PRICE COMMUNICATIONS CORP
Form 10-K
December 17, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2006

Commission file number: 1-8309

PRICE COMMUNICATIONS CORPORATION

(Exact name of registrant as specified in its charter)

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

212-757-5600

(Registrant s telephone number, including area code)

None

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

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

Title of each class	**Name of each exchange on which registered**
Common Stock, $.01 par value per share	None

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

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

Yes x No o

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

Yes o No x

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 o No x

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

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

Large accelerated filer x Accelerated filer o Non-accelerated filer o

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

Yes o No x

As of June 30, 2006, the aggregate market value of the registrant s common stock held by non-affiliates of the registrant was $718.1 million based on the closing sale price as reported on the New York Stock Exchange, on which the Company was registered at this date.

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

Class	Outstanding at August 8, 2007
Common Stock, $.01 par value per share	56,455,423 shares

DOCUMENTS INCORPORATED BY REFERENCE

Document	Parts Into Which Incorporated
None	

Certain information in this annual report on Form 10-K contains statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including without limitation statements regarding our future operating performance and the application of complex provisions of the Internal Revenue Code. Readers are cautioned that any such forward-looking statements are not guarantees of future performance and may involve risks and uncertainties, and that actual results may differ from those in the forward-looking statements as a result of factors, many of which are outside our control. Readers should carefully review our financial statements and the notes thereto, as well as the section entitled Risk Factors described in Item 1A of this annual report and the other documents we file from time to time with the Securities and Exchange Commission.

PART I

Item 1. Business

General

Unless otherwise indicated, all references herein to Price and PCC refer to Price Communications Corporation and all references herein to the Company refer to PCC and its subsidiaries. PCC was organized in New York in 1979 and began active operations in 1981. Its principal executive offices are located at 45 Rockefeller Plaza, New York, New York 10020, and its telephone number is (212) 757-5600. See Certain Terms for definitions of certain terms used herein.

Prior to August 15, 2002, Price Communications Corporation was engaged, through its wholly owned subsidiary Price Communications Wireless, Inc. (PCW), in the construction, development, management and operation of cellular telephone systems in the southeastern United States. The Company provided cellular telephone service to subscribers in Georgia, Alabama, South Carolina and Florida in a total of sixteen 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. See The Verizon Transaction.

Dissolution of the Company

The Company owned 29,473,130 shares of Verizon Communications (the Verizon Shares) that it received in August 2006 pursuant to the exchange (see The Verizon Transaction). These shares became eligible for distribution to PCC s shareholders in August 2007 under the terms of PCC s lockup agreement with Verizon. The Board of Directors of the Company determined to pursue the dissolution of the Company, and at the Company s annual meeting of shareholders on July 25, 2006, its shareholders approved the dissolution. PCC s shares had been listed on the New York Stock Exchange (the Exchange), and on August 28, 2006, the Exchange suspended trading in the Company s stock due to the pending liquidation. The Company s shares were then traded over the counter on the Pink Sheets until August 7, 2007. The Company was liquidated on August 8, 2007 by distribution of the Verizon shares and $54.2 million of the Company s cash to shareholders. The Board of Directors of the Company voted to reserve approximately $28 million of cash and other assets, which was deposited into a Liquidating Trust for the remaining actual expenditures and contingent liabilities.

The board determined that dissolution was in the best interests of shareholders, taking into account among other considerations the following:

Unless the Company was dissolved and the Verizon common stock distributed to the Company s shareholders pursuant to a plan of dissolution, any subsequent sale or distribution of the Company s Verizon common stock would have caused the Company to recognize a substantial amount of taxable gain which may have resulted in the Company incurring substantial tax liability.

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

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

Since the Company s shareholders approved dissolution, Price s three subsidiaries, Price Communications Wireless, Inc., Price Communications Cellular Holdings, Inc. and Price Communications Cellular, Inc., each filed certificates of voluntary dissolution with the Secretary of State of the State of Delaware on August 11, 2006 and Price filed a certificate of voluntary dissolution with the Secretary of State of the State of New York on March 12, 2007.

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

Subject to the terms of the lockup agreement with Verizon, the Company made distributions to shareholders of cash and the Verizon common stock received in the exchange, less the amount reserved for actual or contingent liabilities (which was deposited in a liquidating trust) on August 8, 2007, shortly before the expiration of one year from the exchange. The Company made initial distributions to its shareholders in the form of dividends in November 2006, February 2007 and May 2007. The amount reserved was based on a determination by the Board of Directors, derived from consultation with management and outside experts, and a review of, among other things, possible contingent liabilities and estimated ongoing expenses, including, but not limited to, payroll, regulatory filings, taxes and other miscellaneous expenses. The Board of Directors set the amount of such reserve at approximately $28 million. If the assets reserved at the time of the distribution are not actually required to pay liabilities, these assets will be distributed to shareholders at one or more later dates. Each shareholder will receive its pro rata share of each distribution based on the number of shares held on the record date for the original distribution.

The liquidating trust was established pursuant to the Liquidating Trust Agreement dated as of August 6, 2007 (the Liquidating Trust Agreement) between the Company and PCC Liquidation LLC, a New York limited liability company, as trustee of the Liquidating Trust (the Trustee). Each shareholder of record of the Company as of the close of business on August 7, 2007 is entitled to receive one unit, representing a beneficial interest in the Liquidating Trust, in cancellation of its shares of the Company s common stock, and will be entitled at one or more later dates to receive as distributions, a pro rata share of the Liquidating Trust s assets that are not actually required to pay the Company s liabilities, if and when it is determined by the Trustee. Interests in the liquidating trust are not transferable (other than by will, intestate succession or operation of law), tradable or certificated.

The Verizon Transaction

On August 15, 2002, the Company contributed (the asset contribution) substantially all of the assets of PCW and approximately $149 million in cash to Verizon Wireless of the East (the Verizon Partnership), a limited partnership controlled by Cellco Partnership (doing business as Verizon Wireless), in exchange for a preferred limited partnership interest (the Preferred Exchangeable Interest) in the Verizon Partnership. As a result of the asset contribution, the Company had no operating assets.

PCW s initial capital account in the Verizon Partnership and the initial investment on the Company s balance sheet was approximately $1.112 billion and equaled the credit in its capital account on the Verizon Partnership s financial statements. Pursuant to the Verizon Partnership agreement, PCW was entitled to an allocation of any profits from the Verizon Partnership for a period up to August 15, 2006 equal to its preferred return, which was approximately 2.9% per annum. Any losses incurred by the Partnership were to 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 partnership did not incur losses, and the Company received 50% of its preferred return in cash with the balance being added to its capital account through the date of the Exchange.

The Company accounted for the investment under the cost method of accounting. 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.

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 was not obligated to make payment under such guaranty until Verizon Communications had exhausted all remedies against the Verizon Partnership. Price guaranteed PCW s obligation under the guaranty, and upon closing of the transaction deposited $70 million in cash and other property into a collateral account to secure the guaranty. The Company controlled the investment of the assets in the collateral account, and had the right to withdraw certain sums such as dividends, interest, and earnings on investments from the account. Upon consummation of the Exchange, the funds held in the collateral account were released to the Company.

In August of 2006, the Preferred Exchangeable Interest was exchanged for 29,473,130 common shares of Verizon Communications according to the terms of the partnership agreement The Verizon shares were subject to a lock up agreement with Verizon, which did not permit a dissolution of the Company until 360 days after the exchange of the Verizon Partnership interest for Verizon stock.

The number of shares of Verizon Communications common stock issued to PCC was equal to 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 was not to be less than $40 or more than $74. Verizon Communications common stock had been trading substantially below the $40 per share minimum price. As a result, the Company received 29,473,130 shares of Verizon common stock, which was approximately 4.8 million shares less than the number of shares of Verizon common stock that the Company could have purchased in the open market with the dollar equivalent of its capital account, based upon the $34.39 closing price on August 15, 2006. (See Management s Discussion and Analysis of Financial Condition and Results of Operation-The Verizon Transaction and Note 2 of Notes to Consolidated Financial Statements for valuation considerations.)

During 2005, Verizon Communications common stock had been trading substantially below the $40 per share minimum price and closed at $30.12 per share at December 31, 2005. As a result of this trading price, the Company had treated the investment in the partnership as other-than-temporarily impaired. It valued the partnership account based upon the closing price of Verizon as of December 31, 2005 ($30.12 per share) and the number of shares that the capital account would have been convertible into as of December 31, 2005 (29,312,000 shares). Consequently, the Company recognized a loss on impairment of $289.6 million for financial statement purposes for the year ended December 31, 2005 based upon the lower price of the Verizon stock it would have received if the exchange had occurred on December 31, 2005. Upon the adoption of the liquidation basis of accounting on July 24, 2006, the Company valued the investment based upon the Verizon stock price of $32.59 per share and recorded a gain in value of $71.2 million as a liquidation basis adjustment. At the August 15, 2006 conversion, the Company valued the stock it received at the closing price on that date ($34.39 per share) and recognized a gain on the conversion of the shares in the amount of $53.1 million, which is recorded on the statement of changes in net assets in liquidation.

Business of the Verizon Partnership

The business of the Verizon Partnership consisted 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 were closely integrated with Cellco Partnership s other wireless telecommunications assets. Cellco Partnership provided or arranged for the provision of certain services to the Verizon Partnership in connection with its business. These services included: (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.

Employees

At December 31, 2006, the Company had two full-time employees.

Available Information

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

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

Item 1A. Risk Factors

Additional liabilities and expenses may reduce the amount available for distribution to shareholders from the liquidating trust.

The Company might incur additional claims, liabilities and other expenses (such as regulatory filings, legal expenses, consulting fees. taxes and miscellaneous office expenses). These amounts will reduce the extent to which assets will be available for distribution to shareholders from the liquidating trust in the future.

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

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

If we fail to create an adequate contingency reserve for payment of our expenses and liabilities, each shareholder could be held liable for payment to our creditors of his or her pro rata share of amounts owed to creditors in excess of the contingency reserve, up to the amount actually distributed to such shareholder.

In the event we fail to create an adequate contingency reserve for payment of our expenses and liabilities, each shareholder could be held liable for payment to our creditors of such shareholder s pro rata share of amounts owed to creditors in excess of the contingency reserve, up to the amount actually distributed to such shareholder.

Although the liability of any shareholder is limited to the amounts previously received by such shareholder from us (and from any liquidating trust or trusts) in the dissolution, this means that a shareholder could be required to return all distributions previously made to such shareholder and receive nothing from us under the Plan. Moreover, in the event a shareholder has paid taxes on amounts previously received, a repayment of all or a portion of such amount could result in a shareholder incurring a net tax cost if the shareholder s repayment of an amount previously distributed does not cause a commensurate reduction in taxes payable. While we will endeavor to make adequate reserves for all known and contingent liabilities, there is no guarantee that the reserves established by us will be adequate to cover all such expenses and liabilities.

We continue to incur the expenses of complying with public company reporting requirements.

We expect to apply to the Securities and Exchange Commission for relief from the reporting obligations under the Securities Exchange Act of 1934, as amended, for a period beginning after August 2007. We cannot guarantee that the Securities and Exchange Commission will grant us the requested relief. If such relief is not granted, we will have an obligation to continue to comply with the applicable reporting requirements of the Exchange Act, even though compliance with such reporting requirements is economically burdensome.

There is no trading market for the interests in the liquidating trust.

There is no trading market for the interests in the liquidating trust, and it is not anticipated that such a market will develop in the foreseeable future.

Item 1B. Unresolved Staff Comments

None.

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 through December 31, 2007.

Item 3. Legal Proceedings

None.

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

Not Applicable.

PART II

Item 5. Market for Company s Common Stock, Related Shareholder Matters and Issuer Purchases of Equity Securities

(a) *Market for Common Stock*

PCC was traded over the counter on the Pink Sheets under the symbol PCMC through August 7, 2007. Through August 28, 2006 PCC was 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 for each of the quarters of 2006 and 2005 as reported by the Pink Sheets and the NYSE was:

	2007		2006		2005	
Quarter	**High**	**Low**	**High**	**Low**	**High**	**Low**
First	$ 21.15	$ 19.20	$ 18.00	$ 14.86	$ 18.40	$ 17.11
Second	23.50	19.75	17.87	15.99	17.50	16.33
Third (through August 7)	24.00	22.25	19.79	16.20	17.69	16.15
Fourth			21.05	18.85	16.41	14.69

(b) *Holders*

On June 30, 2007 there were approximately 300 holders of record of PCC s Common Stock. The Company estimates that brokerage firms hold Common Stock in street name for approximately 1,900 persons.

(c) *Dividends and Liquidating Distribution*

On October 24, 2006, the Company declared a cash dividend of $.19 per share to shareholders of record on November 10, 2006 and payable on November 22, 2006. Pursuant to the declaration, the Company distributed $10.7 million to shareholders.

On January 10, 2007, the Company declared a cash dividend of $.58 to shareholders of record on February 1, 2007 and payable on February 15, 2007. Pursuant to the declaration, the Company distributed $32.7 million to shareholders.

On April 18, 2007, the Company declared a cash dividend of $.19 per share to shareholders of record on May 1, 2007 and payable on May 15, 2007. Pursuant to the declaration, the Company distributed $10.7 million to shareholders.

On August 8, 2007, the Company paid a liquidating distribution of .522 shares (29,473,130 total shares) of Verizon Communications common stock in addition to $.96 per share in cash ($52.4 million in total) to shareholders of record on August 7, 2007.

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

EQUITY COMPENSATION PLAN INFORMATION as of December 31, 2006

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	89,250	$ 15.66	1,916,250
Equity Compensation Plans Not Approved by Shareholders	None	None	None

(e) *Issuer Purchases of Securities*

None.

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Item 6. Selected Consolidated Financial Data

The following tables contain certain summarized 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.

The information on changes to our net assets since our adoption of the liquidation basis of accounting on July 25, 2007 is presented in the table below in a format consistent with our consolidated financial statements under Item 15 of this annual report on Form 10-K.

Liquidation Basis

(amounts in thousands except per share amounts.)

	Statement of Net Assets December 31, 2006	
Total Assets	$	1,199,835
Total Liabilities		3,352
Net assets in liquidation		1,196,483
Net asset value per share	$	21.23

	Statement of Changes in Net Assets For the period from July 25, 2006 to December 31, 2006	
Net assets in liquidation, July 25, 2006	$	1,028,120
Changes in net assets in liquidation		168,363
Net assets in liquidation, December 31, 2006	$	1,196,483

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Going Concern Basis

	Consolidated Operating Statement Items Year ended December 31, (amounts in thousands except per share data)				
	2006 (through July 24)	2005	2004	2003	2002(1)