2006, Verizon stock closed as high as \$34.44. If the valuation of the Company's partnership interest had been made at that price, which would not be in accordance with generally accepted accounting principles in the United States, the loss to the Company would have been less by approximately \$126.6 million.

If PCC receives Verizon Communications shares in August 2006, such shares would, under the terms of PCC's lockup agreement with Verizon, become eligible for distribution to PCC's shareholders in August 2007.

The Company has accounted for the Preferred Exchangeable Interest in a manner similar to the equity method of accounting. The initial investment on the Company's balance sheet equaled the credit in its capital account on the Verizon Partnership's financial statements. Thereafter, the Company increased its investment by the amount of income it was entitled to based on the availability of profits and the agreed upon preferred rate of return and reduced its investment balance by any cash distributed by the Verizon Partnership to the Company.

### **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.

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 occurred on January 1, 2003.

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*

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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, 2005, 2004 and 2003, substantially all of the Company's investment securities, including the collateral account, were marketable equity securities classified as Available-for-Sale Securities. The basis on which cost is determined in computing realized gains or losses is specific identification or by average cost. Unrealized holding gains and losses for available-for-sale securities as well as securities maintained in the collateral account 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. At December 31, 2005 and 2004, there were no outstanding put and call options.

The investment in the Verizon Partnership is accounted for in a manner similar to the equity method of accounting and equaled the Company's capital account in the partnership through December 31, 2005 when, as discussed in Note 2 to the financial statements, an other-than-temporary impairment loss of \$289.6 million was taken. The carrying value of the investment at December 31, 2005 reflects the value of the Verizon shares the Company would have received had the exchange of the investment for the Verizon shares occurred on December 31, 2005 based upon the price of Verizon shares at that date.

### *Other Than Temporary Impairment in Investments*

Investments are reviewed periodically to determine if they have sustained any impairment in value that is considered to be other than temporary. If available-for-sale securities are determined to be impaired, the cost basis of the investment is written down to fair

value at the balance sheet date and a corresponding realized loss is charged to the income statement in the period in which it is determined. If unquoted investments held at cost are determined to be impaired, the carrying value of the investment is written down to estimated fair value at the balance sheet date and a corresponding impairment expense is charged to the income statement in the period in which it is determined. The identification of potentially impaired investments, the assessment of whether any decline in value is other than temporary, and, for the unquoted investment in particular, the estimation of fair value involves significant management judgment. These judgments impact the carrying value of the investments in the consolidated balance sheets and the results from continuing operations.

The Company recorded an impairment charge of \$289.6 million during the year ended December 31, 2005 on its investment in the Verizon partnership. The assessment of other than temporary impairment reflects the decline during 2005 of the stock price of Verizon common stock which the partnership is expected to be exchanged for in August 2006. Management was unable to predict when and if the stock price would again rise above \$40. The impairment charge is based on the value that the Company would have received if such exchange had been made as of December 31, 2005, when Verizon common stock closed at \$30.12 per share. During the year 2005, Verizon common stock closed at prices ranging from \$29.13 to \$41.06, although it was below \$40 for most of the year. Since December 31, 2005 through February 28, 2006, the stock has risen as high as \$34.44 per share. If the impairment charge had been recorded at that price, which would not have been in accordance with generally accepted accounting principles in the United States, the loss would have been reduced by approximately \$126.6 million.

The Company also recorded an impairment charge of \$5.5 million on Ford common stock which it holds in its portfolio. The assessment of other than temporary impairment reflects the decline during 2005 of the stock price of Ford common stock. This investment has been below cost for a significant period of time in light of Ford's ongoing financial problems. Management was unable to predict when and if the stock price would again rise above the Company's cost.

As of December 31, 2005, the Company's available-for-sale securities include securities with a fair market value of \$3.9 million and corresponding unrealized losses of \$4 million which have continued for twelve months and securities with a fair market value of \$50.1 million and corresponding losses of \$6.6 million which have continued for less than twelve months. These securities are equity securities of three different companies. The Company believes that such losses are temporary based upon equity research it has gathered and the partial recovery of the stocks' prices since December 31, 2005.

#### *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. Valuation allowances are recorded to reduce deferred tax assets when uncertainty regarding their realizability exists.

#### *Per Share Data*

Basic and diluted net income (loss) per share is presented in conformity with SFAS No. 128, *Earnings per Share*, for all periods presented. In accordance with SFAS No. 128, basic and diluted net income (loss) per common share was determined by dividing net income (loss) applicable to common shareholders by the weighted-average shares outstanding as of December 31, 2005 since the inclusion of issuable shares pursuant to the exercise of stock options and warrants would have been antidilutive.

Diluted earnings per share for the Company give effect to all dilutive securities (options and warrants) that were outstanding during the period.

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

<b>Diluted Average Common Shares Computation</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
Basic average common shares outstanding	56,227	56,406	56,980
Dilutive potential common shares — options and warrants		274	252
<b>Diluted Average Common Shares</b>	<b>56,227</b>	<b>56,680</b>	<b>57,232</b>
Options excluded from the computation of earnings per share	638	614	430

F-8

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*Stock Options*

In 1995, the FASB issued SFAS No. 123, *Accounting for Stock-Based Compensation* ( SFAS No. 123 ). 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)	2005	2004	2003
Net (loss) income-as reported	\$ (182,640)	\$ 72,276	\$ 21,087
Add: stock-based employee compensation cost, net of related tax effects, included in the determination of net income as reported			
Deduct: stock-based employee compensation cost, net of related tax effects that would have been included in the determination of net income if the fair value-based method had been applied to all awards	311	198	
Net (loss) income-pro forma	\$ (182,951)	\$ 72,078	\$ 21,087
Basic (loss) earnings per share			
As reported	\$ (3.25)	\$ 1.28	\$ 0.37
Pro forma	(3.25)	1.28	0.37
Diluted (loss) earnings per share			
As reported	\$ (3.25)	\$ 1.28	\$ 0.37
Pro forma	(3.25)	1.27	0.37

As of January 1, 2006, in connection with our adoption of FAS 123R, *Share-Based Payment*, stock-based compensation will be included in our results of operations. We have elected to use the modified prospective application, as described in FAS 123R. The method and assumptions used to determine the fair value of stock-based compensation under FAS 123R are similar to those used under FAS 123. Additionally, we expect the effect of adopting FAS 123R on our results of operations to approximate the effect presented in the proforma disclosure above.

*Recent Accounting Pronouncements*

In December 2004, the FASB issued FAS No. 123 ( R), *Share-Based Payment*, which establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. This Statement focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. This Statement does not change the accounting guidance for share-based payment transactions with parties other than employees provided in FAS 123 originally issued and EITF Issue No. 96-18, *Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling Goods or Services*. This Statement is effective for annual periods beginning after June 15, 2005 and applies to all outstanding and unvested stock-based payment awards at the date of adoption.

This Statement also provides for two transition methods. The modified prospective application requires that compensation expense be recorded for any options granted after the adoption date and for the unvested portion of any options outstanding at the adoption date. The modified retrospective application requires that, beginning in the first quarter of 2006, all prior periods presented be restated to reflect the impact of stock-based compensation expense consistent with the proforma disclosures previously required under FAS 123. We have elected to use the modified prospective application in adopting this standard.

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In March 2005, the SEC issued Staff Accounting Bulletin No. 107 ( SAB 107 ), which discussed the SEC's interpretation of FAS 123R and the related valuation of share-based compensation for public companies. We are assessing the requirements of both FAS 123R and SAB 107 and the impact that these pronouncements will have on our consolidated results of operation and earnings per share. We anticipate the adoption of FAS 123R will affect our results of operations to an extent similar to that as presented in our FAS 123 pro forma disclosure included in the accompanying audited financial statements.

In May 2005, the FASB issued FAS No. 154, Accounting Changes and Error Corrections. FAS 154 is a replacement of APB Opinion No. 20, Accounting Changes and FAS No. 3, Reporting Accounting Changes in Interim Financial Statements. This Statement requires voluntary changes in accounting to be accounted for retrospectively and all prior periods to be restated as if the newly adopted policy had always been used, unless impracticable. We do not anticipate that this issue will have a material effect on our financial position, results of operations or cash flows.

*4. Fair Value of Financial Instruments*

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

For cash and cash equivalents and other current liabilities, the carrying value approximates fair value due to the short-term nature of those accounts. Investment securities are recorded at fair value.

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, 2005 and 2004, the Company had no open option contracts.

### 5. Income Taxes

(Benefit) provision for income taxes consists of the following:

	Year Ended December 31, (\$ in thousands)		
	2005	2004	2003
<b>Current:</b>			
Federal	\$ 8,844	\$ (40,412)	\$ 8,673
State and local	364	2,066	881
	9,208	(38,346)	9,554
<b>Deferred:</b>			
Federal	(86,420)	(3,559)	
State and local	(8,671)	(1,125)	
	(95,091)	(4,684)	
Tax (benefit) provision	\$ (85,883)	\$ (43,030)	\$ 9,554

For the years ended December 31, 2005, 2004 and 2003, the (benefit) provision for income taxes differs from the amount computed by applying the statutory federal income tax rate (35%) because of the following items:

	Year Ended December 31, (\$ in thousands)		
	2005	2004	2003
Tax at statutory federal income tax rate	\$ (93,983)	\$ 10,236	\$ 10,986
State taxes, net of federal income tax benefit	(5,400)	612	573
Adjustment of deferred taxes for changes in effective state income tax rates	14,694		
Dividends received exclusion	(853)	(816)	(850)
Utilization of prior years AMT credits			(1,271)
Reversal of accrued income taxes-long-term		(53,165)	
Other	(341)	103	116
	\$ 85,883	\$ (43,030)	\$ 9,554

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During the third quarter of 2004, following the expiration of applicable statutes of limitations, the Company reversed \$53 million of accrued income tax-long-term resulting in a reduction of income tax expense for the year ended December 31, 2004.

F-10

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Deferred tax assets (liabilities) consist of the following:

	December 31, (\$ in thousands)	
	2005	2004
Deferred tax assets (liabilities):		
Deferred gain on contribution of cellular business	\$ (428,033)	\$ (521,027)
Unrealized loss (gain) on marketable equity securities	4,398	(3,771)
Other	287	220
	(423,348)	(524,578)
Less: Amount included in current assets		4,890
	\$ (423,348)	\$ (529,468)

Unless the Company is dissolved within one year following an exchange of the interest in the Verizon Partnership for Verizon common shares and the shares are distributed to the Company's shareholders pursuant to a plan of dissolution, a subsequent sale of the Verizon shares by the Company would cause the Company to recognize a substantial amount of taxable gain. The \$428 million of deferred tax liability represents the approximate amount of income tax liability the Company would incur upon the sale of the Verizon shares received in the exchange at a price of \$30.12 per share. If a sale of the shares does not occur because the shares are distributed to the Company's shareholders pursuant to the plan of dissolution, the deferred tax liability will be reversed and a tax benefit will be recognized once the distribution has occurred.

## 6. Other (Expense) Income

Other (expense) income consists of the following:

	Year Ended December 31, (\$ in thousands)		
	2005	2004	2003
Loss on impairment of available-for-sale securities	\$ (5,495)		
(Loss) gain on investments, net	438	\$ 8,462	\$ 5,891
Dividend Income	3,482	3,332	3,470
Other, net		732	736
	\$ (1,575)	\$ 12,526	\$ 10,097

## 7. Estimated Liability to Settle Minority Claims

The Company notified the minority interest holders in the subsidiary corporations, general partnerships and limited partnerships that held certain of the Company's cellular licenses that effective June 28 and June 30, 2001 these subsidiaries were either dissolved and/or merged into Palmer Wireless Holdings, Inc. (a wholly owned subsidiary of the Company). Pursuant to the mergers, the minority interest holders have the right to receive merger consideration subject to appraisal rights or other remedies pursuant to applicable state law. Amounts payable to such minority interest holders may be finally determined by negotiations between the parties or if such negotiations fail, by applicable state court proceedings. The Company owned 100% of its telephone operating systems after these mergers. The Company accounted for the purchase of minority interests by first eliminating that portion of the minority interest that represents the Company's proportionate liability to minority interest holders

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with the balance being added to the value of the appropriate license. The Company believes that if the predecessor company (Palmer Wireless) had owned 100% of the markets that it sold to the Company, the acquisition price and therefore the value of the acquired licenses would have increased. As of December 31, 2003, the Company had accrued \$16.0 million as the estimated liability to settle the minority holders' claims.

On September 30, 2004, the Court of Chancery of the State of Delaware issued a Memorandum Opinion in the case of Gerhard Frank Dobler et al ( Dobler ) v. Montgomery Cellular Holding Co. Inc. ( MCHC ) et al, the appraisal action to determine the value of the shares held in MCHC, by Mr. Dobler and other petitioners at the time of the merger of those shares into Palmer. The Court held that PCW, Palmer and MCHC jointly and severally owed \$12.7 million to the Petitioners as payment for their minority shares in MCHC including pre-judgment interest. On October 13, 2004 a Final Order and Judgment ( Final Order ) was entered. PCW, Palmer and MCHC appealed the Memorandum Opinion and Final Order to the Supreme Court of the State of Delaware, by asserting that both contained errors of law and fact that warrant a remand to the Court of Chancery to further consider the amount due to the Petitioners.

Prior to the issuance of the Memorandum Opinion and Final Order, the Company had accrued \$16 million for amounts potentially due in this case and other similar minority valuation cases, its best estimate of these amounts. During 2004 the Company accrued an additional \$10.5 million to provide for the higher valuation, including interest to December 31, 2004, by the Court in the Dobler case, on the assumption that this valuation would be the basis for determining value of the minority interests in the other cases. The \$10.5 million provision was reflected as loss on contribution of cellular business on the statement of operations and comprehensive income (loss).

While the Company's appeal in the MCHC case was pending, the payment was not made of the Final Order. However, PCW was required to provide security acceptable to the Court of Chancery. PCW provided such security through an interest bearing escrow

account with a recognized financial institution in an amount satisfactory to the Court (\$13.6 million), sufficient to cover the judgment specified in the Final Order plus post-judgment interest of 7.5%. Interest on the security account accrued to PCW.

The Company accrued an additional \$5.5 million in 2005 (for legal fees of the former minority partners and additional settlement amounts) which is reflected as loss on contribution of cellular business on the statement of operations and comprehensive income (loss). On August 1, 2005, the Company was notified that the Supreme Court of the State of Delaware affirmed the judgment in the case of Dobler et al v. MCHC which the Company had appealed during 2004. The affirmation by the court also made the Company responsible for payment of the petitioners reasonable legal fees. The judgment was paid out of the escrow account that had been set up after the 2004 Opinion and Final Order. On October 19, 2005, the petitioners filed an application for legal and expert fees in the amount of \$2,459,000 which is included in accrual above. The Company is contesting the reasonableness of such amount. The judge has assigned this matter to a special master to determine the reasonability of petitioners' legal fees. The Company paid approximately \$1,421,000 of the legal and expert fees and the remainder of \$1,038,000 has been accrued as part of the estimated liability to former minority partners, pending the judgment by the court.

In addition, during 2005, the Company entered into negotiations to settle the remaining claims of the former minority holders. The Company has agreed to a settlement with all remaining parties in the amount of \$16 million. This full amount, which resulted in additional accruals included above, is part of the liability to former minority partners as of December 31, 2005 in addition to the remaining legal fees discussed above.

## 8. 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. 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 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.

The Company was 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. During the three years ended December 31, 2005 the Company purchased and retired the following: 2003-594,000 at an average cost of \$12.21; 2004-439,000 at an average cost of \$15.05 and 2005-8,700 at an average cost of \$16.57. 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.

In August 1997, in connection with the issuance by a subsidiary of the Company of the 13½% 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, 2005, approximately 36,100 warrants remain unexercised, which are convertible into approximately 243,000 shares of the Company's common stock.



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, 2002.

## 9. 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 7,655,767. 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. No awards may be granted under such plan on or after December 31, 2002. On December 3, 2002, the Company's board of directors approved the Company's 2003 Long-Term Incentive Plan to replace the prior plan which had expired, subject to approval of the Company's shareholders at the Company's 2003 annual meeting of shareholders. The 2003 Long-Term Incentive Plan was approved by the Company's shareholders and authorizes the issuance of a maximum of 2.1 million shares of the Company's common stock, of which 1,916,250 remain available for issuance.

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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% for 2004; risk free interest rate of 3.72% in 2004, and an expected life of 5 years for 2004. Expected volatility was assumed to be 31.3% in 2004. No options were granted in 2005 and 2003 and the Company did not change any of the assumptions for previously issued options.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. In addition, option valuation models require input of highly subjective assumptions including the expected stock price volatility. The Company's 2003 Long-Term Incentive Plan has characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate. In management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of the stock options granted.

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

	Number of Shares	Weighted Average Exercise Price	Grant Average Fair Value
Outstanding at December 31, 2002	503,360	\$ 27.11	
Exercised	(6,891)	8.62	
Canceled	(16,013)	18.39	
Outstanding at December 31, 2003	480,456	27.68	
Exercised			
Canceled			
Issued	183,750	15.11	\$ 5.45
Outstanding at December 31, 2004	664,206	24.15	
Exercised	(26,250)	15.11	
Canceled			
Outstanding at December 31, 2005	637,956	\$ 24.52	

The following table summarizes information about stock options outstanding at December 31, 2005:

Exercise Price	Number Outstanding at 12/31/05	Weighted Average Remaining Life	Number Exercisable at 12/31/05
\$ 3.76	24,117	2 years	24,117
\$ 7.62	25,839	2 years	25,839
\$ 19.71	10,500	4 years	10,500
\$ 29.45	210,000	5 years	210,000
\$ 31.35	210,000	5 years	210,000
\$ 15.11	157,500	8 years	
	637,956		480,456

## 10. Related Party Transactions

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The husband of an officer of the Company is a financial advisor with one of the financial institutions, which executes certain marketable security trades of the Company.

The securities in the collateral account include approximately \$50 million and \$43 million of Verizon Communications, Inc. common shares at December 31, 2005 and 2004.

### **11. 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 maintains one office, its headquarters in New York City. The monthly lease payments are \$27,000 per month beginning January 1, 2004 through December 31, 2007.

Rental expense, net of sublease income, for operating leases was approximately \$0.3 million, \$0.3 million and, \$0.5 million for the years ended December 31, 2005, 2004 and 2003, respectively.

As discussed in Item 1, the board of directors of the Company has determined to pursue a dissolution of the Company, subject to shareholder approval.

## 12. Supplemental Cash Flow Information

The following is supplemental disclosure cash flow information for the years ended December 31, 2005, 2004 and 2003.

	2005	(\$ in thousands)		2003
		2004		
Cash paid for:				
Income taxes	\$ 10,449	\$ 11,725	\$	7,339
Interest	3,110			

## 13. Equity Investment in the Verizon Partnership

The following table summarizes financial information of Verizon Wireless of the East:

	Year ended December 31,		
	(\$ in thousands)		
	2005	2004	2003
Income statement data:			
Operating revenues	\$ 642,700	\$ 526,260	\$ 416,348
Operating expenses	399,862	316,964	325,455
Net income	222,540	185,157	71,456

	December 31,	
	2005	2004
Balance sheet data:		
Current assets	\$ 156,054	\$ 33,696
Wireless licenses	1,640,655	1,640,655
Other assets	358,058	321,017
Liabilities	387,963	405,730
Partners' Capital	2,363,470	2,157,780

The Company's portion of total partners' capital, in the amount of \$1,172,000 at December 31, 2005, carried on the Company's balance sheet at \$882,871 earns a preferred return of 2.9%, which amounted to \$33,822, \$33,332 and \$32,837 for 2005, 2004 and 2003.



**14. Selected Quarterly Financial Data (Unaudited):**

	(Amounts in thousands Except Per Share Amounts)				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Year Ended December 31, 2004					
Income from partnership	\$ 8,299	\$ 8,329	\$ 8,360	\$ 8,344	\$ 33,332
Net income	6,130	6,196	53,677*	6,273	72,276
Net income per share:					
Basic	0.11	0.11	0.95	0.11	1.28
Diluted	0.11	0.11	0.95	0.11	1.28
Year Ended December 31, 2005					
Income from partnership	8,421	8,436	8,467	8,498	33,822
Net income	3,997	4,279	5,052	(195,968)**	(182,640)
Net income per share:					
Basic	0.07	0.08	0.09	(3.49)	(3.25)
Diluted	0.07	0.08	0.09	(3.49)	(3.25)

\*During the third quarter of 2004, following the expiration of applicable statutes of limitations, the Company reversed the \$53 million of accrued income tax-long-term resulting in a reduction of income tax expense for the year ended December 31, 2004.

\*\*The fourth quarter of 2005 includes a \$289,600 loss on impairment in the value of the interest in the VWE partnership and related tax benefit of \$107,152 and a \$14,694 charge for adjustment of deferred taxes for changes in effective state income tax rates.

**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,**  
**Chief Executive Officer**

Dated: March 16, 2006

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: <b>/S/ ROBERT PRICE</b> <b>Robert Price</b>	Director, Chief Executive Officer and Treasurer (Principal Executive Officer)	March 16, 2006
By: <b>/S/ STUART B. ROSENSTEIN</b> <b>Stuart B. Rosenstein</b>	Director	March 16, 2006
BY: <b>/S/ ROBERT F. ELLSWORTH</b> <b>Robert F. Ellsworth</b>	Director	March 16, 2006
BY: <b>/S/ KIM I. PRESSMAN</b> <b>Kim I. Pressman</b>	Director, Executive Vice President, Principal Financial Officer and Principal Accounting Officer	March 16, 2006
BY: <b>/S/ FRANK OSBORN</b> <b>Frank Osborn</b>	Director	March 16, 2006

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**EXHIBIT INDEX**

<b>Exhibit No.</b>	<b>Description</b>
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, incorporated by reference to Exhibit 3.4 to Registrant's Form 10-K405 filed on April 14, 1998
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, incorporated by reference to Exhibit 3.5 to Registrant's Form 10-K405 filed on April 14, 1998
3.6	Restated By-laws of the Registrant, incorporated by reference to Exhibit 3.6 to Registrant's Form 10-K for the year ended December 31, 2002
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, incorporated by reference to Exhibit 3.7 to Registrant's Form 10-K filed on March 7, 2000
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	The Registrant's 2003 Long Term Incentive Plan incorporated by reference to Exhibit 10.2 to Registrant's Form 10-K for the year ended December 31, 2002
10.3	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
10.4	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
10.5	Amendment dated April 7, 1995 to Rights Agreement dated as of October 6, 1994 between the Registrant and Harris Trust Bank of New York, incorporated by reference to Exhibit 10.15 to Registrant's Form 10-K405 filed on April 14, 1998
10.6	Amendment dated June 19, 1997 to Rights Agreement dated as of October 6, 1994 between the Registrant and Harris Trust Bank of New York, incorporated by reference to Exhibit 10.16 to Registrant's Form 10-K405 filed on April 14, 1998
10.7	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 Exhibit 99 to Registrant's Form 8-K filed to report on event on August 11, 1998



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<b>Exhibit No.</b>	<b>Description</b>
10.8	Transaction Agreement dated as of December 18, 2001 among Price Communications Corporation, Price Communications Cellular Inc., Price Communications Cellular Holdings, Inc., Price Communications Wireless, Inc., Cellco Partnership and Verizon Wireless of the East LP, incorporated by reference to Exhibit 10.1 to Registrant's Form 8-K filed on January 4, 2002
10.9	Agreement of Limited Partnership of Verizon Wireless of the East LP among Verizon Wireless of Georgia LLC, Cellco Sub and Price Communications Wireless, Inc., incorporated by reference to Exhibit 10.2 to Registrant's Form 8-K filed on January 4, 2002
10.10	Exchange Agreement dated as of December 18, 2001 among Price Communications Corporation, Price Communications Cellular Inc., Price Communications Cellular Holdings, Inc., Price Communications Wireless, Inc., Verizon Communications Inc., Verizon Wireless, Inc., Cellco Partnership and Verizon Wireless of the East LP, incorporated by reference to Exhibit 10.3 to Registrant's Form 8-K filed on January 4, 2002
10.11	Lock-up Agreement dated as of December 18, 2001 among Price Communications Corporation, Price Communications Cellular Inc., Price Communications Cellular Holdings, Inc., Price Communications Wireless and Verizon Wireless, Inc., incorporated by reference to Exhibit 10.4 to Registrant's Form 8-K filed on January 4, 2002
10.12	Lock-up Agreement dated as of December 18, 2001 among Price Communications Corporation, Price Communications Cellular Inc., Price Communications Cellular Holdings, Inc., Price Communications Wireless, Inc., and Verizon Communications Inc., incorporated by reference to Exhibit 10.5 to Registrant's Form 8-K filed on January 4, 2002
10.13	Pledge Agreement dated as of December 18, 2001 among Price Communications Corporation, Price Communications Cellular Inc., Price Communications Cellular Holdings, Inc., Price Communications Wireless, Inc., Cellco Partnership, Verizon Communications, Inc., and Verizon Wireless, Inc., incorporated by reference to Exhibit 10.6 to Registrant's Form 8-K filed on January 4, 2002
10.14.1	Amended and Restated Voting Agreement dated as of December 18, 2001 among Robert Price, Kim Pressman, Cellco Partnership, Verizon Wireless of the East LP and Verizon Wireless, Inc., incorporated by reference to Exhibit 10.7 to Registrant's Form 8-K filed on January 4, 2002
21.1	Subsidiaries of Registrant
23.1	Consent of BDO Seidman, LLP
23.2	Consent of Deloitte & Touche LLP
31.1	Certification of Chief Executive Officer
31.2	Certification of Chief Financial Officer
32	Certification of Chief Executive Officer and Chief Financial Officer
99.0	Verizon Wireless of the East LP Consolidated Financial Statements for the years ended December 31, 2005, 2004 and 2003.