PRICE COMMUNICATIONS CORP
Form 10-K
March 16, 2005

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 [Fee Required]

For the fiscal year ended December 31, 2004 or

Commission file number 1-8309.

Price Communications Corporation

(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act.) ý

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

Aggregate market value of the Common Stock held by non-affiliates of the Company, based on the last sale price on the New York Stock Exchange (NYSE) on June 30, 2004 ($14.76 as reported in the *Wall Street Journal*): approximately $593.4 million.

The number of shares outstanding of the Company s common stock as of February 28, 2005 was 56,216,445.

DOCUMENTS INCORPORATED BY REFERENCE:

Part III of this Form 10-K incorporates certain information contained in the registrant s definitive proxy statement filed by the registrant in connection with the registrant s 2005 Annual Meeting of Shareholders.

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

On December 18, 2001, the Company agreed to contribute (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. The transaction was consummated on August 15, 2002. As a result of the asset contribution, the Company currently has no operating assets. PCC s shares remain listed on the New York Stock Exchange, the Pacific Stock Exchange, the Boston Stock Exchange and the Chicago Stock Exchange. 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. Pursuant to the Verizon Partnership agreement, PCW 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. 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. The Company will receive 50% of its preferred return in cash 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 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. The Company believes that the probability of the guaranty being enforced is remote. Price has guaranteed PCW s obligation under the guaranty, and upon closing of the transaction deposited $70 million ($91.0 million as of December 31, 2004) in cash and other property into a collateral account to secure the guaranty. Price controls the investment of the assets in the collateral account, has the right to withdraw certain sums such as dividends, interest, and earnings on investments from the account, and had the right, in addition, to withdraw up to $5 million in the aggregate from the account to cover its ordinary operating expenses. During the year ended December 31, 2004 the Company withdrew the $5 million. Price and Verizon Communications further agreed that Price would retain its cash existing at the closing of the asset contribution for the purpose of making such investments as Price deems appropriate.

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 consequently expects that the Preferred Exchangeable Interest will be exchanged for common stock of Verizon Communications in approximately August 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 nor more than $74. If PCC receives Verizon Communications shares in August 2006, the Verizon Communications shares would, under the terms of PCC s lockup agreements with Verizon, become eligible for distribution to

PCC s shareholders in approximately August 2007. Since PCC expects to receive Verizon Communications stock in approximately August 2006, the discussion under Business-General-Contribution of the Company s Wireless Business to Verizon Partnership 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.

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 liquidation strategy with a view toward the liquidation of the Company in the years ahead, or as an alternative to a liquidation 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 liquidated (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.

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.

Under New York State law, the affirmative vote of the holders of at least 66 2/3% of PCC s outstanding shares will be required at a future shareholders meeting to approve a liquidation of the Company. In recent votes of PCC s shareholders between 6% and 19% of PCC s shareholders have failed to vote (if such failure to vote occurs at such a future meeting of PCC s shareholders it will be more difficult to reach the 66 2/3% affirmative vote required to approve liquidation.) The board of directors consequently believes that it may be difficult at any future shareholders meeting to obtain the necessary votes to approve liquidation.

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.

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 1-95 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. The OCP cellular system became operational in 1987.

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 have been 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 will be 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 competition for licenses among commercial mobile radio service providers and others seeking to become mobile radio service providers.

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.

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 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 is considering whether to extend 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 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. This may result in restrictions on the Verizon Partnership s business and increase its costs.

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 recently 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 recent 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 provided for the use of ancillary terrestrial components (ATCs) by mobile satellite service (MSS) providers, while at the same time reallocating 30 MHz of MSS spectrum to emerging wireless services. The ATC ruling could permit competition to the Verizon Partnership by MSS operators that include a terrestrial component to their MSS service. However, the FCC imposed a number of conditions that MSS providers must meet prior to employing ATCs.

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.

Certain Considerations

Any liquidation of the Company is subject to various uncertainties.

Under the Company s lock up agreement with Verizon, a liquidation 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 in approximately August 2006. If this happens, liquidation cannot, in general, occur prior to approximately August 2007. Under New York State law, the affirmative vote of at least 66 2/3% of Price s outstanding shares will be required at a future shareholders meeting to approve a liquidation of the Company. In recent votes of Price s shareholders between 6% and 19% of Price s shareholders have failed to vote (with any such failure to vote at such future meeting of shareholders making it more difficult to reach the 66 2/3% affirmative vote required to approve liquidation). The board of directors consequently believes that it may be difficult at any future shareholders meeting to obtain the necessary votes to approve liquidation.

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 Company does not currently expect that the Preferred Exchangeable Interest will be exchanged for Verizon Wireless common stock, but rather expects that it will be exchanged for Verizon Communications common stock in approximately August 2006.

The Company s ability to exchange the Preferred Exchangeable Interest for Verizon Wireless common stock would depend upon the occurrence and timing of an initial public offering of such stock meeting certain size requirements, over which it has no control. On January 29, 2003, 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 the Company entered into its transaction with Verizon it has received no other indications as to if or when a Verizon Wireless initial public offering might occur. None of Cellco Partnership, Verizon Wireless Inc., Verizon Communications or any other party to the Verizon transaction has any obligation to cause such public offering to occur. If a qualifying initial public offering of Verizon Wireless common stock does not occur prior to August 15, 2006, the Preferred Exchangeable Interest will be manditorily exchanged for Verizon Communications common stock. As a consequence, the Company expects that the Preferred Exchangeable Interest will be exchanged for Verizon Communications common stock in approximately August 2006.

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

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, PCW and the Company s shareholders 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. In addition, in the event the Company is not liquidated within one year following an exchange of the Preferred Exchangeable Interest for shares of Verizon stock, and the Company decides to sell such shares, dispose of them in another taxable disposition or distribute them to its shareholders, the Company would incur substantial tax liability (possibly in excess of $500 million of federal, state and local tax liability), except to the extent that gain recognized by the Company with respect to Verizon shares is offset by tax losses incurred by the Company in connection with an acquired business, including tax losses attributable to depreciation or interest on acquisition indebtedness. In the event the Company were not liquidated within such one year period, if the Company s board of directors determined to make a subsequent distribution of the Verizon stock to the Company s shareholders that was not in liquidation 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 shareholder as ordinary income. Any amount in excess of earnings and profits would be treated as return of basis, to the extent thereof, and thereafter as capital gain. Alternatively, if the shareholders approved a subsequent distribution to shareholders in liquidation (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 stock (and any other company assets) received by the shareholder and the aggregate tax basis of shares in the Company held by the shareholder.

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, up to an aggregate of $5 million which the Company is authorized to withdraw from the collateral accounts to cover its ordinary operating expenses, other cash balances and funds that the Company may be able to borrow. During 2004, the Company withdrew the $5 million. 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

The Preferred Exchangeable Interest is substantially all of the assets of Price and PCW. In order to avoid being required to register as an investment company under the Investment Company Act, which would (among other things) limit the ability of other registered investment companies to own shares of Price s common stock, Price and PCW have obtained an order from the SEC exempting them from all provisions of the Investment Company Act. The order is, however, subject to the following conditions:

neither Price nor PCW will be or will hold itself out as being engaged in the business of investing, reinvesting or trading in securities;

PCW will not acquire any investment securities, as that term is defined under such Act, except for the partnership interest in the Verizon Partnership and certain cash equivalents;

Price will not acquire any investment securities, unless consistent with the goals of preserving capital, maintaining liquidity or fulfilling the obligations of the collateral agreement; and

the order will terminate on the earliest of (1) the date on which PCW ceases to own the partnership interest in the Verizon Partnership, (2) the date on which PCW makes an acquisition of assets by reason of which such partnership interest ceases to constitute at least 80% (or is further reduced below 80%) of the total assets of PCW, (3) the date on which Price Communications makes an acquisition of assets by reason of which its interest in PCW ceases to constitute at least 80% (or is further reduced below 80%) of Price s total assets, and (4) the fourth anniversary of the closing of the asset contribution.

At the time of an exchange of the Preferred Exchangeable Interest for shares of Verizon common stock, such shares may account for a substantial portion of the asset value of Price. In order to avoid Investment Company Act registration at that time, Price may need to (1) liquidate or (2) be primarily engaged in a business other than that of investing, reinvesting, owning, holding or trading in securities. While registering as an investment company may be considered by the board of directors, as a means of building shareholder value, such registration could limit the Company s ability to take advantage of potential business opportunities or require changes to the corporate and operational structure of the Company.

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 Cellco 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. Such procedures typically afford a listed company an opportunity to advise the Exchange of action the company has taken, or plans to take, that would bring it within conformity with continued listing standards within an 18-month period. The Company believes that a determination to follow a liquidation strategy (with the result that the Company s activities prior to liquidation would be limited to ownership of its interest in the Verizon Partnership) might increase the risk of delisting by the Exchange, in that such a strategy would preclude the acquisition of an operating business.

Certain Terms

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, 2004, 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 450 Fifth St., N.W., 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.

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 2. Properties

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 beginning January 1, 2004 through December 31, 2007.

Item 3. Legal Proceedings

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

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

Not Applicable

PART II

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

(a) *Market for Common Stock*

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 2004 and 2003 as reported by the NYSE was:

	2005		2004		2003	
Quarter	**High**	**Low**	**High**	**Low**	**High**	**Low**
First (through February 28, 2005)	$ 18.40	$ 17.11	$ 15.13	$ 13.39	$ 14.67	$ 10.68
Second			15.33	14.28	12.82	11.10
Third			15.60	13.97	13.00	11.73
Fourth			18.62	15.39	13.35	11.73

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

(b) *Holders*

On February 28, 2005 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 2,300 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*

EQUITY COMPENSATION PLAN INFORMATION as of December 31, 2004

Plan Category	Number of securities to be issued upon exercise of outstanding options (a)	Weighted average exercise price of outstanding options (b)	Number of securities available for future issuance (c)
Equity Compensation Plans Approved by Shareholders	664,206	$ 24.15	1,916,250
Equity Compensation Plans Not Approved by Shareholders	None	None	None

(e) *Issuer Purchases of Securities*

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plan
October 1-31, 2004	38,700	$ 15.74	38,700	1,143,090
November 1-30, 2004	25,200	17.55	25,200	1,117,890
December 1-31, 2004	None	N/A	None	1,117,890
Total Quarter	63,900	16.45	63,900	1,117,890

(1) In April, 2003 the Company s Board of Directors announced the authorization to repurchase 1,000,000 shares in privately negotiated transactions or in the open market. In April, 2004, the Board announced the authorization of an additional 1,000,000 shares.

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,				
	2004 Audited	2003 Audited	2002(1) Audited	2001 Restated and Unaudited(4)	2000 Restated and Unaudited(4)
Service revenue			$ 168,935	$ 271,943	$ 286,999
Equipment sales and installation			11,635	17,731	17,995
Income from partnership	$ 33,332	$ 32,837	12,380		
Revenue	33,332	32,837	192,950	289,674	304,994
Engineering, technical and other direct expenses			39,370	58,922	59,807
Cost of equipment			19,124	33,028	32,685
Selling, general and administrative expenses	6,124	8,243	46,736	74,738	64,984
Depreciation and amortization	38		15,859	47,975	46,981
Other (income) expense:					
(Gain) loss on contribution of cellular business	10,519	1,082	(659,181)		
Interest, net	(69)	2,968	41,585	61,248	59,661
Other (income) expense, net	(12,526)	(10,097)	427	(7,157)	(7,711)
Total other (income) expense	(2,076)	(6,383)	(617,169)	54,091	51,950
Minority interest				631	1,432
Cumulative effect on prior year of change in revenue recognition (net of tax expense of $92)					158
Income tax expense	(43,030)	9,554	231,151	7,045	16,322
Net income (loss)	$ 72,276	$ 21,087	$ 457,879	$ 13,244	$ 30,675
Per share amounts (2):					
Basic earnings per share before cumulative effect of accounting change and extraordinary item	$ 1.28	$ .37	$ 7.99	$ .23	$ .52
Basic earnings per share	$ 1.28	$ .37	$ 7.99	$ .23	$ .52
Diluted earnings per share before and after cumulative effect of accounting change and extraordinary item	$ 1.28	$ .37	$ 7.94	$ .23	$ .51
Other Data:					
Capital expenditures	$ 266		$ 9,725	$ 18,620	$ 27,218
Net cash provided by (used in):					
Operating activities	$ (27,694)	$ (12,621)	$ 26,835	$ 67,745	$ 63,075
Investing activities	30,551	5,601	(245,684)	10,381	(44,490)
Financing activities	(6,617)	(7,214)	(6,865)	(12,387)	(32,108)

Ratio of earnings to fixed charges (3)	N/A	N/A	16.08x	1.27x	1.65x

(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 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 2000 through 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. See Note 9-Restatement Related to Redeemable Preferred Stock in Notes to Consolidated Financial Statements.

Consolidated Balance Sheet Items

	As of December 31, 2004 Audited	2003 Audited	2002 Audited	2001 Restated and Unaudited(4)	2000 Restated and Unaudited(4)
Total Current Assets	$ 26,989	$ 20,086	$ 25,243	$ 289,392	$ 254,287
Total Assets	1,274,103	1,246,423	1,229,712	1,261,698	1,264,803
Total Current Liabilities	21,806	10,270	6,714	56,751	50,672
Long-Term Debt				700,000	700,000
Shareholders Equity	709,259	641,988	628,833	175,642	172,612

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.

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

Overview

The Company has been 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 financial information for the years ended December 31, 2004 and 2003 is not comparable to the year ended December 31, 2002.

The Company remains listed on the New York and other stock exchanges, has no operating assets and approximately $1.155 billion in an illiquid preferred partnership interest in the Verizon Partnership, cash and marketable securities.

Contribution of the Company s Wireless Business to the Verizon Partnership

On December 18, 2001, the Company agreed to contribute substantially all of the assets of PCW and approximately $149 million in cash to the Verizon Partnership in exchange for a preferred limited partnership interest in the Verizon Partnership. The transaction was consummated on August 15, 2002. 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 will receive 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 Senior Subordinated Notes and Senior Secured Notes. 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 has guaranteed PCW s obligation under the guaranty, and upon the closing of the transaction deposited $70 million ($91.0 million as of December 31, 2004) in cash and other property into a collateral account to secure the guaranty. Price controls the investment of the assets in the collateral account, has the right to withdraw certain sums such as dividends and interest on investments from the account, and had the right, in addition, to withdraw up to $5 million from the account to cover its ordinary operating expenses which it did during 2004**.** Price and Verizon Communications have further agreed that Price will retain its cash existing at the closing of the asset contribution which is not reserved to satisfy known liabilities existing at such time (and in any event in a minimum amount of $2 million) for the purpose of making such investments as Price deems appropriate.

If a qualifying initial public offering of Verizon Wireless Inc. common stock (as defined in the transaction agreement) occurs before August 15, 2006 the Company will have an option to (subject to approval of Price s shareholders) exchange its Preferred Exchangeable Interest for shares of Verizon Wireless common stock. If this happens, the number of shares the Company would receive would be calculated by dividing the existing balance in the Company s capital account in the Verizon Partnership by the Verizon Wireless initial public offering price. If the Company chooses not to exercise such option (including as a result of the failure of the Company s shareholders to approve such exchange), it will be obligated to exchange its Preferred Exchangeable Interest for Verizon Communications common stock on August 15, 2012 or such earlier date as may be specified by Verizon Communications. In this latter case, the number of shares the Company will receive will be determined by dividing the amount in the Company s capital account as of the date of exchange by the greater of the trailing 20 day average closing price of Verizon Communications common stock as of the exchange date or $55.30.

In the event a qualifying initial public offering of Verizon Wireless does not occur prior to August 15, 2006, or if Verizon Wireless does complete such an offering but an exchange into Verizon Wireless common stock does not occur solely as a result of a breach of agreement by Verizon Wireless, the Preferred Exchangeable Interest will be manditorily exchanged for shares of Verizon Communications common stock on approximately August 15, 2006. In these circumstances, the number of shares of Verizon Communications common stock issuable to the Company will equal the balance in the Company s capital account in the Verizon Partnership on August 15, 2006 divided by the trailing 20-day average closing price of Verizon Communications common stock, but such price may not be less than $40 or more than $74. At December 31, 2004 the closing market price of Verizon Communications common stock was $40.51. During 2004, the closing market price of Verizon Communications common stock was above $40 numerous times and during the period January 1, 2005 to February 28, 2005 it fluctuated between $35.08 and $41.06.

In addition, in certain circumstances (including a change in control of the Company or a transfer of the Preferred Exchangeable Interest to a secured creditor of the Company), Verizon Communications will have the right to cause an exchange of the Preferred Exchangeable Interest into Verizon Communications common stock, whether or not an initial public offering of Verizon Wireless common stock has occurred.

After adjustments for working capital as defined in the asset contribution agreement, the amount of PCW s initial capital account in the Verizon Partnership approximated $1.112 billion. Pursuant to the partnership agreement for the Verizon Partnership, PCW is entitled to receive taxable allocations of any profits from the Verizon Partnership in an amount up to its preferred return, which is currently at 2.9% per annum. Any losses incurred by the Verizon Partnership will be allocated to Cellco Partnership and its affiliates up to an amount equal to their capital account before being allocated to PCW.

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.

The board of directors and management have the right, consistent with their fiduciary duties and exercise of their business judgment, to recommend to the shareholders that the Company be liquidated (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.

Under New York State law, the affirmative vote of the holders of at least 66 2/3% of PCC s outstanding shares will be required at a future shareholders meeting to approve a liquidation of the Company. In recent votes of PCC s shareholders between 6% and 19% of PCC s shareholders have failed to vote (with any such failure to vote at such a future meeting of PCC s shareholders making it more difficult to reach the 66 2/3% affirmative vote required to approve liquidation). The board of directors consequently believes that it may be difficult at any future shareholders meeting to obtain the necessary votes to approve liquidation.

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

Results of Operations

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 selling, 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 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 selling, 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.

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 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 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 $3,056,000 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.

Year ended December 31, 2003 compared to Year ended December 31, 2002

As previously stated, substantially all of the assets and liabilities of the Company s operating subsidiary were contributed to the Verizon Partnership on August 15, 2002. Accordingly, the consolidated statement of operations for the year ended December 31, 2002 include seven and one-half months of operating activity which therefore precludes any comparison of that year s operations with the year ended December 31, 2003, when the Company did not own an operating business.

During the year ended December 31, 2003, the Company recorded $32.8 million of income from the Verizon partnership whereas during the year ended December 31, 2002 that income was only $12.4 million. Such amounts are not comparable since in 2002, the Company had only four and a half months of income from the partnership since the sale to Verizon occurred on August 15, 2002 as stated above.

The Company had $8.2 million of selling, general and administrative expenses for the year ended December 31, 2003. That expense is comprised mainly of salaries and severance ($2.9 million), legal expenses ($2.1 million) and settlements of two legal matters ($1.9 million) that the Company had related to the cellular business that it sold.

Net Interest Expense, Other Income, Income Taxes and Net Income. Interest expense decreased to $3.1 million related to a tax audit, which was completed during the year ended December 31, 2003. Such audit resulted in a net cash cost to the Company of approximately $500,000. The Company s long-term debt was transferred to the Verizon partnership upon the sale of the cellular business and therefore, there was no interest expense related to such debt during 2003.

The Company had $10.1 million of other income for the year 2003 and that amount was mainly derived from gains on the sale of securities in both the collateral account and the Company s unrestricted accounts.

The Company recognized $9.6 million of income tax expense for the year ended December 31, 2003, based on pretax income of approximately $30.6 million. Included in the Company s taxable income was approximately $3.5 million of dividend income that is subject to the dividends received exclusion. There were also $1.3 million in alternative minimum tax credits carried over to 2003 as a result of the tax audit mentioned above.

Net income was $21.1 million for the year ended December 31, 2003 compared to $457.9 million for the year ended December 31, 2002. Net income in 2002 contained a gain of $659.2 million on the sale of the Company s cellular business and as stated above, the operating results of the Company s cellular business through August 15, 2002, whereas in 2003 the Company had no operating business and its main source of income was the Verizon partnership.

Liquidity and Capital Resources

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 exchange of the Preferred Exchangeable Interest for either the common stock of Verizon Wireless Inc. or 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, 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, 2004 the Company received $16.6 million in distributions and expects to receive such distributions for the remainder of the four year period.

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, 2004 had unencumbered cash and securities equal to approximately $8.3 million to meets its current needs. Besides the anticipated quarterly cash distributions from the Verizon Partnership, the Company will have potential additional sources of cash from interest and dividends on investments in the collateral account and its other cash. As part of the collateral agreement, the Company was authorized to withdraw an aggregate of $5 million from the collateral account to cover its ordinary operating expenses, which it did during 2004 to partially fund an escrow deposit with the Court of Chancery while the MCHC case is on appeal.

While the Company s appeal in the MCHC case is pending, payment will not be made on 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 will accrue to PCW.

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 following table presents the Company s contractual obligations as of December 31, 2004, which consist only of its obligations under its lease for office space in New York City.

	Payment due by period				
Contractual Obligations	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Operating Leases	$ 972,000	$ 324,000	$ 648,000	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, 2004 and 2003, 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, 2004, there were no unsettled contracts outstanding. As of December 31, 2003, such amount was immaterial.

Revenue Recognition. Service revenue from cellular operations for prepaid and post paid customers included local subscriber revenue and outcollect roaming revenue. In accordance with the Securities and Exchange Commission Staff Accounting Bulletin No. 101 (SAB 101), which was adopted in the fourth quarter of 2000 effective January 1, 2000, prepaid airtime revenue was recognized when the airtime was utilized and activation revenue was recognized over the estimated life of the subscriber s contract or the expected term of the customer s relationship, whichever was longer. Local subscriber revenue was earned by providing access to the cellular network (access revenue) or, as applicable, for usage of the cellular network (airtime revenue). Access revenue was billed one month in advance and was recognized when earned. Postpaid airtime revenue was recognized when the service was rendered.

Outcollect roaming revenue represented revenue earned for usage of its cellular network by subscribers of other cellular carriers. Outcollect roaming revenue was recognized when the services were rendered.

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

For financial reporting purposes, the Company reported 100% of revenues and expenses for the markets for which it provided cellular telephone service.

Cost to Add a Subscriber. The cost to add a subscriber, which consisted principally of the net loss on the sale of equipment, as well as commissions, was recognized at the time the subscriber started to receive cellular service. Both commissions and the loss on the sale of handsets, which represent a separate earnings process, were expensed in the same month that the subscriber commenced using the Company s system.

Engineering, Technical and Other Direct. Engineering, technical and other direct expenses represented certain costs of providing cellular telephone services to customers. These costs included incollect roaming expense. Incollect roaming expense was the result of the Company s subscribers using cellular networks of other cellular carriers.

Acquisitions and Licenses. The cost of previously acquired companies was allocated first to the identifiable assets, including licenses, based on the fair market value of such assets at the date of acquisition. Accordingly, the Company did not record any goodwill. Licenses were amortized on a straight-line basis over a 40-year period. Such amortization was in effect prior to the Company s adoption of the Statement of Financial Accounting Standards No. 142 Goodwill and Other Intangible Assets (SFAS No. 142) which the Company adopted on January 1, 2002 due to the fact that licenses were deemed by the Company to have an indefinite life.

Prior to the adoption of SFAS No.142, the Company continually evaluated whether subsequent events and circumstances have occurred that indicate the remaining estimated useful life of such licenses might warrant revision or that the remaining balance of the license rights may not be recoverable. The Company utilized projected undiscounted cash flows over the remaining life of the licenses. Subsequent to the application of SFAS No. 142 the realizability of licenses was evaluated annually. The Company determined fair value by reference to sales of comparable businesses to evaluate the recorded value of licenses

Expensing Stock Options and Share-Based Payment. The Company has always submitted stock option plans for shareholder approval. However, Mr. Price, the president of the Company, believes expensing stock options is a silliness and the expense may not be reversed if the employee leaves the Company before exercising. Further, it may increase accounting fees which have already risen astronomically due to the Sarbanes-Oxley Act. In addition, stock options have generally been granted in small amounts, often 1,000 shares or less, to fifty to one hundred employees with management never receiving excessive amounts. Currently, the principal stock options outstanding are 105,000 shares each to Robert Price and Kim Pressman at $29.45 per share with another 105,000 shares each to Robert Price and Kim Pressman at $31.35 per share. In the opinion of Robert Price, these options cannot be correctly priced and it would have harmed shareholders to expense them. Management believes stock options have helped employee performance.

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 (footnote 3).

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, 2004.

In addition, the realizability of the Company s investment in the Verizon Partnership could be affected if the price of Verizon Communications common stock is below $40 for an extended period of time (at the date it becomes convertible into Verizon common stock.) The Company believes its investment in the Verizon Partnership is realizable at its recorded value at December 31, 2004.

Item 8. Financial Statements and Supplementary Data

See Index to Consolidated Financial Statements on page 24.

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

None

Item 9A. Controls and Procedures-

The Chief Executive Officer and the Chief Financial Officer of the Company are in the process of completing their 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) as of December 31, 2004. To date, certain ineffective controls have been identified (resulting principally from the fact that the Company has only three employees) which the Company expects to report on in an amended 10-K/A within the 45 days following the date of this report.

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 2005 Meeting of Shareholders.

	Item	Incorporated from
Item 10.	Directors and Executive Officers of the Company	Directors and Executive Officers and Section 16 (a) Beneficial Ownership Reporting Compliance
	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.	
Item 11.	Executive Compensation	Executive Compensation and Related Transactions
Item 12.	Security Ownership of Certain Beneficial Owners and Management	Principal Shareholders and SecurityOwnership of Management
Item 13.	Certain Relationships and Related Transactions	Executive Compensation and Related PartyTransactions
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 24.

(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

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, 2004 and 2003 and the related consolidated statements of operations, shareholders equity, and cash flows for the years then ended. 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 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 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 2004 and 2003 financial information disclosure included in Note 14 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 audit and the report of other auditors with respect to the 2004 and 2003 financial information provided in Note 14 to the 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, 2004 and December 31, 2003 and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

BDO Seidman, LLP

New York, New York

March 7, 2005

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of

Price Communications Corporation:

We have audited the accompanying consolidated statements of operations and comprehensive income, changes in shareholders equity and cash flows for the year ended December 31, 2002 of Price Communications Corporation and subsidiaries (the Company). Our audit also included the financial statement schedule listed in the index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 audit provides a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the results of operations and cash flows for the year ended December 31, 2002 of the Company, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 3 to the consolidated financial statements, in 2002 the Company changed its method of accounting for Intangible Assets to conform to Statement of Financial Accounting Standards No. 142.

The financial statements of the Company for the year ended December 31, 2001 (not presented herein), including the restatement adjustments described in Note 9, are the responsibility of the Company s mangement. The 2001 financial statements prior to restatement for correction of an error were audited by other auditors who have ceased operations. Those auditors expressed an unqualified opinion on those financial statements before restatement in their report dated February 25, 2002. We were not engaged to, and we did not, audit or review the 2001 financial statements or perform any procedures on the application of the restatement adjustments to those financial statements and, accordingly, we do not express an opinion or any other form of assurance on the 2001 financial statements taken as a whole or on the restatement adjustments.

/s/ Deloitte & Touche LLP
New York, New York
March 21, 2003

(March 15, 2005 as to the adjustments that were applied to restate the 2002 share and per share information to give retroactive effect to the 5 percent stock dividend that was paid in May 2004 as if it occured on January 1, 2002, described in Note 3)

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PRICE COMMUNICATIONS CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2004 AND 2003

(Amounts in thousands except share data)

	2004	2003
Current assets:		
Cash and cash equivalents	$ 2,739	$ 6,499
Available for sale securities	5,588	13,587
Escrow deposit	13,666	
Deferred income taxes	4,890	
Prepaid expenses	106	
Total current assets	26,989	20,086
Cash and securities (principally securities) deposited in collateral account	90,998	86,430
Investment in limited partnership	1,155,499	1,138,772
Other assets	617	390
Total assets	$ 1,274,103	$ 1,245,678
Current liabilities:		
Income taxes payable (current and deferred)	3,893	4,350
Estimated liability to former minority partners-current	12,947	
Other current liabilities, including accrued interest of $3,056	4,966	5,175
Total current liabilities	21,806	9,525
Estimated liability to former minority partners-long-term	13,570	16,000
Accrued income taxes long-term		53,165
Deferred income taxes	529,468	525,000
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 56,216,445 shares in 2004 and 56,682,927 shares in 2003	562	567
Additional paid-in-capital	156,628	163,240
Accumulated other comprehensive income	6,202	4,590
Retained earnings	545,867	473,591
Total shareholders equity	709,259	641,988
Total liabilities and shareholders equity	$ 1,274,103	$ 1,245,678

See accompanying notes to consolidated financial statements.

PRICE COMMUNICATIONS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2004, 2003 AND 2002

(Amounts in thousands, except per share data)

	2004	2003	2002
Revenue:			
Cellular operations:			
Service	$	$	$ 168,935
Equipment sales and installation			11,635
Income from partnership	33,332	32,837	12,380
Total revenue	33,332	32,837	192,950
Engineering, technical and other direct			39,370
Cost of equipment			19,124
Selling, general and administrative	6,124	8,243	46,736
Depreciation and amortization	38		15,859
(Gain) loss on contribution of cellular business	10,519	1,082	(659,181)
Interest income	(69)	(88)	(2,813)
Interest expense		3,056	44,398
Other (income) expense	(12,526)	(10,097)	427
Income before income taxes	29,246	30,641	689,030
Income tax expense (benefit) (including for 2002, $233.1 million of deferred taxes on the gain of the contribution of the cellular business)	(43,030)	9,554	231,151
Net income	72,276	21,087	457,879
Other comprehensive income (net of income tax expense (benefit) of ($772) for 2004, ($57) for 2003 and $3,273 for 2002, respectively)			
Unrealized gains (losses) on available for sale securities	4,337	432	5,309
Reclassification adjustment	(2,725)	(1,150)	128
Comprehensive income	$ 73,888	$ 20,369	$ 463,316
Per share data:			
Basic earnings per share	$ 1.28	$ .37	$ 7.99
Diluted earnings per share	1.28	.37	7.94
Weighted average number of common shares outstanding basic	56,406	56,980	57,332
Weighted average number of common shares outstanding diluted	56,680	57,232	57,649

See accompanying notes to consolidated financial statements.

PRICE COMMUNICATIONS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2004, 2003 AND 2002

(Amounts in thousands)

	2004 (Audited)	2003	2002
Cash Flows From Operating Activities:			
Net income	$ 72,276	$ 21,087	$ 457,879
Adjustments to reconcile net income to net cash provided by Operating activities:			
(Gain) loss on contribution of cellular business	10,519	1,082	(659,181)
Depreciation and amortization	38		15,859
Income from partnership	(33,332)	(32,837)	(12,380)
Amortization of deferred finance costs			1,520
Deferred income taxes	(4,684)		233,068
Net loss (gain) on available for sale securities	(8,422)	(5,123)	298
Net gain on put and call options	(40)	(768)	(1,059)
Change in working capital (net of effect of contribution)			
Decrease (increase) in trade and other receivables			5,590
Increase in escrow deposit	(13,666)		
Decrease (increase) in other current assets	(106)	1,382	
(Decrease) increase in accounts payable and accrued expenses	(209)	2,150	(7,001)
(Decrease) increase in accrued interest payable			(11,421)
Increase in income taxes payable	3,097	744	
Decrease in accrued income taxes-long term	(53,165)		
Changes in other accounts		(338)	3,663
Total adjustments	(99,970)	(33,708)	(431,044)
Net cash (used in) provided by operating activities	(27,694)	(12,621)	26,835
Cash Flows From Investing Activities:			
Cash transferred to partnership			(149,000)
Capital expenditures	(266)		(9,725)
Purchase of available-for-sale securities and put and call options	(53,762)	(93,153)	(19,255)
Proceeds from sale of available-for-sale securities and put and call options	62,306	83,612	14,397
Purchase of securities for collateral account	(98,694)	(71,394)	(137,769)
Sale of securities for collateral account	104,483	69,451	69,707
(Increase) decrease in cash in collateral account	(121)	540	
Cash transferred to collateral account			(856)
Distribution of profits from partnership	16,605	16,398	2,087
Reimbursement from partnership for excess working capital contribution			5,000
Purchase of additional minority interests in majority owned Company systems			(4,045)
Fees and expenses related to contribution of Wireless business			(16,400)
Other		147	175
Net cash provided by (used in) by investing activities	30,551	5,601	(245,684)
Cash Flows From Financing Activities:			
Repurchase and retirement of Company s common stock	(6,617)	(7,273)	(7,027)
Exercise of employee stock options and warrants		59	162
Net cash used in financing activities	(6,617)	(7,214)	(6,865
Net increase (decrease) in cash and cash equivalents	(3,760)	(14,234)	(225,714)
Cash and Cash Equivalents, beginning of year	6,499	20,733	246,447
Cash and Cash Equivalents, end of year	$ 2,739	$ 6,499	$ 20,733

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, 2004, 2003, AND 2002

(Amounts and share amounts in thousands)

	Common Stock Class A Shares	Value	Additional paid-in capital	Accumulated Other comprehensive income (loss)	Retained earnings	Total shareholders equity
Balance, December 31, 2001 (Restated and unaudited)(1)	57,629	$ 577	$ 177,139	$ (129)	$ (5,375)	$ 172,212
Change in unrealized loss on marketable equity securities, net of tax effect				5,437		5,437
Purchase and retirement of treasury stock	(415)	(4)	(7,023)			(7,027)
Exercise of stock options	56		162			162
Tax benefit from the exercise of stock options			170			170
Net income					457,879	457,879
Balance, December 31, 2002 (Audited)	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 treasury stock	(594)	(6)	(7,267)			(7,273)
Exercise of stock options	7		59			59
Net income					21,087	21,087
Balance, December 31, 2003 (Audited)	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 treasury stock and unexchanged shares	(467)	(5)	(6,612)			(6,617)
Net income					72,276	72,276
Balance, December 31, 2004 (Audited)	56,216	$ 562	$ 156,628	$ 6,202	$ 545,867	$ 709,259

(1) See footnote 9 to the consolidated financial statements.

See accompanying notes to consolidated financial statements.

PRICE COMMUNICATIONS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2004, 2003 AND 2002

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 theVerizon Partnership

On December 18, 2001, the Company agreed to contribute 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 transaction was consummated on August 15, 2002. 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 ($91.0 million as of December 31, 2004) and other property into a collateral account to secure the guaranty. Price controls the investment of the assets in the collateral account, has the right to withdraw certain sums such as dividends and interest on investments from the account, and had the right, in addition, to withdraw up to $5 million from the account to cover its ordinary operating expenses, which it did during 2004. Price and Verizon Communications further agreed that Price retain its cash existing at the closing of the asset contribution which was not reserved to satisfy known liabilities existing at such time (and in any event in a minimum amount of $2 million) for the purpose of making such investments as Price deems appropriate.

If a qualifying initial public offering of Verizon Wireless Inc. common stock (as defined in the transaction agreement) occurs before August 15, 2006 the Company will have an option to (subject to approval of Price s shareholders) exchange its Preferred Exchangeable Interest for shares of Verizon Wireless common stock. If this happens, the number of shares the Company would receive would be calculated by dividing the existing balance in the Company s capital account in the Verizon Partnership by the Verizon Wireless initial public offering price. If the Company chooses not to exercise such option (including as a result of the failure of the Company s shareholders to approve such exchange), it will be obligated to exchange its Preferred Exchangeable Interest for Verizon Communications common stock on August 15, 2012 or such earlier date as may be specified by Verizon Communications. In this latter case, the number of shares the Company will receive will be determined by dividing the amount in the Company s capital account as of the date of exchange by the greater of the trailing 20 day average closing price of Verizon Communications common stock as of the exchange date or $55.30.

In the event a qualifying initial public offering of Verizon Wireless does not occur prior to August 15, 2006, or if Verizon Wireless does complete such an offering but an exchange into Verizon Wireless common stock does not occur solely as a result of a breach of agreement by Verizon Wireless, the Preferred Exchangeable Interest will be manditorily exchanged for shares of Verizon Communications common stock on approximately August 15, 2006. In these circumstances, the number of shares of Verizon Communications common stock issuable to the Company will equal the balance in the Company s capital account in the Verizon

Partnership on August 15, 2006 divided by the trailing 20-day average closing price of Verizon Communications common stock, but such price may not be less than $40 or more than $74. At December 31, 2004 the closing market price of Verizon Communications common stock was $40.51. During 2004, the closing market price of Verizon Communications common stock was above $40 numerous times and during the period January 1, 2005 to February 28, 2005 it fluctuated between $35.08 and $41.06.

In addition, in certain circumstances (including a change in control of the Company or a transfer of the Preferred Exchangeable Interest to a secured creditor of the Company), Verizon Communications will have the right to cause an exchange of the Preferred Exchangeable Interest into Verizon Communications common stock, whether or not an initial public offering of Verizon Wireless common stock has occurred.

After adjustments for working capital as defined in the asset contribution agreement, the amount of PCW s initial capital account in the Verizon Partnership approximated $1.112 billion. Pursuant to the partnership agreement for the Verizon Partnership, PCW is entitled to receive taxable allocations of any profits from the Verizon Partnership in an amount up to its preferred return, which is currently at 2.9% per annum. Any losses incurred by the Verizon Partnership will be allocated to Cellco Partnership and its affiliates up to an amount equal to their capital account before being allocated to PCW

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. Certain prior year amounts have been reclassified to conform to current year presentation.

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, 2002.

Estimates

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

Cash and Cash Equivalents

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

Financial Instruments

At December 31, 2004, 2003 and 2002, 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, 2004, there were no outstanding put and call options and at December 31, 2003, the amounts of unsettled contracts outstanding were not material.

Acquisitions and Licenses

The cost of previously acquired companies was allocated first to the identifiable assets, including licenses, based on the fair market value of such assets at the date of acquisition. Accordingly, the Company did not record any goodwill. Licenses were amortized on a straight-line basis over a 40-year period. Such amortization was in effect prior to the Company's adoption of the Statement of Financial Accounting Standards No. 142 "Goodwill and Other Intangible Assets" (SFAS No. 142) which the Company adopted on January 1, 2002 due to the fact that licenses were deemed by the Company to have an indefinite life.

Prior to the adoption of SFAS No. 142, the Company continually evaluated whether subsequent events and circumstances have occurred that indicate the remaining estimated useful life of such licenses might warrant revision or that the remaining balance of the license rights may not be recoverable. The Company utilized projected undiscounted cash flows over the remaining life of the licenses. Subsequent to the application of SFAS No. 142 the realizability of licenses was evaluated annually. The Company determined fair value by reference to sales of comparable businesses to evaluate the recorded value of licenses.

Revenue Recognition

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

In accordance with the Securities and Exchange Commission Staff Accounting Bulletin No. 101 (SAB 101), which was adopted in the fourth quarter of 2000 effective January 1, 2000, prepaid airtime revenue was recognized when the airtime was utilized and activation revenue was recognized over the estimated life of the subscriber s contract or the expected term of the customers relationship, whichever was longer. Local subscriber revenue was earned by providing access to the cellular network (access revenue) or, as applicable, for usage of the cellular network (airtime revenue). Access revenue was billed one month in advance and was recognized when earned. Postpaid airtime revenue was recognized when the service was rendered.

Outcollect roaming revenue represented revenue earned for usage of the Company s cellular network by subscribers of other cellular carriers. Outcollect roaming revenue was recognized when the services were rendered.

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

Cost to Add a Subscriber

The cost to add a subscriber, which consisted principally of the net loss on the sale of equipment, as well as commissions, was recognized at the time the subscriber started to receive cellular service. Both commissions and the loss on the sale of handsets, which represented a separate earnings process, were expensed in the same month that the subscriber commenced using the Company s system.

Engineering, Technical and Other Direct Expenses

Engineering, technical and other direct expenses represented certain costs of providing cellular telephone services to customers. These costs included incollect roaming expense. Incollect roaming expense was the result of the Company s subscribers using cellular networks of other cellular carriers.

Per Share Data

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

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

Diluted Average Common Shares Computation	**2004**	**2003**	**2002**
Basic average common shares outstanding	56,406	56,980	57,332
Dilutive potential common shares options and warrants	274	252	317
Diluted Average Common Shares	56,680	57,232	57,649
Options excluded from the computation of earnings per share - diluted since option exercise price was greater than the market price of the common shares for the period	614	430	619

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)					
	2004		2003		2002	
Net income-as reported	$	72,276	$	21,087	$	457,879
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		198				678
Net income-pro forma	$	72,078	$	21,087	$	457,201
Basic earnings per share						
As reported	$	1.28	$	0.37	$	7.99
Pro forma		1.28		0.37		7.97
Diluted earnings per share						
As reported	$	1.28		0.37		7.94
Pro forma		1.27		0.37		7.93

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.

Recent Accounting Pronouncements

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

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 (see above).

4. Fair Value of Financial Instruments

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

For cash and cash equivalents 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, 2004, the Company had no open option contracts.

5. Income Taxes

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

	Year Ended December 31, ($ in thousands)		
	2004	2003	2002
Current:			
Federal	$ (40,412)	$ 8,673	$ (1,807)
State and local	2,066	881	(110)
	(38,346)	9,554	(1,917)
Deferred:			
Federal	(3,559)		233,039
State and local	(1,125)		29
	(4,684)		233,068
Tax provision (benefit)	$ (43,030)	$ 9,554	$ 231,151

For the years ended December 31, 2004, 2003 and 2002, the provision (benefit) 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)		
	2004	2003	2002
Tax at statutory federal income tax rate	$ 10,236	$ 10,986	$ 241,160
State taxes, net of federal income tax benefit	612	573	(3,630)
Dividends received exclusion	(816)	(850)	
Utilization of prior years AMT credits		(1,271)	
Adjustment for change in estimate related to accruals			(6,784)
Non-taxable gain (loss) on sale of securities			405
Reversal of accrued income taxes-long-term	(53,165)		
Other	103	116	
	$ (43,030)	$ 9,554	$ 231,151

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.

Deferred tax assets (liabilities) consist of the following:

	December 31, ($ in thousands)	
	2004	2003
Deferred tax assets (liabilities):		
Deferred gain on contribution of cellular business	$ (531,043)	$ (531,043)
Estimated liability to former minority partners	10,016	6,043
Unrealized gain on marketable equity securities-current	(3,771)	(3,060)

Other-current		220		(488)
		(524,578)		(528,548)
Less: Amount included in current assets (liabilities)		4,890		(3,548)
	$	(529,468)	$	(525,000)

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6. Other Income (Expense)

Other income (expense) consists of the following:

	Year Ended December 31, ($ in thousands) 2004	2003	2002
Gain on investments, net	$ 8,462	$ 5,891	$ 760
Dividend Income	3,332	3,470	
Other, net	732	736	(1,187)
	$ 12,526	$ 10,097	$ (427)

Other, net for the year 2002 includes the write-off of certain investments.

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. In addition, the Company expended approximately $3.6 million in the year ended December 31, 2002 for other purchases of minority interests. 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 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 September of 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 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.

While the Company s appeal in the MCHC case is pending, payment will not be 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 will accrue to PCW.

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 of 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 Compnay 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, 2004 the Company purchased and retired the following: 2002-415,000 at an average cost of $16.91; 2003-594,000 at an average cost of $12.21; 2004**-** 439,000 at an average cost of $15.05. 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, 2004, 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. Restatement Related to Redeemable Preferred Stock

During 1997, the Board of Directors authorized the issuance of approximately 728,000 shares of the Company s Series A Preferred Stock, and 364,000 shares of the Company s Series B Preferred Stock to the Company s Chief Executive Officer, Mr. Price. In June 1998, Mr. Price notified the Company that he was considering the exercise of his right to have the Series B Preferred Stock redeemed by the Company. The Series B Preferred Stock had a carrying value of $10,000. Because the triggering event had occurred in 1998, Mr. Price, pursuant to the terms of the Series B Preferred Stock, would have been entitiled to receive a cash payment. When Mr. Price presented the Series B Preferred Stock for redemption, the amount of the cash payment to which he was entitled was $5.0 million. Mr. Price and the Board agreed that in place of such cash payment, the Company would issue 1.3 million shares of its $.01 par value common stock to Mr. Price in exchange for his shares of Series B Preferred Stock. The value of the Company s common stock received by Mr. Price on the date of conversion approximated $5.0 million.

In June and August 1999, Mr. Price notified the Company that he was considering the exercise of his right to have the Series A Preferred Stock redeemed by the Company. The Series A Preferred Stock had a carrying value of $25,000. Because the triggering event occurred in 1998, Mr. Price, pursuant to the terms of the Series A Preferred Stock, would have been entitled to a cash payment. When Mr. Price presented the Series A Preferred Stock for redemption, the amount of the cash payment to which he was entitled was $63.0 million. Mr. Price and the Board agreed that in place of such cash payment, the Company would issue approximately 3.7 million shares of its $.01 par value common stock to Mr. Price in exchange for approximately 728,000 shares of Series A Preferred Stock. The value of the Company s common stock received by Mr. Price on the two respective dates of conversion approximated $63.0 million.

In 1999, the Company recorded the exchange of the preferred stock for common stock, discussed above, as deferred compensation of $67,951, and was amortizing such amount over subsequent periods of 10 or 20 years and accruing a deferred tax benefit related to the amortization amounts. During 2002, the Company determined that such accounting for this non-cash item was not correct in that the preferred stock was now determined to be properly considered a variable plan with no substantive vesting period and as a result, compensation expense associated with such stock should have been recorded when it became eligible for redemption at the value the Company s Chief Executive Officer would have been entitled to receive at that time, as a charge to earnings. Subsequent changes in that value would then be recorded as a component of determining net income for any subsequent reporting periods, up until the time of redemption when the amount becomes fixed and final. The Company also determined that recording a deferred tax benefit for this compensation expense was not correct. Consequently, the Company has restated its previously reported results for those non-cash items for the years 1998 to 2001 to remove the effects of the prior accounting for these items, and instead recorded compensation expense of $20,088 and $47,863 in 1998 and 1999, respectively, eliminated amortization of deferred compensation expense of $1,973 in 1999 and $3,649 in each of 2000 and 2001 and eliminated deferred tax benefits of $730 in 1999 and $1,350 in each of 2000 and 2001. In the third quarter of 2002, the Company had written off the remaining balance of the deferred compensation of $58,680 and had reversed the previously recorded deferred tax benefits of $3,430 in conjunction with the sale of its cellular business. In the audited financial statements for the year ended December 31, 2002, these write offs are now eliminated because the deferred compensation charges are now recognized in prior years and the deferred tax benefit should not have been recorded. Therefore, the net impact on retained earnings of these changes is zero as of December 31,2002 although the expense is recognized in different years.

10. 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 future issuance.

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 2002 and 2003 and the Company did not change any of the assumptions for previously issued options.

The Black-Sholes 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.

FOR THE YEARS ENDED DECEMBER 31, 2004, 2003 AND 2002-AUDITED

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, 2001	766,368	$ 23.37	
Exercised	(52,535)	2.54	
Canceled	(210,473)	19.63	
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			