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PRICE COMMUNICATIONS CORP
Form 10-Q
November 14, 2001

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2001

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
(State or other jurisdiction
of incorporation or organization)

13-2991700
(I.R.S. Employer
Identification No.)

45 Rockefeller Plaza,
New York, New York
(Address of principal executive offices)

10020
(Zip Code)

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

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

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requirements for the past 90 days. Yes No

The number of shares outstanding of the issuer's common stock as of November 5, 2001 was 54,882,737.

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PRICE COMMUNICATIONS CORPORATION AND SUBSIDIARIES

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ITEM 1. FINANCIAL STATEMENTS

PRICE COMMUNICATIONS CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
(\$ IN THOUSANDS)

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	(UNAUDITED) SEPTEMBER 30, 2001 -----	(DECEMBER 31, 2001 -----
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 236,587	\$
Trade accounts receivable, net of allowance for doubtful accounts	28,803	
Receivable from other cellular carriers	4,837	
Available for sale securities	22,065	
Inventory	4,366	
Prepaid expenses and other current assets	6,083	

Total current assets	302,741	
Net property and equipment	141,775	
Licenses, net of amortization	820,642	
Other intangible and other assets, net of amortization	17,401	

	\$1,282,559	\$
	=====	=
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 16,014	\$
Accrued interest payable	18,257	
Accrued salaries and employee benefits	1,382	
Deferred revenue	14,135	
Income taxes payable	15,861	
Customer deposits	959	
Minority interests	3,306	
Other current liabilities	4,190	

Total current liabilities	74,104	
Long-term debt	700,000	
Accrued income taxes - long term	53,165	
Deferred income taxes	280,686	
Minority interests	--	

Total liabilities	1,107,955	

Commitments and contingencies		
Shareholders' equity	174,604	

	\$1,282,559	\$
	=====	=

See accompanying notes to condensed consolidated financial statements.

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PRICE COMMUNICATIONS CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(\$ IN THOUSANDS, EXCEPT PER SHARE DATA)

(UNAUDITED)

	FOR THE THREE MONTHS ENDED SEPTEMBER 30,	
	2001	2000
Revenue:		
Service	\$ 61,496	\$ 63,816
Equipment sales and installation	4,369	4,950
Total revenue	65,865	68,766
Operating expenses:		
Engineering, technical and other direct	8,013	6,463
Cost of equipment	7,591	8,713
Selling, general and administrative	18,809	16,737
Non-cash compensation-selling, general and administrative	913	913
Depreciation and amortization	11,838	11,876
Total operating expenses	47,164	44,702
Operating income	18,701	24,064
Other income (expense):		
Interest expense, net	(15,747)	(15,050)
Other income, net	4,003	2,558
Total other expense	(11,744)	(12,492)
Income before minority interest share of income and income taxes	6,957	11,572
Minority interest share of income	--	(389)
Income before income taxes	6,957	11,183
Income tax expense	2,627	3,321
Net income	4,330	7,862
Other comprehensive income, net of tax		
Unrealized gain (loss) on available for sale securities	1,444	1,923
Reclassification adjustment	112	--

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Comprehensive income	\$ 5,886	\$ 9,785
Per share data:		
Basic earnings per share	\$ 0.08	\$ 0.14
Weighted average shares outstanding	54,971,000	55,802,000
Diluted earnings per share	\$ 0.08	\$ 0.14
Weighted average shares outstanding	55,216,000	56,298,000

See accompanying notes to condensed consolidated financial statements.

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PRICE COMMUNICATIONS CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(\$ IN THOUSANDS)

(UNAUDITED)

	FOR THE NINE MONTHS ENDED SEPTEMBER 31	
	2001	2000
Cash flows from operating activities:		
Net income	\$ 11,208	\$ 21,100
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	35,733	35,733
Minority interest share of income	631	1,000
Deferred income taxes	(1,418)	(1,418)
Gain on available for sale marketable securities	(1,709)	(5,000)
Gain on sale of equity investment in cellular properties (net)	(4,109)	(4,109)
Non-cash compensation	2,737	2,737
Amortization of deferred finance costs	1,825	1,825
Decrease (increase) in trade and other receivables	6,513	(1,000)
Increase in accounts payable and accrued expenses	12,116	12,116
Increase in accrued interest payable	5,883	7,000
Changes in other accounts	4,432	(4,000)
Total adjustments	62,634	39,000
Net cash provided by operating activities	73,842	60,100
Cash flows from investing activities:		
Capital expenditures	(12,681)	(25,000)
Sale of equity investments in cellular properties	15,419	15,419
Proceeds from sale of available for sale securities	13,329	21,000
Purchase of available for sale securities	(14,355)	(39,000)
Purchase of minority interests	(7,817)	(7,817)

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	-----	-----
Net cash used in investing activities	(6,105)	(44,
	-----	-----
Cash flows from financing activities:		
Purchase and retirement of common stock	(12,563)	(27,
Exercise of employee stock options and other	705	
	-----	-----
Net cash used in financing activities	(11,858)	(27,
	-----	-----
Net increase (decrease) in cash and cash equivalents	55,879	(10,
Cash and cash equivalents at the beginning of period	180,708	194,
	-----	-----
Cash and cash equivalents at the end of period	\$ 236,587	\$ 183,
	=====	=====
Supplemental disclosure of cash flow information:		
Income taxes paid, net	\$ 2,639	\$ 1,
	=====	=====
Interest paid	\$ 44,516	\$ 44,
	=====	=====

See accompanying notes to condensed consolidated financial statements.

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PRICE COMMUNICATIONS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

(\$ IN THOUSANDS)

(UNAUDITED)

	Common Stock Class A		Additional paid-in capital	Accumulated other comprehensive income	Re ea
	Shares	Par Value	-----	-----	-----
	-----	-----	-----	-----	-----
Balance at December 31, 2000	55,433	\$ 555	\$ 189,053	\$ (457)	\$
Change in unrealized gain (loss) on available for sale securities net of tax effect				(705)	
Purchase and retirement of treasury stock	(698)	(7)	(12,556)		
Exercise of stock options	155	2	978		
Deferred compensation expense associated with the conversion of preferred stock to common stock					
Tax benefit from the exercise of stock options			335		
Net income					
	-----	-----	-----	-----	-----
Balance September 30, 2001	54,890	\$ 550	\$ 177,810	\$ (1,162)	\$
	=====	=====	=====	=====	=====

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See accompanying notes to condensed consolidated financial statements.

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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"). 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.

REVENUE RECOGNITION

Service revenue from cellular operations for prepaid and post paid customers includes local subscriber revenue and outcollect roaming revenue. In accordance with the Securities and Exchange Commission Staff Accounting Bulletin No. 101 ("SAB 101"), which was adopted in the fourth quarter of 2000 effective January 1, 2000, prepaid airtime revenue is recognized when the airtime is utilized and activation revenue is recognized over the estimated life of the subscriber's contract or expected term of the subscriber's relationship, whichever is longer. Accordingly, the Condensed Consolidated Statements of Operations and the Condensed Consolidated Statement of Cash Flows have been adjusted for the nine and three month periods ending September 30, 2000.

RECLASSIFICATIONS

Certain reclassifications have been made to the 2000 Financial Statements to conform to the 2001 presentation.

(2) 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 open market or in privately negotiated transactions when it is legally permissible to do so and it is believed to be in the Company's best interests. During the current nine month period ended September 30, 2001, the Company repurchased and retired 698,000 shares at an average price of \$17.99 per share.

(3) MINORITY INTERESTS

The Company notified the minority interest holders in the subsidiary

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corporations and limited partnerships that held certain of the Company's cellular licenses that effective June 30, 2001 these subsidiaries were merged into Palmer Wireless Holdings, Inc. (a wholly owned subsidiary of the Company). Pursuant to these mergers, the minority interest holders have the right to receive merger consideration totaling \$10.6 million subject to appraisal rights pursuant to applicable state law. Effective June 28, 2001, one such subsidiary partnership was dissolved and liquidated, resulting in a distribution of \$5.6 million to minority interest holders. Amounts payable to certain minority interest holders may be finally determined by negotiations between the parties or, by applicable court proceedings. Appraisal actions to value minority interests in the Company's former subsidiaries and other related actions have recently been filed against the Company and in some cases against Robert Price in his capacity as an officer and director of the Company. Robert Price has been indemnified by the Company in respect to these actions. The Company does not believe that the resolution of these actions will have a material effect on the Company's consolidated financial position. In addition, the Company expended approximately \$2.8 million for other purchases of minority interests during the nine month period. The Company owns 100% of its telephone operating systems.

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(4) IMPACT OF NEW ACCOUNTING PRONOUNCEMENTS

In July 2001, the Financial Accounting Standards Board ("FASB") issued statement of Financial Accounting Standard 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 will be adopted by the Company on January 1, 2002. The Company does not have any goodwill recorded in its consolidated financial statements and therefore does not believe the adoption of SFAS No. 142 will 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. The Company is in the process of evaluating the financial statement impact of adoption of SFAS No. 142 as it relates to intangible assets.

In August 2001, the FASB issued SFAS No. 144 "Accounting for the Impairment of 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 Occuring 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. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001, and interim periods within those fiscal years, with early application encouraged. Based on preliminary estimates the Company does not believe the adoption of SFAS No. 144 will have a material impact on its consolidated financial statements.

(5) POTENTIAL SALE OF CELLULAR BUSINESS

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On November 14, 2000, the Company entered into an agreement with Verizon Wireless, Inc. ("VW") whereby it agreed to sell its wholly owned subsidiary, Price Communications Wireless ("PCW"), for approximately \$2.06 billion through an exchange of stock. VW would have assumed the outstanding debt of PCW and Price was to receive the balance in shares of Class A Common Stock, par value \$.001 per share of VW upon completion of its IPO. The transaction was subject to termination in certain events, the completion of VW's IPO and approval by the Company's shareholders. The transaction has received FCC and other regulatory approvals. The closing of the transaction did not occur by September 30, 2001, at which point either party had the right to terminate the agreement. Both parties to the transaction indicated in a press release dated July 31, 2001, that the timing of the IPO precluded the completion of the transaction by September 30, 2001. Both parties still seek the completion of a transaction and have continued discussions to explore alternative terms, including the use of new forms of consideration.

(6) FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company has sold put and call options (principally 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 September 30, 2001, open put contracts were not material.

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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 the related notes thereto.

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

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 September 30, 2001, the Company provided cellular telephone service to approximately 564,000 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 3.3 million. The Company sells its cellular telephone service as well as a full line of cellular products and accessories principally through its network of retail stores. The Company markets all of its products and services under the nationally recognized service mark CELLULARONE.

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On November 14, 2000 the company entered into an agreement with Verizon Wireless, Inc. ("VW") whereby the Company agreed to sell its wholly owned subsidiary Price Communications Wireless ("PCW") for approximately \$2.06 billion through an exchange of stock. VW would have assumed the outstanding debt of PCW and Price was to receive the balance in shares of Class A Common Stock, par value \$.001 per share of VW upon completion of its IPO. The transaction was subject to termination in certain events, the completion of VW's IPO and approval by the Company's shareholders. The transaction has received FCC and other regulatory approvals. The closing of the transaction did not occur by September 30, 2001, at which point either party had the right to terminate the agreement. Both parties to the transaction indicated in a press release dated July 31, 2001 that the timing of the IPO precluded the completion of the transaction by September 30, 2001. Both parties still seek the completion of a transaction and have continued discussions to explore alternative terms, including the use of new forms of consideration.

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 as of September 30, 2001, with respect to each service area in which the Company owns a cellular telephone system the estimated population of which the Company is now the beneficial owner of 100% (see Notes to Condensed Consolidated Financial Statements).

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SERVICE AREA -----	MSA RANK ----	ESTIMATED POPULATION (1) -----
Albany, GA.....	271	118,442
Augusta, GA.....	106	440,242
Columbus, GA.....	165	249,365
Macon, GA.....	139	322,093
Savannah, GA.....	153	287,349
Georgia-6 RSA.....	--	204,765
Georgia-7 RSA.....	--	134,698
Georgia-8 RSA.....	--	159,858
Georgia-9 RSA.....	--	119,299
Georgia-10 RSA.....	--	152,871
Georgia-12 RSA.....	--	220,340
Georgia-13 RSA.....	--	150,714
Dothan, AL.....	250	134,980
Montgomery, AL.....	137	323,675
Alabama-8 RSA.....	--	178,813

Subtotal.....		3,197,504

Panama City, FL.....	233	148,422

Total.....		3,345,926
		=====

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

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Book.

RESULTS OF OPERATIONS

The following table sets forth for the Company for the periods indicated, the percentage of certain amounts in relation to total revenue.

	THREE MONTHS ENDED SEPTEMBER 30,	
	2001	2000
REVENUE:		
Service	93.4%	92.8%
Equipment sales and installation	6.6	7.2
	-----	-----
TOTAL REVENUE	100.0	100.0
	-----	-----
OPERATING EXPENSES:		
Engineering, technical and other direct:		
Engineering and technical (1)	6.8	4.8
Other direct costs of services (2)	5.3	4.6
Cost of equipment (3)	11.6	12.7
Selling, general and administrative:		
Sales and marketing (4)	9.2	8.6
Customer service (5)	8.7	7.5
General and administrative (6)	10.6	8.3
Non-cash compensation	1.4	1.3
Depreciation and amortization	18.0	17.2
	-----	-----
TOTAL OPERATING EXPENSES	71.6	65.0
	-----	-----
Operating income	28.4%	35.0%
Operating income before depreciation and amortization - adjusted EBITDA (7)	47.8%	53.6%
Operating income before depreciation and amortization - Price Communications Wireless, Inc. (8)	48.3%	54.4%

(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.

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

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- 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, the provision for bad debts and other overhead expenses.
 - (7) Adjusted EBITDA represents operating income before 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 depreciation and amortization of the Company's operating subsidiary Price Communications Wireless, Inc. It does not include \$369,000 and \$1.6 million and \$539,000 and \$2.2 million for the three months and nine month periods ended September 30, 2001 and the three and nine month periods ended September 30, 2000, respectively, of the parent company's general and administrative expenses.

THREE MONTHS ENDED SEPTEMBER 30, 2001 COMPARED WITH THREE MONTHS ENDED SEPTEMBER 30, 2000

REVENUE. Service revenue totaled \$61.5 million for the third quarter of 2001, a decrease of \$2.3 million or approximately 3.6% from \$63.8 million for the third quarter of 2000. An increase in the average number of post-paid subscribers resulted in an increase of \$2.2 million in access revenue, which was partially offset by additional promotional access credits of \$703,000. Airtime and other revenue increased \$106,000 for the current three month period also as a result of post-paid subscriber growth. The increase in the average number of prepaid subscribers resulted in an increase of \$509,000 in prepaid revenue for the current three month period which was more than offset by a decrease in outcollect roaming revenue, including toll, that the Company collects from other wireless carriers' subscribers using their phones in the Company's markets. Outcollect airtime revenue decreased from \$10.2 million for last year's third quarter to \$7.3 million for the same quarter in the current year. A decrease in the number of outcollect minutes from 35.8 million for last year's third quarter to 30.3 million for the current quarter, as well as the reduction in the average reimbursement rate from other cellular carriers from \$.29 for the three months ended September 30, 2000, to \$.24 for the three months ended September 30, 2001, were the cause for such decline. Roaming rates have generally been decreasing throughout the wireless industry. The reduction in outcollect minutes combined with a reduction in the toll reimbursement rate caused a drop in outcollect toll revenue from \$4.9 million in the third quarter of 2000 to \$3.8 million for the same period of the current year. The Company expects the declining trend for both outcollect air and outcollect toll revenue to continue for the remainder of the year.

Average monthly revenue per post-paid subscriber ("ARPU") (based upon service revenue excluding prepaid revenue) 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. ARPU decreased from \$47.54 for the three month period ended September 30, 2000 to \$45.10 for the current three month period because of the factors discussed above.

Equipment sales and installation revenue, which consists primarily of sales of handsets and related accessories to subscribers, decreased from \$5.0 million for the third quarter of 2000 to \$4.4 million for the same period in 2001. The Company sold or upgraded approximately the same number of handset units during each three month period. During the current three month period, approximately 76% of the units were digital compared with 55% for last year's three month period. As less costly digital handsets have become predominant,

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retail prices have declined which principally accounts for the \$295,000 decrease in equipment revenue for the current three month period. In addition accessory revenue decreased approximately \$167,000 from last year's third quarter.

OPERATING EXPENSES. Total operating expenses increased by \$2.7 million to \$47.2 million for the current three month period from \$44.7 million for the three month period ended September 30, 2000. As a percentage of total revenue the current three months' operating expenses amounted to 71.6% compared with 65.0% for the same period in 2000.

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Engineering, technical and other direct costs of service increased by \$1.5 million from \$6.5 million for the third quarter of 2000 to \$8.0 million for the same period in 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 their markets and the amount billed to these subscribers by the Company. The current three month period resulted in net revenue of approximately \$856,000 compared with net revenue of approximately \$110,000 for the three month period ended September 30, 2000. The improvement (\$746,000 million) results primarily from the more favorable rates negotiated with certain other cellular carriers during the first three months of 2001. Additional costs to operate the Company's prepaid subscriber system (\$252,000) partially reduced the benefits of the incollect savings. These costs resulted from the Company's forced switch of prepaid vendors during the third quarter of 2000 after learning that the previous vendor was going out of business. During the fiscal twelve month period ended September 30, 2001, the Company added 43 cell sites (27 in the current three month period). The expansion of the network resulted in additional span line costs (\$406,000), rent and utility expense (\$284,000) and system related communications expenses (\$1.3 million).

Cost of equipment decreased from \$8.7 million for the third quarter of 2000 to \$7.6 million for the third quarter of 2001, primarily as a result of the reduction in the cost of digital handsets as mentioned above. For the current three month period, the Company recovered 57.5% of the cost of equipment compared with a recovery of 56.8% for the three months ended September 30, 2000.

Selling, general and administrative expenses ("SG&A") increased \$2.1 million from \$16.7 million in the third quarter of 2000 to \$18.8 million for the same period of the current year. As a percentage of revenue, SG&A for the current three month period is 28.5% of revenue compared with 24.3% for the same three month period in 2000.

Sales and marketing increased \$179,000 from \$5.9 million for the third quarter of 2000 to \$6.1 million for the current three month period principally due to increases in salaries and commissions offset by reductions in advertising expenditures. The cost to add a gross subscriber, which consists of the net equipment loss and sales and marketing expenditures decreased from approximately \$203 for the three month period ending September 30, 2000 to \$166 for the current three month period.

For the three month period ended September 30, 2001, customer service costs amounted to \$5.7 million compared with \$5.1 million for the same period in 2000. Increases in billing costs resulting from a higher average of post-paid and prepaid subscribers for the current three month period contributed to the additional costs. The use of additional personnel and professional services to handle the expanding customer base in an attempt to control churn, and the use of temporary employees in the markets to effectuate mandated area code changes also contributed to the increase.

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General and administrative expenses (excluding customer service), increased from \$5.7 million for the prior three month period to \$7.0 million for the current three month period. The \$1.3 million increase was primarily a result of the increase in the provision for doubtful accounts somewhat attributable to the downturn in the current economic condition. The Company is in the process of centralizing the collection process for its markets in order to more effectively manage the collection process for the Company's accounts receivable.

Depreciation and amortization are basically flat for both the current and previous three month periods.

Operating income decreased to \$18.7 million for the third quarter of 2001 from \$24.1 million for the third quarter of 2000. Operating income before depreciation and amortization and non-cash compensation was 47.8% of revenue for the current quarter compared with 53.6% for the third quarter of 2000. The decrease in operating margin is attributable primarily to the decrease in outcollect roaming revenue combined with the increase in the provision for bad debts. Despite this decrease in operating income, management's continuing concentration on cost controls, maintained a low operating cost per subscriber (total operating costs before non-cash compensation, depreciation and amortization and parent company overhead) of \$17.76 for the current period compared with \$17.48 for the same period of the prior year.

NET INTEREST EXPENSE, INCOME TAXES, AND NET INCOME. Net interest expense is comparable for the current and prior three month period. Included in Other income, net is the gain from the sale of the Company's minority equity investment in other cellular properties of \$4.1 million. The current period's income tax provision of \$2.6 million

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compared with a provision of \$3.3 million for the three month period in 2000, is a result of the reduced financial statement taxable income and certain non taxable and or non-deductible security transactions.

The net income for the three month period ended September 30, 2001 of \$4.3 million compared with net income for the third quarter of 2000 of \$7.9 million is a function of the items discussed above.

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NINE MONTHS ENDED SEPTEMBER 30, 2001 COMPARED WITH NINE MONTHS ENDED SEPTEMBER 30, 2000

REVENUE. Service revenue amounted to \$184.7 million for the first nine months of 2001, a decrease of \$5.1 million or approximately 2.7% from \$189.8 million for the same period in 2000. Gross access revenue increased by \$7.0 million principally a result of the greater number of post-paid subscribers during the current nine month period compared to the same nine months during the year 2000. The increase in gross access revenue was reduced by additional promotion credits for the current nine month period approximating \$1.0 million. Airtime revenue from post-paid subscribers was flat but revenue from prepaid subscribers increased by \$1.9 million due to an increased number of subscribers during the current nine month period compared to last year. These increases were more than offset by decreases in outcollect airtime roaming revenue, which is revenue that the Company collects from other wireless carriers' subscribers using their phones in the Company's markets. Airtime roaming decreased from

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\$31.7 million for the nine month period ended in 2000 to \$22.4 million for the current nine month period, a decrease of 29%. The decrease in the number of outcollect minutes of use from 98.2 million for the nine month period ended September 30, 2000, to 90.0 for the nine month period ended September 30, 2001, combined with the reduction in the average reimbursement rate from other cellular carriers from \$.32 in 2000 to \$.25 in 2001 was the cause of such decline. While toll and directory assistance revenue were basically flat for the nine month periods, the reduction in outcollect minutes of use combined with reduced toll reimbursement rates resulted in a decrease of roaming toll revenue of \$4.3 million during the current nine month period. The Company expects this level for both outcollect air and outcollect toll to continue for the remainder of the year.

Average monthly revenue per post-paid subscriber (based upon service revenue excluding prepaid revenue) 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 amount decreased from \$47.59 for the nine month period ended September 30, 2000 to \$44.81 for the current nine month period because of the factors discussed above.

Equipment sales and installation revenue, which consists primarily of subscriber phone and accessory sales, decreased to \$13.2 million for this year's nine month period from \$14.1 million for the same period in 2000. Revenue from the sales of handsets was flat despite an additional 25,000 units sold. During the current nine month period, 61% of units sold were digital and 39% were analog. During the nine month period ended September 30, 2000, 64% of sales were analog and 36% were digital. As digital phones have become more popular, their cost and therefore the price points at which the Company sells these units were decreased. The overall decrease is a primarily a result of the decrease in accessory and install revenue.

OPERATING EXPENSES. Total operating expenses increased by \$9.4 million to \$141.9 million for the current nine month period from \$132.5 million for the nine month period ended September 30, 2000. As a percentage of total revenue the current nine months' operating expenses amounted to 71.7% compared with 65.0% for the same period in 2000.

Engineering, technical and other direct costs of service increased \$2.3 million to \$23.3 million for the current nine months from \$21.0 million for the same period in 2000. Included in engineering, technical and other direct costs of service 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. The net for the current nine month period resulted in revenue of \$2.0 million compared to an expense of \$784,000 for the same period in 2000 or a net decrease of \$2.8 million. More than offsetting the savings in net incollect were additional costs to operate the Company's prepaid subscriber system (\$2.4 million). These costs increased in the latter part of the third quarter of 2000 when the Company was forced to switch prepaid vendors after learning that the previous vendor was going out of business. Additional costs associated with the installation of 43 cell sites subsequent to September 30, 2000 such as cell site rent and utilities (\$751,000), span line costs and intertrunk expenses (\$526,000) as well as other system related expenses (\$1.4 million) also decreased the incollect savings mentioned above.

The increase in equipment cost from \$24.6 million for the nine month period in 2000 to \$24.8 million for the current nine month period is principally a result of additional telephone units sold or upgraded during the current nine month period (see breakdown of equipment sales above). The percentage of cost recovered decreased from 57.4% for the nine month period in 2000 to 53.2% for the current nine months principally because of the reduction in accessory sales

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which have a positive gross profit percentage.

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Selling, general and administrative expenses ("SG&A") increased \$6.6 million from \$48.7 million for the first nine months of 2000 to \$55.3 million for the same period of the current year. As a percentage of revenue, SG&A for the current nine month period is 27.9% of revenue compared with 23.9% for the same nine month period in 2000. Sales and marketing increased \$763,000 from \$17.2 million for the nine month period ending September 30, 2000 to \$18.0 million for the current nine month period principally due to increases in advertising expenditures. The cost to add a gross subscriber, which includes sales and marketing costs combined with the loss on equipment sales, decreased from \$182 for the nine month period ending September 30, 2000 to \$169 for the current nine month period.

For the current nine month period, customer service costs amounted to \$15.9 million compared to \$15.2 million for the same period in 2000. Increased costs for the generation of subscriber's monthly statements because of the greater number of subscribers contributed to the additional cost. The use of additional personnel and professional services to handle the expanding customer base in order to control churn and the use of temporary employees in the markets to effectuate mandated area code changes also resulted in increased costs. Offsetting these increases was a \$2.0 million credit issued to the Company by its current billing vendor due to the problems encountered during the transition (see General and administrative expenses and bad debts below).

General and administrative expenses (excluding customer service), increased from \$16.3 million for the prior nine month period to \$21.4 million for the current nine month period. The \$5.1 million increase was principally a result of a \$5.8 million increase in the provision for doubtful accounts. In the fourth quarter of 2000, the Company changed its billing vendor since the Company learned that the previous billing vendor would not be a long-term participant in the cellular billing business. The transition encountered problems and as a result, the Company's collection efforts were hampered, which led to a longer average aging period of the Company's accounts receivable and a necessity to provide a higher provision for bad debts. General and administrative expenses, excluding customer service, increased from 8.0% of total revenue for the nine month period of the prior year to 10.8% for the current nine month period.

Depreciation and amortization are comparable amounting to \$35.7 million for the current nine month period and \$35.5 million for the same period last year.

Operating income decreased to \$56.0 million for the nine month period ended September 30, 2001 compared with \$71.4 million for the same period in 2000 or a decrease of \$15.4 million. Operating income before depreciation and amortization and non-cash compensation amounted to 47.7% as a percentage of revenue for the current nine month period compared with 53.8% for the same period of the prior year. The decrease in operating margin is attributable primarily to the decrease in outcollect roaming revenue as well as the increase in the provision for bad debts. The Company was able to maintain its low operating cost per subscriber (total operating costs before non-cash compensation, depreciation and amortization and Parent Company overhead), which amounted to \$17.98 for the current nine month period, compared to \$17.87 for the same period last year.

NET INTEREST EXPENSE, INCOME TAXES, AND NET INCOME. Net interest expense decreased to \$45.0 million for the nine months of 2001 from \$45.5 million for the same period in 2000.

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The current nine month period's income tax provision of \$6.0 million compared with a tax provision of \$11.1 million for the nine month period in 2000, is a result of the higher financial statement taxable income for the nine months of the prior year compared with a financial statement taxable income for the current nine month period and certain non taxable security transactions.

Net income for the current nine month period of \$11.2 million compared with net income of \$21.2 million for the nine month period ended September 30, 2000 is a function of the items discussed above.

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LIQUIDITY AND CAPITAL RESOURCES

The Company's long-term capital requirements consist of funds for capital expenditures, acquisitions and debt service. During the current nine month period, the Company generated \$73.8 million of cash flow from operating activities as shown in the Condensed Consolidated Statement Of Cash Flows. The Company's adjusted EBITDA (earnings before interest, depreciation and amortization, non-cash compensation and taxes) was \$94.4 million for the nine month period ending September 30, 2001. The Company's debt service requirements for the current year consist of cash interest payments of \$68.5 million, of which \$44.5 million has been paid through September 30, 2001. The remaining cash interest requirement is approximately \$24.0 million in the fourth quarter. Based upon the Company's current ability to generate operating cash flow combined with its available cash of \$236.6 million, there does not appear to be a necessity to provide additional funding for the foreseeable future. The Company's wireless subsidiary has outstanding debt instruments which 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. Both of these instruments contain covenants that restrict the payment of dividends, incurrence of debt and sale of assets, among other things.

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ITEM 3. 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.

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PART II

OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 2. CHANGES IN SECURITIES

None.

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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

(b) REPORTS ON FORM 8-K

None

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SIGNATURES

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

PRICE COMMUNICATIONS CORPORATION

Date: November 13, 2001

By: /s/ Robert Price

Robert Price
Director, President and Treasurer

By: /s/ Kim I Pressman

Kim I Pressman
Vice President and Chief Financial Officer

By: /s/ Michael Wasserman

Michael Wasserman
Vice President and Chief Accounting Officer

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