TECHNOLOGIES MANAGEMENT INC.

210 N. Park Ave.
P.O. Drawer 200
Winter Park, FL
32790-0200

Tel: 407-740-8575
Fax: 407-740-0613

August 8, 1996

960980-TX

Mr. Walter D'Haeseleer
Executive Director
Florida Public Service Commission
2450 Shumard Oak Boulevard
Gerald L. Gunter Building, Room 270
Tallahassee, FL 32399-0850

Re: Application of Telaleasing Enterprises, Inc. for Authority to Provide Alternative Local Exchange Service

Dear Mr. D'Haeseleer:

Enclosed is the original and six (6) copies of the application of Telaleasing Enterprises, Inc. for authority to provide alternative local exchange service. Also enclosed is a check for the application fee of $250.

Please return a date stamped the copy of this cover letter in the self-addressed stamped envelope which has been provided for this purpose.

Any questions pertaining to this filing may be addressed to me at (407) 740-8575.

Yours truly,

Nanci Adler

Nanci Adler
Consultant to Telaleasing

cc: T. Rammelkamp, Telaleasing

File: Telaleasing - FL ALEC
TMS#: FL96002

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FLORIDA PUBLIC SERVICE COMMISSION
Division of Communications, Certification & Compliance Section
2450 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850
(904) 413-6600

APPLICATION FORM

for

AUTHORITY TO PROVIDE ALTERNATIVE LOCAL EXCHANGE SERVICE WITHIN THE STATE OF FLORIDA

INSTRUCTIONS

1. This form is used for an original application for a certificate and for approval of sale, assignment, or transfer of an existing alternative local exchange certificate. In case of a sale, assignment or transfer, the information provided shall be for the purchaser, assignee or transferee.

2. Respond to each item requested in the application and appendices. If an item is not applicable, please explain why.

3. Use a separate sheet for each answer which will not fit the allotted space.

4. Any questions regarding completion, contact above.

5. Once completed, submit the original and six (6) copies of this form along with a non-refundable application fee of $250 made payable to the Florida Public Service Commission at the above address.

APPLICATION FORM FOR AUTHORITY TO PROVIDE ALTERNATIVE LOCAL EXCHANGE SERVICE WITHIN THE STATE OF FLORIDA

1. **This is an application for (check one):**

   (X) Original authority (new company)

   ( ) Approval of transfer (to another certificated company)
   Example: a certificated company purchases an existing company and desires to retain the original certificate authority.

   ( ) Approval of assignment of existing certificate (to a noncertificated company)
   Example: a non-certificated company purchases an existing company and desires to retain the certificate of authority rather than apply for a new certificate.

   ( ) Approval for transfer of control (to another certificated company)
   Example: a company purchases 51% of a certificated company. The Commission must approve the new controlling entity.

2. **Name of applicant:**

   Telaleasing Enterprises, Inc.

3. A. **National Mailing Address including street name, number, post office box, city, state, zip code and phone number.**

Street:	1429 Massaro Blvd.
PO Box	
City:	Tampa
State:	Florida
Zip	33619-3005
Phone:	(813) 623-3545

   B. **Florida Mailing Address including street name, number, post office box, city, state, zip code and phone number.**

Street:	1429 Massaro Blvd.
PO Box:	
City:	Tampa
State:	Florida
Zip:	33619-3005
Phone:	(813) 623-3545

10. **Please provide the title, address, telephone number, internet address and facsimile number of the person serving as ongoing liaison with the Commission, and if different, the liaison responsible for this application:**

Application contact:

Name:	Nanci Adler
Title:	Consultant to Telaleasing
P.O. Box:	P.O. Drawer 200
City:	Winter Park
State:	Florida
Zip:	32790-0200
Phone:	(407) 740-8575
Fax:	(407) 740-0613
Internet Address:	

Ongoing Liaison:

Name:	Ted Rammelkamp
Title:	Senior General Counsel
P.O. Box:	P.O. Box 727
City:	Jacksonville
State:	Illinois
Zip:	62651
Phone:	(217) 243-4391
Fax:	(217) 243-6016
Internet Address:	teddy@netjax.com

11. **Please list other states in which the applicant is currently providing or has applied to provide local exchange or alternative local exchange service.**

None

12. **Has the applicant been denied certification in any other state? Yes( ) No(X)
If so, please list the state and reason for denial.**

13. **Have penalties been imposed against the applicant in any other state:Yes( ) No(X)
If so, please list the state and reason for penalty.**

AFFIDAVIT

By my signature below, I, the undersigned officer, attest to the accuracy of the information contained in this application and attached documents and that the applicant has the technical expertise, managerial ability, and financial capability to provide alternative local exchange service in the State of Florida. I have read the foregoing and declare that to the best of my knowledge and belief, the information is true and correct. I attest that I have the authority to sign on behalf of my company and agree to comply, now and in the future, with all applicable Commission rules and orders.

Further, I am aware that pursuant to Chapter 837.06, Florida Statues, "Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree punishable as provided in s. 775.082 and s. 775.083.

Offical: Theodore C. Rammelkamp, Jr. Date: 8/6/96

Theodore C. Rammelkamp, Jr.

Title: Senior Vice President & General Counsel

Address: 601 West Morgan
Jacksonville, IL 62650

Phone: 217-243-4391

C. **Physical Address of alternative local exchange service in Florida including street name, number, post office box, city, state, zip code and phone number.**

Name:	Telaleasing Enterprises, Inc.
Street:	1429 Massaro Blvd.
PO Box:	
City:	Tampa
State:	Florida
Zip:	33619-3005
Phone:	(813) 623-3545

4. **Structure of organization:**

( ) Individual	( ) Corporation
(X) Foreign Corporation	( ) Foreign Partnership
( ) General Partnership	( ) Limited Partnership
( ) Joint Venture	( ) Other, Please explain_______

5. **If incorporated, please provide proof from the Florida Secretary of State that the applicant has authority to operate in Florida.**

Corporate charter number: P20715

6. **Name under which the applicant will do business (d/b/a):**

Telaleasing Enterprises, Inc.

7. **If applicable, please provide proof of fictitious name: (d/b/a) registration.**

Fictitious name registration number:_______

8. **If applicant is an individual, partnership, or joint venture, please give name and address of each legal entity.**

Not applicable

9. **State whether any of the officers, directors, or any of the ten largest stockholders have previously been adjudged bankrupt, mentally incompetent, or found guilty of any felony or of any crime, or whether such actions may result from pending proceedings. If so, please explain.**

Not applicable.

10. **Please provide the title, address, telephone number, internet address and facsimile number of the person serving as ongoing liaison with the Commission, and if different, the liaison responsible for this application:**

Application contact:

Name:	Nanci Adler
Title:	Consultant to Telaleasing
P.O. Box:	P.O. Drawer 200
City:	Winter Park
State:	Florida
Zip:	32790-0200
Phone:	(407) 740-8575
Fax:	(407) 740-0613
Internet Address:	

Ongoing Liaison:

Name:	Ted Rammelkamp
Title:	Senior General Counsel
P.O. Box:	P.O. Box 727
City:	Jacksonville
State:	Illinois
Zip:	62651
Phone:	(217) 243-4391
Fax:	(217) 243-6016
Internet Address:	teddy@netjax.com

11. **Please list other states in which the applicant is currently providing or has applied to provide local exchange or alternative local exchange service.**

None

12. **Has the applicant been denied certification in any other state? Yes( ) No(X) If so, please list the state and reason for denial.**

13. **Have penalties been imposed against the applicant in any other state:Yes( ) No(X) If so, please list the state and reason for penalty.**

14. Please indicate how a customer can file a service complaint with your company.

Customers may call the company at its toll-free customer service number: 1-800-453-4308. In addition, customers may contact the company in writing at 1429 Massaro Blvd., Tampa, Florida 33619-3005

15. Please provide all available documentation demonstrating that the applicant has the following capabilities to provide alternative local exchange service in Florida.

A. Financial capability (Exhibit II)

Regarding the showing of financial capability, the following applies:

The application should contain the applicant's financial statements, including:

1. the balance sheet
2. income statement
3. statement of retained earnings for the most recent 3 years

If available, the financial statements should be audited financial statements.

If the applicant does not have audited financial statements, it shall be so stated. The unaudited financial statement should then be signed by the applicant's chief executive officer and chief financial officer. The signature should affirm that the financial statements are true and correct.

B. Managerial capability

See Exhibit II

C. Technical capability

See Exhibit III

AFFIDAVIT

By my signature below, I, the undersigned officer, attest to the accuracy of the information contained in this application and attached documents and that the applicant has the technical expertise, managerial ability, and financial capability to provide alternative local exchange service in the State of Florida. I have read the foregoing and declare that to the best of my knowledge and belief, the information is true and correct. I attest that I have the authority to sign on behalf of my company and agree to comply, now and in the future, with all applicable Commission rules and orders.

Further, I am aware that pursuant to Chapter 837.06, Florida Statues, "Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree punishable as provided in s. 775.082 and s. 775.083.

Offical: Theodore C. Rammelkamp, Jr. Date: 8/6/96

Theodore C. Rammelkamp, Jr.

Title: Senior Vice President & General Counsel

Address: 601 West Morgan
Jacksonville, IL 62650

Phone: 217-243-4391

TELALEASING ENTERPRISES, INC.

EXHIBIT I

FINANCIAL CAPABILITY

In support of the Company's financial capability, the following financial statements from the Securities and Exchange Commission Form 10-K of Davel Communications, Inc., Telaleasing's parent company. Telaleasing Enterprises, Inc. is a wholly-owned subsidiary of Davel Communications, Inc.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark one)

[X] **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 (FEE REQUIRED)**

For the fiscal year ended December 31, 1995

or

[ ] **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)**

For the transition period from to

Commission file number 0-22610

DAVEL COMMUNICATIONS GROUP, INC.
(Exact name of registrant as specified in its charter)

Illinois	**37-1064777**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
1429 Massaro Boulevard Tampa, Florida	**33619**
(address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (813) 623-3545

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

Title of each class	Name of each exchange on which registered
None	

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

Common Stock, no par value
(Title of class)

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

As of March 28, 1996, the aggregate market value of the voting stock held by non-affiliates of the registrant was approximately $57,358,125. As of March 28, 1996, there were 4,455,000 shares of the registrant's Common Stock outstanding.

Documents incorporated by reference:

Information contained in the registrant's 1996 definitive proxy material to be filed with the Securities and Exchange Commission has been incorporated by reference in Part III of this Annual Report on Form 10-K.

ITEM 1. BUSINESS

General

Davel Communications Group, Inc. (the "Company") is one of the largest independent providers of pay telephone and hospitality telecommunications services in the United States. The Company owns and operates a network of over 11,000 pay telephones in sixteen southeastern and midwestern states and provides certain long distance operator services to over 90% of these telephones, as well as providing operator services to approximately 75,000 hotel and motel room telephones in 43 states. The Company's pay telephones accept coins as payment for local and long distance calls and can also be used to make "non-coin" or "cashless" calls, including calling card calls, credit card calls, collect calls and third-party billed calls. The Company's pay telephones are located at convenience stores, truck stops, service stations, grocery stores and other locations with a high demand for pay telephone service. All calls placed from hotel and motel room telephones connected to the Company's network are "non-coin" calls.

The Company also manufactures pay telephones for its own use and repairs other telecommunications equipment including sophisticated computer-based private branch exchanges ("PBXs") as well as key systems and small business systems. See Note P of Notes to Consolidated Financial Statements for information regarding the Company's business segments.

The Company's executive offices are located at 1429 Massaro Boulevard, Tampa, Florida 33619 and its telephone number is (813) 623-3545.

Industry Overview

Calls made from pay telephones have been estimated to represent revenues to the United States telecommunications industry of several billion dollars per year. Pay telephones may be "public," meaning they are owned by local exchange carriers ("LECs") or "independent," meaning they are owned and operated by companies independent of the LECs. Of the approximately 2.1 million pay telephones currently operating in the United States, it is estimated that approximately 1.8 million are public and 300,000 are independent.

Today's telecommunications marketplace was principally shaped by the AT&T Divestiture of its 22 Regional Bell Operating Companies, known as "RBOCs," which provided local telephone services within their areas of operation. The AT&T Divestiture and the many regulatory changes adopted by the FCC and state regulatory authorities in response to the AT&T Divestiture have resulted in the creation of new business segments in the telecommunications industry. For example, prior to the AT&T Divestiture, only RBOCs or other LECs owned and operated pay telephones.

As part of the AT&T Divestiture, the United States was divided into geographic areas known as Local Access Transport Areas or "LATAs." LECs provide telephone service that both originates and terminates within the same LATA ("intraLATA traffic") pursuant to tariffs filed with and approved by state regulatory authorities. Most state regulatory authorities require LECs to provide local access line service to independent pay telephone companies. See "Business-Regulation."

Long distance companies provide service between LATAs ("interLATA traffic") and, in some circumstances, may also provide long distance service within LATAs. An interLATA long distance telephone call begins with an originating LEC transmitting the call from the telephone that originates the call to a point of connection with a long distance carrier. The long distance carrier, through its owned or leased switching and transmission facilities, transmits the call across its long distance network to the LEC serving the local area in which the recipient of the call is located. This terminating LEC then delivers the call to the recipient.

Pay Telephone Operations

The Company owns and operates a system of over 11,000 pay telephones in the southeastern and midwestern United States. Substantially all of the Company's pay telephones accept coins as payment for local or long distance calls and can also be used to place local or long distance cashless calls.

Coin Calls

The Company's pay telephones generate coin revenues primarily from local calls. In all of the territories in which the Company's pay telephones are located, the Company charges the same rates for local coin calls as does the LEC. The maximum rate LECs and independent pay telephone companies may charge for local calls is typically set by state regulatory authorities and in most cases is $0.25 or $0.35. The Company pays local line charges to LECs for each of its installed pay telephones. These line charges cover basic service to the telephone as well as the transport of local coin calls.

InterLATA long distance coin calls are carried by long distance carriers that have agreed to provide long distance service to the Company's telephones. The Company pays a charge to a long distance carrier each time that carrier transports a long distance call for which the Company receives coin revenue. The Company's pay telephones also generate coin revenue from intraLATA long distance calls. IntraLATA long distance coin calls are carried by the LEC that provides service to the pay telephone. The Company pays a charge to the LEC for transport of these calls.

Cashless Calls

The Company also receives revenues from cashless calls made from its pay telephones. Cashless calls include credit card calls, calling card calls, collect calls and third-party billed calls. Cashless calls from the Company's pay telephones are generally handled by the Company's subsidiary, Phone Zone, Inc. ("Phone Zone"). Phone Zone's switching equipment is located in Tampa, Florida. See "Business--Switching Equipment." Phone Zone performs certain of the operator services necessary to complete cashless calls.

The services needed to complete a cashless call include providing an automated or live operator to answer the call, verifying billing information, validating calling cards and credit cards, routing and transmitting the call to its destination, monitoring the call's duration and determining the charge for the call, and billing and collecting the applicable charge. The Company has contracted with an operator service provider to provide live operators to handle calls requiring them. Billing information is verified and collect calls and credit cards are validated by the Company's switch through one of several companies that provide on-line access to validation databases. The Company contracts for transport of its calls over networks operated by long distance carriers. The Company's switch is programmed to select the most cost-effective carrier and transmission circuit then available to the Company to complete the call as dialed. Billing and collection of call charges is performed for the Company by one of several service bureaus specializing in that activity.

The Company believes the extensive data processing capabilities of the switch enhance (i) the availability of management information relating to cashless call traffic, (ii) the services provided to property owners, and (iii) the Company's ability to respond to any difficulties in call completion. The switch currently handles interstate long distance cashless calls and certain international cashless calls from over 90% of the Company's pay telephones as well as interLATA/intrastate long distance cashless calls from over 65% of the Company's pay telephones.

The Company realizes additional revenues from certain long distance companies pursuant to FCC and state regulation as compensation for "dial-around" cashless calls made from its pay telephones. A "dial-around" call is made by reaching a long distance company other than the one designated by the pay telephone operator, generally by dialing a 1-800 number, a 950-number or a five-digit "10XXX" code before dialing "0" for operator service. See "Business--Regulation."

Placement of Pay Telephones

Each of the Company's pay telephones is located in proximity to one of the Company's eleven regional offices, from which Company employees operate and service these telephones and conduct sales and marketing efforts within the region. The following table sets forth the locations of the Company's regional offices and the number of pay telephones served by each:

Number of Pay Telephones

	December 31,		
Regional Office	1993	1994	1995
Tampa, FL	1,647	1,916	2,225
Harrisburg, IL	1,122	1,240	1,435
Jacksonville, FL	742	823	924
Cedar Rapids, IA	0	742	819
Miami, FL	634	799	943
Chesapeake, VA	386	565	845
Chattanooga, TN	417	559	678
Jacksonville, IL	260	297	468
Myrtle Beach, SC	0	0	554
Baltimore, MD	0	0	138
Charlotte, NC	897	1,408	2,134
Total	6,105	8,349	11,163

The Company selects locations for its pay telephones where there is high demand for pay telephone service, such as convenience stores, truck stops, service stations, grocery stores, shopping centers and hotels. For many locations, historical information regarding a LEC-operated pay telephone is available because LECs are often obligated pursuant to agreements to provide this information to owners of locations of their pay telephones. In other locations, the Company conducts a site survey to examine geographical factors, population density, traffic patterns and other factors in determining whether to install a pay telephone. The Company's marketing staff is encouraged to obtain agreements to install the Company's pay telephones ("Placement Agreements") for locations with favorable historical data regarding pay telephones.

Placement Agreements generally provide for revenue sharing with the owners of the locations at which the Company's pay telephones are located ("Property Owners"). The Company's Placement Agreements generally provide commissions based on fixed percentages of revenues and are generally of a five-year term. The Company can generally terminate a Placement Agreement on 30 days' notice to the Property Owner if the pay telephone does not generate sufficient revenue.

Marketing

The Company employs marketing personnel for its pay telephone operations in each of its regional offices. Regional marketing personnel are responsible for finding desirable locations for pay telephones and obtaining Placement Agreements with Property Owners within their geographical areas and focus their sales efforts on small-and medium-sized business customers. The Company believes that using regional marketing personnel provides better market penetration because of their familiarity with and proximity to their regions. The Company believes that a key part of its marketing strategy is its ability to offer commissions to location owners for both local and long distance calls. LECs generally offer commissions only on local calls, and many of the location owners targeted by the Company's regional marketing personnel have too few locations to be of interest to long distance companies and do not receive commissions on long distance calls prior to being contacted by the Company. The Company's national sales personnel are responsible for accounts that overlap regional boundaries, such as multiple store chains and restaurant franchises that often have hundreds or thousands of potential locations, and also provide support to the Company's regional personnel. The Company has historically installed approximately 70% of its pay telephones through the sales and marketing efforts of the Company's regional marketing personnel and the remaining 30% from the efforts of national sales personnel. All marketing personnel also sell the Company's enhanced telecommunications services. The Company's marketing personnel receive incentive compensation based upon their achievement of sales goals.

The Company intends to increase its rate of pay telephone installations, net of pay telephone removals, to approximately 2,500 per year, compared with approximately 1,499 net installations in 1993, 1,407 net installations in 1994 and 2,100 in 1995, exclusive of acquisitions. The Company intends to obtain locations for these additional installations by emphasizing marketing efforts to accounts, such as multiple store chains and restaurant franchises, that may have hundreds or thousands of locations. The Company surveys these locations with a view to installing Company pay telephones in locations that are within its operating regions, that appear likely to generate sufficient coin and cashless call revenues and that meet the Company's other criteria. The Company may also "presubscribe" LEC-owned pay telephones at those locations that are not within the Company's operating regions or that do not have sufficient coin call traffic but that do generate a volume of cashless calls that can be serviced profitably through the Company's switch or a contract service arrangement with a long distance carrier. See "Specialized Telecommunications Service-Presubscriptions."

Service and Maintenance

The Company employs field service technicians, each of whom collects coin boxes from, and cleans and maintains, between 150 and 200 pay telephones and responds to trouble calls made by a Property Owner, a user of a pay telephone or by the telephone itself as part of its internal diagnostic procedures. Most technicians are also responsible for the installation of new telephones. Due to the proximity of each Company pay telephone to one of the Company's eleven regional offices and the ability of the field service technicians to perform all service and maintenance functions, the Company is able to limit the frequency of trips to the pay telephone as well as the number of employees needed to service the pay telephones.

The Company installs pay telephones of its own design and manufacture which it believes incorporate the latest technology. The equipment makes use of microprocessors to provide voice synthesized calling instructions, detect and count coins deposited during each call, inform the caller at certain intervals of the time remaining on each call, and identify the need for and the amount of an additional deposit. The pay telephones can be programmed and reprogrammed from the Company's central computer facilities to update rate information or to direct different kinds of calls to particular carriers. The Company's pay telephones can distinguish coins by size and weight, report to a remote location the total coinage in the coin box, perform self-diagnosis and automatically report problems to a pre-programmed service number, and immediately report attempts of vandalism or theft. Virtually all of the telephones operate on power available from the telephone lines, thereby avoiding the need for and reliance upon an additional power source at the installation location. The telephones are designed to have a user-friendly appearance and manner of operation similar to LEC-owned pay telephones.

The Company has internally developed software that continuously tracks the coin and non-coin revenues from each telephone as well as expenses relating to that telephone, including commissions payable to the Property Owners. The software allows the Company to generate detailed financial information by Property Owner, by location and by telephone, which allows the Company to monitor the profitability of each location and telephone.

All technical support required to operate the pay telephones, such as computers and software and hardware specialists, is provided by the Company's Tampa, Florida office. Materials, equipment and spare parts and accessories are provided by the Company's manufacturing support operations and inventories are maintained at each regional office for immediate access by field service technicians.

Acquisitions

On April 13, 1995, the Company completed the acquisitions of 712 pay telephones for $1,693,187 in cash. The acquisitions included five separate pay telephone routes with operations in South Carolina, North Carolina, Maryland, Virginia and Washington, D.C.

Hospitality Division Operations

Prior to April 1994, the Company was providing telecommunications to the hospitality industry on a limited basis. With the purchase of Comtel Computer Corp. on April 29, 1994, the Company's Hospitality Division was formed. The Company's Hospitality Division receives revenues from cashless calls made from approximately 75,000 hotel and motel room telephones to which it provides operator services. These cashless calls include credit card calls, calling card calls, collect calls and third-party billed calls. Cashless calls from the Company's Hospitality Division are generally handled by long distance carriers through unbundled services arrangements which supply the operator and network services necessary to complete cashless calls. The Company has also begun directing traffic from the Hospitality Division to its own switching equipment in Tampa, Florida and will continue to do so in areas where it is economically feasible and regulatory approvals to operate the Company's switching equipment have been obtained. The Company's Hospitality Division also directs a limited amount of call traffic to long distance companies which compensate the Company on a commission basis.

The services needed to complete a cashless call for the Hospitality Division are essentially the same as those needed to complete a cashless call for the Company's Pay Telephone Division. See "Pay Telephone Operations--Cashless Calls." Billing information is verified and collect calls and credit cards are validated by one of several companies that provide access to validation databases. Billing and collection of call charges are performed for the Hospitality Division by one of several service bureaus specializing in that activity.

The Company's Hospitality Division selects hotel and motel properties where there is a demand for customized telecommunications services which can provide Property Owners with individualized reporting and the Property Owner's desired balance between commissions and charges to the billed party. The Company has developed and is further developing advanced hospitality packages which it believes will have wide appeal in the hospitality industry. For many hotel and motel properties, historical information is available to determine whether the property is a candidate for the Company's hospitality services. The Hospitality Division's marketing personnel are encouraged to obtain Placement Agreements with properties with favorable historical data. Hospitality Division Placement Agreements generally provide for fixed percentage revenue sharing with the Property Owners and are generally of a three to five-year term.

Hospitality Division Marketing

The Company employs marketing personnel for its Hospitality Division and has agreements with a number of independent sales agents. The Hospitality Division employs marketing personnel in the Company's facility in Boulder, Colorado and has a regional sales office in Kerrville, Texas. The Company believes that a key part of its marketing strategy is its ability to offer attractive commissions and enhanced services to Property Owners. The Hospitality Division's sales personnel are responsible for accounts that overlap regional boundaries and focus their sales efforts on small to medium-sized hotels and motels and chains, as well as large hotel and motel chains and management companies. All Hospitality Division marketing personnel are also trained to sell the Company's pay telephone and enhanced telecommunications services. The Company's marketing personnel receive incentive compensation based upon their achievement of sales goals.

Hospitality Division Service and Maintenance

The Company employs technicians at its facility in Boulder, Colorado responsible for assembly and in-house maintenance of equipment used in providing service to its hospitality customers. The assembled unit used in the Company's hospitality operations is designated by the Company as a Voicepro System ("Voicepro"). Voicepro units utilize microprocessor-based technology to provide voice synthesized calling instructions, receive and route calls and record information about the source, destination and duration of the call. Voicepro units are programmed with all necessary rate information and have the ability to direct different kinds of calls to particular carriers.

The Company has internally developed software used by its Hospitality Division that continuously tracks revenues from each hospitality customer as well as expenses relating to that property, including commissions payable to the Property Owners. The software allows the

Company to generate detailed financial information which allows the Company to monitor the profitability of each hospitality customer.

All technical support required to operate the Voicepro units, such as computers and software and hardware specialists, is provided by the Company's Boulder, Colorado or Tampa, Florida facility. Materials, equipment and spare parts and accessories are provided by the Company's Boulder, Colorado facility. Some installation and maintenance of Voicepro units is performed by Company personnel. However, due to the geographical distribution of hospitality customers in 43 states, the Company predominantly uses contract firms to install and maintain its Voicepro units. The Company believes that a sufficient number of contract firms with expertise in the telecommunications field are available within its current and future market areas to meet its ongoing installation and maintenance needs. At December 31, 1995, the Company's Hospitality Division had 343 installed Voicepro units and 171 dialers serving approximately 75,000 hotel and motel room telephones.

Switching Equipment

The Company's switching equipment was obtained from Harris Corporation, one of several suppliers of switches to the telecommunications industry. Switches are digital computerized routing systems that receive calls, route calls through transmission lines to their destination and record information about the source, destination and duration of the call. Switches have limits on their capacity to handle and transmit calls, but can be upgraded to handle more calls as traffic increases. The Company's switch is located in proximity to its offices in Tampa, Florida. Long distance calls from the Company's pay telephones that are not handled by its switch or an unbundled services arrangement are serviced by long distance companies that pay commissions to the Company for those calls. If the Company experiences sufficient long distance call volume from other LATAs, the Company will evaluate the need to upgrade transmission circuitry to direct additional call traffic to its switching equipment, thereby reducing transmission costs to the Company's switch.

Using the data capabilities of its switching equipment, the Company has implemented a management information system that the Company believes affords it competitive advantages. The Company's management information system monitors call traffic to provide information regarding pay telephone or network equipment trouble, the fraudulent use of calling cards or credit cards, or other problems, thereby allowing the Company to respond promptly. The Company is also able to monitor and audit telephone company billing reports using the detailed call records maintained by the switch. This information system has enabled the Company to increase call completion rates and enhance site selection for its pay telephones. As a result, the Company has increased revenues from its installed telephones and reduced costs through the selection of the most economical means of completing calls. The Company believes some of this information is unavailable to independent pay telephone companies that do not maintain their own switching equipment.

Competition

The Company competes for pay telephone locations with LECs and independent pay telephones operators. The Company also competes, indirectly, with long distance companies, which can offer location owners commissions on long distance calls made from LEC-owned pay telephones. Most LECs and long distance companies against which the Company competes and some independent pay telephone companies have substantially greater financial, marketing and other resources than the Company. In addition, many LECs, faced with competition from the

Company and other independent pay telephone companies, have increased their compensation arrangements with owners of pay telephone locations to offer more favorable commission schedules.

The Company believes the principal competitive factors in the pay telephone business are (i) the commission payments to a location owner and the opportunity for a location owner to obtain commissions on both local and long-distance calls from the same company, (ii) the ability to serve accounts with locations in several LATAs or states, (iii) the quality of service and the availability of specialized services provided to a location owner and telephone users, and (iv) responsiveness to customer service needs. The Company believes it is currently competitive in these areas.

The Company's Hospitality Division competes with other independent telecommunications companies and long distance companies providing telecommunications services to the hospitality industry. Many of the independent companies and most long distance companies against which the Company competes in the hospitality telecommunications industry have substantially greater financial, marketing and other resources than the Company. In addition, many long distance companies, faced with competition from the Company and other independent telecommunications companies, have increased their compensation arrangements with owners of hospitality locations to offer more favorable commission schedules.

The Company believes the principal competitive factors in the hospitality telecommunications business are the commission payments to Property Owners, the quality of service and the availability of specialized services provided to users and Property Owners and responsiveness to customer service needs. The Company believes its Hospitality Division is currently competitive in these areas.

Both the Company's Pay Telephone Division and Hospitality Division compete with long distance carriers who provide dial-around services which can be accessed through the Company's pay telephones and hotel and motel room telephones to which the Company provides operator services. Certain national long distance operator service providers have launched advertising promotions which have increased dial-around activity on pay telephones owned by independent pay telephone companies, including the Company, and on hotel and motel room telephones, including those served by the Company. The Company is receiving compensation for dial-around calls placed from its pay telephones and certain regulatory initiatives are underway which the Company believes will increase the amount of dial-around compensation received on its pay telephones. See "Business--Regulation." The Company does not receive compensation for dial-around calls placed from hotel and motel room telephones to which it provides service.

Specialized Telecommunications Services

The Company uses its expertise in pay telephone operations and the data processing capability of its switching equipment to design and offer enhanced telecommunications services and packages of specialized services to niche market segments.

Inmate Telephone Services

The Company has developed a package of enhanced services designed for prison pay telephones supported by the technology available from the Company's switch. In most prisons, inmates may only place collect calls for a fixed duration; cash calls and other cashless calls, such as credit card calls, are prohibited. The Company's package allows for the blockage of certain numbers, the pre-approval of certain numbers, and for the prepayment of calls using a debit card or other mechanism. The package also provides the facility with extensive reports regarding usage. The Company customarily pays a commission based on usage to the prison or contributes part of its income from the facility to funds for the benefit of inmates. The Company currently provides pay telephone service to two prisons.

Presubscriptions

The Company also provides long distance operator services to public pay telephones that have been "presubscribed" by the Company. As a result of the AT&T Divestiture, public pay telephone location owners have the right to select a long distance company to provide long distance service to those telephones. To presubscribe these telephones, the Company enters into agency agreements with location owners that allow the Company to provide operator services, either directly using its switch or an unbundled services arrangement or indirectly, by selecting a long distance company to provide these services. (Before November 1993, the Company directed substantially all of these cashless long distance calls to long distance companies in return for commissions). The Company pays the location owners commissions on its revenues from such arrangements.

Manufacture, Remanufacture and Repair of Telephone Equipment

Manufacture of Pay Telephones

The Company manufactures pay telephone equipment for use by the Company's pay telephone operations. The manufacturing of pay telephone equipment provides the Company with technical expertise used in the operation, service, maintenance and repair of its pay telephones. The Company assembles pay telephones from standard pay telephone components purchased from component manufacturers. These components include a metal case, an integrated circuit board incorporating a microprocessor, a handset and cord, and a coin box and lock. The Company believes that the integrated circuit board is the single most important component in an independent pay telephone and obtains these boards from Protel, Inc. However, all of the components purchased by the Company (including integrated circuit boards) are available from several suppliers, and the Company does not believe that the loss of any supplier would have a material adverse effect on its manufacturing operations.

The Company's pay telephones comply with all FCC requirements regarding the performance and quality of telephone equipment and have all operating characteristics required by the regulatory authorities of most states, including: free access to local emergency ("911") telephone numbers and, where not available, to the LEC operator; free access to local directory assistance; dial-around access to all locally available long distance companies; the capability of receiving incoming calls at no charge; and automatic coin return capability for incomplete calls.

Repair and Remanufacturing

The Company operates repair and remanufacturing facilities for a variety of telecommunications equipment including sophisticated computer-based PBXs that connect as many as 8,000 individual telephones, as well as key systems and small business systems. The Company remanufactures and repairs equipment manufactured by AT&T and other manufacturers. The Company markets its services to major businesses that own telecommunications equipment and to LECs and other distributors of such equipment.

As a result of competitive pressures in the telephone equipment industry, particularly with respect to the sophisticated computer-based systems used by businesses, distributors of telephone equipment compete in part on the continuing support and service that they provide to their customers. In addition, due to the critical importance of telephone equipment to the operation of most businesses and to the complexity of that equipment, service often cannot be provided effectively at the customer's location. Consequently, it is common for distributors to install temporary replacement equipment and retrieve defective equipment for repair. In many cases, the Company performs repair services for distributors who do not have the expertise or the volume of product repairs to perform repairs themselves on the wide range of products that they sell. The Company also markets its repair services directly to owners and users of equipment, for whom repair services from manufacturers or distributors may be unavailable or expensive, and occasionally performs repair work for equipment manufacturers.

Marketing

The Company employs product specialist sales representatives who have technical familiarity with the equipment for which they sell repair and remanufacturing service. These sales representatives are compensated on a commission basis. The Company also advertises in trade magazines selected to reach both distributors and end users of telecommunications equipment.

Competition

The pay telephone manufacturing business is highly competitive. Numerous companies manufacture pay telephone equipment, including companies with substantially greater financial resources than the Company. However, since substantially all of the pay telephones manufactured by the Company are used in its own pay telephone operations, the Company is somewhat less exposed to the risks of the marketplace for this equipment. The remanufacturing and repair business of the Company competes with equipment manufacturers and distributors as well as other independent remanufacturing and repair services. Principal competitive factors in these businesses include price, quality, promptness and efficiency of service.

Regulation

The Company's operations are significantly influenced by the regulation of pay telephone services and long distance services. The FCC and the regulatory authorities of the states in which the Company operates may have a direct effect on the Company's costs and revenues (by, for example, setting local access line charges paid to LECs by independent pay telephone companies or by setting maximum allowable charges for calls.) Regulatory jurisdiction is determined by the interstate or intrastate character of the service, and the degree of regulatory oversight varies among jurisdictions. While most matters affecting the Company's operations fall within the administrative purview of these regulatory authorities, state and federal legislatures and the federal district court administering the AT&T Divestiture are also involved in establishing regulations governing aspects of the pay telephone and operator services industries.

Federal Regulation

The FCC does not actively regulate the provision of pay telephone services by independent pay telephone companies. However, the FCC has retained jurisdiction and agreed to address instances in which LECs or state regulatory authorities have interfered with a pay telephone owner's right to interconnect to the nation's telecommunications network. In addition, the FCC actively regulates the interstate and foreign telecommunications market, and this regulation affects the Company's operations in numerous ways.

The Telephone Operator Consumer Services Improvement Act of 1990 (the "Operator Services Act") established various requirements for companies that provide operator services and call aggregators (which send calls to these companies). The requirements of the Operator Services Act include call branding, information posting, rate quoting, the filing of informational tariffs and that pay telephone users have the right to access the operator service provider of the user's choice to make a cashless interstate call. The Company believes that it complies with the provisions of the Operator Services Act, both as a call aggregator and an operator service provider. The Operator Services Act also requires the FCC to take action to limit the exposure of pay telephone companies to undue risk of fraud.

The Operator Services Act further directed the FCC to consider the need to prescribe compensation to owners of independent pay telephones for dial-around access to a long distance company other than the one selected by the independent pay telephone company. The FCC ruled in May 1992 that independent pay telephone companies are entitled to compensation for these calls. Because of the complexity of establishing an accounting system for determining compensation for these calls, the FCC temporarily set this compensation at \$6.00 per pay telephone per month through December 31, 1994, to be allocated in accordance with their market share among long distance companies earning annual toll revenues for interstate calls in excess of \$100 million per year. The FCC approved a request from AT&T, which is responsible for the majority of dial-around compensation, to begin providing dial-around compensation on a per call basis at a rate of \$0.25 per call effective January 1, 1995. Sprint received FCC approval to pay \$0.25 per interstate call received from independent pay telephones beginning July 1, 1995. While other long distance carriers continue to pay their portions of "dial-around" compensation under the flat rate system, recently passed federal legislation directs the FCC to develop a per call compensation system for all carriers. The Company is unable at this time to estimate the impact of a dial-around compensation system in which all long distance carriers pay on a per-call basis.

The FCC is also considering the implementation of a billing system known as "Billed Party Preference" or "BPP". Under such a system, a cashless call to be carried by a long distance company would be directed automatically to the long distance company of the billed party's previously expressed preference. In April 1992, the FCC tentatively concluded that BPP for interstate operator-assisted calls was in the public interest and requested industry comments on the ramifications of BPP. During the Summer of 1992, LECs, long distance companies and other industry participants, a majority of which were opposed to adopting BPP, submitted comments. These comments included references to the costs of imposing BPP (estimated by some to exceed \$1 billion in addition to hundreds of millions of dollars in additional annual operating costs) and the lack of available equipment for several years to implement BPP. These comments remain under consideration by the FCC. If implemented, BPP could have a significant adverse effect on the Company's business. Under BPP, the Company would lose the ability to direct many cashless calls from its pay telephones to its switch or a designated long distance company and would therefore lose the revenues associated with handling such calls. The Company believes that the significant expense and technical modifications necessary to implement a system of BPP make its adoption in the proposed form unlikely.

The FCC is considering interstate rate regulation as a possible alternative to BPP. Currently, interstate rates must be "just and reasonable" as governed by the Communications Act of 1934, as amended. Without further guidance from the FCC, the Company is unable to assess the likelihood of adoption of mandated interstate rate levels or assess the impact on the Company's operations of adoption of such regulation.

The Telecommunications Act of 1996 (the"Telecommunications Act") was signed into law on February 7, 1996. The Telecommunications Act directs the FCC to develop regulations related to several provisions which will affect the Company's operations. Among these provisions, the FCC has been directed to develop a per-call compensation plan that requires compensation for pay telephone providers for all completed interstate and intrastate calls, including all dial-around calls and 1-800 subscriber calls. The FCC has also been directed to implement nonstructural separations on RBOC pay telephone operations to execute provisions prohibiting RBOC cross-subsidization of their pay telephone operations with residential and other services. The FCC has been directed to develop the necessary regulations related to the Telecommunications Act within 9 months of enactment of the legislation.

The Telecommunications Act contains several other provisions which could have an impact on the Company's operations. Among them are provisions which lift certain restrictions on the RBOCs and promote competition for local exchange telephone service. The Telecommunications Act also contains features which will allow increased competition for long distance services. While the Company believes that the overall impact of the Telecommunications Act on its operations will be positive, it contains both positive and negative provisions, whose impact the Company is unable to assess completely at this time.

State Regulation

State regulatory authorities are primarily responsible for regulating the rates, terms and conditions for intrastate pay telephone services. Regulatory approval to operate pay telephones in a state typically involves submission of a certification application and an agreement by the Company to comply with applicable rules, regulations and reporting requirements. The Company does not anticipate any problems in obtaining approval to operate pay telephones in any additional states, except in Alaska, Connecticut, and Oklahoma, where current law or regulation prohibits the operation of independent pay telephones. State authorities also regulate LECs' tariffs for interconnection of independent pay telephones, as well as LECs' own pay telephone operations and practices. In its areas of operation, the Company subscribes for service from over 150 LECs.

The Company is also affected by state regulation of operator services. Most states have capped the rates that consumers can be charged for cashless calls made from pay telephones and hotel and motel room telephones. In addition, the Company must comply with regulations designed to afford consumers with notice, at the pay telephone location, of the long distance company servicing that telephone and the ability to access alternate carriers. The Company believes that it is currently in compliance with regulatory requirements pertaining to its offering of operator services directly or through other long distance companies.

State regulatory authorities in Florida and South Carolina (in which the Company had an aggregate of 3,854 and 1,196 pay telephones as of December 31, 1995) and Georgia (in which the Company had 506 pay telephones as of December 31, 1995) have each implemented intrastate dial-around compensation regulations for independent pay telephones. The compensation pursuant to these regulations is $3.00 per telephone per month in Florida and South Carolina, and an increasing rate, currently at $5.50 per telephone per month in Georgia. AT&T has also recently agreed to pay compensation to independent pay telephone providers in the State of Illinois (in which the Company had 770 pay telephones as of December 31, 1995) for intrastate billable operator services dial-around calls retroactive to and beginning May 14, 1992, and 1-800 subscriber calls retroactive to and beginning October 1, 1995.

Current state regulatory initiatives include actions which have been taken and are being considered which have enhanced and may further enhance the revenue potential of independent pay telephones. In July 1995, the State of Florida implemented legislation which allowed the Company to select a billing option which eliminates measured, local service on certain of the Company's pay telephones in the State. Certain states have recently adopted provisions which allow pay telephone providers to place a specific time limit on each local call and require additional coin deposits for increased time of use. Certain states have also recently allowed increases in the coin toll rates on local calls placed from pay telephones. Another change currently adopted in some states and being considered in others is applying a "set use fee" for operator-assisted local, intraLATA and interLATA interstate toll calls from pay telephones. The "set use fee" is typically imposed for the use of pay telephone equipment and is billed to the caller on the caller's telephone bill. While these state regulatory initiatives have had and may continue to have a positive impact on the Company's operations, there is no assurance that such initiatives will be implemented by other states or will continue in the future.

Employees

As of December 31, 1995, the Company had 190 full-time employees, none of whom are the subject of a collective bargaining agreement. The Company believes that its relationship with its employees is good.

ITEM 2. PROPERTIES

The Company leases approximately 19,000 square feet in Tampa, Florida that includes executive office space, a regional office for pay telephone operations and facilities for the manufacture of pay telephones and the remanufacture and repair of PBX and small business systems. The Company leases approximately 8,200 square feet in Boulder, Colorado that includes executive office space and facilities for assembly and maintenance of equipment used in Hospitality Division operations. The Company also leases an aggregate of approximately 14,000 square feet to house regional offices for pay telephone operations in Miami, Florida; Jacksonville, Florida; Harrisburg, Illinois; Jacksonville, Illinois; Charlotte, North Carolina; Myrtle Beach, South Carolina; Chattanooga, Tennessee; Cedar Rapids, Iowa; Baltimore, Maryland and Chesapeake, Virginia. In addition, the Company's accounting, administrative and legal offices are located in approximately 10,000 square feet of leased office space and 18,000 square feet of leased warehouse space in Jacksonville, Illinois. The Company believes that these facilities are adequate to meet the Company's needs in the foreseeable future.

ITEM 3. LEGAL PROCEEDINGS

The Company upon its purchase of Comtel was aware of a lawsuit by a minority shareholder against the selling shareholders and Comtel. Selling shareholders of Comtel have indemnified the Company and its shareholders against any claims or damages asserted by the shareholder. In addition, the seller and Company have entered into an escrow agreement, whereby $168,000 of the sellers' proceeds of the sale of Comtel are held in escrow to secure the sellers' indemnification. The Company believes there is adequate protection against any potential claims.

The Company is subject to various legal proceedings arising out of the conduct of its business. It is the opinion of the Company's management that the ultimate disposition of these proceedings will not have a material adverse effect on the Company's financial position.

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

During the fourth quarter of the fiscal year ended December 31, 1995, the Company did not submit any matter to a vote of security holders.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS.

Market information. The Company's Common Stock trades on the NASDAQ National Market System. The following table sets forth, for the periods indicated, the high and low closing prices on the NASDAQ National Market System from October 20, 1993 through December 31, 1995.

	High	Low
October 20 through December 31, 1993	17.50	13.50
January 1 through March 31, 1994	16.25	8.25
April 1 through June 30, 1994	12.75	8.25
July 1 through September 30, 1994	12.00	9.00
October 1 through December 31, 1994	14.25	10.75
January 1 through March 31, 1995	13.25	8.94
April 1 through June 30, 1995	12.88	10.75
July 1 through September 30, 1995	16.00	11.25
October 1 through December 31, 1995	15.25	12.00

As of March 28, 1996, there were approximately 86 holders of record of the Common Stock, not including stockholders whose shares were held in "nominee" or "street" name. The last sale price of the Company's Common Stock on March 28, 1996 was $12.875 per share.

Dividends. The Company has not paid any dividends on its Common Stock during 1995 and does not intend to pay any Common Stock dividends in the foreseeable future. It is the current policy of the Company's Board of Directors to retain earnings to finance the growth and development of the Company's business. Payment of cash dividends, if made in the future, will be determined by the Company's Board of Directors based on the conditions then existing, including the Company's financial condition, capital requirements, cash flow, profitability, business outlook and other factors.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The selected financial data presented below under the captions "Operating Data" and "Balance Sheet Data" are derived from the consolidated financial statements of the Company which have been audited by Kerber, Eck & Braeckel, LLP, independent accountants. The selected financial data should be read in conjunction with the financial statements and notes thereto included elsewhere in this Annual Report and with "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS."

	Year ended December 31,				
	1991	1992	1993	1994	1995
	(In thousands, except per share data)				
Operating Data					
Revenues					
Coin Calls	$3,919	$5,009	$6,616	$9,916	$14,357
Non-coin calls	3,782	4,789	8,648	12,682	15,811
Hospitality calls	0	0	0	9,991	13,078
Sales of equipment and repairs	1,861	1,100	955	1,467	1,006
Total revenues	9,562	10,898	16,219	34,056	44,252
Operating costs and expenses					
Telephone charges-payphones	2,521	2,763	3,379	4,748	6,076
Commissions-payphones	1,089	1,434	1,944	2,822	3,845
Cost of revenue hospitality calls	0	0	0	7,181	9,311
Service, maint. and network costs-payphones	1,207	1,964	3,166	5,192	6,951
Cost of equipment sold and repairs	1,420	714	684	1,011	798
Selling, general and administrative	2,113	2,244	2,601	4,940	7,005
Depreciation and amortization	597	818	1,192	2,250	3,505
Non-recurring charge	0	0	0	0	3,082(1)
Operating profit	615	961	3,253	5,912	3,679
Interest and other income	168	97	129	327	160
Interest (expense)	(274)	(337)	(302)	(114)	(149)
Gain (loss) on sale of investments	0	0	0	(145)	0
Earnings before income taxes and extraordinary item	509	721	3,080	5,980	3,690
Income taxes	217	279	1,222	2,227	2,378
Earnings before extraordinary item	292	442	1,858	3,753	1,312
Extraordinary item	0	329(2)	0	0	0
Net earnings	$ 292	$ 771	$1,858	$3,753	$1,312
Earnings per share before extraordinary item	$ 0.10	$ 0.16	$ 0.60	$ 0.84	$0.29
Net earnings per share	$ 0.10	$ 0.28	$ 0.60	$ 0.84	0.29
Average common shares outstanding	2,800	2,800	3,117	4,455	4,455

	As of December 31,				
	1991	1992	1993	1994	1995
	(In thousands)				
Balance Sheet Data:					
Cash and cash equivalents	$ 138	$ 148	$ 4,791	$ 4,901	$ 2,433
Working capital (deficit)	(666)	(175)	14,614	6,711	6,813
Total assets	6,263	8,780	26,169	33,035	33,328
Long-term debt, less current maturities	2,015	3,627	266	85	209
Shareholders' equity	1,480	2,251	22,918	26,678	27,990

(1) Represents intangible and long-lived assets charged off related to implementation of SFAS 121.

(2) Represents a gain on insured property destroyed in a fire at one of the Company's facilities on March 27, 1992, net of related income tax.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion and analysis should be read in conjunction with the consolidated financial statements and notes thereto appearing elsewhere herein.

General

The Company derives its revenues from three principal sources: coin calls, non-coin calls, including hospitality calls, and sales of equipment and repairs. Coin calls represent calls paid for with coins deposited in the telephone, and the Company recognizes coin revenue in the amount deposited.

Non-coin or cashless calls made from the Company's pay telephones and hospitality and other telephones to which the Company provides operator services generate revenues in an amount that depends upon whether the Company or a long distance company handles the call. If the cashless call is handled by the Company through its switch or an "unbundled" services arrangement, the Company recognizes non-coin revenues equal to the total amount charged for the call. If the cashless call is handled by a long distance company, the Company generally recognizes revenues in an amount equal to the commission on that call paid to the Company by the long distance company. Under an unbundled services arrangement, the Company performs certain functions necessary to service cashless calls, uses the long distance company's switching equipment and its other services on an as-needed basis, and pays the long distance company on an unbundled basis for the operator services actually used to complete these calls.

The Company also recognizes non-coin revenues from calls that are dialed from its pay telephones to gain access to a long distance company other than the one pre-programmed into the telephone; this is commonly referred to as "dial-around" access. See "Business--Regulation." The Company also derives a small amount of non-coin revenue from certain LECs for intraLATA cashless calls. See "Business-Industry Overview" In addition, the Company receives revenues from the remanufacture and repair of telecommunications equipment such as PBXs, key systems and small business systems.

The principal costs related to the ongoing operation of the Company's pay telephones include telephone charges, commissions, and service, maintenance and network costs. Telephone charges consist of payments made by the Company to LECs and long distance carriers for access charges and use of their networks. Commission expense represents payments to Property Owners. Service, maintenance and network costs represent the cost of servicing and maintaining the pay telephones on an ongoing basis, costs related to operation of the Company's switch and, in connection with unbundled services arrangements, the fees paid for those services. Costs of equipment sold and repairs include the cost of purchasing new and used equipment and repair parts and the labor and materials necessary to repair and remanufacture the equipment.

The principal costs related to the Company's hospitality calls include commissions, network costs and billing and collection costs. Commissions represents payments to Property Owners. Network costs represents costs related to unbundled services arrangements utilized in providing service to the Company's hospitality customers. The Company has also begun providing services to its hospitality customers through use of its switching equipment in Tampa, Florida. The Company will continue to utilize its switching equipment in hospitality operations where it is economically feasible and regulatory approvals have been received.

Year Ended December 31, 1995 Compared to Year Ended December 31, 1994

For the year ended December 31, 1995, total revenues increased approximately $10.2 million or 29.9%, compared to the year ended December 31, 1994. This growth was primarily attributable to an increase from 8,349 pay telephones on December 31, 1994 to 11,163 pay telephones on December 31, 1995. Pay telephone revenues increased approximately $7.6 million or 33.5%. Hospitality call revenues increased approximately $3.1 million, rising from $10.0 million in the year ended December 31, 1994 to $13.1 million in the year ended December 31, 1995. Hospitality call revenues for the year ended December 31, 1995 represent twelve full months, while results for the prior year period include only eight months.

Revenues from sales of equipment and repairs decreased by approximately $461,000 or 31.4% due to the closing in August 1995 of the Company's repair and remanufacturing facility in Jacksonville, IL and a shift in the utilization of its technical personnel to the manufacture of pay telephones to accommodate its increasing need for equipment to install additional pay telephone locations.

Telephone charge expenses decreased to 20.1% of pay telephone revenues compared to 21.0% in the prior year. The slight decrease in telephone charges as a percentage of pay telephone revenues was primarily attributable to implementation of legislation in the State of Florida in July 1995, which allowed the Company to select a billing option which eliminates measured, local service on certain of the Company's pay telephones in the State. At December 31, 1995, the Company had 3,854 installed pay telephones in the State of Florida. Commissions remained relatively flat, increasing slightly to 12.7% of pay telephone revenues compared to 12.5% in the prior year. Service, maintenance and network costs remained stable at 23.0% of pay telephone revenues compared to 23.0% in the prior year.

Cost of equipment sold and repairs increased to 79.3% of sales of equipment and repairs compared to 68.9% in the prior year. This increase resulted primarily from a higher concentration of sales of equipment during the year as opposed to a higher concentration in the prior period of sales of repairs. The Company has historically experienced lower costs related to the repair of equipment than the sale of equipment.

Depreciation and amortization increased approximately $1.3 million or 55.8%, from the prior year, primarily attributable to the increase in the number of installed pay telephones, the purchase of additional capital equipment and increased amortization expense related to intangible assets purchased with the acquisition of Comtel on April 29, 1994. Amortization expense related to these intangible assets increased approximately $353,000 in 1995 because the year's results included twelve full months while the prior year period included amortization expense related to the acquired intangible assets for only eight months.

Selling, general and administrative ("SG&A") expenses increased approximately $2.1 million, or 41.8%, from the prior year. Approximately $275,000 of this increase relates to SG&A costs at the Company's Boulder, CO facility which was in service a full twelve months in 1995, as opposed to only eight months in 1994. The remainder of the increase was primarily attributable to increases in the cost of professional services and salaries and wages.

Interest income, net of interest expense, decreased approximately $203,000, or 94.9%, compared to the prior-year period. This decrease resulted primarily from lower cash balances available for investment due to the application of cash for acquisitions and the installation of pay telephones obtained through the Company's internal sales efforts.

In 1995, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"). The Company adopted the statement as of December 31, 1995.

In the 1995 fourth quarter, the Company recorded a non-recurring charge of $3.1 million ($2.9 million after-tax or $0.65 per share) due to impairment of intangible and long-lived assets after applying certain provisions of SFAS 121.

Of the non-recurring charge, $2.7 million relates to intangible assets purchased in the April 1994 acquisition of Comtel. Acquired contracts with hotel and motel properties for operator services represent $2.5 million of the charge, and acquired research and development costs represent the remaining $0.2 million. The contracts written off have either disconnected from the Company's long distance network or are expected to disconnect without providing significant future benefits to the Company. The Company determined the future cash flows from these impaired assets to be negligible and considered a complete write-down of the remaining intangible balances to be appropriate.

The balance of the non-recurring charge of $0.4 million ($0.2 million net of tax) represents a write off of uninstalled pay telephone and PBX switching equipment which was impaired by 1995 changes to the North American Numbering Plan, the telephone numbering plan used in the United States, Canada, Bermuda, Puerto Rico and the Caribbean countries ("NANP"). This uninstalled equipment was not upgradable to accommodate new area codes created by the changes to the NANP and was determined by the Company to be impaired. All of the Company's remaining equipment has been upgraded or is fully upgradable to comply with the changes to the NANP.

Net earnings decreased approximately $2.4 million or 65.0% after the effect of the non-recurring charge. Before the effect of the non-recurring charge, net earnings would have been approximately $2.9 million higher than reported, which would have been an increase of approximately $432,000 or 11.5% over the prior year.

Year Ended December 31, 1994 Compared to Year Ended December 31, 1993

For the year ended December 31, 1994, total revenues increased approximately $17.8 million or 110.0%, compared to the year ended December 31, 1993. This growth was primarily attributable to revenues of approximately $10.0 million from Comtel which was acquired on April 29, 1994 and the remainder from an increase from 6,105 pay telephones on December 31, 1993 to 8,349 pay telephones on December 31, 1994. Pay telephone revenues increased approximately $7.3 million or 47.6%.

Revenues from sales of equipment and repairs increased by approximately $512,000 or 53.6%. The increase in revenues was due to increased sales efforts in the repair and remanufacturing segment of the Company's business.

Telephone charge expenses decreased to 21.0% of pay telephone revenues compared to 22.1% in the prior year. The decrease was primarily attributable to a decrease in tariffed local telephone charges in certain areas and the incremental increase in gross revenues resulting from the use of the Company's switch. Commissions remained relatively flat, decreasing slightly to 12.5% of pay telephone revenues compared to 12.7% in the prior year. Service, maintenance and network costs increased to 23.0% of pay telephone revenues compared to 20.7% in the prior year. The increase was due to the migration of call traffic on certain of the Company's pay telephones and pay telephones presubscribed to the Company from a commission arrangement to an unbundled services arrangement. The conversion to an unbundled services arrangement increased service, maintenance and network costs, but also resulted in more than proportionate increases in the Company's gross revenues.

Cost of equipment sold and repairs decreased to 68.9% of sales of equipment and repairs compared to 71.6% in the prior year. This decrease was primarily attributable to the effect of write-downs and charge-offs, totalling approximately $160,000, of certain slow-moving inventory items at its two remanufacturing facilities in 1993. The Company's write-downs and charge-offs of slow moving inventory items in 1994 were not material.

Depreciation and amortization increased approximately $1.1 million or 88.8%, from the prior year, primarily attributable to the increase in the number of installed pay telephones, the purchase of additional capital equipment and amortization of intangible assets purchased with the acquisition of Comtel on April 29, 1994. Amortization expense related to intangible assets totalled approximately $ 740,000 during 1994. During 1994, the Company increased the estimated useful life of its pay telephones and related equipment to ten years from seven years to match industry standards. This change was treated as a change in accounting estimate. Had this change not been effected in 1994, depreciation expense for the year would have been approximately $390,000 higher.

Selling, general and administrative ("SG&A") expenses increased approximately $2.3 million, or 89.9%, from the prior year. This increase was partly attributable to SG&A expenses related to operation of the Company's facility in Boulder, Colorado which was acquired on April 29, 1994 and is used in the Company's hospitality operations. The Company incurred SG&A expenses related to its hospitality operations of approximately $ 860,000. In 1994, the Company experienced higher spending related to the expansion of the Company's sales and support groups, technical support operations and management information services departments which was necessitated by continued growth in the Company's pay telephone and equipment sales and repair operations. The Company also experienced higher SG&A costs related to the costs of operating as a public company, including higher costs related to professional services, investor relations and compliance with various reporting requirements. As a percentage of revenues, however, SG&A expenses decreased to 14.5% compared to 16.0% in the prior year. Interest expense decreased approximately $188,000, or 62.4%, compared to the prior year. This decrease resulted from the retirement of approximately $4.7 million in debt following the consummation of the initial public offering of the Company's Common Stock in October 1993.

Net earnings increased approximately $1.9 million, representing growth of 102.0% from the prior year.

Liquidity and Capital Resources

As of December 31,1995, the Company had a current ratio of 2.85 to 1, as compared to a current ratio of 2.32 to 1 on December 31, 1994. The increase was primarily attributable to an increase in working capital from approximately $6.7 million as of December 31, 1994, to approximately $6.8 million as of December 31, 1995. This increase in working capital resulted largely from a reduction in accounts payable and reduced utilization of factoring of accounts receivable by the Company's Hospitality Division. The Company's capital expenditures for the years ended December 31, 1995 and 1994 were $6.0 million and $4.4 million, respectively. The Company's capital expenditures primarily consisted of the installation of additional pay telephones and were financed with funds generated from continuing operations.

On September 27, 1994, the Company signed an agreement to establish a $15 million revolving line of credit with the Boatmen's National Bank of St. Louis ("Boatmen's), with the option to convert up to $10 million of the line of credit to term loans. The terms of the agreement call for the Company to pay interest on a graduated scale based on the Boatmen's Corporate Base Rate ("CBR"), which was 8.50% on December 31, 1995. The interest rate is indexed based on the Company's ratio of funded debt to EBITDA as defined in the credit facility and is adjusted based on market interest rates for CBR and LIBOR. The maturity date of the revolving portion of the credit facility is September 30, 1996. Principal outstanding on each term loan under the credit facility shall be payable in 36 to 60 monthly installments with the last installment due no later than September 30, 1999. As of December 31, 1995, the Company had not borrowed any funds under the credit facility.

The Company believes that cash generated from operations and available borrowings under the revolving credit facility will be sufficient to fund the Company's cash requirements, including capital expenditures, for the next three years. The Company also believes that it will be able to fund any acquisitions through a combination of cash generated from operations, additional borrowing and the issuance of shares of its Common Stock. There can be no assurance, however, that the Company will continue to expand at its current rate or that additional financing will be available when needed or, if available, will be available on terms acceptable to the Company.

Impact of Inflation

Inflation is not a material factor affecting the Company's business. Switching equipment and transmission costs have not increased and in some cases, have decreased over the last several years. General operating expenses such as salaries, employee benefits and occupancy costs are, however, subject to normal inflationary pressures.

Seasonality

The Company's revenues from its pay telephone operating regions are affected by seasonal variations to different degrees. Many of the Company's pay telephones in temperate climates produce substantially higher call volume in the winter months than at other times during the year, while the Company's pay telephones throughout the midwestern United States produce their highest call volumes during the summer months. The aggregate effect of the variations, however, is that the Company's pay telephone revenues and income are not subject to significant seasonal variations. Changes in the geographical distribution of its pay telephones may in the future result in seasonal variations in the Company's operations.

Hotel and motel room telephones to which the Company provides operator services are located in 43 states and, as such, are also subject to seasonal variations and may be affected by lower hotel and motel occupancy during certain seasons throughout the year. The Company believes that the geographical distribution of these hospitality telephones, coupled with revenues from the Company's pay telephones, will act to limit its exposure to significant seasonal variations in revenues and income.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to Financial Statements and Schedules

All other schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

There have been no reported disagreements on any matter of accounting principles or practice or financial statement disclosure at any time during the twenty-four months prior to December 31, 1995.

KERBER, ECK & BRAECKEL LLP
CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditors' Report

Board of Directors and Shareholders
Davel Communications Group, Inc.

We have audited the accompanying consolidated balance sheets of Davel Communications Group, Inc. (an Illinois corporation) and Subsidiaries as of December 31, 1995 and 1994, and the related consolidated statements of earnings, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 1995. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Davel Communications Group, Inc. and Subsidiaries as of December 31, 1995 and 1994, and the consolidated results of their operations and their consolidated cash flows for each of the three years in the period ended December 31, 1995, in conformity with generally accepted accounting principles.

We have also audited Schedule II of Davel Communications Group, Inc. and Subsidiaries as of December 31, 1995 and 1994, and for each of the three years in the period ended December 31, 1995. In our opinion, this schedule presents fairly, in all material respects, the information required to be set forth therein.

Kerber, Eck & Braeckel LLP

Springfield, Illinois
March 20, 1996

Davel Communications Group, Inc. and Subsidiaries

CONSOLIDATED BALANCE SHEETS

December 31

ASSETS		1995		1994
CURRENT ASSETS				
Cash and cash equivalents	$	2,433,143	$	4,900,591
Accounts receivable, less allowance of $ 370,444 in 1995 and $ 294,392 in 1994		7,262,701		6,100,033
Receivables - officer and employees		24,797		53,309
Inventories		290,627		481,045
Deferred income taxes		162,776		117,758
Other current assets		324,907		124,713
Total current assets		10,498,951		11,777,449
PROPERTY AND EQUIPMENT - AT COST less accumulated depreciation		20,058,029		14,916,447
OTHER ASSETS				
Goodwill, less accumulated amortization		2,392,745		2,651,078
Hospitality contracts, less accumulated amortization		-		3,293,333
Other assets		378,203		396,430
Total other assets		2,770,948		6,340,841
Total assets	$	33,327,928	$	33,034,737

LIABILITIES AND SHAREHOLDERS' EQUITY

		1995		1994
CURRENT LIABILITIES				
Current maturities of long-term debt	$	86,992	$	191,453
Accounts payable		1,672,428		2,487,691
Accrued expenses		1,210,988		1,047,683
Cash advances on factored receivables		697,109		1,159,972
Income taxes payable		18,429		179,939
Total current liabilities		3,685,946		5,066,738
LONG-TERM DEBT, less current maturities		204,810		84,939
DEFERRED INCOME TAXES		1,447,300		1,204,917
SHAREHOLDERS' EQUITY				
Preferred stock - authorized but unissued, 1,000,000 shares $ .01 par value in 1995 and 1994		-		-
Common stock - authorized 10,000,000 shares without par value - issued and outstanding - 4,455,000 shares in 1995 and 1994		44,550		44,550
Additional paid-in capital		18,772,736		18,772,736
Retained earnings		9,172,586		7,860,857
Total shareholders' equity		27,989,872		26,678,143
Total liabilities and shareholders' equity	$	33,327,928	$	33,034,737

The accompanying notes are an integral part of these statements.

Davel Communications Group, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF EARNINGS

Year ended December 31

	1995	1994	1993
Revenues			
Coin calls	$ 14,356,466	$ 9,915,749	$ 6,615,550
Non-coin calls	15,811,443	12,681,942	8,647,905
Hospitality calls	13,077,954	9,990,890	-
Sale of equipment and repairs	1,006,393	1,467,163	955,114
Total revenues	44,252,256	34,055,744	16,218,569
Costs and expenses			
Telephone charges - payphones	6,075,995	4,748,292	3,378,887
Commissions - payphones	3,844,794	2,822,457	1,944,124
Cost of hospitality revenue	9,310,976	7,181,098	-
Service, maintenance and network costs	6,950,643	5,192,005	3,166,433
Cost of equipment sold and repairs	798,317	1,011,032	683,767
Selling, general and administrative	7,005,368	4,939,777	2,600,781
Depreciation and amortization	3,504,930	2,249,485	1,191,686
Non-recurring charge	3,082,052	-	-
Total operating costs and expenses	40,573,075	28,144,146	12,965,678
Operating profit	3,679,181	5,911,598	3,252,891
Other income (expense)			
Interest and other income	159,707	327,620	129,205
Interest expense	(148,884)	(113,567)	(301,665)
Loss on sale of marketable securities	-	(145,139)	-
Total other income (expense)	10,823	68,914	(172,460)
Earnings before income taxes	3,690,004	5,980,512	3,080,431
Income taxes	2,378,275	2,227,393	1,222,677
Net earnings	$ 1,311,729	$ 3,753,119	$ 1,857,754
Net earnings per common share	$ .29	$ .84	$ .60

The accompanying notes are an integral part of these statements.

Davel Communications Group, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Years ended December 31, 1993, 1994 and 1995

	Common Stock		Additional Paid-in	Retained	
	Shares	Amount	Capital	Earnings	Total
Balance at December 31, 1992	10,000	$ 100	$ 900	$ 2,249,984	$ 2,250,984
Stock split of 280 for 1 effective in August of 1993	2,790,000	27,900	(27,900)	-	-
Initial public offering of common stock, October 20, 1993	1,400,000	14,000	16,912,100	-	16,926,100
Costs associated with initial public offering of stock	-	-	(1,199,738)	-	(1,199,738)
Exercise of underwriters over allotment options, November 2, 1993	255,000	2,550	3,080,400	-	3,082,950
Net earnings for the year ended December 31, 1993	-	-	-	1,857,754	1,857,754
Balance at December 31, 1993	4,455,000	44,550	18,765,762	4,107,738	22,918,050
Receipt of Section 16(b) common stock profits	-	-	6,974	-	6,974
Net earnings for the year ended December 31, 1994	-	-	-	3,753,119	3,753,119
Balance at December 31, 1994	4,455,000	44,550	18,772,736	7,860,857	26,678,143
Net earnings for the year ended December 31, 1995	-	-	-	1,311,729	1,311,729
Balance at December 31, 1995	4,455,000	$ 44,550	$ 18,772,736	$ 9,172,586	$ 27,989,872

The accompanying notes are an integral part of these statements.

Davel Communications Group, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended December 31

	1995	1994	1993
Increase (decrease) in cash and cash equivalents			
Cash flows from operating activities			
Net earnings	$ 1,311,729	$ 3,753,119	$ 1,857,754
Adjustments to reconcile net earnings to net cash provided by operating activities			
Net realized loss on sales of marketable securities	-	145,139	-
(Gain) loss on sale of property and equipment	(6,272)	9,510	(4,905)
Depreciation and amortization	3,504,930	2,249,485	1,191,686
Amortization of bonds	-	28,770	-
Deferred income taxes	106,388	245,414	245,349
Non-recurring charge	3,082,052	-	-
Changes in assets and liabilities, net of effects from acquisitions			
Increase in accounts receivable	(1,134,156)	(2,085,039)	(907,323)
(Increase) decrease in inventories	27,355	(112,241)	(88,823)
(Increase) decrease in other assets	(340,967)	(90,833)	98,520
Decrease in accounts payable	(815,263)	(1,137,984)	(68,337)
Increase (decrease) in accrued expenses	(299,558)	1,630,885	302,490
Increase (decrease) in income taxes payable	(161,510)	(565,247)	532,635
Net cash provided by operating activities	5,274,728	4,071,378	3,159,546
Cash flows from investing activities			
Capital expenditures	(6,005,878)	(4,387,970)	(4,080,470)
Proceeds from sale of available for sale securities	-	11,308,281	-
Purchase of available for sale securities	-	(2,524,882)	(8,957,308)
Proceeds from sale of property and equipment	31,394	5,025	13,246
Increase in cash value of life insurance	(6,147)	(1,824)	(10,548)
Purchase of ComTel Computer Corporation, net of cash deficit acquired	-	(6,585,018)	-
Purchase of net assets of Cherokee Communications, Inc., net of cash acquired	-	(1,687,274)	-
Purchase of payphones and related assets, net of cash acquired	(1,688,536)	-	-
Net cash used in investing activities	(7,669,167)	(3,873,662)	(13,035,080)
Cash flows from financing activities			
Long-term debt financing	-	-	1,187,200
Payments on long-term debt	(73,009)	(95,100)	(5,477,762)
Proceeds from public offering of stock	-	-	20,009,050
Costs associated with public offering	-	-	(1,199,738)
Receipt of Section 16(b) common stock profits	-	6,974	-
Net cash provided by (used in) financing activities	(73,009)	(88,126)	14,518,750
Net (decrease) increase in cash and cash equivalents	(2,467,448)	109,590	4,643,216
Cash and cash equivalents at beginning of year	4,900,591	4,791,001	147,785
Cash and cash equivalents at end of year	$ 2,433,143	$ 4,900,591	$ 4,791,001

The accompanying notes are an integral part of these statements.

Davel Communications Group, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1995 and 1994

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

1. *The Company*

Davel Communications Group, Inc. and its Subsidiaries taken as a whole (the Company) operates, services and maintains a system of over 11,000 pay telephones in the southeastern and midwestern United States and provides operator services to these pay telephones as well as approximately 75,000 motel and hotel telephones in 43 states (hospitality calls). The Company also manufactures, remanufactures and repairs pay telephones and other telecommunications equipment for its own use and for sale to others.

2. *Principles of Consolidation*

The accompanying financial statements include the accounts of the Company and its wholly-owned subsidiaries. Intercompany transactions and balances have been eliminated in consolidation.

3. *Marketable Securities*

The Company determines the appropriate classification of debt securities at the time of purchase and evaluates such classification at each balance sheet date. Debt securities are classified as either held to maturity, trading or available for sale. Available for sale securities are carried at fair value and cumulative net unrealized gains or losses, less applicable income taxes, are recorded as a separate component of shareholders' equity. Currently the Company classifies all debt and equity securities as available for sale securities. Proceeds received in 1994 from sale of these securities amounted to $ 11,308,281 with gross realized losses on these sales totaling $ 145,139. For all securities, realized gains and losses and unrealized losses judged to be other than temporary are included in the determination of net income. The cost of securities sold is based on the specific identification method.

4. *Inventories*

Inventories, which consist mainly of repair and manufacturing parts and supplies, are carried at the lower of cost or market. Cost is determined by the first-in, first-out method.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

5. *Property and Equipment*

Property and equipment are stated at cost less accumulated depreciation. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using straight-line and accelerated methods.

6. *Intangible Assets*

Intangible assets represent the unamortized excess of cost over fair market value of net assets of businesses acquired by purchase in business combinations. Goodwill is being amortized on a straight-line basis primarily over ten years. Accumulated amortization of goodwill as of December 31, 1995 and 1994, was $ 469,847 and $ 186,513, respectively.

Hospitality contracts were contracts in place to provide operator and telecommunication management services to the hospitality industry. These contracts were being amortized on a straight-line basis over five years, which was the expected average length of the contracts including renewals at the time of acquisition. Accumulated amortization of hospitality contracts as of December 31, 1994, was $ 506,667. These contracts were written off in the fourth quarter of 1995 in accordance with SFAS 121 (See Note B).

The Company periodically evaluates the carrying amount of intangible assets, considering whether the undiscounted cash flows from related operations will be sufficient to recover recorded asset amounts. As of December 31, 1995, the management of the Company believes no additional impairment exists, and therefore, no additional write-downs of intangibles have been made.

7. *Recognition of Revenue*

Revenues from coin calls, non-coin calls and hospitality calls are recognized as calls are made. When revenue on a telephone call is recorded, an expense is also recorded for fees associated with the call. Revenue from sales of equipment and repairs are recognized when sales are consummated and goods are shipped to the customer.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

8. Income Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Such temporary differences include a deferred gain on an involuntary conversion, accumulated depreciation and amortization of property and equipment and intangibles, and allowance for doubtful accounts.

9. Earnings Per Share

Earnings per common share are computed on the basis of the average number of shares outstanding during each year, retroactively adjusted to give effect to a 280 for 1 stock split in August of 1993.

10. Cash Equivalents

For purposes of determining cash flows, the Company defines cash and cash equivalents as highly-liquid investments purchased with an original maturity of three months or less.

11. Transactions with Majority Shareholder's Businesses

Certain employees of the Company devote a portion of their time to businesses (other than the Company) owned by Mr. David Hill. Mr. Hill is the owner of 52.0% of the Company's outstanding common stock. Mr. Hill's businesses regularly reimburse the Company for an allocation of the salary and other costs of these employees computed in proportion to the time spent by these employees working on behalf of such businesses. These reimbursements have been netted against the appropriate line items from the statement of earnings in which they were classified.

12. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

13. Reclassification

Certain reclassifications have been made to conform to the 1995 presentation.

NOTE B - NON-RECURRING CHARGE

In 1995, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" (SFAS 121). The Company adopted the statement during the year ended December 31, 1995.

In the 1995 fourth quarter, the Company recorded a non-recurring charge of $ 3.1 million ($ 2.9 million after-tax or $ .65 per share) due to impairment of intangible and long-lived assets after applying certain provisions of SFAS 121.

Of the non-recurring charge, $ 2.7 million relates to intangible assets purchased in the April 1994 acquisition of Comtel Computer Corp. (ComTel). Acquired contracts with hotel and motel properties for operator services represent $ 2.5 million of the charge, and acquired research and development costs represent the remaining $ .2 million. The contracts written off have either disconnected from the Company's long distance network or are expected to disconnect without providing significant future benefits to the Company. The Company determined the future cash flows from these impaired assets to be negligible and considered a complete write-down of the remaining intangible balances to be appropriate.

The balance of the non-recurring charge of $ .4 million ($ .2 million net of tax) represents a write off of uninstalled pay telephone and PBX switching equipment which was made obsolete by 1995 changes to the North American Numbering Plan, the telephone numbering plan used in the United States, Canada, Bermuda, Puerto Rico and the Caribbean countries (NANP). This uninstalled equipment was not upgradable to accommodate new area codes created by the changes to the NANP and was determined by the Company to be impaired. All of the Company's remaining equipment has been upgraded or is fully upgradable to comply with the changes to the NANP.

NOTE C - ACQUISITIONS

During the two years ended December 31, 1995, the Company made acquisitions set forth below, each of which has been accounted for as a purchase. The consolidated financial statements include the operating results of each business from the date of acquisition.

NOTE C - ACQUISITIONS - Continued

On April 14, 1995, the Company completed the acquisitions of 712 pay telephones from five different entities in a business combination accounted for as a purchase. The purchase included five separate pay telephone routes with operations in North Carolina, South Carolina, Maryland, Virginia, and Washington, D.C. The Company acquired the pay telephones and the associated assets including inventory for $ 1,693,187. The purchase price exceeded the fair value of the assets acquired by $ 25,000 which was assigned to goodwill and is being amortized over ten years. Pro forma results of operations have not been presented because the effects of these acquisitions were not significant.

On October 14, 1994, the Company acquired 762 pay telephones based in Cedar Rapids, Iowa, from Cherokee Communications, Inc. in a business combination accounted for as a purchase. The Company acquired the pay telephones and the associated assets including inventory and equipment for $ 1,700,000. The purchase price exceeded the fair value of the assets acquired by $ 274,000 which has been assigned to goodwill and is being amortized over ten years.

On April 29,1994, the Company acquired 99.92% of the common stock of ComTel Computer Corp., and 82.90% of the common stock of California ComTel Computer, Inc. (ComTel) in a business combination accounted for as a purchase. The purchase price of approximately $ 6,400,000 was allocated to assets and liabilities based on their fair values at the date of acquisition. The purchase price and expenses associated with the acquisition exceeded the fair value of ComTel's net assets by approximately $ 6,400,000 of which $ 2,600,000 has been assigned to goodwill and $ 3,800,000 to hospitality contracts. The contracts have deteriorated in value and have been amortized and charged off completely in accordance with SFAS 121 (see Note B). Goodwill continues to be amortized over ten years and is evaluated periodically for impairment.

The Company upon its purchase of ComTel Computer Corp. was aware of a lawsuit by a minority shareholder against the selling shareholders and ComTel. Selling shareholders of ComTel have indemnified Davel Communications Group, Inc. and its shareholders against any claims or damages asserted by the shareholder. In addition, the seller and Company have entered into an escrow agreement, whereby $ 168,000 of proceeds are held in escrow to secure the sellers' indemnification. Company management believes there is adequate protection against any potential claims.

NOTE D - FACTORED ACCOUNTS RECEIVABLE

ComTel has an agreement with one of its billing agents which provides for the factoring of certain accounts receivable, without recourse, through a third-party commercial finance company. The Company's billing agent has a first lien on the hospitality division's accounts receivable submitted as collateral for all of its obligations under the advanced payment agreement.

Advances under the agreement bear interest at 4% above the prime rate as published in the Money Rates column of The Wall Street Journal which is in effect on the payment date. The proceeds to the Company from the transfer of receivables were $ 7,214,294 and $ 5,431,127 during 1995 and 1994, respectively. The uncollected balance of such receivables held by the billing agent net of advances amounted to $ 371,789 and $ 561,855 at December 31, 1995, and 1994, respectively.

NOTE E - FINANCIAL INSTRUMENTS

1. Concentrations of Credit Risk

Receivables have a significant concentration of credit risk in the telecommunications industry. In addition, a significant amount of receivables are generated by approximately 34% of the Company's pay telephones located in the State of Florida. Additionally, the Company has a few large contracts with hospitality management companies to provide telephone and operator services to the management companies' clients. One of these contracts represents approximately 29% of the hospitality segment's revenues.

The Company and its Subsidiaries maintain cash balances at several financial institutions located in the midwest, west and southeast areas of the United States. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to $ 100,000. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

2. Fair Value of Financial Instruments

For certain of the Company's financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and notes payable, the carrying amounts approximate fair value due to their short maturities. Due to floating interest rates and values determined using borrowing rates currently available to the Company, long-term debt is also carried at amounts that approximate fair value.

NOTE F - PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows at December 31:

	1995	1994	Estimated Useful Life in Years
Installed pay telephones and related equipment	$ 21,834,933	$ 15,966,101	10
Installed hospitality equipment	1,486,217	994,668	5
Transportation equipment	763,130	635,751	5
Furniture, fixtures and office equipment	584,303	442,886	5-7
Other	683,176	600,690	7-39
	25,351,759	18,640,096	
Less accumulated depreciation and amortization	7,595,789	5,633,931	
	17,755,970	13,006,165	
Uninstalled pay telephone and hospitality equipment	2,302,059	1,910,282	
	$ 20,058,029	$ 14,916,447	

Maintenance and repairs expense was $ 917,503, $ 870,185, and $ 435,512 for the years ended December 31, 1995, 1994 and 1993, respectively.

NOTE G - OFFICER'S LIFE INSURANCE

The Company maintains $ 300,000 face amount of insurance on the life of its Chairman of the Board and majority shareholder (the "Shareholder"). In connection with this policy, the Company is the sole beneficiary.

NOTE H - RELATED PARTY NOTES AND TRANSACTIONS

1. Receivables

Following is a summary of receivables from related parties:

	1995	1994
Accounts receivable from employees	$ 6,406	$ 10,650
Accounts receivable from businesses owned by the Shareholder	18,391	42,659
	$ 24,797	$ 53,309

2. Transactions With Shareholder

The Company and its Subsidiaries engaged in the following transactions with the Shareholder.

	1995	1994	1993
Payments made for rent of commercial real estate, purchases and leases of automobiles and lease of long distance switching equipment	$ 231,720	$ 221,680	$ 207,899
Payments received for providing administrative services	$ 126,776	$ 157,506	$ 42,707

NOTE I - LONG-TERM DEBT

Following is a summary of long-term debt as of December 31:

	1995	1994
Term note payable to bank at the bank's corporate base rate (8.5% and 8.75% at December 31, 1995 and 1994, respectively), 35 monthly payments of $ 3,393 principal plus interest, beginning May 24, 1995, balance of principal due April 24, 1998, collateralized by transportation equipment.	$ 139,107	$ 176,428
Term note payable to bank at 8.092%, monthly installments of principal and interest of $ 923 due January 23, 2008, collateralized by a mortgage on real estate.	84,830	88,857
Notes payable to banks and others with interest rates ranging from 5.9% to 9.95% due at various dates ending March 1998.	67,865	11,107
	291,802	276,392
Less current maturities	86,992	191,453
	$ 204,810	$ 84,939

Annual maturities of long-term debt, are as follows:

Year ended December 31,	
1996	$ 86,992
1997	69,616
1998	64,590
1999	5,560
2000	6,027
Thereafter	59,017

NOTE J - LINE-OF-CREDIT

In September 1994, the Company signed an agreement to establish a $ 15 million revolving line-of-credit with the Boatmen's National Bank of St. Louis ("Boatmen's"), with the option to convert up to $ 10 million of the line-of-credit to term loans. The terms of the agreement call for the Company to pay interest on a graduated scale based on Boatmen's Corporate Base Rate ("CBR"), which was 8.5% on December 31, 1995. The interest rates are indexed based on the Company's ratio of funded debt to EBITDA as defined in the credit facility and are adjusted based on market interest rates for CBR and LIBOR. The maturity date of the revolving portion of the credit facility is September 30, 1996. Principal outstanding on each term loan under the credit facility shall be payable in 36 to 60 monthly installments with the last installment due no later than September 30, 1999. As of December 31, 1995, the Company had no borrowed funds under the credit facility.

The line-of-credit agreement requires, among other things, that the Company meets minimum net worth requirements and contains certain other restrictions related to use of proceeds, compensating balances, types of investments and the assumption of additional debt.

NOTE K - OPERATING LEASE COMMITMENTS

The Company conducts a portion of its operations in leased facilities under noncancelable operating leases expiring at various dates through 2004. Some of the operating leases provide the Company pay taxes, maintenance, insurance, and other occupancy expenses applicable to leased premises.

In June of 1993, the Company entered into a lease of long distance telephone call switching equipment with the Shareholder. All operating and maintenance expenses related to the switching equipment are paid by the Company. Also in June 1993, the Company entered into four noncancelable operating leases with the Shareholder for facilities. The aggregate monthly lease payment increased to $ 18,570 starting May 1, 1995.

NOTE K - OPERATING LEASE COMMITMENTS - Continued

The annual minimum rental commitments under operating leases are as follows:

Year ended December 31,	
1996	$ 408,512
1997	388,210
1998	237,021
1999	91,320
2000	91,320
Thereafter	228,300
Total minimum payments required	$ 1,444,683

Rent expense for all operating leases for the years ended December 31, 1995, 1994 and 1993 was $ 323,643, $ 238,765 and $ 167,415, respectively.

NOTE L - CAPITAL STOCK TRANSACTIONS

1. Initial Public Offering (IPO)

On October 20, 1993, an initial public offering was made of 1,655,000 shares of common stock, including an over allotment option granted to the underwriters for 255,000 shares which was exercised on November 2, 1993. Proceeds were used to pay off substantially all existing debt, install additional pay telephones and provide working capital for general operations. A portion of the net proceeds has also been used in acquisitions.

2. Stock Split

In August of 1993, there was a 280 for 1 stock split of the common stock effected as a stock dividend. Earnings per common share were retroactively adjusted for each period presented.

3. Preferred Stock

In August of 1993, the Company's articles of incorporation were amended to authorize 1,000,000 shares of preferred stock, par value $ .01 per share. The Company does not have any immediate plans to issue any shares of preferred stock.

Davel Communications Group, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 1995 and 1994

NOTE L - CAPITAL STOCK TRANSACTIONS - Continued

4. Stock Options and Warrants

In August of 1993, the Company adopted an Employee Stock Option Plan and a Directors' Stock Option Plan. The plans provide for the grant of nonqualified options to purchase shares of common stock. The exercise price of any option will be equal to the market price of the common stock at the time of the grant. The maximum number of shares of common stock reserved for issuance under the Employee Stock Option Plan and the Directors' Stock Option Plan are 500,000 and 150,000 shares, respectively. Generally, key employee options vest in three equal installments. Nonemployee Director options became fully vested upon receipt.

Stock option transactions are summarized below:

	Shares and Warrants Under Option		
	1995	1994	1993
Outstanding, beginning of year	414,674	238,250	-
Granted during the year	12,000	176,424	238,250
Expired during the year	(5,900)	-	-
Outstanding, end of year (at prices ranging from $ 9.25 to $ 15.60)	420,774	414,674	238,250
Eligible, end of year - for exercise currently (at prices ranging from $ 9.25 to $ 15.60)	334,672	292,164	24,000

NOTE M - INCOME TAXES

Deferred income taxes arise from temporary differences between the tax bases of assets and liabilities and their reported amounts in the financial statements. Deferred tax assets or liabilities at the end of each period will be determined using the tax rate expected to be in effect when taxes are actually paid or recovered. Income tax provisions will increase or decrease in the same period in which a change in tax rates is enacted.

The provision for income taxes is as follows:

	1995	1994	1993
Currently payable			
Federal	$ 1,974,436	$ 1,711,552	$ 757,120
State	297,451	270,427	219,708
	2,271,887	1,981,979	976,828
Deferred	106,388	245,414	245,849
	$ 2,378,275	$ 2,227,393	$ 1,222,677

Deferred tax assets and liabilities consist of the following at December 31:

	1995		1994	
	Net Current Assets	Net Noncurrent Liabilities	Net Current Assets	Net Noncurrent Liabilities
Assets				
Accumulated amortization of intangibles	$ -	$ 1,467,621	$ -	$ 174,266
Allowance for doubtful accounts	144,473	-	117,758	-
Accrued liabilities	18,303	-	-	-
Valuation allowance	-	(988,000)	-	-
	162,776	479,621	117,758	174,266
Liabilities				
Differences in basis of fixed assets primarily due to accumulated depreciation	-	1,926,921	-	1,379,183
	$ 162,776	$ 1,447,300	$ 117,758	$ 1,204,917

NOTE M - INCOME TAXES - Continued

A reconciliation of Federal statutory income taxes to the Company's effective tax provision is as follows:

	1995	1994	1993
Provision for Federal income tax at the statutory rate (34%)	$ 1,254,601	$ 2,033,374	$ 1,047,347
State income taxes, net of Federal benefit	148,188	202,777	191,719
Non-deductible amortization and write-off of intangibles	946,645	-	-
Capital loss carryback	(49,347)	-	-
Other, net	78,188	(8,758)	(16,389)
	$ 2,378,275	$ 2,227,393	$ 1,222,677

The Internal Revenue Service is currently examining the Company's 1993 Federal income tax return. Management believes that the ultimate resolution of any matters will not have a substantial effect upon the Company's financial condition or results of operations.

NOTE N - 401(k) PROFIT SHARING PLAN

The Company adopted a 401(k) profit sharing plan effective May 1, 1994. The plan covers all full-time employees who meet the eligibility requirements as to age and length of service. A participant may elect to have his or her compensation reduced by an amount not to exceed 15% of compensation actually paid. The Company will match 50% of the participants' elective deferrals not exceeding 3% of the participants' compensation. Profit sharing expense was $ 35,428 and $ 18,616 for 1995 and 1994, respectively.

NOTE O - STATEMENT OF CASH FLOWS

Cash paid during the year ended December 31 for interest and income taxes was as follows:

	1995	1994	1993
Interest	$ 142,003	$ 106,101	$ 301,968
Income tax payments	2,433,397	2,547,227	444,193

NOTE P - SEGMENT INFORMATION

The Company is primarily composed of three reportable segments as shown below. The paystation segment derives revenue through the operation and maintenance of pay telephone systems, connected to the network of regulated telephone companies. The hospitality segment, which was acquired in 1994, derives revenue through operator and telecommunications management services to the hospitality industry. The remanufacturing segment derives revenue from the repair and sale of telephone equipment. Business segment information for 1995, 1994 and 1993 is as follows:

1995	Paystation	Hospitality	Remanufacturing	Corporate	Eliminations	Consolidated
Sales to unaffiliated customers	$ 31,792,203	$ 11,493,777	$ 966,276	$ -	$ -	$ 44,252,256
Intersegment sales	4,086,124	1,115,598	28,650	5,986,906	(11,217,278)	-
Total revenue	$ 35,878,327	$ 12,609,375	$ 994,926	$ 5,986,906	$ (11,217,278)	$ 44,252,256
Operating profit (loss) before general corporate expenses	$ 8,302,037	$ (1,554,844)	$ (439,417)	$ -	$ -	$ 6,307,776
Investment and other income						159,707
General corporate expenses						(2,625,595)
Interest expense						(148,884)
Earnings before income taxes						$ 3,690,004
Identifiable assets at December 31, 1995	$ 28,171,672	$ 4,578,117	$ 480,469	$ 17,988,607	$ (17,890,937)	$ 33,327,928
Depreciation and amortization expense	$ 2,050,006	$ 1,366,925	$ 2,215	$ 1,096,701	$ (1,010,917)	$ 3,504,930
Capital expenditures	$ 5,350,404	$ 605,708	$ 1,648	$ 48,118	$ -	$ 6,005,878

Davel Communications Group, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 1995 and 1994

NOTE P - SEGMENT INFORMATION - Continued

1994	Paystation	Hospitality	Remanufacturing	Corporate	Eliminations	Consolidated
Sales to unaffiliated customers	$ 22,597,691	$ 9,990,890	$ 1,467,163	$ -	$ -	$ 34,055,744
Intersegment sales	3,167,138	995	-	2,582,596	(5,750,729)	-
Total revenue	$ 25,764,829	$ 9,991,885	$ 1,467,163	$ 2,582,596	$ (5,750,729)	$ 34,055,744
Operating profit (loss) before general corporate expenses	$ 6,497,008	$ 1,419,844	$ (6,129)	$ -	$ -	$ 7,910,723
Investment and other income						182,481
General corporate expenses						(1,999,125)
Interest expense						(113,567)
Earnings before income taxes						$ 5,980,512
Identifiable assets at December 31, 1994	$ 19,444,001	$ 4,469,491	$ 726,055	$ 18,470,497	$ (10,075,307)	$ 33,034,737
Depreciation and amortization expense	$ 1,289,222	$ 857,940	$ 2,680	$ 779,653	$ (680,010)	$ 2,249,485
Capital expenditures	$ 4,048,838	$ 265,542	$ 3,178	$ 70,412	$ -	$ 4,387,970

1993	Paystation	Remanufacturing	Corporate	Eliminations	Consolidated
Sales to unaffiliated customers	$ 15,263,455	$ 955,114	$ -	$ -	$ 16,218,569
Intersegment sales	2,402,567	-	1,218,109	(3,620,676)	-
Total revenue	$ 17,666,022	$ 955,114	$ 1,218,109	$ (3,620,676)	$ 16,218,569
Operating profit (loss) before general corporate expenses	$ 4,379,051	$ (49,108)	$ -	$ -	4,329,943
Interest and other income					129,205
General corporate expenses					(1,077,052)
Interest expense					(301,665)
Earnings before income taxes					$ 3,080,431
Identifiable assets at December 31, 1993	$ 12,492,978	$ 626,231	$ 18,633,895	$ (5,583,850)	$ 26,169,254
Depreciation and amortization expense	$ 1,062,269	$ 3,537	$ 125,880	$ -	$ 1,191,686
Capital expenditures	$ 3,990,304	$ 4,262	$ 85,904	$ -	$ 4,080,470

NOTE P - SEGMENT INFORMATION - Continued

The paystation segment made purchases from the following major suppliers which accounted for more than 10% of the Company's total purchases of equipment for the years ended December 31:

	1995	1994	1993
Protel, Inc.	$ 1,709,778	$ 1,376,818	$ 461.322
Enclosures, Inc.	129,645	71,242	570,524

Davel Communications Group, Inc. and Subsidiaries

SCHEDULE II

VALUATION AND QUALIFYING ACCOUNTS

Description	Balance at Beginning of Year	Charged to Costs and Expenses	Deductions/ Write-offs	Balance at End of Year
Accounts receivable				
Allowance for doubtful accounts				
Year ended 1993	$ 10,400	$ 235,821	$ 203,721	$ 42,500
Year ended 1994	42,500	1,000,220	748,328	294,392
Year ended 1995	294,392	1,318,038	1,241,986	370,444

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS

The information required by this Item 10 will be contained in the Company's definitive proxy materials to be filed with the Securities and Exchange Commission and is incorporated in this Annual Report on Form 10-K by this reference.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item 11 will be contained in the Company's definitive proxy materials to be filed with the Securities and Exchange Commission and is incorporated in this Annual Report on Form 10-K by this reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this Item 12 will be contained in the Company's definitive proxy materials to be filed with the Securities and Exchange Commission and is incorporated in this Annual Report on 10-K by this reference.

ITEM 13. CERTAIN TRANSACTIONS

The information required by this Item 13 will be contained in the Company's definitive proxy materials to be filed with the Securities and Exchange Commission and is incorporated in this Annual Report on 10-K by this reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) The following documents are filed with, and as part of, this Annual Report on Form 10-K.

1. **Financial Statements**

   For a complete list of the Financial Statements filed with this Annual Report on Form 10-K, see the Index to Financial Statements and Supplementary Data on Page 24.

2. **Financial Statement Schedules**

   The following Supplementary Schedules are filed with this Annual Report on Form 10-K:

   See Index to Financial Statements and Supplementary Data on Page 24.

3. **Exhibits**

   See Exhibit Index on Page 51.

(b) Reports on Form 8-K. There were no reports on Form 8-K filed in the quarter ended December 31, 1995.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DAVEL COMMUNICATIONS GROUP, INC.

Date: March 28, 1996 By:

DAVID R. HILL
Chairman of the Board

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signatures	Title	Date
/s/ David R. Hill David R. Hill	Chairman of the Board of Directors	March 28, 1996
/s/ Robert D. Hill Robert D. Hill	President, Chief Executive Officer and Director	March 28, 1996
/s/ Michael E. Hayes Michael E. Hayes	Chief Financial and Accounting Officer and Director	March 28, 1996
/s/ Jacquelyn J. Borrowman Jacquelyn J. Borrowman	Controller	March 28, 1996
/s/ Paul B. Demirdjian Paul B. Demirdjian	Senior Vice President of Operations and Director	March 28, 1996
/s/ Michael G. Kouri Michael G. Kouri	Senior Vice President of Development and Finance and Director	March 28, 1996
/s/ Theodore C. Rammelkamp, Jr. Theodore C. Rammelkamp, Jr.	Senior Vice President, General Counsel and Director	March 28, 1996
/s/ A. Jones Yorke A. Jones Yorke	Director	March 28, 1996
/s/ Glen E. Barber Glen E. Barber	Director	March 28, 1996
/s/ Thomas M. Vitale Thomas M. Vitale	Director	March 28, 1996

EXHIBIT INDEX

Exhibits	Description
(None)	

TELALEASING ENTERPRISES, INC.

EXHIBIT II

MANAGERIAL CAPABILITY

Telaleasing Enterprise, Inc.
Profiles of Key Personnel

Telaleasing Enterprises, Inc. has been in the telecommunications business for over 35 years. Its management capabilities are evidenced by the company's continued growth and profitability and its success in providing high quality telecommunications services. As further proof of the company's managerial capabilities, the following profiles of key personnel are provided.

David Hill - Chairman and Chief Executive Officer of Davel Communications Group which wholly owns Telaleasing Enterprise, Inc. Mr. Hill founded Telaleasing, Inc. in 1960 for the leasing, installation of and service of television receivers and other electronic systems used in hotels, motels, hospitals and other institutions. Since that time, Mr. Hill has expanded his range of businesses to include the leasing of equipment and vehicles to corporations, pay telephone operations, telephone equipment remanufacturing, telecommunications retail stores and long distance telecommunications services.

Robert Hill, President and Chief Operating Officer

Robert Hill joined the Company in 1981 as the general manager of its telephone remanufacturing facility, where he was responsible for the production of single and multi-line telephone sets. Since January 1990, he has served at the Company's President and Chief Operating Officer. He has been a Director since August 1993. Prior to joining the Company, Mr. Hill worked for Mobil Oil for nine years. He holds a B.S. degree in Business Administration.

Paul Demirdjian, Senior Vice President

Mr. Demirdjian's responsibilities include the management of production, sales, research and development, and procurement of materials. He joined the company in 1984, became Plant Manager in 1985, General Manager in 1986 and promoted to his current position in 1989. Mr. Demirdjian's extensive knowledge in telecommunications and engineering plays a key part in his responsibilities relating to the planning and introduction of new products, services and technologies and in performing long term planning.

Michael G. Kouri, Senior Vice President

Mr. Kouri has been a financial consultant to the company since October 1990 and became Senior Vice President of Development and Finance and a Director in August 1993. Since 1983 he has been Chairman of the Board and Chief Executive Officer of Elite Financial Corporation, a financial services company. Two of Elite's subsidiaries, Telco Leasing Acceptance Corporation and Eastern Payphones, Inc. specialize in financing, operating and marketing of pay phones.

TELALEASING ENTERPRISES, INC.

EXHIBIT III

TECHNICAL CAPABILITY

TECHNICAL CAPABILITY

Telaleasing Enterprises, Inc. has been providing telecommunications services for over thirty five years. Telaleasing's operations have covered a broad range of telecommunications services including the manufacturing of pay telephones, pay telephone operations, specialized inmate telecommunications services, long distance direct dial and long distance operator assisted services. The company also remanufactures and repairs other telecommunications equipment including PBXs and key systems. Telaleasing employs qualified technicians to operate and maintain the company's switching systems. Telaleasing uses the transmission facilities of underlying carriers who are chosen for their reputation for providing high quality, reliable service.

The company intends to initially provide local services as a reseller of underlying carrier facilities, but may construct its own facilities at a future date. The company will be able to use its existing operations including billing arrangements, customer service and network management for its entry into the local services market. The company's success and ability to provide the telecommunications services it offers today are proof of the company's technical ability to enter the local services market.

The profiles of key personnel provided in Exhibit II of this application provide further evidence of the company's technical capability to provide local services.

TECHNOLOGIES MANAGEMENT INC.

210 N. Park Ave.
P.O. Drawer 200
Winter Park, FL
32790-0200

Tel: 407-740-8575
Fax: 407-740-0613

RECEIVED
FLORIDA PUBLIC
SERVICE COMMISSION
96 AUG -9 AM 10 23
MAIL ROOM

DEPOSIT TREAS. REC. DATE
D355 AUG 12 '96

August 8, 1996

Mr. Walter D'Haeseleer
Executive Director
Florida Public Service Commission
2450 Shumard Oak Boulevard
Gerald L. Gunter Building, Room 270
Tallahassee, FL 32399-0850

Re: Application of Telaleasing Enterprises, Inc. for Authority to Provide Alternative Local Exchange Service

Dear Mr. D'Haeseleer:

Enclosed is the original and six (6) copies of the application of Telaleasing Enterprises, Inc. for authority to provide alternative local exchange service. Also enclosed is a check for the application fee of $250.

Please return a date stamped the copy of this cover letter in the self-addressed stamped envelope which has been provided for this purpose.

Any questions pertaining to this filing may be addressed to me at (407) 740-8575.

Yours truly,

Nanci Adler

Nanci Adler
Consultant to Telaleasing

FOR SECURITY PURPOSES, THE BORDER OF THIS DOCUMENT CONTAINS MICROPRINTING

TECHNOLOGIES MANAGEMENT INC.
P.O. Drawer 200
Winter Park, FL
32790-0200
210 N. Park Avenue
Winter Park, FL 32789
(407) 740-8575

Barnett Bank
250 PARK AVENUE
WINTER PARK, FLORIDA 32789

63-319/631

14434

NUMBER
14434

PAY TWO HUNDRED FIFTY DOLLARS

DATE 08/08/96

AMOUNT *******$250.00

TO THE ORDER OF
FLORIDA PUBLIC SERVICE COMM.
RECORDS & REPORTING
2540 SHUMARD OAK BLVD.
TALLAHASSEE FL 32399-0850

TECHNOLOGIES MANAGEMENT, INC.

C.M. Wightman

THE REVERSE SIDE OF THIS DOCUMENT INCLUDES AN ARTIFICIAL WATERMARK. HOLD AT AN ANGLE TO VIEW

[redacted]

TECHNOLOGIES MANAGEMENT INC.

210 N. Park Ave.
P.O. Drawer 200
Winter Park, FL
32790-0200

Tel: 407-740-8575
Fax: 407-740-0613

DEPOSIT TREAS. REC. DATE
D355 AUG 12 '96

96 AUG -9 AM 10:23

August 8, 1996

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Executive Director
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Yours truly,

Nanci Adler

Nanci Adler
Consultant to Telaleasing

cc: T. Rammelkamp, Telaleasing

File: Telaleasing - FL ALEC
TMS#: FL96002

Check received with filing and forwarded to Fiscal for deposit. Fiscal to forward a copy of check to RAR with proof of deposit.

Initials of person who forwarded check A.G.