PRICE COMMUNICATIONS CORP
Form 10-Q
May 15, 2002

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2002

OR

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

For the transition period from to

Commission file number
1-8309

PRICE COMMUNICATIONS CORPORATION
(Exact Name of Registrant as specified in its charter)

New York	13-2991700
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
45 Rockefeller Plaza, New York, New York	10020
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number (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
Associated Common Stock Rights Under Rights Plan	Boston Stock Exchange
	Chicago Stock Exchange
	Pacific Stock Exchange

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

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934

during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes /X/ No / /

The number of shares outstanding of the issuer's common stock as of May 3, 2002 was 54,620,901.

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PRICE COMMUNICATIONS CORPORATION AND SUBSIDIARIES

INDEX

PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements (Unaudited)

Condensed Consolidated Balance Sheets - March 31, 2002 and December 31, 2001.....

Condensed Consolidated Statements of Operations - Three months ended March 31, 2002 and 2001.....

Condensed Consolidated Statements of Cash Flows - Three months ended March 31, 2002 and 2001.....

Condensed Consolidated Statement of Shareholders' Equity - Three months ended March 31, 2002.....

Notes to Condensed Consolidated Financial Statements.....

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.....

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings.....

ITEM 2. Changes in Securities.....

ITEM 3. Defaults Upon Senior Securities - None.....

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

ITEM 5. Other Information.....

ITEM 6. Exhibits and Reports on Form 8-K.....

SIGNATURES.....

ITEM 1. FINANCIAL STATEMENTS

PRICE COMMUNICATIONS CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
($ IN THOUSANDS)

	(UNAUDITED) MARCH 31, 2002	D
ASSETS		
Current assets:		
Cash and cash equivalents	$ 259,236	$
Trade accounts receivable, net of allowance for doubtful accounts	19,491	
Receivable from other cellular carriers	5,010	
Available for sale securities	1,447	
Inventory	3,395	
Prepaid expenses and other current assets	13,597	
Total current assets	302,176	
Net property and equipment	139,078	
Licenses, net of amortization	814,824	
Other intangible and other assets, net of amortization	15,290	
	$ 1,271,368	$
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 6,934	$
Accrued interest payable	18,257	
Accrued salaries and employee benefits	1,589	
Deferred revenue	10,005	
Income taxes payable	11,154	
Customer deposits	819	
Minority interests	2,732	
Other current liabilities	12,698	
Total current liabilities	64,188	
Long-term debt	700,000	
Accrued income taxes - long term	53,165	
Deferred income taxes	277,203	
Total liabilities	1,094,556	
Commitments and contingencies		
Shareholders' equity	176,812	
	$ 1,271,368	$

See accompanying notes to condensed consolidated financial statements.

PRICE COMMUNICATIONS CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

($ IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

	FOR THE THREE MO ENDED MARCH 3	
	2002	
Revenue:		
Service	$ 62,641	$
Equipment sales and installation	5,592	
Total revenue	68,233	
Operating expenses:		
Engineering, technical and other direct	10,262	
Cost of equipment	8,866	
Selling, general and administrative	18,238	
Non-cash compensation-selling, general and administration	912	
Depreciation and amortization	6,217	
Total operating expenses	44,495	
Operating income	23,738	
Other income (expense):		
Interest expense, net	(16,586)	
Other income (expense), net	338	
Total other expense	(16,248)	
Income before minority interest share of income and income taxes	7,490	
Minority interest share of income	-	
Income before income taxes	7,490	
Income tax expense	2,776	
Net income	$ 4,714	$
Other comprehensive income, net of tax		
Unrealized gains (losses) on available for sale securities	(30)	
Reclassification adjustment	-	
Comprehensive income (loss)	$ 4,684	$
Per share data:		
Basic earnings per share	$ 0.09	$
Weighted average shares outstanding	54,753,000	
Diluted earnings per share	$ 0.09	$

Weighted average shares outstanding	55,092,000

See accompanying notes to condensed consolidated financial statements.

PRICE COMMUNICATIONS CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

($ IN THOUSANDS)
(UNAUDITED)

	FOR THE TH ENDED M
	2002
Cash flows from operating activities:	
Net income	$ 4,714
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	6,217
Minority interest share of income	-
Deferred income taxes	1,163
Gain on available for sale securities	(77)
Non-cash compensation	912
Amortization of deferred finance charges	608
Increase in outstanding put option contracts	-
Decrease in trade accounts receivable	1,949
Decrease in inventory	1,734
Decrease in accounts payable and accrued expenses	(1,134)
Increase in accrued interest payable	6,836
Change in other accounts	(997)
Total adjustments	17,211
Net cash provided by operating activities	21,925
Cash flows from investing activities:	
Capital expenditures	(4,065)
Proceeds from sale of available for sale securities	5,457
Purchase of available for sale securities	(5,970)
Purchase of minority interests	(108)
Net cash used in investing activities	(4,686)
Cash flows from financing activities:	
Purchase and retirement of common stock	(4,480)
Exercise of employee stock options	30
Net cash used in financing activities	(4,450)

Net increase (decrease) in cash and cash equivalents	12,789
Cash and cash equivalents at the beginning of period	246,447
Cash and cash equivalents at the end of period	$ 259,236
Supplemental disclosure of cash flow information:	
Income taxes paid, net	$ 61
Interest paid	$ 10,281

See accompanying notes to condensed consolidated financial statements.

PRICE COMMUNICATIONS CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

($ IN THOUSANDS)

	Common Stock Class A		Additional paid-in	Accumulated other comprehensive	Reta
	Shares	Par Value	capital	income	earn
Balance December 31, 2001	54,885	$ 550	$ 177,166	$ (129)	$ 5
Change in unrealized gain (loss) on available for sale securities, net of tax effect				(30)	
Purchase and retirement of common stock	(241)	(3)	(4,477)		
Exercise of stock options	3	0	30		
Deferred compensation expense associated with the conversion of preferred stock to common stock					
Tax benefit from the exercise of stock options			24		
Net income					
Balance March 31, 2002	54,647	$ 547	$ 172,743	$ (159)	$ 6

See accompanying notes to condensed consolidated financial statements.

PRICE COMMUNICATIONS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The Consolidated Financial Statements include the accounts of Price Communications Corporation and its subsidiaries (the "Company" or "Price"). Price Communications Wireless, Inc. ("PCW") is a wholly owned subsidiary of Price Communications Corporation and represents the operating entity for the cellular business. All significant intercompany items and transactions have been eliminated.

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

(2) AGREEMENT TO CONTRIBUTE COMPANY'S BUSINESS

On December 18, 2001, the Company entered into an agreement (the "Transaction Agreement") with affiliates of Cellco Partnership (doing business as Verizon Wireless and referred to herein as "Verizon Wireless") pursuant to which the Company agreed to contribute substantially all of the assets of PCW to a new partnership controlled by Verizon Wireless ("New Limited Partnership"), subject to shareholder approval, in exchange for a Preferred Exchangeable Limited Partnership Interest (the "Preferred Exchangeable Interest") (the "contribution transaction"). New Limited Partnership will assume certain liabilities of PCW relating to the contributed business (including such liabilities as arise under PCW's 11 3/4% Senior Subordinated Notes due 2007 and 9 1/8% Senior Secured Notes due 2006). For financial statement purposes, the Company expects to record a gain on the transaction.

If an initial public offering of Verizon Wireless common stock (meeting certain size requirements) occurs within four years of the contribution transaction, PCC will have an option, subject to the approval of the shareholders of PCC, to exchange such Preferred Exchangeable Interest for Verizon Wireless common stock during a period of sixty days which begins upon the later of (i) the date of the initial public offering and (ii) the one-year anniversary of the contribution transaction.

If Verizon Wireless does not complete such an initial public offering prior to the four-year anniversary of the contribution transaction or if Verizon Wireless does complete such an offering but an exchange into Verizon Wireless common stock does not occur for other reasons, the Preferred Exchangeable Interest will be exchanged for Verizon Communications common stock.

In addition, in certain circumstances (including a change in control of PCC or a transfer of the Preferred Exchangeable Interest to a secured creditor of PCC), Verizon Communications will have the right to cause an exchange of the Preferred Exchangeable Interest into Verizon Communications common stock.

Subject to certain adjustments, the amount of the Company's initial capital account in the partnership will be approximately $1.15 billion. Pursuant to the partnership agreement, any profits of the partnership will be allocated to the Company's capital account annually up to an amount equal to approximately 4.00% per annum (subject to downward adjustments relating to the interest rate payable on certain indebtedness) accreted quarterly on the weighted daily average balance of the Company's capital account (for a maximum period of four years). Any losses incurred by the partnership will be allocated to Verizon Wireless up to an amount equal to its capital accounts before being allocated to the

Company. With respect to each quarter ending after the second anniversary of the contribution transaction, the partnership will distribute to the Company an amount in cash equal to 50% of the Company's share of any profits of the partnership. These distributions will reduce the Company's capital account in the partnership. The transaction is structured to be a tax-free exchange of assets under the Internal Revenue Code.

The Company expects to account for the Preferred Exchangeable Interest using the equity method of accounting. The initial investment on the PCC balance sheet will equal the credit in the capital account on the partnership's financial statement. Thereafter, the Company will increase its investment by the amount of income it will be entitled to based on the availability of profits and the agreed upon preferred rate of return.

(3) SHAREHOLDERS' EQUITY

The Company's Board of Directors has authorized stock repurchase programs of the Company's Class A Common Stock. The Company is authorized to make such purchases 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 the Company. During the first quarter of 2002, the Company repurchased and retired 241,000 shares at an average price of $18.57 per share.

(4) IMPACT OF NEW ACCOUNTING PRONOUNCEMENTS

In July 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 142 "Goodwill and Other Intangible Assets" ("SFAS No. 142"). SFAS No. 142 requires the use of a nonamortization approach to account for purchased goodwill and certain intangibles. Under a nonamortization approach, goodwill and certain intangibles will not be amortized into results of operations, but instead would be reviewed for impairment and written down and charged to results of operations only in the periods in which the recorded value of goodwill and certain intangibles is more than its fair value. The provisions of SFAS No. 142 were adopted by the Company on January 1, 2002. The Company does not have any goodwill recorded in its consolidated financial statements and therefore the adoption of SFAS No. 142 did not have any effect on its financial position or results of operations as it relates to goodwill. However, the Company does have a significant intangible asset in the form of cellular licenses. Based upon the Verizon agreement and the valuation of PCW's business contained therein, management of the Company does not believe that there has been an impairment and accordingly has not recorded a charge against earnings for the three month period ended March 31, 2002. In addition, the Company believes its cellular licenses qualify as indefinite life intangibles as defined by SFAS No. 142, and accordingly the current three month period does not include any amortization for licenses. Had the Company adopted SFAS No. 142 at the beginning of 2001, operating income would have increased by $5,825 to $24,618, net income would have increased by $3,670 to $5,136 and earnings per share (basic and diluted) would have increased by $.06 to $.09 for the three month period ending March 31, 2001.

In August 2001, the FASB issued SFAS No 144 "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS No. 144"). SFAS No. 144 supercedes SFAS No. 121, but retains SFAS No. 121's fundamental provisions for (a) recognition and measurement of impairment of long-lived assets to be held and used and (b) measurement of long-lived assets to be disposed of by sale. SFAS No. 144 also

supercedes Accounting Principle Board Opinion No. 30 "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions" ("APB No. 30") for segments of a business to be disposed of but retains APB No. 30's requirement to report discontinued operations separately from continuing operations and extends that reporting to a component of an entity that either has been disposed of or is classified as held for sale. Effective January 1, 2002, the Company adopted SFAS No. 144 which adoption had no effect on the Condensed Consolidated Statements of Operations.

(5) FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company has sold put and call options. Some puts were 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 if and when outstanding were classified as liabilities with changes in fair values recorded as part of Other income. At March 31, 2002, open put contracts were not material.

ITEM 2. 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 Condensed Consolidated Financial Statements and related notes thereto.

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

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

OVERVIEW

The Company is engaged in the construction, development, management and operation of cellular telephone systems in the southeastern United States. As of March 31, 2002, the Company provided cellular telephone service to 580,251 subscribers in Alabama, Florida, Georgia, and South Carolina in a total of 16 licensed service areas, composed of eight Metropolitan Statistical Areas ("MSAs") and eight Rural Service Areas ("RSAs"), with an aggregate estimated population of 3.4 million. The Company sells its cellular telephone service as well as a full line of cellular products and accessories principally through its network of retail stores. The Company markets all of its products and services under the nationally recognized service mark CELLULARONE.

AGREEMENT TO CONTRIBUTE COMPANY'S BUSINESS

On December 18, 2001, the Company entered into an agreement (the

"Transaction Agreement") with affiliates of Cellco Partnership (doing business as Verizon Wireless and referred to herein as "Verizon Wireless") pursuant to which the Company agreed to contribute substantially all of the assets of PCW to a new partnership controlled by Verizon Wireless ("New Limited Partnership"), subject to shareholder approval, in exchange for a Preferred Exchangeable Limited Partnership Interest (the "Preferred Exchangeable Interest") (the "contribution transaction"). New Limited Partnership will assume certain liabilities of PCW relating to the contributed business (including such liabilities as arise under PCW's 11 3/4% Senior Subordinated Notes due 2007 and 9 1/8% Senior Secured Notes due 2006).

If an initial public offering of Verizon Wireless common stock (meeting certain size requirements) occurs within four years of the contribution transaction, PCC will have an option, subject to the approval of the shareholders of PCC, to exchange such Preferred Exchangeable Interest for Verizon Wireless common stock during a period of sixty days which begins upon the later of (i) the date of the initial public offering and (ii) the one-year anniversary of the contribution transaction.

If Verizon Wireless does not complete such an initial public offering prior to the four-year anniversary of the contribution transaction or if Verizon Wireless does complete such an offering but an exchange into Verizon Wireless common stock does not occur for other reasons, the Preferred Exchangeable Interest will be exchanged for Verizon Communications common stock.

In addition, in certain circumstances (including a change in control of PCC or a transfer of the Preferred Exchangeable Interest to a secured creditor of PCC), Verizon Communications will have the right to cause an exchange of the Preferred Exchangeable Interest into Verizon Communications common stock.

Subject to certain adjustments, the amount of the Company's initial capital account in the partnership will be approximately $1.15 billion. Pursuant to the partnership, any profits of the partnership will be allocated to the Company's capital account annually up to an amount equal to approximately 4.00% per annum (subject to downward adjustments relating to the interest rate payable on certain indebtedness) accreted quarterly on the weighted daily average balance of the Company's capital account (for a maximum period of four years). Any losses incurred by the partnership will be allocated to Verizon Wireless up to an amount equal to its capital accounts before being allocated to the Company. With respect to each quarter ending after the second anniversary of the contribution transaction, the partnership will distribute to the Company an amount in cash equal to 50% of the Company's share of any profits of the partnership. These distributions will reduce the Company's

capital account in the partnership. The transaction is structured to be a tax-free exchange of assets under the Internal Revenue Code.

The Company expects to account for the Preferred Exchangeable Interest using the equity method of accounting. The initial investment on the PCC balance sheet will equal the credit in the capital account on the partnership's financial statement. Thereafter, the Company will increase its investment by the amount of income it will be entitled to based on the availability of profits and the agreed upon preferred rate of return. Future cash distributions will reduce the investment balance.

MARKET OWNERSHIP

The Company's cellular telephone systems serve contiguous licensed service areas in Georgia, Alabama and South Carolina. The Company also has a cellular

service area in Panama City, Florida. The following table sets forth, with respect to each service area in which the Company owns a cellular telephone system, the estimated population and national MSA ranking of such service area.

SERVICE AREA	MSA RANK	ESTIMATED POPULATION (1)
Albany, GA	261	120,822
Augusta, GA	108	452,846
Columbus, GA	153	250,929
Macon, GA	138	322,544
Savannah, GA	155	293,000
Georgia-6 RSA	---	211,408
Georgia-7 RSA	---	139,606
Georgia-8 RSA	---	166,601
Georgia-9 RSA	---	124,063
Georgia-10 RSA	---	162,261
Georgia-12 RSA	---	220,558
Georgia-13 RSA	---	157,068
Dothan, AL	246	137,916
Montgomery, AL	139	333,065
Alabama-8 RSA	---	196,259
Subtotal		3,288,946
Panama City, FL	283	148,217
Total		3,437,163

(1) Based on population estimates from U.S. Census 2000.

RESULTS OF OPERATIONS

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

	THREE MONTHS ENDED MARCH 31,	
	2002	2001
	(IN PERCENTAGE TERMS)	
REVENUE:		
Service	91.8%	93.5%
Equipment sales and installation	8.2	6.5
TOTAL REVENUE	100.0	100.0
OPERATING EXPENSES:		
Engineering, technical and other direct:		
Engineering and technical (1)	7.4	5.7
Other direct costs of services (2)	7.7	6.4

Cost of equipment (3)	13.0	13.5
Selling, general and administrative:		
Sales and marketing (4)	9.4	8.8
Customer service (5)	9.0	6.0
General and administrative (6)	8.3	11.6
Non-cash compensation	1.3	1.4
Depreciation and amortization	9.1	18.0
TOTAL OPERATING EXPENSES	65.2	71.4
Operating income	34.8%	28.6%
Operating income before depreciation and amortization and non-cash compensation adjusted EBITDA (7)	45.2%	48.0%
Operating income before depreciation and amortization Price Communications Wireless, Inc. (8)	46.5%	49.0%

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

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

(3) Consists primarily of the costs of the cellular telephones and accessories sold.

(4) Consists primarily of salaries and benefits of sales and marketing personnel, advertising and promotion expenses and employee and agent commissions.

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

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

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

(8) Represents operating income before interest expense, provision for income taxes, depreciation and amortization and non-cash compensation of the Company's operating subsidiary Price Communications Wireless, Inc. It does not include $862,000 for the current quarter and $656,000 for the same period last year of the parent Company's general and administrative expenses.

THREE MONTHS ENDED MARCH 31, 2002 COMPARED TO THREE MONTHS ENDED MARCH 31, 2001

REVENUE. Service revenue totaled $62.6 million for the first quarter of 2002 compared with $61.5 million for the first quarter of 2001. An increase in the average number of postpaid subscribers, an increase in the average access per subscriber and a reduction in promotional credits generated additional access revenue of approximately $2.1 million for the current three month period. Airtime revenue decreased by $322,000 due to migration of the Company's subscribers to higher access rate plans which include a larger proportion of free airtime minutes. Prepaid revenue decreased by approximately $1.1 million during the first quarter of 2002 compared to the first quarter of 2001. Since the Company recognizes prepaid revenue as the

minutes are used by its subscribers, this decrease was caused by lower usage of prepaid minutes during the quarter. The Company's outcollect airtime roaming revenue, which is revenue that the Company collects from other wireless carrier's subscribers using their phones in the Company's markets, decreased from $7.5 million for the first quarter of 2001 to $6.3 million for the current three month period. This was caused by a decrease in the number of outcollect minutes (1.4%) in the current quarter and lower reimbursement rates with certain carriers during the first quarter of 2002 which resulted in a decrease of the average reimbursement rate from $.26 to $.22. The Company raised the toll reimbursement rates, which resulted in an increase of outcollect toll of $1.5 million for the current three month period. In order to meet competition, the Company promoted rate plans which have a much broader coverage area which enables the subscriber to call outside of their home area without being charged for toll or incollect airtime usage (see below in engineering technical and other direct). These changes in plans resulted in a decrease of $730,000 in local toll revenue. Other items of local revenue, principally feature revenue, account for the remaining $1.0 million increase in service revenue.

Average monthly revenue per postpaid subscriber (based upon service revenue only) includes local revenue as well as outcollect revenue, but does not include incollect revenue from subscribers, as this revenue is accounted for as an offset to the Company's direct cost of service. Such revenue statistic increased to $45.82 for the current three month period from $44.15 for last year's first quarter because of the factors stated above.

Equipment sales and installation revenue, which consists primarily of the sale of handsets and accessories, increased to $5.6 million for the current quarter from $4.3 million for the first quarter of 2001. There were 67,500 handsets sold in the current three month period compared with 58,900 handsets for the same period in 2001. Of the 67,500 current quarter's units, 84% were digital handsets compared with 42% for last year's first quarter. Digital handsets typically have a higher retail price, which resulted in the increase of $1.3 million in equipment sales. Installation revenue for both three month periods is not significant.

OPERATING EXPENSES. Total operating expenses decreased from $46.9 million in the first quarter of 2001 to $44.5 million in the current quarter. As a percentage of total revenue, operating expenses decreased to 65.2% of revenue for the current quarter from 71.4 % of revenue for the same period in 2001.

Engineering, technical and other direct increased by $2.3 million to $10.3 million for the current quarter from $8.0 million in the first quarter of 2001. Included in engineering, technical and other direct is the net cost of incollect roaming which represents the difference between the amount paid to other cellular carriers for the Company's subscribers roaming in those carriers' markets and the amount billed to these subscribers by the Company. Incollect cost before the offset for revenue billed to the Company's subscribers decreased $963,000 despite a 13% increase in incollect minutes used. The decrease is attributable to the lower negotiated rates paid to other carriers during the current quarter which also effected the amount the Company was reimbursed from these same carriers for outcollect roaming airtime revenue as stated above. More than offsetting the reduced incollect cost was the decrease in the amount charged to the Company's subscribers for roaming in the other carriers' markets which resulted in a net incollect cost for the Company during the current quarter. As discussed previously, the Company has sold many more rate plans that include four states in the subscriber's home territory or 50 states. In these plans, incollect minutes for roaming in either the four states or fifty states are considered home minutes and are not subject to roaming charges. The emphasis on these plans resulted in a decrease of incollect revenue of $2.2 million during the current three month period. The net effect of the decreased costs and revenues resulted in an increase of $1.2 million for net incollect cost. In

addition the expansion of the network resulted in a $948,000 increase during the current quarter for fixed span line costs and cell site rentals. The reduction in prepaid revenue resulted in a $756,000 reduction in costs to operate the prepaid subscriber system.

The cost of equipment sold approximates $8.8 million for both the current and prior year's three month period. As mentioned previously, the Company sold more handsets during the current three months than in the prior three months. During the current quarter, significantly more digital handsets were sold than in the prior year's first quarter. The technical innovations in the wireless industry have resulted in a reduction in the average cost of a digital phone which enabled the Company to sell many more units at the same total cost. In the current period, the Company was able to recover approximately 63% of its equipment cost, which is an improvement over the 48% recovered for the three month period in 2001.

Selling, general and administrative expenses ("SG&A") increased by $886,000 from $17.4 million for the three month period ending in 2001 to $18.2 million for the same period of the current year. As a percentage of total revenue, SG&A increased from 26.4% of total revenue in 2001 to 26.7% of total revenue for the current three month period.

Sales and marketing costs included in SG&A are comprised of installation costs, salaries, commissions and advertising. The sum of these components amounted to $6.4 million for the current three month period compared with $5.8 million for the

prior three month period or an increase of $646,000. The increase in commissions, which result from more post paid additions in the current three months and the higher commission rate associated with these subscriber additions, is the principal component of the increase. The cost to add a gross subscriber, which is made up of the net loss on equipment sales and marketing expenditures, decreased from $161.13 for the three month period ended March 31, 2001 to $136.20 for the three month period ended March 31, 2002.

Customer service costs (also included in SG&A), primarily billing costs and payroll and related benefits, increased to $6.1 million in 2002 from $3.9 million in 2001 or an increase of $2.2 million. During the last quarter of 2000, the Company changed its billing vendor and encountered various problems in the integration of the new system. Because of these problems and the resultant failure to mail subscribers' bills on a timely basis, the Company's provision for bad debts increased significantly. The billing company acknowledged their role in the problem by issuing a $2 million credit to the Company in the first quarter of 2001. This credit is the primary factor in the increase of $2.2 million for the current three month period. During the fourth quarter of 2001, the Company centralized the collection process. These additional costs were offset by decreases in temporary help and other related collection expenses.

General and administrative expenses, the final component of SG&A, decreased from $7.6 for the three month period ended March 31, 2001 to $5.7 million for the current three month period. The decrease of $1.9 million is primarily a result of the decrease in the provision for bad debts from $3.1 million for the three months in 2001 to $896,000 for the current three month period. The decrease is a result of the improvement in the billing system, as well as the benefit derived from centralizing the collection effort (see above in customer service).

During the first quarter of 2002, the Company adopted Financial Accounting Standard No. 142 "Goodwill and Other Intangible Assets". Management believes its

cellular licenses qualify as indefinite life intangibles which are not subject to amortization as of January 1, 2002. Accordingly, the current three month period does not include any amortization for licenses which amounted to $5.8 million for the three months ended March 31, 2001 and was included in depreciation and amortization.

Operating income increased approximately $4.9 million to $23.7 million in the first quarter of 2002 from $18.8 million for the same period in 2001 principally as a result of the decrease in depreciation and amortization. Operating income before depreciation and amortization and non-cash compensation amounted to 45.2% of total revenue in the current quarter compared to 48.0% of total revenue for the quarter ended March 31, 2001. The decrease is a result of the items discussed above. The continuing emphasis by management on maintaining cost controls, resulted in a decrease in the average operating cost per subscriber (total operating costs before depreciation and amortization, non-cash compensation and corporate overhead) which was $17.88 for the current three month period compared to $18.22 for the first quarter of 2001. Management believes that the current figure of $17.88 continues to be one of the lowest in the industry.

NET INTEREST EXPENSE, INCOME TAXES AND NET INCOME. Net interest expense increased to $16.2 million for the quarter ended March 31, 2002 from $15.1 million in the first quarter of 2001. Interest income decreased from $2.5 million for the three month period in 2001 to $1.0 million for the current three month period. The drop in interest earned is a result of the almost 4% drop in the average interest rate (5.67% for the period in 2001 compared with 1.75% for the current period).

The current period's income tax provision of $2.8 million compared to the income tax provision of $1.9 million in the first quarter of 2001 is a result of the higher financial statement taxable income for the first three months of 2002 compared to the first three months of 2001 and certain non deductible losses.

The net income of $4.7 million for the first quarter of 2002 compared to net income of $1.4 million for the first quarter of 2001 is a function of the items discussed above.

LIQUIDITY AND CAPITAL RESOURCES

The Company's long-term capital requirements consist of funds for capital expenditures, acquisitions and debt service. Historically, the Company has met its capital requirements primarily through the issuance of debt, and to a lesser extent, operating cash flow. During the three month period ended March 31, 2002, the Company generated $21.9 million of cash from operating activities as shown in the Condensed Consolidated Statements of Cash Flows. The Company's EBITDA (earnings before interest, depreciation and amortization and non-cash compensation) was $30.9 million for the current quarter. The Company's debt service requirements for the current year consist of cash interest payments of $68.5 million of which $10.3 million was paid in January 2002. The remaining cash interest requirements are approximately $24.0 million during the second quarter, $10.3 million during the third quarter and $24.0 million in the fourth quarter. Based upon the Company's current ability to generate operating cash flow combined with its available cash position of $259.2 million, there does not appear to be a necessity to provide additional funding for the foreseeable future. The Company's outstanding debt instruments consist of

$525 million 9 1/8% Senior Secured Notes due December 15, 2006, and $175 million 11 3/4% Senior Subordinated Notes due July 15, 2007. The 9 1/8% notes are callable after June 15, 2002 and the 11 3/4% notes are callable after July 15,

2002. Both of these instruments contain covenants that restrict the payment of dividends, incurrence of debt and sale of assets.

From the asset contribution transaction to the exchange of the preferred interest for either the common stock of Verizon Wireless Inc. or Verizon Communications, the preferred interest is expected to be substantially all of Price Communications Wireless' assets. While Price Communications Wireless will receive taxable allocations of any profits from Verizon Wireless of the East equal to its preferred return (which allocations will increase Price Communications Wireless' capital account in Verizon Wireless of the East), it will not, during the two year period following the asset contribution transaction, receive any cash distributions in respect of the preferred return. However, after the second anniversary of the asset contribution transaction, for a period of up to two years, Price Communications Wireless will receive cash distributions equal to 50% of its preferred return. Price Communications and Price Communications Wireless currently expect to retain approximately $65 million to $70 million of total net cash and securities (assuming a closing on June 30, 2002). During the period following the asset contribution transaction, Price Communications and Price Communications Wireless do not expect to have sources of cash other than the cash remaining after the asset contribution transaction, the cash distributions from Verizon Wireless of the East, income from the investment of cash and any funds that they may be able to borrow. Price Communications and Price Communications Wireless currently anticipate that their cash and income will be sufficient to meet their cash obligations during this period. There is a risk, however, if significant unexpected cash needs arise, that their funds (including distributions) will be insufficient to meet their obligations and if Price Communications and/or Price Communications Wireless need to borrow money to meet such obligations, they may be forced to do so on unfavorable terms.

If the asset contribution transaction is not completed, Price Communications Wireless would require certain additional capital expenditures over the next few years both to comply with government mandated projects, such as emergency 911 service and local number portability, and to upgrade its technology to stay competitive in the digital marketplace. Price Communications Wireless would be likely to upgrade its technology to global system for mobile communications/general packet radio service (GSM/GPRS) as a step toward provision of 3G (third generation) services to its customers, similar to the recent announcement by AT&T Wireless of its intention to add a GSM-overlay to its network. As a result, Price Communications Wireless estimates that its capital expenditures for the years 2003 and 2004 could increase to approximately $52 million and $58 million, respectively. Price Communications Wireless' operating cash flow and cash on hand should be sufficient to finance these expenditures.

ITEM 7a. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company utilizes fixed rate debt instruments to fund its acquisitions. Management believes that the use of fixed rate debt minimizes the Company's exposure to market conditions and the ensuing increases and decreases that could arise with variable rate financing.

PART II

OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 2. CHANGES IN SECURITIES

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS

None

(b) REPORTS ON FORM 8-K

None

SIGNATURES

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

PRICE COMMUNICATIONS CORPORATION

Date: May 13, 2002

By: /s/ Robert Price

Robert Price
Director, President and Treasurer

By: /s/ Kim I. Pressman

Kim I. Pressman
Director, Executive Vice President
and Principal Financial Officer

By: /s/ Michael Wasserman

Michael Wasserman
Vice President and Chief Accounting Officer