

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): January 7, 2003

CELLULAR TECHNICAL SERVICES COMPANY, INC.

(Exact Name of Registrant as Specified in Charter)

Delaware

0-19437

11-2962080

(State or Other Jurisdiction
of Incorporation)

(Commission
File No.)

(IRS Employer
Identification No.)

2815 Second Avenue, Suite 100, Seattle, Washington

98121

(Address of Principal Executive Offices)

(Zip Code)

Registrant's telephone number, including area code: (206) 443-6400

Not Applicable

(Former Name or Former Address, if Changed Since Last Report)

ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS

On December 11, 2002, Cellular Technical Services Company, Inc. ("CTS"), and GTS Prepaid, Inc. ("GTS"), entered into an agreement whereby CTS agreed to (i) transfer to GTS on a consignment basis its inventory of pre-paid phone cards and (ii) authorize GTS to act as its agent to collect certain accounts receivable. Such transaction closed on January 7, 2003. The inventory and accounts receivable had been owned by Isis Tele-Communications, Inc., a subsidiary of CTS ("ISIS"), and had been pledged to CTS as security for a loan to ISIS. Upon ISIS' default under such loan, CTS foreclosed on its security interest in such assets.

On February 21, 2003, GTS will pay to CTS an agreed upon sales price for each of the pre-paid phone cards it has sold and all accounts receivable collected. The aggregate sales price for the inventory that CTS will receive if all the pre-paid phone cards are sold is \$46,193.14. The total amount that CTS will receive if all the accounts receivable assigned for collection to GTS are collected is \$512,797.36. GTS will keep all amounts it receives from the sale of the pre-paid phone cards that exceeds the agreed upon sales price for such cards. On February 27, 2003, CTS and GTS will determine whether to extend the agreement with respect to remaining inventory and uncollected accounts receivable.

CTS does not intend to produce or sell pre-paid phone cards in the future.

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS.

(a) Pro Forma Financial Information

The unaudited condensed consolidated pro forma balance sheet as of September 30, 2002 is derived from the unaudited balance sheet presented in the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002, and reflects the disposition of ISIS as though the transaction occurred on September 30, 2002. The unaudited condensed consolidated pro forma statement of operations for the nine months ended September 30, 2002 was derived from the Company's unaudited statement of operations in its Quarterly Report on Form 10-Q for the quarter ended September 30, 2002, and reflects the disposition of ISIS as though the transaction occurred on January 1, 2002. The unaudited condensed consolidated pro forma statement of operations for the year ended December 31,

2001 was derived from the Company's statement of operations for the year ended December 31, 2001 included in its 2001 Annual Report on Form 10-K, and reflects the disposition of ISIS as though the transaction occurred on January 1, 2001.

You should not assume that these pro forma statements are indicative of future results or the results the Company would have achieved had the transaction occurred at the dates presented. Additionally, these pro forma financial statements were prepared under rules established by the Securities and Exchange Commission in Article 11 of Regulation S-X. We did not assume that any cost savings or synergies occurred following this transaction.

You should read these pro forma financial statements in conjunction with the historical financial statements included in the Company's 2001 Annual Report on Form 10-K and the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002. The pro forma adjustments made in this Current Report on Form 8-K require the Company to use estimates and assumptions based on currently available information. The Company believes the estimates and assumptions are reasonable, and that the significant effects of this transaction have been properly reflected in our pro forma financial statements. However, actual results may differ from the estimates and assumptions used.

CELLULAR TECHNICAL SERVICES COMPANY, INC.
 UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
 AS OF SEPTEMBER 30, 2002
 (In \$000)

	CTS --- Historical -----	Pro Forma ----- Adjustments -----		As --- Adjusted -----
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$3,996	\$ 29	b	\$4,025
Accounts receivable, net of reserves of \$240	768	(762)	a	6
Inventories	414	(414)		-
Prepaid expenses, deposits and other current assets	184	(79)	a	105
	-----	-----		-----
Total Current Assets	5,362	(1,226)		4,136
PROPERTY AND EQUIPMENT, net	304	(27)	a	277
LONG-TERM INVESTMENT	1,754	-		1,754
	-----	-----		-----
TOTAL ASSETS	\$7,420	\$(1,253)		\$6,167
	=====	=====		=====
LIABILITIES AND STOCKHOLDERS' EQUITY				
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	\$1,020	\$ (876)	a	\$ 144
Payroll related liabilities	156	(71)	a	85
Customers' deposits and deferred revenue	129	(129)	a	-
	-----	-----		-----
Total Current Liabilities	1,305	(1,076)		229
STOCKHOLDERS' EQUITY				
Preferred Stock, \$0.01 par value per share, 5,000 shares authorized, none issued and outstanding	-	-		-
Common Stock, \$0.001 par value per share, 30,000 shares authorized, 2,292 shares issued and outstanding at September 30, 2002	23	-		23
Additional paid-in capital	29,976	-		29,976
Accumulated deficit	(23,884)	(177)	c	(24,061)
	-----	-----		-----
Total Stockholders' Equity	6,115	(177)		5,938
	-----	-----		-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$7,420	\$(1,253)		\$6,167
	=====	=====		=====

See accompanying notes.

CELLULAR TECHNICAL SERVICES COMPANY, INC.
 UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2002
 (In \$000, except share and per share amounts)

	CTS Historical	Pro Forma Adjustments		As Adjusted
REVENUE				
Phonecards	\$ 9,417	\$ (9,417)	d	-
Total Revenue	9,417	(9,417)		-
COSTS AND EXPENSES				
Cost of phonecards	9,262	(9,262)	d	-
Sales and marketing	788	(449)	d	\$ 339
General and administrative	871	(184)	d	687
Research and development	1,217	-		1,217
Total Costs and Expenses	12,138	(9,895)		2,243
LOSS FROM OPERATIONS				
	(2,721)	478		(2,243)
OTHER INCOME, net	5	(2)	d	3
INTEREST INCOME, net	64	-		64
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND CHANGE IN ACCOUNTING PRINCIPLE				
	(2,652)	476		(2,176)
INCOME TAX PROVISION	(12)	3	d	(9)
LOSS FROM CONTINUING OPERATIONS BEFORE THE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE				
	\$ (2,664)	\$ 479		\$ (2,185)
BASIC AND DILUTED PER SHARE DATA:				
Loss from continuing operations before the effect of a change in accounting principle	\$ (1.17)	\$ 0.21		\$ (0.96)
WEIGHTED AVERAGE SHARES OUTSTANDING:				
Basic	2,292	2,292		2,292
Diluted	2,293	2,293		2,293

See accompanying notes.

CELLULAR TECHNICAL SERVICES COMPANY, INC.
 UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
 FOR THE YEAR ENDED DECEMBER 31, 2001 (In
 \$000 except share and per share amounts)

	CTS Historical	Pro Forma Adjustments		As Adjusted
	-----	-----		-----
REVENUES				
Phonecards	\$ 15,148	\$(15,148)	d	-
Services	5,268	-		\$ 5,268
	-----	-----		-----
Total Revenues	20,416	(15,148)		5,268
COSTS AND EXPENSES				
Cost of phonecards	14,812	(14,812)	d	-
Cost of services	1,287	-		1,287
Sales and marketing	1,241	(757)	d	484
General and administrative	1,917	(633)	d	1,284
Research and development	1,841	-		1,841
	-----	-----		-----
Total Costs and Expenses	21,098	(16,202)		4,896
(LOSS) INCOME FROM OPERATIONS				
	(682)	1,054		372
OTHER INCOME, net	974	-		974
INTEREST INCOME	308	171	d	479
	-----	-----		-----
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	600	1,225		1,825
INCOME TAX BENEFIT	(11)	-		(11)
	-----	-----		-----
INCOME FROM CONTINUING OPERATIONS	\$ 611	\$ 1,225		\$ 1,836
	=====	=====		=====
EARNINGS PER SHARE:				
Basic	\$ 0.27	\$ 0.53		\$ 0.80
	=====	=====		=====
Diluted	\$ 0.27	\$ 0.53		\$ 0.80
	=====	=====		=====
WEIGHTED AVERAGE SHARES OUTSTANDING:				
Basic	2,292	2,292		2,292
Diluted	2,302	2,302		2,302

See accompanying notes.

CELLULAR TECHNICAL SERVICES COMPANY, INC
NOTES TO THE UNAUDITED PRO FORMA CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS

BASIS FOR PRESENTATION OF PRO FORMA FINANCIAL STATEMENTS

The amounts in the unaudited pro forma balance sheet and the pro forma statements of operations referred to as CTS Historical are derived from the consolidated balance sheet of the Company as of September 30, 2002 and the consolidated statements of operations for the nine month period ended September 30, 2002 and for the year ended December 31, 2001.

The pro forma financial statements reflect the impact of the Consignment and Agency Agreement with GTS Prepaid, Inc. and the assumed disposal of all other remaining assets and settlement of all remaining liabilities of ISIS as of September 30, 2002 and for the periods presented.

PRO FORMA ADJUSTING ENTRIES

(a) Adjustment to reflect the transfer of inventories and accounts receivable in connection with the Consignment and Agency Agreement with GTS Prepaid, Inc. and to exclude the remaining assets and liabilities of ISIS as of September 30, 2002, as if they were disposed of or settled on that date.

(b) Adjustment to record pro forma net cash proceeds of \$29,000 from the collection of assigned receivables and sales of consigned inventory and from the estimated realizable value of the remaining assets of ISIS, net of the estimated cash disbursements necessary to settle remaining liabilities of ISIS as of September 30, 2002, as follows:

Transfer of inventories and receivables to GTS Prepaid, Inc.	\$1,176,000
Realization of other current assets	79,000
Severance and other lease termination and exit costs	(100,000)
Transaction costs and fees	(50,000)
Settlement of remaining liabilities	(1,076,000)

Net pro forma cash proceeds	\$ 29,000
	=====

Actual proceeds from the disposition of assets and liabilities will be subject to adjustment based upon the final closing balance sheet and the outcome of the sale of inventories and collection of receivables by GTS.

(c) Adjustment to record a pro forma net loss on the abandonment of remaining property and equipment of ISIS at September 30, 2002 with the pro forma assumption that no proceeds will be realized from the disposal of these assets and to record related estimated severance, lease termination costs and transaction costs. The actual loss will be based on net book value of the assets upon disposal less sales proceeds, if any.

(d) Adjustment to exclude revenues and expenses of ISIS (other than administrative costs allocated from the parent Company) from the statement of operations for the period, as if it were sold as of the first day of the period presented.

(b) Exhibits

10.1

Consignment and Agency Agreement between Cellular
Technical Services Company, Inc. and GTS Prepaid, Inc.

SIGNATURES

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

Dated: January 21, 2003

CELLULAR TECHNICAL SERVICES
COMPANY, INC.

By: /s/ Bruce R. York

Name: Bruce R. York
Title: Vice President and Chief
Financial Officer

Exhibit Index

EXHIBIT NO.

DESCRIPTION

10.1

Consignment and Agency Agreement between Cellular
Technical Services Company, Inc. and GTS Prepaid,
Inc.

December 11, 2002

GTS PREPAID, INC.
10 Stow Road, Suite 200
Marlton, NJ 08053

Consignment and Agency Agreement

Dear Sir/Madam:

This letter sets forth our agreement pursuant to which Cellular Technical Services Company, Inc., a Delaware corporation ("Consignor"), will, as of January 3, 2003 (i) provide GTS Prepaid, Inc., a Utah corporation ("Consignee") with the inventory set forth on Schedule A hereto (the "Inventory"), (ii) authorize Consignee to sell such Inventory on a consignment basis and (iii) authorize Consignee to act as its agent to collect the Accounts Receivable set forth on Schedule B hereto (the "Accounts Receivable"). Consignor has acquired the Inventory and Accounts Receivable pursuant to foreclosure under a security agreement between Consignee and Isis Tele-Communications, Inc., a Delaware corporation ("Isis").

1. Consignment of Inventory. Consignor is providing and Consignee is receiving the Inventory on a consignment basis to hold and sell the Inventory in accordance with this Agreement. Consignee may sell the Inventory at such price it may determine but in any event, and irrespective of the sale price, Consignee shall be liable to Consignor for the price of such Inventory on Schedule A (as such price is mutually agreed to between Consignor and Consignee). Consignor is and shall remain the owner of all Inventory and upon sale of Inventory by Consignee, title thereto shall pass to such purchaser upon full payment for such Inventory.

2. Sale of Inventory. Upon the sale of Inventory by Consignee, the proceeds of such sale less the excess of the sales price above the price for such Inventory (the "Proceeds") are and remain the property of Consignor and shall be held in trust for and delivered to Consignor as hereinafter provided. Consignee shall (i) maintain an accurate daily sales record of all Inventory sold, (ii) advise Consignor of any disputes arising in respect of Inventory as they arise, (iii) maintain a current list of all Inventory in its possession and (iv) shall send copies of such records and list on a daily basis, by facsimile, to Consignor at (206) 269-1404, Attention: Bruce York.

3. Collection of Accounts Receivable. Consignor hereby assigns and Consignee accepts assignment of the Accounts Receivable and agrees to act as Consignor's agent for collection of the Accounts Receivable. Consignee shall use diligent and commercially reasonable efforts to collect the Accounts Receivable. Consignee shall (i) maintain an accurate daily record of all Accounts Receivable collected, (ii) advise Consignor of any disputes arising in respect of Accounts Receivable as they arise, (iii) maintain a current list of all uncollected Accounts Receivable in its possession and (iv) send copies of the daily record of Accounts Receivable collected, disputes and uncollected Accounts Receivable on a daily basis, by facsimile, to Bruce York, at the facsimile number set forth in Section 2 above. Consignee shall

have no authority to compromise the amount of any Account Receivable without the consent of Consignor.

4. Initial Meeting. On January 28, 2003, Consignor and Consignee shall meet to discuss the status of sales of Inventory and collections of Accounts Receivable and any problems or issues that have arisen to date in connection therewith.

5. Payment for Inventory Sold and Remittance of Accounts Receivable Collected. On February 21, 2003, Consignee shall pay Consignor by wire transfer to a bank account specified by Consignor, the sum total of (i) all Proceeds then collected for all Inventory sold less the excess of the sales price above the price for such Inventory as set forth on Schedule A and (ii) all Accounts Receivable then collected.

6. Report and Meeting. On February 27, 2003, Consignee shall provide to Consignor a written report certified by its President setting forth (i) all sales of Inventory made, set forth by date, the Proceeds permitted to Consignor with respect to each item of Inventory sold and a list all remaining unsold items of Inventory, and (ii) the Accounts Receivable collected, set forth by date, the amount representing the collections remitted to Consignor and all

uncollected Accounts Receivable. On such date the parties shall determine whether to extend the parties acting hereby or otherwise agree as to the treatment of unsold items of Inventory and uncollected Accounts Receivable.

7. Continuing Security Interest. As security for the timely and full payment and satisfaction of the payment and other obligations of Consignee under this Agreement, Consignee hereby grants to Consignor a continuing security interest in and to all of Consignee's right, title and interest in and to any and all Accounts Receivable and Inventory, wherever located, and any and all proceeds (including, without limitation, insurance proceeds), accounts, books and records, instruments, documents, goods, chattel paper, inventory, contract rights, litigation claims and rights, insurance policies and rights, and payment intangibles and other general intangibles of Consignee arising out of such Accounts Receivable and Inventory.

8. Financing Statements. Consignee authorizes Consignor to file, at any time and from time to time, any financing statements and continuation statements, in any applicable jurisdictions, in each case, as is necessary or useful to perfect or continue the security interest granted by Consignee. Any such statements may be filed by Consignor with or without the signature of Consignee or Consignor or the further authorization of Consignee.

9. Customers. Set forth on Schedule C hereto is a list of the customers of Isis (the "Customers"). To the extent that during the 16 months following the date of this Agreement, Consignee (or any successor or assignee) generates at least \$8,000,000 in gross sales to the Customers, or Consignee signs a minimum two year agreement with Store 24 for all prepaid products, Consignor (or any successor or assignee) shall be entitled to receive 2,000 shares of Common Stock of Consignee or of any such successor or assignee. Within 60 days after the end of such 16 month period, Consignee shall provide a certificate of its President certifying the gross sales to Customers during the period and if the requisite sales have been met, the shares shall be promptly issued to Consignor.

10. Employees. Set forth on Schedule D is a list of the names of those employees of Consignor that Consignee plans to make offers of employment following the execution of this Agreement for the purpose of, among other things, employing said employees as salespeople to solicit the Customers. Consignor consents to any subsequent hiring of such employees by the Consignee.

11. Miscellaneous. This Agreement shall be governed by and construed in accordance with the laws of the State of New Jersey without giving effect to its principles of conflicts of law. The parties agree that any action hereunder shall be brought in the federal or state courts located in New Jersey and waive any defense of forum non conveniens. This Agreement may be executed in counterparts, each of which shall be an original, but all of such counterparts shall constitute one and the same instrument. Each provision of this Agreement shall be severable from every other provision of this Agreement for the purpose of determining the legal enforceability of any specific provision. This Agreement expresses the entire understanding of the parties with respect to the subject matter hereof and may not be modified, amended or resolved except by an instrument in writing.

If the foregoing is acceptable to you, please so indicate by signing in the space provided below and returning a signed copy of this letter to us for our records.

Very truly yours,

CELLULAR TECHNICAL SERVICES COMPANY, INC.

By: /s/ Stephen Katz

Name: Stephen Katz
Title: Chairman and Chief Executive
Officer

AGREED

GTS PREPAID, INC.

By: /s/ Randy Cherkas

Name: Randy Cherkas
Title: President