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DEBRA A. McGUIRE

* VIRGINIA BAR ONLY
** PENNSYLVANIA BAR ONLY
*** NEW YORK AND NEW JERSEY BARS ONLY

1400 SIXTEENTH STREET, N. W.
WASHINGTON, D. C. 20036

(202) 939-7900
FACSIMILE (202) 745-0916
INTERNET fw@fw-law.com

961337-TX

November 6, 1996

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.

VIA OVERNIGHT MAIL

Florida Public Service Commission
Division of Communications, Certification
and Compliance Section
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0866

Re: *Application of Microwave Services, Inc. for Authority to Provide Alternative Local Exchange Service Within the State of Florida*

Dear Chief Clerk:

Transmitted herewith for filing on behalf of Microwave Services, Inc. ("MSI") is an original and six (6) copies of its Application and Exhibits to obtain authority to provide alternative local exchange service within the State of Florida. As MSI is eager to commence providing service in Florida, it hereby requests expeditious processing of this Application.

A check in the amount of $250.00 has been enclosed to cover the filing fee associated with this Application.

ACK ____
AFA ____
APP ____
CAF ____
CMU ____
CTR ____
EAG ____
LEG ____
LIN ____
OPC ____
RCH ____
SEC ____
WAS ____
OTH ____

DOCUMENT NUMBER-DATE
11911 NOV-7 96
FPSC-RECORDS/REPORTING

So that we may have proof of receipt of this filing, please date-stamp as received the extra copy of this Application and return it in the self-addressed stamped envelope.

Please do not hesitate to contact the undersigned directly should you need any additional information.

Sincerely,

Terri B. Natoli

Terri B. Natoli

Enclosures
46646

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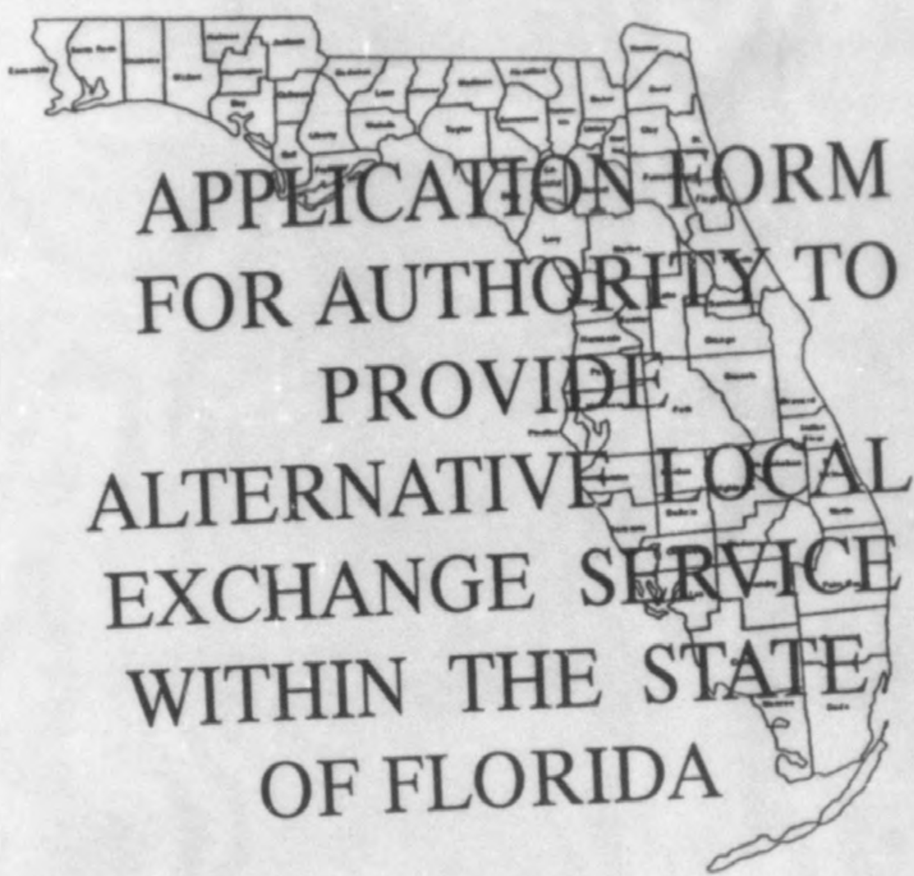

APPLICATION FORM FOR AUTHORITY TO PROVIDE ALTERNATIVE LOCAL EXCHANGE SERVICE WITHIN THE STATE OF FLORIDA

ORIGINAL
DOCUMENT NUMBER-DATE
11911 NOV 7 97
FPSC-RECORDS/REPORTING

FLORIDA PUBLIC SERVICE COMMISSION
CAPITAL CIRCLE OFFICE CENTER - 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

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. If you have questions about completing the form, contact:

   Florida Public Service Commission
   Division of Communications, Certification & Compliance Section
   2540 Shumard Oak Boulevard
   Tallahassee, Florida 32399-0866
   (904) 413-6600

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.

---

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

(X) **Original authority (new company)**

( ) **Approval of transfer (to another certificated company)**
<u>Example</u>, 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)**
<u>Example</u>, 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)**
<u>Example</u>, a company purchases 51% of a certificated company. The Commission must approve the new controlling entity.

2. Name of applicant:

Microwave Services, Inc.

3. A. National mailing address including street name, number, post office box, city , state, zip code, and <u>phone number</u>.

Microwave Services, Inc.
3 Bala Plaza East, Suite 502
Bala Cynwyd, PA 19004 Telephone: (610) 660-4910

B. Florida mailing address including street name, number, post office box, city , state, zip code, and <u>phone number</u>.

N/A

C. Physical address of alternative local exchange service in Florida including street name, number, post office box, city, zip code and <u>phone number</u>. MSI is still in the process of identifying the precise location within the state that will serve as the site for its local exchange service office. As soon as this location is determined MSI will promptly notify the Commission.

4. Structure of organization:

( ) Individual
(x) Foreign Corporation
( ) General Partnership
( ) Joint Venture
( ) Corporation
( ) Foreign Partnership
( ) Limited Partnership
( ) 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: F96000002331

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

Microwave Services, Inc.

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

Fictitious name registration number: N/A

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

N/A

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.

No.

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

See Exhibit A.

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

See Exhibit B.

12. Has the applicant been denied certification in any other state? If so, please list the state and reason for denial.

    No.

13. Have penalties been imposed against the applicant in any other state? If so, please list the state and reason for penalty.

    No.

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

    See Exhibit C.

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. See Exhibit D.

    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 statements should then be signed by the applicant's chief executive officer and chief financial officer. The signatures should affirm that the financial statements are true and correct.

    B. Managerial capability. See Exhibit E.

    C. Technical capability. See Exhibit F.

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 Statutes, "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".

Official: [signature] 10/31/96
Signature Date

Title: VICE PRESIDENT 610-660-4910
Telephone Number

Address: 3 BALA PLAZA EAST
SUITE 502
BALA CYNWYD, PA 19004

FORM PSC/CMU 8 (07/95)
Required by Chapter 364.337 F.S.

Exhibit A
Question No. 10

Commission Liaison

Persons to receive correspondence or communications regarding this application or MSI's service are as follows:

Terri B. Natoli
Robert E. Stup, Jr.
Fleischman and Walsh, L.L.P.
1400 Sixteenth Street, N.W.
Washington, D.C. 20036
(202) 939-7900 (Voice)
(202) 745-0916 (Facsimile)

Counsel for Microwave Services, Inc.

and copies to

Richard I. Goldstein
Vice President
Microwave Services, Inc.
3 Bala Plaza East, Suite 502
Bala Cynwyd, PA 19004
(610) 660-4910 (Voice)
(610) 660-4920 (Facsimile)

Exhibit B
Question No. 11

Other States In Which Applicant Has Applied or Will Apply to Provide Local Exchange or Alternative Local Exchange Service

Applicant currently has licenses from the Federal Communications Commission (the "FCC") to construct and operate 18 GHz microwave facilities in 26 Standard Metropolitan Statistical Areas ("SMSAs") covering approximately 20 states, including the State of Florida.

It is through these facilities, in conjunction with the resale of the local exchange services of other authorized LECs and ALECs that MSI will provide its local exchange services. Accordingly, MSI is in the process of preparing and filing applications for local exchange service initially in all of the states where it will have licensed FCC facilities.

These states include:

Arizona
California
Florida
Georgia
Illinois
Indiana
Kansas
Maryland
Michigan
Minnesota
Missouri
New Jersey
Ohio
Oregon
Pennsylvania
Texas
Virginia
Washington
Washington, DC
Wisconsin

Exhibit C
Question No. 14

Customer Complaint Process

At the time MSI initiates service, it will have an effective price list on file with the Florida Public Service Commission which will set forth the method by which customers can file complaints with the company or otherwise inquire about their service. Moreover, at the time service is commenced for any subscriber, that subscriber will be provided with the company's toll free, customer service telephone number, 1-800-689-9367 and a customer service point of contact for inquiries or complaints regarding any aspect of their service.

Exhibit D
Item 15A

Financial Capability

MSI's financial capability to provide the local exchange services for which it seeks authority herein is derived primarily from the financial resources of its parent company, AGI, as demonstrated by The Associated Group, Inc.'s ("AGI") most recent annual report as well as AGI's most recent SEC Forms 10-Q attached hereto as Exhibit D.

As described in these audited financial statements, AGI has a strong financial position and is committed to making those funds available to MSI as necessary during the inevitable start-up period following entry into the business, during which current sales may not cover current costs.[1]

With respect to the three specific questions the Commission has asked regarding MSI's financial capability 1) to provide the requested service in the geographic area proposed; 2) to maintain the requested service and; 3) to meet its lease or ownership obligations, MSI submits that it has the financial capability to meet all of these requirements by virtue of the funds its parent company, AGI, is committed to infusing into MSI's operation until it has sufficient revenue to sustain its own operations. Should the Commission require a letter of commitment in addition to what is included in AGI's Annual Report, MSI would be pleased to provide it.

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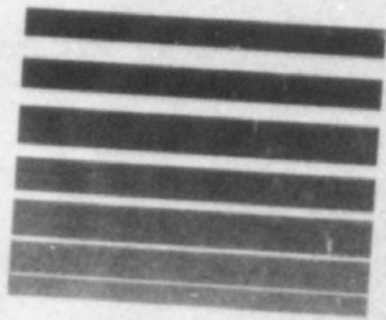
[1] See The Associated Group Inc.'s 1995 Annual Report at page 12.

TBN/46570/0146

1995 ANNUAL REPORT



THE ASSOCIATED GROUP, INC.

April 29, 1996

To Our Stockholders:

1995 was our first full year as The Associated Group, Inc., following the spin-off from Associated Communications Corporation at the end of 1994. It has been a busy and exciting year, and we have spent a considerable amount of time, resources and energy pursuing the development of internal ventures as well as new acquisition opportunities. The following are a few of the highlights and developments:

- The Company's wireless location project, which we call the TruePosition™ Cellular Location System, is nearing a milestone. Alpha systems have been successfully tested in three major metropolitan areas, and the Company has signed an agreement with Comcast Cellular Communications, Inc. to conduct a trial of the system along a significant stretch of the New Jersey Turnpike, with the cooperation and assistance of the State of New Jersey Emergency 911 authorities. In addition, the Cellular Telephone Industry Association and national public safety organizations have expressed consensus support for a rulemaking by the Federal Communications Commission ("FCC") which would require wireless carriers to implement a wireless location solution within a five year period. Wireless location is upon us, and we will do our best to make TruePosition an industry leader.

- The Company has received a grant of licenses from the FCC to provide broadband digital wireless services in top markets throughout the United States. Through a joint venture relationship with another license holder, the Company will seek to provide high speed digital voice, data and video services and eventually may offer full telecommunications services, including Internet access, interconnection paths for long distance companies and wireless carriers, and wide area data networking applications.

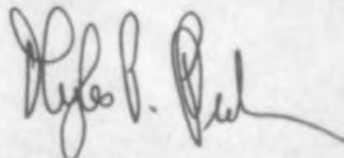
- The Company solidified its position in Portatel del Sureste, S.A. de C.V., a Mexican cellular operator in southeastern Mexico and the Yucatan Peninsula, and assisted Portatel in the restructuring of a portion of its long term indebtedness, thereby reducing its short term capital needs.

- The Company acquired a 21% interest in Teletrac, Inc., a company formed to provide location and messaging services primarily for vehicle and fleet management.

- The Company has signed a definitive agreement to purchase the assets of radio broadcasting station WCEZ (FM) serving the Delaware/Columbus, Ohio market.

As described in the enclosed Annual Report, in light of the provisions of the Investment Company Act of 1940 ("1940 Act") and the substantial value of the Company's marketable securities portfolio, during December 1995 and January 1996 the Board of Directors, with the assistance of professional advisors, conducted an extensive review of the Company's development, activities, assets (including ranges of valuations therefor) and sources of income. Based upon this review, the Board determined that the Company was primarily engaged in businesses other than investing, owning, holding or trading in securities, and accordingly was not then required to register as an investment company under the 1940 Act. In this regard, we intend to continue to build the value of our existing businesses, as well as pursue the acquisition of new operating assets.

In August of 1995 the Company lost its Chairman, founder and patriarch, who passed away at age 90. Jack Neville Berkman was a communications pioneer, and his indefatigable spirit, wit, intellect, enthusiasm and counsel are greatly missed.



Myles P. Berkman
Chairman and President

The Company

The Associated Group, Inc. (the "Company") is principally engaged in the ownership and operation of, and also owns interests in, a variety of communications related businesses. In December 1994, the Company was spun-off (the "Spin-Off") from Associated Communications Corporation ("Associated"), which at the time was one of the largest independent cellular telephone system operators in the United States. At the time of the Spin-Off, the Company's assets consisted of all of Associated's assets other than its domestic cellular communications operations which were acquired by SBC Communications Inc. ("SBC"), formerly known as Southwestern Bell Corporation, pursuant to a merger transaction (the "Merger"). The Company's businesses and other assets are described below.

TruePosition™ Cellular Location System

Through its wholly-owned subsidiary, Associated RT, Inc. ("ART"), the Company is developing and seeking to commercialize systems and related services for locating cellular telephones and other wireless transmitters, through its TruePosition™ Cellular Location System ("TruePosition"). TruePosition is an overlay system designed to enable wireless carriers to determine the location of any cellular or Personal Communication Services ("PCS") telephone. The system is being developed to support analog and digital formats of cellular and PCS telephony, including the existing United States base as of December 31, 1995 of an estimated 34 million wireless telephones, without alteration to the telephone handsets. TruePosition uses patented advanced time difference of arrival ("TDOA") technology to calculate the latitude, longitude, velocity and direction of travel of any designated wireless telephone or transmitter. This information, as well as the time of transmission and dialed digits of any cellular or PCS telephone, can be forwarded in real time to any desired application software. The system's design is intended to support many cellular and end-user applications, including emergency 911 services ("E911"), cellular fraud detection and prosecution, location sensitive billing, fleet management systems, cellular system optimization, as well as various vehicle, object and personal location applications.

There are three basic components of the TruePosition system. The Signal Collection System ("SCS") consists of a wideband digital radio which is generally located at certain of the existing cell sites of a wireless carrier. The SCS collects signals transmitted on the wireless system's reverse control channel. These signals are generated periodically (or at the instruction of the carrier) while the mobile telephone is turned on or otherwise in use. Therefore, it is not necessary for the mobile telephone user to be on a telephone call to be located by TruePosition, nor does TruePosition require the mobile telephone user to make any adjustments or additions to the mobile telephone handset. The collected signals are transferred to a TDOA Location Processor ("TLP"), which performs digital signal processing and algorithmic functions to determine the latitude and longitude of the signal's origination. The latitude and longitude is then transmitted to an Applications Processor ("AP") consisting of a variety of software packages that utilize the location data for specific applications. To date, ART has developed three software packages to be used with the system. The first is an interface between TruePosition and E911 systems that forwards location information in real time to an emergency operator when a mobile telephone user dials "911." ART has also developed a stand-alone billing system for a wireless carrier that can be used for location sensitive billing. The third application is a limited vehicle management application that is intended to demonstrate a variety of functionality to potential end-users, although it is expected that an actual end-user would require additional customized development. ART is also creating a general purpose API, or application programming interface, so that third party developers can also build software packages that work with TruePosition.

In October 1994, the Federal Communications Commission ("FCC") initiated a rulemaking procedure which would require Commercial Mobile Radio Service providers of real time voice services to offer enhanced E911 access and services to mobile radio callers. The rulemaking engendered discussions between representatives of the wireless industry, namely the Cellular Telephone Industry Association ("CTIA"), and public safety organizations, principally the National Emergency Number Association, the

Association of Public Safety Communications Officials and the National Association of State Nine One One Administrators, regarding wireless compatibility issues and related matters. In February 1996, the CTIA and the aforementioned public safety organizations jointly filed, and urged the FCC to adopt, a consensus agreement which provides for a two-phase implementation schedule for E911 services. The second phase would require wireless providers to offer automatic location of wireless callers within 125 meters (derived using root mean square calculation) within a five year period. The consensus agreement references ART's development results achieved to date. Comments upon, and replies to such comments, have been filed with the FCC, and it is currently anticipated that the FCC will complete its rulemaking by mid-1996, although there can be no assurance in this regard.

There are currently approximately 60 individuals working on TruePosition, including the consultants engaged by ART to assist in development efforts. In addition, ART continues to build the development team internally, which will include additional development, marketing, sales and administrative personnel. Alpha systems of TruePosition have been successfully tested in three major cities. ART is currently in discussions with several wireless carriers regarding the beta testing and potential implementation of TruePosition systems.

ART also owns an approximate 21% equity interest in Teletrac, Inc. ("Teletrac"), which ART purchased in November 1995 in consideration of a $5,000,000 capital commitment to Teletrac. Teletrac is in the business of providing location and, potentially, messaging services primarily for vehicle and fleet management. Its technology differs from that of TruePosition in that it requires the installation of dedicated equipment to the vehicle to be located, and operates in a frequency band which requires a license from the FCC.

There exist several alternative location technologies, including global positioning systems, angle of arrival, measurement of signal attenuation, as well as other forms of time difference of arrival technology. ART believes that the TruePosition technological approach has significant advantages over such competing technologies. However, there can be no assurance as to the ultimate success of TruePosition technology versus competing technologies. In addition, potential competitors which are developing these alternative location technologies include major domestic and international companies, many of which have substantially greater financial, technical, marketing, sales and other resources than the Company.

Digital Termination Services

Microwave Services, Inc. ("MSI"), a wholly-owned subsidiary of the Company, was formed to pursue the provision of high speed digital voice, data and video services over a broadband wireless radio network. MSI applied for and received from the FCC licenses in top Statistical Metropolitan Service Areas ("SMSAs") to provide Digital Termination Services ("DTS") utilizing channels allocated pursuant to the rules governing the common carrier Digital Electronic Messaging Services ("DEMS") band (18.870 GHz to 19.260 GHz) in the United States ("DTS licenses").

MSI and Digital Services Corporation ("DSC"), another licensee of DTS channels in the DEMS band, have formed a joint venture limited liability company, DMT, L.L.C. ("DMT"), in which MSI has a 55% voting member equity interest, to provide administrative and management services to each of MSI and DSC. It is anticipated that pursuant to an Administration and Management Services Agreement (the "Management Agreements") to be entered into between DMT and each of MSI and DSC, MSI and DSC will each seek to achieve economies of scale for their licensed systems and their customers in an effort to make use of their licensed frequencies more efficiently and to provide a broader range and greater quality and quantity of services than either of the companies would be able to accomplish independently. Such services may include, among others, network design, purchase of equipment, deployment and maintenance of network infrastructure, securing of site leases, and marketing of services to potential customers. In addition, it is expected that DMT will have the option to require the contribution of the DTS licenses owned by each joint venture member to DMT, subject to the approval of the FCC and other applicable governmental authorities.

It is anticipated that DMT will manage on behalf of MSI and DSC between 80-100 MHz of spectrum (except where indicated) in each of the following SMSAs:

SMSAs Served

Atlanta	Detroit	Philadelphia	Seattle
Baltimore	Houston	Phoenix	St. Louis
Boston (1)(2)	Indianapolis	Pittsburgh	Tampa
Chicago	Kansas City	Portland	Washington, DC
Cincinnati (1)	Los Angeles (1)	Sacramento	
Cleveland	Miami	San Antonio	
Columbus (1)	Milwaukee	San Diego	
Dallas	Minneapolis	San Francisco (1)	
Denver (1)	New York (1)(2)	San Jose (1)	

(1) Less than 80 MHz of spectrum.

(2) Applications for additional spectrum in these markets have been filed and have completed the requirements of public notice.

Each of the aforementioned DTS licenses authorize the construction of transmission stations using the specified channels at sites within these SMSA regions for the purposes of providing Digital Termination Services, which may include both point-to-multipoint and point-to-point applications. MSI has a limited period of time from the date of grant of its DTS licenses to comply with the FCC's construction requirements. Unlike certain other portions of the spectrum for fixed services which are typically licensed on a per transmission path basis following frequency coordination, DEMS licenses (including MSI's and DSC's DTS licenses) permit the installation and operation of additional stations in the licensed area without further approval from the FCC, and the licensee has exclusive use of the spectrum within its licensed SMSA. Based upon data published by the Bureau of the Census, the Company estimates that the DTS licenses currently held by MSI and DSC cover approximately 3.5 million businesses and 33.5 million households, covering a population of over 90 million.

The Company anticipates that, through DMT, it will seek to become a full service broadband telecommunications provider, and to market a variety of services, which may include local loop bypass; "last mile" distribution links for landline based competitive access providers; cell site, repeater, switching and wired local network interconnection for cellular, PCS and Specialized Mobile Radio ("SMR") carriers; broadband high speed connections to the Internet for individual and business consumers as well as Internet service providers; alternative path and backup capacity services to existing telecommunications providers; and wide area data networking applications. Although there can be no assurance, the Company believes that, if deployed, the DTS system will be highly flexible and modular, and will have significant advantages over wired alternatives with regard to cost, speed of deployment, ease of installation, comparable quality and reliability, and compatibility with existing telecommunications architectures.

It is expected that MSI's service offerings will compete with those offered by Regional Bell Operating Companies ("RBOCs"), local telephone companies, fiber-based telecommunications providers, as well as other wireless carriers, including Local Multipoint Distribution Services ("LMDS"), 38 GHz and point-to-point microwave operators. Many of these potential competitors have substantially greater financial, technical, marketing, sales and other resources than MSI. The Company believes that MSI, through DMT, will be able to compete effectively in the marketplace, although there can be no assurance in this regard.

Mexican Cellular Telephone System

In July 1990, the Ministry of Communications and Transportation of the Republic of Mexico (the "SCT") awarded a twenty-year cellular license to Portatel del Sureste, S.A. de C.V. ("Portatel") to provide "A" band (non-wireline) service covering Region 8 of the nine regions into which the SCT divided the country.

Region 8, located in southeastern Mexico and the Yucatan Peninsula, has a total population of approximately 8.1 million and is comprised of the Mexican States of Quintana Roo, Yucatan, Campeche, Tabasco and Chiapas and includes the cities of Cancun, Cozumel, Tuxtla Gutierrez, Merida, Tapachula, Chetumel and Villahermosa.

Portatel maintains a cellular network containing twenty-five cell sites and seven switches which are interconnected through Portatel's regional satellite system. The satellite network permits Portatel to provide intraregional long distance services directly to its subscribers. The satellite network also facilitates switch management, network alarm monitoring and corporate communication functions.

The Company provides consulting services to Portatel and is reimbursed for such services at rates which approximate cost.

As of December 31, 1995, the Company, through Associated Communications of Mexico, Inc. ("ACM"), a wholly-owned subsidiary, owned directly 30.2% of the capital stock of Grupo Portatel, S.A. de C.V. ("Grupo"), a Mexican corporation of which Portatel is a wholly-owned subsidiary. In June 1994, ACM entered into an Association in Participation Agreement ("AP Agreement") and a related Joint Venture Agreement (together, the "Grupo Documents") with a United States corporation (the "Grupo Shareholder") and a Mexican national with 18.8% and 1.7% direct equity interests in Grupo, respectively. Through the AP Agreement, the Mexican national, acting as the Active Partner (as defined in the AP Agreement), held a 39.8% equity interest in Grupo as of December 31, 1995. ACM and the Grupo Shareholder are Silent Partners as defined in the AP Agreement. The Grupo Documents provide for the allocation to the parties to the Grupo Documents, at a given ratio, of proceeds received from distributions made by Grupo to its stockholders or from the sale of shares held pursuant to the AP Agreement, after adjustment to such proceeds for income tax liabilities and payment of capital advanced by ACM and the Grupo Shareholder and related investment fees thereon (the "Distribution of Proceeds Provision"). In the event that the Active Partner, after consultation with the Silent Partners, votes in such a way that is against the express will of the Silent Partners, then the Active Partner's proceeds from the sale of Grupo will be reduced by 50%, in accordance with the Distribution of Proceeds Provision. Additionally, the Grupo Documents provide that in the event of a change in Mexican law which would allow for the Silent Partners to hold direct ownership in Grupo without any percentage limitation, then, at the option of the Silent Partners, the Silent Partners may cause the AP Agreement to be dissolved, and the Silent Partners' ownership increase in Grupo will be determined based upon an allocation methodology consistent with the Distribution of Proceeds Provision. As a result of a change in Mexican law after the execution of the AP and Joint Venture Agreements, the Silent Partners have the ability to increase their direct percentage ownership in Grupo without any percentage limitation, subject to certain Mexican regulatory approvals which are routine in nature, and thus are entitled at their option to cause the AP Agreement to be dissolved.

ACM and the Grupo Shareholder have agreed to contribute their respective shares of Grupo and their respective interests in the AP Agreement to a joint venture limited liability company, known as Grupo Holdings, L.L.C. ("Grupo Holdings"). ACM and the Grupo Shareholder will be the initial sole members of Grupo Holdings, in which ACM will have a 61.6% controlling equity interest.

During 1995 and January 1996, Portatel failed to make certain debt payments under various credit facilities, which are guaranteed by a vendor of Portatel (the "Guarantor"). Accordingly, payments were made by the Guarantor to Portatel's lenders on Portatel's behalf. As a result of Portatel's failure to make such payments, the Guarantor had the right to require Grupo to transfer to the Guarantor 40% of the stock of Portatel held in trust as collateral for such guarantee, but did not exercise its right to acquire such shares. Grupo, Portatel, and certain shareholders of Grupo (including ACM), have entered into a Contribution Agreement dated as of January 31, 1996 with the Guarantor for the purpose of converting approximately $14.7 million of Portatel's debt, which was paid by the Guarantor, into an approximate 21.7% equity interest in Grupo. The Guarantor will continue to guarantee the remaining debt of Portatel of approximately $12.5 million, secured by an approximate 30.7% equity interest in Portatel. The transactions contemplated by the Contribution Agreement are subject to certain Mexican regulatory consents and approvals, which remain pending. The conversion provided for in the Contribution Agreement will dilute the Company's direct ownership percentage in Grupo to 23.6% from 30.2%.

Upon closing under the Contribution Agreement, excluding the effect of the AP Agreement, Grupo Holdings will have a direct 38.4% voting equity interest in Grupo. Accordingly, through the AP Agreement and control of Grupo Holdings, ACM will have sufficient control over the assets of Grupo such that the Company will consolidate the financial statements of Grupo effective January 1, 1996 (see Note 4 to the Company's financial statements included elsewhere in this Annual Report).

A subsidiary of Telefonos de Mexico, S.A. de C.V. ("RadioMovil") holds the "B" band license to provide nationwide cellular service in Mexico. The Company believes that Portatel competes effectively with RadioMovil, however, competition has been intense. The SCT regulates the tariffs of cellular service providers in Mexico and service rate increases may be implemented with SCT approval.

Portatel has been significantly affected by the decline in the state of the Mexican economy, which began in late 1994 as a result of the devaluation of the Mexican new peso. Resulting inflation rates have continued into 1995 and have impacted Portatel's revenues, financing and procurement. The Company's equity in respect of its investment in Grupo will continue to be subject to fluctuations in the peso's exchange rate and inflation in the Mexican economy. One potential impact on the Company is the possibility of an increase in cash outlays to Grupo, the extent of which is not readily determinable.

Marketable Equity Securities

As of March 27, 1996, the Company's portfolio of marketable equity securities (the "Portfolio Securities"), with a market value of approximately $509,076,000, includes 12,479,976 shares of Tele-Communications, Inc. ("TCI") Group Series A Common Stock, 7,071,852 shares of TCI Group Series B Common Stock, 3,119,993 shares of Liberty Media ("Liberty") Group Series A Common Stock, 1,767,963 shares of Liberty Media Group Series B Common Stock, 416,000 shares of General Communication, Inc. ("GCI") Class A Common Stock, 138,668 shares of GCI Class B Common Stock, 25,252 shares of American Mobile Satellite Corporation ("AMSC") Common Stock, and other smaller holdings, primarily in the communications industry.

Holdings in TCI and Liberty account for approximately 99% of the value of the portfolio at March 27, 1996. TCI is principally engaged in the development and operation of cable television systems and is one of the nation's largest cable television companies in terms of subscribers. Liberty is the cable television programming trading stock of TCI. Based on the number of outstanding TCI and Liberty shares as of January 31, 1996 reported in TCI's Annual Report on Form 10-K for the fiscal year ended December 31, 1995, the Company's TCI and Liberty holdings represent approximately 5.9% of the outstanding voting power of TCI and Liberty.

GCI provides telecommunications services within Alaska as well as between Alaska, the United States and certain foreign countries. Based on the number of outstanding GCI shares as of February 29, 1996 reported in GCI's Annual Report on Form 10-K for the fiscal year ended December 31, 1995, the Company's GCI holdings represent approximately 2.9% of the outstanding voting power of GCI.

AMSC is the recipient of a FCC license granting authority to provide a full range of satellite services. The Company owns less than 1% of the outstanding common stock of AMSC.

Other marketable equity securities owned by the Company have an aggregate market value of approximately $188,000 as of March 27, 1996.

The Company utilizes the Portfolio Securities as a source of funds for operations and development of its various businesses. In this regard, in order to provide ART and MSI with an assured source of capital for their respective development programs, the Company and its wholly-owned subsidiary which holds the Portfolio Securities ("Portfolio Sub") have entered into an agreement with ART and MSI whereby the Company has committed to contribute to them as capital during 1996 and 1997 specified minimum annual amounts. In turn, Portfolio Sub has agreed to obtain through borrowings or other sources of funds and to distribute to the Company the cash amounts necessary for the Company to meet such capital contribution commitments to ART and MSI, as well as certain additional specified minimum quarterly cash amounts during 1996 and 1997 to fund the Company's anticipated operating cash requirements during those years.

In addition, the Company has adopted a policy of disposing of a portion of the Portfolio Securities from time to time, to the extent net operating loss carryforwards are available to offset tax liabilities resulting from such dispositions and otherwise as deemed appropriate by the Company, to fund the development and commercialization of its communications technologies and to make acquisitions of operating companies. Consistent with this policy, through March 1996, the Company has sold 41,598 shares of TCI Class B 6% Cumulative Redeemable Exchangeable Junior Preferred Stock for pretax proceeds of approximately $2,690,000. The Company will recognize a gain on the sale of approximately $2,678,000 in the first quarter of 1996 (see "Management's Discussion and Analysis of Financial Condition and Results of Operations, Liquidity and Capital Resources").

Radio Broadcasting

The Company owns and operates WSTV-AM and WRKY-FM in Steubenville, Ohio and WOMP-AM/FM located in Bellaire, Ohio, which serves Bellaire and the adjacent Wheeling, West Virginia markets. Since the Bellaire and Wheeling markets are adjacent to the Steubenville market, the radio operations share certain services. The Company's radio stations are authorized to operate 24 hours a day.

In March 1996, Associated Radio, Inc., a wholly-owned subsidiary of the Company, entered into a definitive Asset Purchase Agreement (the "Asset Purchase Agreement") for the purchase of certain assets of Radio Delaware, Inc., including all assets used in connection with the operation of radio broadcasting station WCEZ-FM, located in Delaware, Ohio. The total consideration for the acquisition is approximately $3.25 million, including amounts for certain noncompetition and consulting arrangements. The transaction contemplated under the Asset Purchase Agreement is subject to FCC approval, which is pending. The Company currently expects a closing under the Asset Purchase Agreement in the second quarter of 1996.

The following table sets forth certain information concerning the broadcasting stations:

Market	Station	License Expires	Format	Stations in Market (AM & FM Combined)
Steubenville, OH	WSTV-AM	10/1/96	News-Talk-Sports	5
	WRKY-FM	10/1/96	Hot Country	
Wheeling, WV and Bellaire, OH	WOMP-AM	10/1/96	News-Talk-Sports	12
	WOMP-FM	10/1/96	Bright Adult Contemporary	
Delaware/ Columbus, OH *	WCEZ-FM	10/1/96	Easy Listening	28

* Acquisition pending.

The Company's radio broadcasting stations are subject to the regulations and licensing requirements of the FCC. The FCC is authorized to issue, revoke and modify broadcasting licenses, determine station frequencies, areas to be served and power to be used, and to impose penalties for noncompliance with its regulations. Pursuant to the recently enacted Telecommunications Act of 1996, radio broadcast licenses may be granted by the FCC for a maximum period of eight years, and, upon application, may be renewed for successive eight year periods. The Company is currently in the process of filing with the FCC renewal applications for its radio broadcast licenses.

Personal Communications Services

The Company has a 75% interest in a general partnership which holds a 4.42% interest in Omnipoint Communications, Inc. ("OCI"), a subsidiary of Omnipoint Corporation ("Omnipoint Parent"). OCI was awarded one of three pioneer's preferences by the FCC to receive a license to construct and operate a

broadband Personal Communications Services ("PCS") system. The license received by OCI covers the New York Major Trading Area ("MTA"), a region with a population of approximately 27 million, including New York City. OCI is required to make a payment of approximately $350 million for its license, payable over five years (interest only payments during the first two years). In January 1996, Omnipoint Parent successfully completed an initial public offering and is currently traded on the Nasdaq National Market® under the symbol "OMPT." As of March 27, 1996, Omnipoint Parent had an aggregate market capitalization of approximately $1.1 billion.

Specialized Mobile Radio

The Company has an indirect equity investment in Corporacion Mobilcom, S.A. de C.V. ("Mobilcom"), a Mexican corporation which owns and operates SMR systems. SMR, or "trunked mobile radio," is a wireless communication service which can transmit voice and data.

Mobilcom holds licenses or equity interests in corporations licensed to provide trunked mobile radio service in the 800 MHz and 400 MHz frequency bands in major metropolitan areas throughout Mexico, including Mexico City, Guadalajara and Monterrey, as well as the connecting highways. Mobilcom currently provides SMR services based on analog technologies to limited areas within its licensed territories under the brand name "Tricom."

On March 3, 1995, Mobilcom and its shareholders completed a transaction with Nextel Communications, Inc. ("Nextel"), pursuant to which Nextel made an investment in Mobilcom of $57.5 million for an approximate 18% equity interest. Nextel also received options which would allow Nextel to increase its ownership stake in Mobilcom to approximately 40% over the next three years. The Company's effective ownership interest in Mobilcom, prior to exercise of the Nextel options, is approximately 15%. The transaction included the conversion to equity of Nextel's earlier $42.5 million debt investment and an additional immediate $10 million equity investment by Nextel, with the remaining investment of approximately $5 million paid by Nextel in August 1995.

The decline in the Mexican economy resulting from the devaluation of the Mexican new peso which began in late 1994 and resulting high interest rates discussed previously under "Mexican Cellular Telephone System" may also have an effect on Mobilcom, including the rate at which Mobilcom continues its build-out of the SMR systems.

Other Wireless Communications Businesses

The Company owns and operates a digital microwave communications network in the Los Angeles, California market. The microwave network operates as a Competitive Access Provider ("CAP") of local exchange service to interexchange carriers and private users, who transmit voice and data through the network. The CAP faces significant competition from other alternative access providers, particularly an RBOC and companies using fiber optic technology. The Company is also continuing to evaluate new businesses to complement its digital network. The Company maintains two international teleport earth stations in Los Angeles to market satellite-based voice, data and video traffic between the western United States and Mexico and the Pacific Rim. The earth stations are presently in limited revenue service and the Company is exploring methods to enhance its service offerings.

The Company, through its wholly-owned subsidiary, Associated Information Services Corporation ("AISC") has constructed 2.6 GHz Multipoint Distribution Systems ("MDS") in the Los Angeles and Phoenix markets. 2.6 GHz frequencies are generally used for wireless cable television. AISC has received regulatory approval from the FCC for the completion of a transaction agreed to in 1995 with a wireless cable operator for the sale by AISC of its MDS channel in Phoenix in exchange for a MDS channel in each of Pittsburgh and Seattle.

Retail Art Gallery

Associated American Artists ("AAA") is an art gallery owned by the Company which sells original prints, drawings, oil paintings, sculptures and related works of art, located at Twenty West 57th Street in New York City. The gallery's extensive inventory has been acquired directly from artists, as well as from dealers, collectors and estates of artists. The gallery also holds inventory for sale on consignment. The need to maintain a broad selection of works requires a large inventory investment in relation to sales volume. AAA competes with other galleries in the United States.

AAA maintains, almost monthly, exhibitions of outstanding artists from Old Masters to Contemporary Masters, and loans works for exhibitions to major museums, universities, libraries and other institutions around the country.

Regulatory Environment

Most of the businesses which the Company either owns or in which the Company has an interest are subject to regulation at the federal and state levels in the United States or at various levels in other countries. The Company's domestic broadcasting and communications assets and investments are generally regulated by the FCC, and its Mexican communications assets and investments are subject to Mexican regulatory authority. The Company currently anticipates that similar regulations will govern certain of the industries in which it is likely to operate or make investments in the future. Changes in the laws or regulations governing these industries, in the United States or elsewhere, could adversely affect the Company's business.

At the time of the Spin-Off, the Company's indirect interest in the Portfolio Securities constituted a substantial majority of the total value of its assets, and the Company could be considered to be engaged in the business of holding or owning investment securities within the meaning of the Investment Company Act of 1940 (the "1940 Act"), potentially subjecting the Company to regulation as an investment company by the Securities and Exchange Commission (the "Commission") and potentially significantly and adversely affecting the Company's activities. In accordance with the rules promulgated by the Commission under the 1940 Act, the Company was deemed not to be engaged in such business (and was therefore not subject to such regulation) for a period of at least one year following the Spin-Off because of the Company's intent to be engaged primarily in a business other than holding or owning investment securities as soon as reasonably possible and, in any event, prior to the end of such one-year period. These rules require that the Company's intent be evidenced by the Company's business activities and an appropriate resolution of its Board of Directors. The Board of Directors adopted such a resolution.

During December 1995 and January 1996, the Board of Directors of the Company conducted an extensive review of the Company's development, activities, assets and sources of income. The Board of Directors in particular reviewed the Company's progress in developing various communications technologies, ranges of valuations for the Company's businesses and other assets at that time, the Company's policy of borrowing against the Portfolio Securities, and disposing of a portion of the Portfolio Securities from time to time to the extent net operating loss carryforwards are available to offset tax liabilities resulting from such dispositions and otherwise as deemed appropriate by the Company, to finance the Company's development and commercialization of its communications technologies and to make acquisitions of operating companies, the commitments of the Company and Portfolio Sub to fund the anticipated capital needs of ART and MSI, as well as the anticipated operating cash requirements of the Company, during 1996 and 1997, as described above, the Company's restructuring of certain of its subsidiaries during 1995, the Company's interest in acquiring companies with emerging technologies and its efforts to do so during 1995, and the activities of the Company's officers and employees. In this connection the Board of Directors worked with professional advisors and also reviewed their analyses.

Based on this review, the Board of Directors determined that the Company was primarily engaged in businesses other than investing, owning, holding or trading in securities, and accordingly was not at that time required to register as an investment company under the 1940 Act. However, in view of the

substantial value of the Portfolio Securities (approximately $333 million, net of deferred taxes, as of March 27, 1996), the Company's ability to continue not being subject to such registration is subject to numerous factors, some of which may be outside the Company's control. These factors include, among others, whether the Company's communications businesses continue to develop favorably, whether the Company makes additional acquisitions, whether the Portfolio Securities increase or decrease in value, and the rate at which the Company borrows against and disposes of Portfolio Securities in order to finance its developing businesses and acquisitions. In connection with its review, the Board of Directors reaffirmed the Company's intention not to be an investment company. However, in view of the foregoing factors, no assurance can be given that the Company will not at some point in the future be required to register as an investment company or business development company under the 1940 Act.

Employees

As of March 27, 1996, the Company had 91 employees.

Properties

The Company owns its principal executive office in Pittsburgh, Pennsylvania. Additional executive offices are leased in New York, New York; Philadelphia, Pennsylvania; Tampa, Florida and Wilmington, Delaware. The Company's radio broadcast operations maintain administrative offices, studios, transmitter and antenna sites, located in Bellaire and Steubenville, Ohio, which are either owned or leased. The Company's microwave communications business leases administrative offices, transmitter and antenna sites in and around Los Angeles, California. The Company's New York art gallery leases sales and administrative offices. AISC and MSI lease transmitter and antenna sites for their respective transmitting facilities in various major cities in the United States.

See Note 9 to the Company's financial statements included elsewhere in this Annual Report for additional information regarding future minimum lease commitments.

The Company's management believes that its properties are adequate for the existing business conditions and are in adequate operating condition.

Market For Registrant's Common Equity and Related Stockholder Matters

The Company's Class A Common Stock (symbol: AGRPA) and Class B Common Stock (symbol: AGRPB) are traded on the Nasdaq National Market®. The table below sets forth the quarterly high and low bid quotations for the Class A Common Stock and the Class B Common Stock since December 15, 1994, the effective date of the Spin-Off and the commencement of public trading of the Company's shares, compiled from information supplied by Nasdaq®. All prices represent inter-dealer quotations without retail mark-ups, mark-downs or commissions, and may not necessarily represent actual transactions.

Period	Class A		Class B	
	High	Low	High	Low
1994:				
Fourth quarter-(December 16 through December 31)	$24.00	$22.00	$23.75	$22.00
1995:				
First quarter	23.00	18.50	22.88	18.00
Second quarter	19.50	15.00	19.00	14.75
Third quarter	22.50	17.00	22.50	16.25
Fourth quarter	20.75	16.50	20.75	16.50

On March 27, 1996, the Company's Class A Common Stock and Class B Common Stock were held by approximately 503 and 498 stockholders of record, respectively, which amounts do not include stockholders who beneficially own shares held in street name by brokers.

At present, the Company does not anticipate the payment of cash dividends in the foreseeable future.

Selected Financial Data

The following table sets forth selected historical financial data of the Company for each of the past five years. The financial data of the Company is on a consolidated basis for the period subsequent to the Spin-Off and on a combined basis for the periods prior to the Spin-Off. Combined financial data includes the accounts of the Company, certain of its subsidiaries, and certain other assets and liabilities of Associated, all transferred to the Company prior to the Spin-Off. The table should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the financial statements of the Company and notes thereto, included elsewhere in this Annual Report.

	Year ended December 31,				
	1995	1994	1993	1992	1991
	(In Thousands Except Per Share Amounts)				
Income Statement Data:					
Revenues	$ 4,272	$ 4,664	$ 6,075	$ 5,550	$ 5,393
Cost and expenses	20,938	17,555 (A)	10,360	8,606	7,576
OPERATING LOSS	(16,666)	(12,891)	(4,285)	(3,056)	(2,183)
Equity in loss of affiliates	(2,912)	(2,957)	(1,239)	(1,214)	(1,427)
Other (expense) income	(458)	3,599 (B)	3,215	2,701	1,214
(Loss) income before cumulative effect of accounting change for income taxes	(13,213)	(9,436)	(1,971)	43	(2,396)
Cumulative effect of accounting change for income taxes	—	—	883 (C)	—	—
NET (LOSS) INCOME	$ (13,213)	$ (9,436)	$ (1,088)	$ 43	$ (2,396)
(Loss) income per share before cumulative effect of accounting change for income taxes (pro forma 1991-1994) (D)	$ (.70)	$ (.50)	$ (.11)	$ .00	$ (.13)
Net (loss) income per share (pro forma 1991—1994) (D)	$ (.70)	$ (.50)	$ (.06)	$ .00	$ (.13)
Average shares outstanding (pro forma 1991—1994) (D)	18,766	18,766	18,766	18,766	18,766
Balance Sheet Data:					
Total assets (E)	$574,471	$478,555	$653,282	$ 65,401	$60,960
Working capital (deficit)	(34,385)	(15,986)	3,899 (F)	42,709	41,516

(A)—Includes $4,026,000 in net transaction expenses relating to the Spin-Off and Merger.

(B)—Includes $2,831,000 gain on sale of marketable equity securities.

(C)—Reflects the adoption as of January 1, 1993 of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes."

(D)—Pro forma (loss) income per share data were calculated using 18,766,000 average shares outstanding from the Spin-Off to December 31, 1994, as if such shares were outstanding for the years ended December 31, 1994, 1993, 1992 and 1991.

(E)—Reflects the adoption at December 31, 1993 of Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities."

(F)—Reflects the settlement of net intercompany amounts payable to the Company by Associated.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The historical operating results of the Company are presented on a consolidated basis for the period subsequent to the Spin-Off and on a combined basis for the periods prior to the Spin-Off, when such amounts were included in Associated's consolidated operating results. Combined financial data includes the accounts of the Company, certain of its subsidiaries, and certain other assets and liabilities of Associated, all transferred to the Company prior to the Spin-Off. Accordingly, past results of operations may not be indicative of future results.

Liquidity and Capital Resources

The Company has used its bank line of credit and brokerage margin loan facilities to fund the start-up operating and capital costs for its wireless communications related businesses and interests, such as TruePosition, DTS, Grupo, PCS, SMR, and MDS. The Company expects to continue to incur substantial costs developing these businesses and technologies, as well as maintaining site leases and securing additional FCC licenses. As described above under "Marketable Equity Securities," the Company has entered into an agreement with ART and MSI to contribute to their capital a minimum of $25 million per year (total for ART and MSI together) during 1996 and 1997. In light of the developmental nature of these businesses and other factors, there can be no assurance regarding the rate at and extent to which such amounts will be expended by ART and MSI or that significant additional investment by the Company in these businesses in excess of such amounts will not be required. Other business opportunities or acquisitions, which may also require additional capital, are currently being evaluated.

In March 1996, the Company sold its 41,598 shares of TCI Class B 6% Cumulative Redeemable Exchangeable Junior Preferred Stock for pretax proceeds of approximately $2,690,000. The Company will recognize a gain on the sale of approximately $2,678,000 in the first quarter of 1996, and will utilize its net operating loss carryforwards to offset the taxes resulting from the gain. As a result, the Company anticipates using the entire proceeds from the sale of the securities to fund the development of its wireless communications technologies.

As of December 31, 1995, the Company has contributed $9,690,000 for stock in Grupo, and has also loaned $11,240,000 to other Grupo stockholders for their purchase of stock which is secured by such stock. The Company may be required to meet additional capital commitments with respect to its ownership interest, and is committed to making additional loans to one Grupo stockholder for a portion of any such capital commitments with respect to his ownership interest. As of March 27, 1996, the Company has funded $841,000 to Grupo in 1996.

As of December 31, 1995, the Company has paid a total of $465,000 for stock in Teletrac and has subscribed to purchase additional stock (on a pro rata basis with other Teletrac stockholders) for $4,535,000. As of March 27, 1996, the Company has funded $1,597,000 to Teletrac in 1996. The balance subscribed for, $2,938,000 as of March 27, 1996, is due as capital is needed by Teletrac.

The Company's future cash requirements are expected to be met by a $100,000,000 demand discretionary bank line of credit and by margin loan facilities with two brokerage firms. Borrowings under the $100,000,000 line of credit are limited to 50% of the market value of TCI Group Series A Common Stock pledged as security under the agreement, and bear interest at either the Euro-Rate plus 5/8%, or the prime rate, as selected by the Company. The line expires on November 16, 1996 and the Company presently anticipates renewal of such facility.

The Company's margin loan facilities are also currently secured by shares of TCI Group Series A Common Stock. Borrowings under the margin loan facility currently in use are limited to 50% of the market value of the pledged stock, with an additional 15% collateral requirement if borrowings exceed $100,000,000, up to a maximum of $200,000,000. Borrowings bear interest at the Fed Funds rate plus

3/4%. Borrowings under the second brokerage margin loan facility are limited to 50% of the market value of the pledged stock, and bear interest at the broker call rate.

Based on the market value of the 4,819,994 shares of TCI Group Series A Common Stock pledged in the aggregate under the three facilities as of March 27, 1996, and aggregate outstanding borrowings of approximately $41,380,000 as of March 27, 1996, the Company's unused borrowing capacity is approximately $4,410,000. A significant portion of the Company's assets are liquid, and can be pledged as security for added borrowing capacity. Given the market value of the remaining shares of marketable equity securities that can be pledged as additional security, the Company's three borrowing facilities provide for maximum aggregate unused borrowings of approximately $212,498,000 as of March 27, 1996. The Company's ability to meet cash needs in the near term for future development depends in large part on the value of the Portfolio Securities. The Company periodically evaluates its financial position and alternative financing arrangements.

In 1995 and 1994, the Company's operations used cash of $16,319,000 and $3,706,000, respectively, and in 1993, the Company's operations generated cash of $329,000. The increase in the cash used in operations from 1994 to 1995 of $12,613,000 was due primarily to the increase in research and development expenditures for TruePosition and DTS and the payment in 1995 of $5,433,000 of accrued transaction expenses related to the Spin-Off and the Merger. The difference of $4,035,000 between the $3,706,000 cash used in operations in 1994 and the $329,000 cash generated from operations in 1993 was primarily due to legal and other costs associated with the Spin-Off and the Merger.

In 1995 and 1994, the Company used cash of $3,052,000 and $9,348,000, respectively, in investing activities, and in 1993, the Company generated cash of $4,955,000 from investing activities. The decrease in the cash used in investing activities from 1994 to 1995 of $6,296,000 was primarily due to the Company's lower net investment in wireless communications ventures of $1,936,000 in 1995 as compared to $11,251,000 in 1994. 1994 also reflects proceeds the Company received from the sale of marketable equity securities of $2,921,000 relating to the merger of Republic Pictures Corporation with Spelling Entertainment Group. The difference between the $9,348,000 cash used in investing activities in 1994 and the $4,955,000 cash generated from investing activities in 1993 of $14,303,000 was primarily the result of $20,841,000 received in 1993 from Associated and its subsidiaries that were acquired by SBC in the Merger, in repayment of intercompany advances made by the Company to Associated.

In 1995 and 1994, the Company generated cash from financing activities of $18,470,000 and $14,886,000, respectively, and in 1993, the Company used cash of $5,286,000 in financing activities. Changes in net cash generated from or used in financing activities related primarily to fluctuations in the Company's borrowings used for operations, research and development, investments and acquisitions.

Operating Results

Microwave and Other Wireless Communications

Revenues from microwave communications were $1,884,000, $2,244,000, and $3,206,000 in 1995, 1994, and 1993, respectively. The decrease in revenues in 1994 and 1995 was the result of increased and continuing price competition from alternate access providers and local exchange carriers. Cost of microwave communication services decreased by 14% from 1994 to 1995 and by 11% from 1993 to 1994 as a result of renegotiation of certain transmission facility leases and maintenance contracts. Resulting gross margins were 59%, 60%, and 68% in 1995, 1994, and 1993, respectively. Direct research and development expenses were $7,361,000, $1,381,000, and $1,150,000 in 1995, 1994, and 1993, respectively. The increases in 1995 and 1994 were primarily due to expenditures for TruePosition and DTS.

Radio Broadcasting

Revenues from radio broadcasting of $1,854,000, $1,897,000 and $1,980,000 in 1995, 1994, and 1993, respectively, are comparable between periods. The operating expenses were $599,000, $548,000, and $549,000, and gross margins were 68%, 71%, and 72% in 1995, 1994, and 1993, respectively. The decrease in the margin from 1994 to 1995 was the result of expenses related to programming changes at the Company's radio stations in 1995.

Art Gallery

Art gallery sales were $534,000, $523,000, and $889,000, and the cost of art gallery sales was $432,000, $345,000 and $1,298,000 in 1995, 1994, and 1993, respectively. Charges to increase the inventory valuation reserve were $60,000 in 1995, $0 in 1994, and $702,000 in 1993. Excluding the charges to the inventory valuation reserve, gross margins were 30%, 34%, and 33% in 1995, 1994, and 1993, respectively. Due to the nature of the art business combined with the diverse composition of the inventory of artwork that the gallery maintains, sales, gross margins and operating results tend to fluctuate.

General

Sales, general and administrative expenses were $10,466,000 in 1995 and $8,920,000 in 1994. The increase from 1994 to 1995 was primarily a result of professional service expenses and internal costs relating to evaluating potential business opportunities and acquisitions. Sales, general, and administrative expenses in 1993 were net of $3,484,000 received as management fees from the domestic cellular telephone operations of Associated. Therefore, on a gross basis, the 1993 sales, general, and administrative expenses were $8,261,000 as compared to $8,920,000 in 1994. The increase in 1994 was primarily due to additional compensation expense of $544,500 recorded in connection with stock options of a former wholly-owned subsidiary of the Company which were cashed out by the Company at the time of the Merger (see Note 12 to the Company's financial statements included elsewhere in this Annual Report).

Transaction expenses, net, were for legal and other costs incurred in completing the Spin-Off of the Company and the Merger, which, under the agreements with SBC, were payable by the Company. Transaction expenses, net, were offset by the allowable amount of corporate expenses allocable to Associated and its subsidiaries that were acquired by SBC (see Note 1 to the Company's financial statements included elsewhere in this Annual Report).

The Company's equity in loss of affiliates was $2,912,000, $2,957,000, and $1,239,000 in 1995, 1994, and 1993, respectively. The fluctuation in equity in loss of affiliates was primarily a result of the reported net loss of Grupo, which includes the effect of foreign currency translation and was negatively impacted by the devaluation of the peso in December 1994 and the resulting decline in the Mexican economy during 1995. The Company's equity in Grupo will continue to be subject to fluctuations in the peso's exchange rate based upon inflation in the Mexican economy. The equity in loss of affiliates in the 1995 period also included the Company's approximate 21% share of the results of Teletrac.

The Company recorded net other expense of $458,000 in 1995 and net other income of $3,599,000 and $3,215,000 in 1994 and 1993, respectively. The difference between the $458,000 net other expense in 1995 and the $3,599,000 net other income in 1994 of $4,057,000 was primarily due to higher interest expense in 1995 of $1,689,000 resulting from increases in both the level of outstanding borrowings and interest rates and a $2,831,000 gain from the sale of marketable securities in 1994 (see Note 3 to the Company's financial statements included elsewhere in this Annual Report). The net other income in 1994 of $3,599,000 was comparable to the net other income in 1993 of $3,215,000. Although the 1994 period included the $2,831,000 gain from the sale of marketable securities, the 1993 period included $2,680,000 of interest income from Associated and its subsidiaries that were acquired by SBC in the Merger on the intercompany advances which were settled at the end of 1993.

The Company recognized an income tax benefit at an effective rate of approximately 34%, 23%, and 15% in 1995, 1994, and 1993, respectively. For the 1994 period through the Spin-Off and for the 1993 period, the Company filed income tax returns as a consolidated group with Associated and its other

subsidiaries. See Note 10 to the Company's financial statements included elsewhere in this Annual Report for a discussion regarding the income tax allocation used. The 1993 results also reflect a $883,000 credit for the recognition of the cumulative effect of an accounting change for income taxes, resulting from the Company's adoption of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." As of December 31, 1995, the Company has recorded deferred tax assets of $12,107,000, including net operating loss carryforwards. Management believes that it is more likely than not that such assets will be realized based on the Company policy referred to above (see "Marketable Equity Securities") of disposing of a portion of the Portfolio Securities from time to time to the extent net operating loss carryforwards are available to offset tax liabilities resulting from such dispositions and otherwise as deemed appropriate by the Company.

The Company's net loss was $13,213,000 for the year ended December 31, 1995 compared to a net loss of $9,436,000 for the year ended December 31, 1994. The higher loss in 1995 resulted primarily from increased direct research and development costs of $5,980,000 relating to TruePosition and DTS. The Company's net loss of $9,436,000 for the year ended December 31, 1994 increased $8,348,000 as compared to the $1,088,000 net loss in 1993. The primary factors contributing to this increase were transaction costs relating to the Spin-Off of the Company and the Merger of $7,806,000 (see Note 1 to the Company's financial statements included elsewhere in this Annual Report), and increased losses of the Mexican cellular telephone company recognized on an equity basis of $1,718,000 stemming from the significant peso devaluation, mitigated by an increase in the income tax benefit of $1,592,000.

Report of Independent Auditors

To the Stockholders and Directors
The Associated Group, Inc.

We have audited the accompanying balance sheets of The Associated Group, Inc. and subsidiaries as of December 31, 1995 and 1994, and the related statements of operations, stockholders' 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 did not audit the financial statements of Grupo Portatel, S.A. de C.V. (Grupo), an investment accounted for on the equity method. The Company's investment in and equity in Grupo was $909,000 at December 31, 1995 and $3,340,000 at December 31, 1994. The Company's equity in Grupo's net loss was $2,751,000 in 1995, $2,957,000 in 1994, and $874,000 in 1993. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Grupo, is based solely upon the report of the other auditors.

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 that our audits and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based upon our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of The Associated Group, Inc. and subsidiaries at December 31, 1995 and 1994, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1995, in conformity with generally accepted accounting principles.

As discussed in the notes to the financial statements, during 1993 the Company changed its methods of accounting for income taxes and marketable equity securities.

Ernst + Young LLP

Pittsburgh, Pennsylvania
February 22, 1996, except for Notes 4 and 18,
as to which the date is March 15, 1996

Balance Sheets
The Associated Group, Inc. and Subsidiaries

	December 31 1995	1994
	(In Thousands)	
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 1,018	$ 1,919
Accounts receivable, less allowance for doubtful accounts (1995—$183,000; 1994—$92,000)	626	686
Notes receivable from foreign affiliates	191	180
Inventory held for resale	1,311	1,535
Prepaid expenses and other assets	860	1,728
Deferred income taxes	1,057	988
Total Current Assets	5,063	7,036
Property and Equipment, net of accumulated depreciation and amortization	3,117	3,964
Marketable Equity Securities, at fair value (cost: 1995—$6,898,000; 1994—$6,906,000)	540,082	440,787
Notes Receivable From Foreign Affiliates	11,240	10,099
Investments in Wireless Communications Affiliates, equity method	1,213	3,340
Investments in Other Wireless Communications, at cost	12,389	12,389
Other Noncurrent Assets	1,367	940
Total Assets	$574,471	$478,555
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 4,681	$ 905
Accrued transaction expenses *(Note 1)*	—	5,433
Employee compensation	759	1,388
Other accrued expenses	356	105
Deferred revenue	182	191
Short-term obligations	33,470	15,000
Total Current Liabilities	39,448	23,022
Deferred Compensation	1,264	1,059
Deferred Income Taxes	175,564	147,562
Minority Interest	797	848
Commitments and Contingencies	—	—
Stockholders' Equity:		
Preferred stock, par value $.01 per share; authorized 5,000,000 shares; none issued	—	—
Class A Common Stock, par value $.10 per share; authorized 100,000,000 shares; 9,382,962 shares issued and outstanding in 1995 and 1994	938	938
Class B Common Stock, par value $.10 per share; authorized 50,000,000 shares; 9,382,985 shares issued and outstanding in 1995 and 1994	938	938
Unrealized gain on marketable equity securities, net of deferred taxes (1995—$186,614; 1994—$151,858)	346,570	282,023
Retained earnings	8,952	22,165
Total Stockholders' Equity	357,398	306,064
Total Liabilities and Stockholders' Equity	$574,471	$478,555

See accompanying notes.

Statements of Operations

The Associated Group, Inc. and Subsidiaries

	Year ended December 31		
	1995	1994	1993
	(In Thousands, Except Per Share Amounts)		
REVENUES:			
Microwave communication services	$ 1,884	$ 2,244	$ 3,206
Radio broadcasting	1,854	1,897	1,980
Art gallery sales	534	523	889
	4,272	4,664	6,075
COST AND EXPENSES:			
Cost of microwave communication services	778	904	1,016
Cost of art gallery sales	432	345	1,298
Operating expenses	599	548	549
Direct research and development expenses	7,361	1,381	1,150
Sales, general and administrative expenses	10,466	8,920	4,777
Transaction expenses, net *(Note 1)*	—	4,026	275
Depreciation and amortization expense	1,302	1,431	1,295
	20,938	17,555	10,360
Operating Loss	(16,666)	(12,891)	(4,285)
Equity in loss of affiliates	(2,912)	(2,957)	(1,239)
Other income (expense):			
Gain on sale of marketable equity securities	7	2,831	—
Interest and dividend income	1,223	1,150	667
Interest income from affiliate	—	—	2,680
Interest expense	(1,689)	(395)	(278)
Minority interest	1	13	146
	(458)	3,599	3,215
Loss Before Income Taxes and Cumulative Effect of Accounting Change for Income Taxes	(20,036)	(12,249)	(2,309)
Income tax benefit	(6,823)	(2,813)	(338)
Loss Before Cumulative Effect of Accounting Change for Income Taxes	(13,213)	(9,436)	(1,971)
Cumulative effect of accounting change for income taxes	—	—	883
Net Loss	$(13,213)	$ (9,436)	$ (1,088)
Net loss per common share (pro forma in 1994 and 1993):			
Before cumulative effect of accounting change for income taxes	$ (.70)	$ (.50)	$ (.11)
Cumulative effect of accounting change for income taxes	—	—	.05
Net Loss Per Common Share	$ (.70)	$ (.50)	$ (.06)
Weighted average common shares outstanding (pro forma in 1994 and 1993)	18,766	18,766	18,766

See accompanying notes.

Statements of Stockholders' Equity
The Associated Group, Inc. and Subsidiaries

	Common Stock	Common Stock Class A	Common Stock Class B	Unrealized Gains	Retained Earnings	Treasury Stock	Total Stockholders' Equity
	(Dollars in Thousands)						
Balance, January 1, 1993	$ 1	$ —	$ —	$ —	$57,443	$ —	$ 57,444
Net loss	—	—	—	—	(1,088)	—	(1,088)
Net settlement of intercompany accounts with Associated Business to be Merged	—	—	—	—	(21,856)	—	(21,856)
Cumulative effect of an accounting change for marketable equity securities, net of income taxes of $216,203	—	—	—	401,521	—	—	401,521
Balance, December 31, 1993	1	—	—	401,521	34,499	—	436,021
Net loss	—	—	—	—	(9,436)	—	(9,436)
Recapitalization and issuance of common stock	(1)	938	938	—	(1,875)	—	—
Common stock issuance costs	—	—	—	—	(1,018)	—	(1,018)
Purchase of treasury stock	—	—	—	—	—	(5)	(5)
Treasury stock retired (114 shares of Class A and 91 shares of Class B)	—	—	—	—	(5)	5	—
Change in unrealized gain on marketable equity securities, net of income taxes of $64,345	—	—	—	(119,498)	—	—	(119,498)
Balance, December 31, 1994	—	938	938	282,023	22,165	—	306,064
Net loss	—	—	—	—	(13,213)	—	(13,213)
Change in unrealized gain on marketable equity securities, net of income taxes of $34,756	—	—	—	64,547	—	—	64,547
Balance, December 31, 1995	$ —	$938	$938	$346,570	$ 8,952	$ —	$357,398

See accompanying notes.

Statements of Cash Flows

The Associated Group, Inc. and Subsidiaries

	1995	1994	1993
	Year ended December 31 (In Thousands)		
Cash Flows From Operating Activities			
Net loss	$(13,213)	$(9,436)	$ (1,088)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:			
Depreciation and amortization	1,302	1,431	1,295
Loss (gain) on disposal of property and equipment	198	(9)	—
Equity in loss of affiliates	2,912	2,957	1,239
Gain on sale of marketable equity securities	(7)	(2,831)	—
Minority interest	(1)	(13)	(146)
Cumulative effect of accounting change for income taxes	—	—	(883)
Provision for deferred income taxes	(6,823)	(2,813)	(338)
Change in assets and liabilities:			
Accounts receivable	60	946	(798)
Inventory held for resale	224	171	821
Prepaid expenses and other assets	868	(409)	(201)
Accounts payable	3,776	98	137
Accrued transaction expenses	(5,433)	5,353	80
Employee compensation	(629)	1,119	(1)
Other accrued expenses	251	8	(17)
Deferred revenue	(9)	(67)	(32)
Deferred compensation	205	(211)	261
Net Cash (Used in) Provided by Operating Activities	(16,319)	(3,706)	329
Cash Flows From Investing Activities			
Purchases of property and equipment	(647)	(289)	(541)
Dispositions of property and equipment	5	59	11
Purchase of marketable equity securities	—	—	(73)
Proceeds from sale of marketable equity securities	15	2,921	—
Repayments of notes receivable from foreign affiliates	31	4,742	2,613
Increase in notes receivable from foreign affiliates	(1,183)	(7,185)	(5,851)
Investments in wireless communications affiliates	(784)	(3,647)	(3,281)
Investments in other wireless communications	—	(5,161)	(7,977)
Cash paid for acquisition	—	—	(575)
Decrease in amount due from Associated Business to be Merged	—	—	20,841
Other investing activities	(489)	(788)	(212)
Net Cash (Used in) Provided by Investing Activities	(3,052)	(9,348)	4,955
Cash Flows From Financing Activities			
Proceeds from borrowings	18,470	18,000	14,900
Principal payments on borrowings	—	(3,000)	(20,449)
Investment by minority interest	—	909	263
Payment of common stock issuance costs	—	(1,018)	—
Purchase of treasury stock	—	(5)	—
Net Cash Provided by (Used in) Financing Activities	18,470	14,886	(5,286)
Net (Decrease) Increase in Cash and Cash Equivalents	(901)	1,832	(2)
Cash and cash equivalents at beginning of year	1,919	87	89
Cash and Cash Equivalents at End of Year	$ 1,018	$ 1,919	$ 87
Supplemental Disclosure of Noncash Investing Activities			
Net settlement of intercompany accounts with Associated Business to be Merged	$ —	$ —	$ 21,856

See accompanying notes.

Notes to Financial Statements
The Associated Group, Inc. and Subsidiaries
December 31, 1995

Note 1—Basis of Presentation

The Associated Group, Inc. ("AGI") (formerly known as Associated Communications of Delaware, Inc. ("ACDI")) was a wholly owned subsidiary of Associated Communications Corporation ("Associated") until December 15, 1994 (the "Distribution Date") when, in accordance with the Agreement and Plan of Distribution dated as of December 14, 1994 (the "Distribution Agreement"), among Associated, ACDI, and Associated Cellular Holdings, Inc. ("ACH"), all of the outstanding common stock of AGI, after giving effect to a recapitalization of AGI, was distributed pro rata to the stockholders of Associated (the "Distribution") and Associated, consisting of the parent company and its domestic cellular businesses and interests (the "Associated Business to be Merged"), was merged (the "Merger") with a subsidiary of Southwestern Bell Corporation, currently known as SBC Communications Inc. ("SBC"), pursuant to the Agreement and Plan of Merger and Reorganization dated as of February 23, 1994, by and among SBC, SBMS Acquisition Corp., and Associated.

Prior to the Distribution, Associated held all 1,000 outstanding shares of the then authorized 1,000 shares of $1.00 par value common stock of ACDI. In accordance with the Distribution Agreement, prior to the Distribution, ACDI amended its Certificate of Incorporation (the "Charter Amendment") to, among other things, (i) change its name to AGI, (ii) create two classes of common stock of AGI, Class A Common Stock and Class B Common Stock, and increase the then currently authorized number of shares of common stock of AGI to 100,000,000 shares of Class A Common Stock and 50,000,000 shares of Class B Common Stock (and Associated exchanged the 1,000 shares of ACDI common stock then outstanding for 9,383,076 shares of Class A Common Stock and 9,383,076 shares of Class B Common Stock), and (iii) to authorize 5,000,000 shares of AGI Preferred Stock. On December 15, 1994, pursuant to the Distribution, each holder of record of Associated Class A Common Stock or Associated Class B Common Stock ("Associated Common Stock") received one-quarter of a share of AGI Class A Common Stock and one-quarter of a share of AGI Class B Common Stock for each share of Associated Common Stock held.

The accompanying financial statements include, on a consolidated basis subsequent to the Distribution Date and on a combined basis prior to the Distribution Date, the accounts of AGI, certain of its subsidiaries, and certain other assets and liabilities of Associated, all transferred to AGI prior to the Distribution. Such entities and accounts are referred to as the "Company" in these financial statements. For the year ended December 31, 1993, the financial statements include certain Associated corporate expenses allocated to ACDI. These amounts include allocable salaries, rent, accounting services, legal services, and administrative expenses. For the period January 1, 1994 to December 15, 1994, the financial statements include all of the historical corporate expenses of Associated less an allowable amount (under the Distribution Agreement) of $3,780,000 relating to expenses allocable to the Associated Business to be Merged. Such allocation has been recorded as an offset to transaction expenses for the year ended December 31, 1994, resulting in net transaction expenses of $4,026,000. Management believes that the corporate expense allocations were made on a reasonable and consistent basis.

Note 2—Significant Accounting Policies

Principles of Consolidation

The Company includes the accounts of AGI and its wholly owned and majority owned subsidiaries. Minority investments in affiliates where the Company exercises significant influence over operating and financial affairs are recorded under the equity method. All significant intercompany accounts and transactions have been eliminated.

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. Actual results could differ from those estimates.

Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Inventory Held for Resale

Inventory, which consists of art prints, is valued at the lower of cost or market as determined by the first-in, first-out method. Inventory is reported net of a market valuation reserve of approximately $1,582,000 and $1,573,000 at December 31, 1995 and 1994, respectively.

Marketable Equity Securities

As of December 31, 1993, the Company adopted Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" ("FASB 115"). Under FASB 115, the Company's marketable equity securities, which are classified as available-for-sale, are reported at fair value, with unrealized gains and losses excluded from earnings and reported as a separate component of stockholders' equity until realized.

Foreign Currency Translation

The equity in loss of affiliates includes the effects of foreign currency translation adjustments in accordance with the provisions of Financial Accounting Standards No. 52, "Foreign Currency Translation." On an equity basis, translation (losses) gains were $(473,000), $(1,068,000), and $47,000 in 1995, 1994, and 1993, respectively.

Property and Equipment

Property and equipment is recorded at cost. Depreciation and amortization are computed on the straight-line method.

Employee 401(k) Savings Plan

Full-time employees of the Company were covered through the Distribution Date under Associated's voluntary contributory savings plan (401(k) plan) and after the Distribution Date under the Company's 401(k) Savings Plan (the "Plan"). The Company matches 50% of the first 6% of a participant's salary deferred under the Plan. The Company's matching contributions to the Plan are funded as incurred, and were approximately $86,000, $89,000, and $93,000 for the years ended December 31, 1995, 1994, and 1993, respectively.

Income Taxes

Income taxes have been recorded using the liability method in accordance with FASB Statement No. 109, "Accounting for Income Taxes" ("FASB 109").

Stock Based Compensation

The Company grants stock options for a fixed number of shares with an exercise price of no less than the fair value of the shares at the date of grant (see Note 12). The Company accounts for stock based compensation in accordance with APB Opinion No. 25, "Accounting for Stock Issued to Employees" and, accordingly, recognizes no compensation expense for the stock option grants.

Reclassifications

Certain reclassifications have been made to the 1994 and 1993 financial statements to conform to the 1995 presentation. These reclassifications have no effect on the Company's net losses.

Note 3—Marketable Equity Securities

The cost and market value of the Company's marketable equity securities classified as available for sale, at December 31, 1995, are as follows:

Name of Issuer and Title of Each Issue	Number of Shares	Cost of Each Issue in Thousands	Market Value of Each Issue in Thousands
Tele-Communications, Inc.			
TCI Group Series A Common Stock	12,479,976	$3,839	$248,039
TCI Group Series B Common Stock	7,071,852	1,268	150,277
Liberty Media Group Series A Common Stock	3,119,993	1,229	83,850
Liberty Media Group Series B Common Stock	1,767,963	410	51,271
Class B 6% Cumulative Redeemable Exchangeable Junior Preferred Stock	41,598	12	2,943
General Communication, Inc.:			
Class A Common Stock	415,000	12	2,132
Class B Common Stock	138,668	4	607
Others	various	124	963
		$6,898	$540,082

The cost and market value of the Company's marketable equity securities classified as available for sale, at December 31, 1994, are as follows:

Name of Issuer and Title of Each Issue	Number of Shares	Cost of Each Issue in Thousands	Market Value of Each Issue in Thousands
Tele-Communications, Inc. Class A Common Stock	12,479,976	$5,068	$271,439
Tele-Communications, Inc. Class B Common Stock	7,071,852	1,678	164,421
Tele-Communications, Inc. Class B 6% Cumulative Redeemable Exchangeable Junior Preferred Stock	41,598	12	2,413
General Communication, Inc. Class A Common Stock	416,000	12	1,612
General Communication, Inc. Class B Common Stock	138,668	4	416
Other	Various	132	486
		$6,906	$440,787

In 1994, the Company realized a gain on the disposal of marketable equity securities of $2,831,000 pursuant to the merger of Republic Pictures Corporation with Spelling Entertainment Group. Gains on disposals realized in 1995 also resulted from mergers and acquisitions.

In August 1995, TCI divided its common stock into four series: TCI Group Series A Common Stock (which replaced TCI Class A), TCI Group Series B Common Stock (which replaced TCI Class B), Liberty Media Group Series A Common Stock ("Liberty Series A"), and Liberty Media Group Series B Common Stock ("Liberty Series B"). The Company received a distribution of one-quarter share of Liberty Series A

and one-quarter share of Liberty Series B for each share of TCI Class A and TCI Class B owned, respectively.

As of December 31, 1993, the Company adopted FASB 115 and recorded the cumulative effect of this change in accounting principle, $401,521,000, net of the deferred tax effect, as a component of stockholders' equity.

On February 22, 1996, the aggregate market value of marketable equity securities held by the Company was approximately $567,070,000.

Note 4—Investments in Wireless Communications Affiliates

Investments in wireless communications affiliates include investments accounted for under the equity method.

Grupo Portatel, S.A. de C.V. ("Grupo")

As of December 31, 1995 and 1994, the Company, through Associated Communications of Mexico ("ACM"), a wholly owned subsidiary of the Company, had a direct 30.2% interest in Grupo, of which Portatel del Sureste, S.A. de C.V. ("Portatel"), a Mexican corporation, is a wholly owned subsidiary. Portatel holds a cellular license for Region 8, one of nine regions in Mexico, to provide cellular telephone service in the southeastern portion of Mexico.

Summary financial information, in thousands, of Grupo for the years ended December 31, 1995, 1994, and 1993 is as follows:

	1995	1994	1993
Current assets	**$ 4,584**	$ 7,619	$12,219
Noncurrent assets	**28,240**	32,159	32,693
Current liabilities	**20,517**	15,096	14,144
Noncurrent liabilities	**10,408**	15,335	24,814
Revenues	**13,558**	27,562	26,786
Expenses	**20,708**	33,425	29,592
Foreign currency translation (loss) gain	**(1,569)**	(3,541)	157
Net loss	**(8,719)**	(9,404)	(2,649)

The Company's share of the undistributed net deficit of Grupo is approximately $9,273,000 and $6,644,000 at December 31, 1995 and 1994, respectively. The Company has paid $9,690,000 for stock in Grupo as of December 31, 1995.

The Company has also loaned approximately $11,240,000 to other Grupo shareholders used for their purchase of stock which is secured by said stock. Interest accrues on certain of these notes at the prime rate plus 2%.

In June 1994, the Company entered into an Association in Participation Agreement ("AP Agreement") and a related Joint Venture Agreement (together, the "Grupo Documents") with another United States shareholder of Grupo and one of the Mexican nationals to whom the Company has loaned funds for the acquisition of Grupo stock. The United States shareholder and the Mexican national have 18.8% and 1.7% direct equity interests in Grupo, respectively. Through the AP Agreement, the Mexican national, acting as the Active Partner (as defined in the AP Agreement), holds a 39.8% equity interest in Grupo as of December 31, 1995. The Company is a Silent Partner (as defined in the AP Agreement) in the AP Agreement. The Grupo Documents provide for the allocation to the parties to the Grupo Documents, at a given ratio, of proceeds received from distributions made by Grupo to its shareholders or from the sale of shares held pursuant to the AP Agreement, after adjustment to such proceeds for income tax liabilities and payment of capital advanced by the Company and the other Silent Partner and related investment fees thereon (the "Distribution of Proceeds Provision"). In the event that the Active Partner, after consultation with the Silent Partners, votes in such a way that is against the express will of the Silent Partners, then the

Active Partner's proceeds from the sale of Grupo will be reduced by 50%, in accordance with the Distribution of Proceeds Provision. Additionally, the Grupo Documents provide that in the event of a change in Mexican law which would allow for the Silent Partners to hold direct ownership in Grupo without any percentage limitation, then, at the option of the Silent Partners, the Silent Partners may cause the AP Agreement to be dissolved, and the Silent Partners' ownership increase in Grupo will be determined based upon an allocation methodology consistent with the Distribution of Proceeds Provision. As a result of a change in Mexican law after the execution of the AP and Joint Venture Agreements, the Silent Partners have the ability to increase their direct percentage ownership in Grupo without any percentage limitation, subject to certain Mexican regulatory approvals which are routine in nature, and thus, are entitled at their option to cause the AP Agreement to be dissolved.

Included in the current and noncurrent liabilities of Grupo shown above are amounts due under various credit facilities of Portatel. Such loans are guaranteed by an equipment vendor of Portatel ("Guarantor"). During 1995, Portatel failed to meet all of its debt obligations under such credit facilities. Accordingly, payments were made by the Guarantor to Portatel's lenders on Portatel's behalf, and such amounts are shown above in the current liabilities of Grupo at December 31, 1995. In January 1996, the Guarantor made an additional debt payment on behalf of Portatel. As a result of Portatel's failure to make such payments, the Guarantor had the right to require Grupo to transfer to the Guarantor 40% of the stock of Portatel held in trust as collateral for such guarantee, but did not exercise its right to acquire such shares. Grupo, Portatel and certain shareholders of Grupo (including ACM) entered into a Contribution Agreement effective January 31, 1996 with the Guarantor to convert the payments made in 1995 and January 1996 on behalf of Grupo into capital stock of Grupo. The Guarantor will continue to guarantee the remaining debt of Portatel secured by an approximate 30.7% equity interest in Portatel. Closing under the Contribution Agreement is pending certain Mexican regulatory consents and approvals. The conversion provided for in the Contribution Agreement will dilute the Company's direct ownership percentage in Grupo to 23.6% from 30.2%.

The Company and another United States shareholder have agreed to contribute their rights under the Grupo Documents and their respective stock interests in Grupo to Grupo Holdings, L.L.C., a new joint venture limited liability company, in which the Company will have a 61.6% controlling equity interest. Excluding the effects of the AP Agreement, the Company will have a 23.6% economic ownership interest and a 38.4% voting interest in Grupo, considering the effects of dilution from the transaction with the Guarantor described above. Accordingly, through the AP Agreement and control of Grupo Holdings, L.L.C., the Company will have sufficient control over the assets of Grupo such that the financial statements of Grupo will be consolidated with the Company's financial statements effective January 1, 1996. The consolidation of Grupo will have no effect on the Company's consolidated financial position or consolidated operating results since its economic ownership percentage is the same regardless of consolidation of Grupo.

Teletrac, Inc. ("Teletrac")

In November 1995, Associated RT, Inc. ("ART"), a wholly owned subsidiary of AGI, acquired a 20.5% ownership interest (24.5% voting interest) in Teletrac, Inc. ("Teletrac"). Teletrac is in the business of providing location and, potentially, messaging services primarily for vehicle and fleet management. ART paid a total of $465,000 as of December 31, 1995 for Teletrac stock, and has subscribed to purchase additional stock (on a pro rata basis with other Teletrac stockholders) for $4,535,000, due as capital is needed by Teletrac.

Note 5—Investments in Other Wireless Communications, at Cost

Investments in other wireless communications, at cost, include the following:

Specialized Mobile Radio ("SMR")

The Company has an equity investment in a Mexican corporation, Corporacion Mobilcom, S.A. de C.V. ("Mobilcom"), which operates SMR systems in Mexico. SMR, or "trunked mobile radio," is a wireless communications service which can transmit voice and data. Mobilcom holds licenses or equity interests in

corporations licensed to provide trunked mobile radio service in the 800 MHz and 400 MHz frequency bands in major metropolitan areas in Mexico, including Mexico City, Guadalajara, and Monterrey, as well as the connecting highways.

On March 3, 1995, Mobilcom and its shareholders completed a transaction with Nextel Communications, Inc. ("Nextel"), pursuant to which Nextel made an investment in Mobilcom of $57.5 million for an approximate 18% equity interest. Nextel also received options which would allow Nextel to increase its ownership stake in Mobilcom to approximately 40% over the next three years. The Company's current effective ownership interest in Mobilcom, prior to exercise of the Nextel options, is approximately 15%, compared to 19% just prior to the Nextel transaction.

Personal Communications Services ("PCS")

The Company has a 75% interest in a general partnership (the "PCS Partnership") which holds a 4.42% interest in Omnipoint Communications, Inc. ("OCI"), a subsidiary of Omnipoint Corporation ("Omnipoint Parent"). Omnipoint Parent, through OCI, was awarded one of three pioneer's preference licenses by the Federal Communications Commission (FCC) to construct and operate a broadband PCS system in the New York Major Trading Area, a region with a population of approximately 27 million. In January 1996, Omnipoint Parent successfully completed an initial public offering and is traded on the Nasdaq National Stock Market under the symbol "OMPT."

Note 6—Property and Equipment

Property and equipment, in thousands, consists of the following:

	December 31 1995	December 31 1994	Estimated Useful Life-Years
Land	$ 100	$ 100	
Buildings and leasehold improvements	1,812	1,697	7-10
Furniture and equipment	8,881	8,875	3-10
	10,793	10,672	
Less accumulated depreciation and amortization	(7,676)	(6,708)	
	$3,117	$3,964	

Note 7—Short-Term Obligations

The Company's outstanding borrowings were $33,470,000 and $15,000,000 at December 31, 1995 and 1994, respectively. The Company has a $100,000,000 demand discretionary bank line of credit and margin loan facilities with two brokerage firms.

As of December 31, 1995, the Company has outstanding borrowings of $16,500,000 under the demand discretionary bank line of credit, and $16,970,000 under the brokerage margin loan facility currently in use. As of December 31, 1995, the weighted average interest rate on outstanding borrowings was approximately 6.6%.

As of December 31, 1995, 4,319,994 shares of TCI Group Series A Common Stock were pledged as security under the line of credit and brokerage margin loan facilities. In January 1996, an additional 500,000 shares of TCI Group Series A Common Stock were pledged as security under the brokerage margin loan facility currently in use.

Borrowings under the $100,000,000 line of credit are limited to 50% of the market value of the shares of TCI Group Series A Common Stock pledged as security under the agreement, and bear interest at either the Euro-Rate plus ⅝%, or the prime rate, as selected by the Company. The line expires on November 16, 1996 and the Company presently anticipates renewal of such facility.

Borrowings under the brokerage margin loan facility currently in use are limited to 50% of the market value of the pledged TCI Group Series A Common Stock, with an additional 15% collateral requirement if borrowings exceed $100,000,000, up to a maximum of $200,000,000. Borrowings bear interest at the Fed Funds rate plus ¾%. Borrowings under the second brokerage margin loan facility are limited to 50% of the market value of the pledged stock, and bear interest at the broker call rate.

Interest paid amounted to approximately $1,116,000, $349,000, and $276,000 for the years ended December 31, 1995, 1994, and 1993, respectively.

Note 8—Deferred Compensation

Two executive officers of the Company serve under employment agreements that provide for the annual payment for ten years to the officers' beneficiary of one-half of the officers' base salary upon termination due to disability or death. The Company accrues the present value of the estimated payments due over the expected service period of the employees.

Note 9—Leases

The Company leases sales, studio, administrative, and certain corporate offices, as well as transmitter and antenna sites, under operating lease agreements. Total rent expense was approximately $1,390,000, $1,551,000, and $1,609,000 for the years ended December 31, 1995, 1994, and 1993, respectively.

Approximate future minimum lease payments, in thousands, by year and in the aggregate, are as follows at December 31, 1995:

1996	$ 690
1997	654
1998	540
1999	519
2000 and thereafter	551
	$2,954

Note 10—Income Taxes

Prior to the Distribution Date, the Company filed income tax returns as a consolidated group with Associated and its other subsidiaries. Income taxes for 1994 and 1993 presented in these financial statements represent the portion of income taxes that were attributable to the taxable income and book and tax bases differences of the companies included in these financial statements. Such amounts do not represent the taxes which would have been recorded if the Company had filed income tax returns as an independent entity in those years. Had the tax provision been calculated as though separate income tax returns were filed, the pro forma income tax benefit and the pro forma net loss for the years ended December 31, 1994 and 1993 would have been as follows (in thousands):

	1994	1993
Pro forma income tax (benefit)	$ (2,113)	$(848)
Pro forma net loss	(10,136)	(578)

The Company has no current tax liability for any periods prior to the Distribution Date under the provisions of a Tax Disaffiliation Agreement entered into by the Company, Associated, and ACH in connection with the Distribution.

The Company adopted FASB 109 on January 1, 1993. Prior financial statements were not restated, and the cumulative effect of this change increased 1993 net income by approximately $883,000, including

the effect of adoption on Grupo. The adoption of FASB 109 had no effect on the loss before income taxes and cumulative effect of accounting changes for income taxes.

The tax effects of temporary differences that give rise to the net deferred tax liability, in thousands, are as follows:

	December 31	
	1995	1994
Deferred tax liability:		
Unrealized gain on marketable equity securities	$(186,614)	$(151,858)
Deferred tax assets:		
Equity in loss of affiliates	3,083	2,135
Inventory reserves and capitalized costs	995	957
Start-up and organizational costs	70	882
Net operating loss carryforwards	7,372	1,173
Other	587	137
Total deferred tax assets	12,107	5,284
NET DEFERRED TAX LIABILITY	$(174,507)	$(146,574)

The income tax benefit for the three years ended December 31, 1995, in thousands, consists of the following:

	1995	1994	1993
Federal:			
Current	$ —	$ —	$ —
Deferred	(6,823)	(2,813)	(338)
	$(6,823)	$(2,813)	$(338)

At December 31, 1995, the Company has federal net operating loss carryforwards of approximately $1,613,000, $980,000 and $19,090,000 expiring in the years 2008, 2009, and 2010, respectively.

A reconciliation between income taxes computed using the statutory federal income tax rate and the effective rate, in thousands, is as follows:

	1995	1994	1993
Federal income tax (credit) at statutory rate (34%)	$(6,812)	$(4,165)	$(785)
Effect of income tax allocation between the Company and Associated	—	1,244	347
Dividend exclusion	—	—	(58)
Tax effect of net operating loss not utilized	—	—	135
Other	(11)	108	23
	$(6,823)	$(2,813)	$(338)

Note 11—Common Stock

In connection with the Distribution, the Company approved and adopted a Stockholder Rights Plan. On December 14, 1994, the Board of Directors of the Company declared a Rights dividend payable for each outstanding share of Company common stock distributed to Associated stockholders pursuant to the Distribution on December 15, 1994. Each Right entitles the registered holder to purchase from the Company a unit consisting of one one-hundredth of a share (a "Unit") of Series A Junior Participating Preferred Stock, par value $.01 per share, at a purchase price of $100 per Unit, subject to adjustment (the "Purchase Price").

Upon occurrence of certain events as set forth in the Stockholder Rights Plan, each holder of a Right will thereafter have the right to receive, upon exercise, Class B Common Stock (or, in certain circumstances, cash, property, or other securities of the Company) having a value equal to two times the Purchase Price.

Each share of the Class A Common Stock entitles the holder to one vote and each share of the Class B Common Stock entitles the holder to one twenty-fifth (1/25) of a vote. There is no cumulative voting.

Class B Common Stock is mandatorily convertible at the election of the Company and without stockholder action, into one share of Class A Common Stock, upon the determination of the Company's Board of Directors that such a conversion is necessary or appropriate in connection with an election by the Company to become a business development company under the Investment Company Act of 1940, as amended ("1940 Act"), or to register as an investment company under the 1940 Act. A total of 10,823,668 shares of Class A Common Stock are reserved for issuance in the event of such a conversion.

1995 per common share data is calculated using 18,765,947 weighted average common shares outstanding during the year ended December 31, 1995, and does not include common stock equivalents since their effect on the net loss per share would be antidilutive. 1994 and 1993 pro forma per common share data is calculated using 18,766,031 weighted average common shares outstanding from December 15 to December 31, 1994, and does not include common stock equivalents since their effect on the pro forma net loss per share would be antidilutive.

Note 12—Stock Options

1989 Stock Option Plan of Associated Communications Resources, Inc. ("ACORN Plan")

The ACORN Plan was sponsored by a wholly owned subsidiary of Associated which was merged with the Company in connection with the Distribution and the Merger. In accordance with the provisions of the ACORN Plan and as a result of the Merger, all outstanding ACORN Plan options became fully vested and, as of the effective time of the Merger, were rolled over into and became options for Class B Common Stock of the Company. Such "rollover" options are governed by the provisions of the Company's 1994 Stock Option and Incentive Award Plan described below, with an option period of ten years from the date of original grant of the ACORN Options.

ACORN Options held by persons who were not employees of Associated or the Company at the Distribution Date were cashed out resulting in compensation expense of $544,500 in 1994.

1994 Stock Option and Incentive Award Plan ("1994 Plan")

The 1994 Plan authorizes, among other award programs, the granting of options to purchase up to 950,000 shares of Class B Common Stock, and an additional 490,683 shares of Class B Common Stock for the rollover options as described above. Under the Plan, in general, options may be granted at an option price no less than the fair market value of the stock covered by the option on the grant date, for an option period of ten years. Options become exercisable over a period determined by the committee of nonemployee directors which administers the 1994 Plan. As of December 31, 1995, 493,163 options were exercisable under the 1994 Plan.

Activity of the 1994 Plan is summarized below:

	Number of Options		Option Price Per Share
	1995	1994	
Options outstanding, beginning of year	495,683	—	
Options granted	656,000	5,000	$16.50-$22.625
Options rolled over from ACORN Plan	—	490,683	$0.90-$1.31
Options outstanding, end of year	1,151,683	495,683	

Associated RT, Inc. 1995 Stock Incentive Plan ("ART Plan")

The ART Plan, adopted in October 1995, authorizes the granting of options to purchase up to 200,000 shares of common stock of Associated RT, Inc. Under the Plan, in general, options may be granted at an option price no less than the fair value of the stock covered by the option on the grant date, for an option period of ten years. Options become exercisable over a period determined by the committee of nonemployee directors which administers the ART Plan. In 1995, 97,500 options were granted at fair value in accordance with the ART Plan, exercisable over either a one- or four-year period. As of December 31, 1995, no options were exercisable under the ART Plan.

Note 13—Fair Values of Financial Instruments

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments.

Cash and Cash Equivalents

The carrying amount reported in the balance sheets for cash and cash equivalents approximates its fair value.

Marketable Equity Securities

The fair values of marketable equity securities are based on quoted market prices.

Notes Receivable from Foreign Affiliates

The fair value of the notes receivable from foreign affiliates is estimated using discounted cash flow analyses.

Short-Term Obligations

The carrying amount of the Company's short-term borrowings approximates fair value.

Considerable judgment enters into estimates of fair value. Accordingly, the estimates presented may not be indicative of the amounts that the Company could realize in a current market exchange. The carrying amounts and fair values of the Company's financial instruments, in thousands, were as follows:

	December 31, 1995		December 31, 1994	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Cash and cash equivalents	$ 1,018	$ 1,018	$ 1,919	$ 1,919
Annuity contract	—	—	948	948
Marketable equity securities	540,082	540,082	440,787	440,787
Notes receivable from foreign affiliates	11,431	11,431	10,279	10,279
Short-term obligations	33,470	33,470	15,000	15,000

Based upon the information reasonably available to it, including the information set forth in Note 5, the Company believes that the fair market value of its investments in SMR and PCS are in excess of carrying value.

Note 14—Segment Information

The Company operates principally in three industry segments: wireless communication services in various major cities in the United States and Mexico, radio broadcasting in Ohio, and retail art in New York, New York. Financial information by industry segment, in thousands, is as follows:

	Year ended December 31		
	1995	1994	1993
Revenues:			
Wireless communication services	$ 1,884	$ 2,244	$ 3,206
Radio broadcasting	1,854	1,897	1,980
Art gallery sales	534	523	889
TOTAL REVENUES	$ 4,272	$ 4,664	$ 6,075
Operating loss:			
Wireless communication services	$ (7,462)	$ (1,680)	$ (1,020)
Radio broadcasting	(293)	(53)	(40)
Art gallery	(742)	(659)	(1,433)
Corporate	(8,169)	(10,499)	(1,792)
OPERATING LOSS	(16,666)	(12,891)	(4,285)
Equity in loss of affiliates	(2,912)	(2,957)	(1,239)
Other (expense) income	(458)	3,599	3,215
LOSS BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE FOR INCOME TAXES	$ (20,036)	$ (12,249)	$ (2,309)
Identifiable assets:			
Wireless communication services	$ 26,489	$ 28,358	$ 21,583
Radio broadcasting	947	976	1,127
Art gallery	1,421	1,654	1,885
Corporate	545,614	447,567	628,687
TOTAL ASSETS	$574,471	$478,555	$653,282
Depreciation and amortization:			
Wireless communication services	$ 906	$ 1,058	$ 1,129
Radio broadcasting	112	110	79
Art gallery	10	11	14
Corporate	274	252	73
	$ 1,302	$ 1,431	$ 1,295
Capital expenditures:			
Wireless communication services	$ 269	$ 45	$ 167
Radio broadcasting	115	41	71
Art gallery	12	2	5
Corporate	251	201	298
	$ 647	$ 289	$ 541

Revenues from wireless communication services include sales to one customer representing approximately 19%, 24%, and 27%, of total revenues in 1995, 1994, and 1993, respectively.

Corporate assets consist principally of cash and cash equivalents, marketable equity securities, and prepaid expenses and other assets. Assets of the wireless communications segment include microwave communications services, the investments in Grupo, Mobilcom, Omnipoint, and Teletrac, in addition to assets related to TruePosition and DTS.

Note 15—Related Party Transactions

The Company provided technical, administrative, and management services to Grupo and to other affiliated organizations. The Company was reimbursed for these services at rates which approximate cost. The reimbursement of these costs is used to offset operating and sales, general and administrative expenses. The total reimbursement for these services on a net equity basis was approximately $9,000, $19,000, and $97,000 in 1995, 1994, and 1993, respectively.

Accounts receivable at December 31, 1995 and 1994 includes approximately $252,000 and $196,000, respectively, for balances due from affiliates for technical, administrative, and management services and other expenses.

In 1993, all intercompany accounts with the Associated Business to be Merged were settled.

Note 16—Direct Research and Development

Direct research and development costs include direct costs for TruePosition, DTS, and other advanced wireless communications ventures and amounted to approximately $7,361,000, $1,381,000, and $1,150,000 for the years ended December 31, 1995, 1994, and 1993, respectively.

Note 17—Quarterly Data (Unaudited)

	Quarters			
	First	Second	Third	Fourth
	(In Thousands, Except Per Share Data)			
1995				
Revenues	**$ 1,201**	**$ 1,083**	**$ 999**	**$ 989**
Operating loss	**(3,321)**	**(3,369)**	**(4,174)**	**(5,802)**
Net loss	**(2,507)**	**(2,654)**	**(3,339)**	**(4,713)**
Net loss per common share	**$ (.13)**	**$ (.14)**	**$ (.18)**	**$ (.25)**
1994				
Revenues	$ 1,244	$ 1,206	$ 1,022	$ 1,192
Operating loss	(2,144)	(1,102)	(2,114)	(7,531)
Net loss	(858)	570	(1,973)	(7,175)
Pro forma net loss per common share	$ (.05)	$ .03	$ (.10)	$ (.38)

1994 pro forma per common share data was calculated using 18,766,031 average shares outstanding from December 15 to December 31, 1994 as if such shares were outstanding throughout the entire year. The 1994 fourth quarter operating loss includes approximately $5,077,000 in net expenses relating to the transaction with SBC (see Note 1).

Note 18—Subsequent Events

On March 11, 1996, the Company signed a definitive purchase agreement to purchase the Federal Communications Commission ("FCC") license and related assets of radio broadcasting station WCEZ-FM located in Delaware, Ohio, serving the Delaware/Columbus, Ohio market. The purchase is subject to approval by the FCC and the Company currently expects to close the transaction in the second quarter of 1996. The total consideration for this acquisition will be approximately $3,250,000, including amounts for noncompete and consulting agreements.

Refer to Note 4 for a discussion of subsequent events related to the Company's investment in Grupo.

The Associated Group, Inc.

DIRECTORS

Myles P. Berkman
David J. Berkman
Donald H. Jones
  Chairman
  Industry.Net Corporation
Joseph A. Katarincic, Esq.
  Katarincic & Salmon

CORPORATE OFFICERS

Myles P. Berkman
  Chairman, President,
  Chief Executive Officer and Treasurer
David J. Berkman
  Executive Vice President
Lillian R. Berkman
  Vice President
Monroe E. Berkman
  Vice President
Scott G. Bruce
  General Counsel and Secretary
John K. Dion
  Vice President
Richard I. Goldstein
  Vice President
Keith C. Hartman
  Controller and Assistant Secretary

AUDITORS

Ernst & Young LLP
Pittsburgh, Pennsylvania

REGISTRAR AND TRANSFER AGENT

Mellon Securities Trust Company
Pittsburgh, Pennsylvania

COUNSEL

Skadden, Arps, Slate, Meagher & Flom
New York, New York

Fleischman and Walsh, L.L.P.
Washington, DC

FORM 10-K

Copies of the Company's Annual Report on Form 10-K can be obtained upon request without charge from Investor Relations at the Company's headquarters, 200 Gateway Towers, Pittsburgh, Pennsylvania 15222, or by calling (412) 281-1907, extension 10.

THE ASSOCIATED GROUP, INC.
200 GATEWAY TOWERS • PITTSBURGH, PA 15222
(412) 281-1907 FAX (412) 281-1914

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-Q

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

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

For the quarterly period ended June 30, 1996

OR

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

For the transition period from ___________ to ___________

Commission File Number 0-24924

THE ASSOCIATED GROUP, INC.

(Exact name of registrant as specified in its charter)

DELAWARE
(State of Incorporation)

51-0260858
(I.R.S. Employer Identification No.)

200 Gateway Towers, Pittsburgh, Pennsylvania
(Address of principal executive offices)

15222
(Zip Code)

412-281-1907
(Registrant's telephone number)

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 √ No __

The number of shares outstanding of each of the issuer's classes of common stock, as of August 9, 1996:

Common Stock, Class A	9,382,962
Common Stock, Class B	9,396,910

PART I

FINANCIAL INFORMATION

THE ASSOCIATED GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	June 30, 1996	December 31, 1995
	(amounts in thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents (approximates fair value)	$ 1,158	$ 1,018
Accounts receivable, less allowance for doubtful accounts (June 30, 1996--$3,637,000; December 31, 1995--$183,000)	4,744	626
Notes receivable from foreign affiliates	196	191
Inventory held for resale	1,409	1,311
Prepaid expenses and other assets	773	860
Deferred income taxes	1,689	1,057
Total current assets	9,969	5,063
Property and equipment, net of accumulated depreciation and amortization (June 30, 1996--$23,394,000; December 31, 1995--$7,676,000)	26,970	3,117
Marketable equity securities, at fair value (cost: June 30, 1996--$6,883,000; December 31, 1995--$6,898,000)	498,610	540,082
Notes receivable from foreign affiliates	20,046	11,240
Investments in wireless communications affiliates	14,571	13,602
Other noncurrent assets	8,662	1,367
Total assets	$ 578,828	$ 574,471

See notes to consolidated financial statements

THE ASSOCIATED GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	June 30, 1996	December 31, 1995
	(amounts in thousands)	
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 6,723	$ 4,681
Other accrued expenses	1,844	1,297
Due to cellular equipment vendor	14,952	-
Short-term obligations	48,206	33,470
Current portion of long-term debt	2,082	-
Toal current liabilities	73,807	39,448
Deferred compensation	1,303	1,264
Long-term debt, excluding current portion	9,367	-
Deferred income taxes	158,512	175,564
Minority interests	10,177	797
Commitments and contingencies	-	-
Stockholders' equity:		
Preferred stock, par value $.01 per share; authorized 5,000,000 shares, none issued	-	-
Class A Common Stock, par value $.10 per share; authorized 100,000,000 shares; 9,382,962 issued and outstanding in 1996 and 1995	938	938
Class B Common Stock, par value $.10 per share; authorized 50,000,000 shares; 9,396,910 and 9,382,985 issued and outstanding in 1996 and 1995	940	938
Additional paid-in capital	11	-
Unrealized gain on marketable equity securities, net of deferred taxes (June 30, 1996--$172,104,000; December 31, 1995--$186,614,000)	319,623	346,570
Retained earnings	4,150	8,952
Total stockholders' equity	325,662	357,398
Total liabilities and stockholders' equity	$ 578,828	$ 574,471

See notes to consolidated financial statements

THE ASSOCIATED GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	1996	1995	1996	1995
	(amounts in thousands, except share and per share amounts)			
Revenues:				
Cellular communication services	$ 3,930	$ -	$ 7,472	$ -
Microwave communication services	393	479	813	961
Radio broadcasting	588	536	930	936
Art gallery sales	178	68	310	387
	5,089	1,083	9,525	2,284
Costs and expenses:				
Cost of sales:				
Cellular communication services	2,164	-	4,068	-
Microwave communication services	176	190	370	381
Radio broadcasting	164	136	329	267
Art gallery sales	133	69	229	339
Direct research and development expenses	1,955	1,228	3,683	2,236
Sales, general and administrative expenses	4,349	2,507	8,537	5,082
Depreciation and amortization expense	1,245	322	2,513	669
	10,186	4,452	19,729	8,974
Operating loss	(5,097)	(3,369)	(10,204)	(6,690)
Equity in loss of affiliates	(467)	(487)	(794)	(1,157)
Other income (expense):				
Gain on sale of marketable equity securities	719	1	3,397	1
Interest and dividend income	432	244	1,128	718
Interest expense	(813)	(422)	(2,007)	(724)
Minority interests	501	-	1,351	(1)
	839	(177)	3,869	(6)
Loss before income taxes	(4,725)	(4,033)	(7,129)	(7,853)
Income tax benefit	1,512	1,379	2,327	2,692
Net loss	$ (3,213)	$ (2,654)	$ (4,802)	$ (5,161)
Net loss per common share	$ (.17)	$ (.14)	$ (.26)	$ (.28)
Weighted average common shares outstanding	18,769,428	18,765,947	18,767,936	18,765,947

See notes to consolidated financial statements

THE ASSOCIATED GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Six Months Ended June 30, 1996	1995
	(amounts in thousands)	
Cash Flows From Operating Activities		
Net loss	$ (4,802)	$ (5,161)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	2,513	669
Loss on disposal of property and equipment	-	156
Provision for losses on accounts receivable	628	77
Gain on sale of marketable equity securities	(3,397)	(1)
Equity in loss of affiliates	794	1,157
Minority interests	(1,351)	1
Provision for deferred income taxes	(2,541)	(2,692)
Change in assets and liabilities:		
Accounts receivable	(2,215)	(105)
Inventory held for resale	137	176
Prepaid expenses and other assets	407	145
Accounts payable	(804)	64
Accrued transaction expenses	-	(5,433)
Other accrued expenses	(580)	(872)
Deferred compensation	39	45
Net Cash Used In Operating Activities	(11,172)	(11,774)
Cash Flows From Investing Activities		
Cash and cash equivalents from consolidation of affiliate	751	-
Cash paid for acquisition	(2,639)	-
Purchases of property and equipment	(1,790)	(273)
Proceeds from sale of marketable equity securities	3,412	2
Increase in notes receivable from foreign affiliates	(1,674)	(684)
Investments in wireless communications affiliates	(2,672)	(320)
Other investing activities, net	(427)	(28)
Net Cash Used In Investing Activities	(5,039)	(1,303)
Cash Flows From Financing Activities		
Proceeds from short-term obligations, net	14,736	11,262
Long-term debt assumed by cellular equipment vendor	(2,845)	-
Increase in due to cellular equipment vendor	3,450	-
Repayment of long-term debt	(1,041)	-
Investment by minority interests	2,038	-
Proceeds from stock option exercises	13	1
Net Cash Provided By Financing Activities	16,351	11,263
Net Increase (Decrease) In Cash And Cash Equivalents	140	(1,814)
Cash And Cash Equivalents At Beginning Of Period	1,018	1,919
Cash And Cash Equivalents At End Of Period	$ 1,158	$ 105

See notes to consolidated financial statements

THE ASSOCIATED GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six months ended June 30, 1996, are not necessarily indicative of the results that may be expected for the year ended December 31, 1996. For further information, refer to the financial statements and footnotes thereto included in The Associated Group, Inc. (the "Company," as used herein, includes all consolidated subsidiaries, unless the context otherwise indicates) Annual Report on Form 10-K for the year ended December 31, 1995. The audited financial statements of Grupo Portatel, S.A. de C.V. and Subsidiaries for the years ended December 31, 1995, 1994 and 1993 are included as Exhibit 99.1 to The Associated Group, Inc. Annual Report on Form 10-K for the year ended December 31, 1995.

Certain amounts in the financial statements for the 1995 periods have been reclassified to conform to the financial statement presentation for the current period. These reclassifications have no effect on net loss.

2. CONSOLIDATION OF GRUPO PORTATEL, S.A. de C.V.

At June 30, 1996, the Company, through a wholly owned subsidiary, Associated Communications of Mexico, Inc. ("ACM"), has a 30.2% interest in Grupo Portatel, S.A. de C.V. ("Grupo"), of which Portatel del Sureste, S.A. de C.V. ("Portatel"), a Mexican cellular telephone company, is a wholly owned subsidiary. Effective January 1, 1996, the Company and the other United States shareholder of Grupo agreed to contribute their respective stock interests in Grupo, as well as their rights under an Association in Participation Agreement ("AP Agreement") and a related Joint Venture Agreement, to Grupo Holdings, L.L.C. ("Grupo Holdings"), a new joint venture limited liability company, in which the Company has a 61.6% controlling equity interest. Through December 31, 1995, the Company recorded its investment in Grupo using the equity method. As a result of the formation of Grupo Holdings and the effects of the AP Agreement, the Company has consolidated the financial statements of Grupo with the Company's financial statements as of January 1, 1996.

At June 30, 1996, excluding the effects of the AP Agreement and any dilution that may result from the debt to equity conversion discussed in Note 9, the Company has a 30.2% economic ownership interest and through Grupo Holdings controls a 49.0% voting interest in Grupo. Upon closing of the agreement discussed in Note 9, excluding the effects of the AP Agreement, the Company's ownership interest in Grupo will be reduced to approximately 23.6%. Subsequent to this transaction, through the AP Agreement and control of Grupo Holdings, the Company will continue to exert sufficient control over Grupo to warrant consolidation of Grupo's financial statements.

As a result of the consolidation of Grupo's financial statements and the formation of Grupo Holdings, equity in loss of affiliates in the 1996 period no longer includes Grupo, and at June 30, 1996, the Company's minority interests include third-party ownership interests of 69.8% and 38.4% for Grupo and Grupo Holdings, respectively. The Company's balance sheet includes $7,162,000 of notes receivable and accrued interest from foreign affiliates resulting from the formation of and initial contributions to Grupo Holdings by the minority member of Grupo Holdings. The consolidation of Grupo has no effect on the Company's consolidated net equity, consolidated net loss or per share data since its economic ownership percentage is the same regardless of consolidation of Grupo. The pro forma consolidated revenues of the Company for the three and six months ended June 30, 1995 would have been $4,585,000 and $9,419,000, respectively, assuming consolidation of Grupo as of January 1, 1995.

3. ACQUISITION

In the second quarter of 1996, the Company purchased the assets and was awarded an assignment of the Federal Communications Commission ("FCC") license of radio broadcasting station WCEZ-FM located in Delaware, Ohio, serving the Delaware/Columbus, Ohio market, for consideration of approximately $3,250,000, including amounts for noncompete and consulting agreements. The Company has consolidated the results of operations of WCEZ since the date of acquisition. The operations of WCEZ-FM are not material to the Company's revenues or net loss.

4. FOREIGN CURRENCY TRANSLATION

The financial statements of Grupo are translated from Mexican new pesos to U.S. dollars in accordance with Financial Accounting Standards No. 52, "Foreign Currency Translation." Based upon the inflationary and political environment in Mexico, along with the economic dependency Grupo has had on its shareholders (including the Company) and the source of its cash outflows, the U.S. dollar has been utilized as the functional currency. Nonmonetary assets and liabilities have been translated at historical exchange rates and monetary assets and liabilities have been translated based on the current exchange rate. Revenues and expenses have been translated at the weighted average exchange rate in effect during the period. Foreign currency translation gains and losses are included in the statement of operations.

5. INVENTORY HELD FOR RESALE

Inventory, which consists of art prints of $1,244,000 and $1,311,000 at June 30, 1996 and December 31, 1995, respectively, and cellular telephones and related equipment of $165,000 and $0 at June 30, 1996 and December 31, 1995, respectively, is recorded at the lower of cost or market value. Cost of art prints is determined under the first-in, first-out method and cost of cellular telephones and related equipment is determined under the last-in, first-out method. Inventory is reported net of a market valuation reserve relating to art inventory of $1,574,000 and $1,582,000 at June 30, 1996 and December 31, 1995, respectively.

6. MARKETABLE EQUITY SECURITIES

The cost and market value of marketable equity securities classified as available for sale at June 30, 1996, are as follows:

Name of Issuer and Title of Each Issue	Number of Shares	Cost of Each Issue In Thousands	Market Value of Each Issue In Thousands
Tele-Communications, Inc.:			
TCI Group Series A Common Stock	12,479,976	$ 3,839	$226,200
TCI Group Series B Common Stock	7,071,852	1,268	134,365
Liberty Media Group Series A Common Stock	3,119,993	1,229	82,680
Liberty Media Group Series B Common Stock	1,767,963	410	51,271
General Communication, Inc.:			
Class A Common Stock	326,000	9	2,608
Class B Common Stock	138,668	4	901
Others	Various	124	585
		$ 6,883	$498,610

During March 1996, the Company sold 41,598 shares of Tele-Communications, Inc. ("TCI") Class B 6% Cumulative Redeemable Exchangeable Junior Preferred Stock for pretax proceeds of approximately $2,690,000, and has recognized a gain on the sale of approximately $2,678,000. During the second quarter of 1996, the Company sold 90,000 shares of General Communication, Inc. ("GCI") Class A Common Stock for pretax proceeds of approximately $722,000, and has recognized a gain on the sale of approximately $719,000.

Including the effects of the sale of marketable equity securities during the period, the adjustment to the unrealized gain on marketable equity securities, net of tax, recorded as a separate component of stockholders' equity was ($26,947,000) and $14,299,000 in the six months ended June 30, 1996 and 1995, respectively.

As of August 9, 1996, the aggregate market value of the marketable equity securities held by the Company was approximately $435,491,000, representing an approximate $63,119,000 decrease from June 30, 1996.

7. OTHER NONCURRENT ASSETS

At June 30, 1996, included in other noncurrent assets are amounts for preoperating expenses of Grupo of $1,338,000, net of accumulated amortization of $1,632,000, and amounts for the cost of concession rights granted to Portatel from the Mexican Ministry of Communications and Transportation ("SCT") to operate cellular telephone services in the southeast region of Mexico of $2,542,000, net of accumulated amortization of $983,000. The preoperating expenses are being amortized over a ten year period and the cost of concession rights is being amortized over twenty years, the life of the concession.

At June 30, 1996, also included in other noncurrent assets are amounts for goodwill and noncompete agreements related to the second quarter 1996 purchase of the assets of WCEZ-FM (see Note 3) of $2,505,000, net of accumulated amortization of $29,000. The goodwill is being amortized over a fifteen year period and the noncompete agreements are being amortized over three years, the term of the agreements.

8. SHORT-TERM OBLIGATIONS

As of June 30, 1996, the Company has outstanding short-term obligations of $48,206,000 under its demand discretionary bank line of credit and a brokerage margin loan facility, with an aggregate of 5,919,994 shares of TCI Group Series A Common Stock pledged as collateral under the Company's credit facilities. Subsequent to June 30, 1996 and through August 9, 1996, an additional 2,579,986 shares of TCI Group Series A Common Stock were pledged, increasing the total number of shares pledged to 8,499,980.

9. LONG-TERM DEBT AND AMOUNTS DUE TO CELLULAR EQUIPMENT VENDOR

Portatel has long-term debt obligations under various credit facilities with a U.S. bank and various related parties (the "Portatel Credit Agreements"). Such long-term obligations are denominated in U.S. dollars and were incurred for working capital, including the purchase and construction of cellular infrastructure equipment. The outstanding debt under the Portatel Credit Agreements is guaranteed by a cellular equipment vendor of Portatel (the "Guarantor"). During 1995 and January 1996, Portatel failed to meet a portion of its debt obligations under such credit facilities. Accordingly, payments were made by the Guarantor to Portatel's lenders on Portatel's behalf. Such amounts are included in current liabilities at June 30, 1996. As a result of Portatel's failure to make such payments, the Guarantor had the right to require Grupo to transfer to the Guarantor 40% of the stock of Portatel held in trust as collateral for such guarantee, but did not exercise its right to acquire such shares. Grupo, Portatel and certain shareholders of Grupo (including the Company) entered into a Contribution Agreement with the Guarantor, effective January 31, 1996, to convert the payments made by the Guarantor in 1995 and January 1996 on behalf of Portatel into capital stock of Grupo. Closing under the Contribution Agreement is contingent upon certain Mexican regulatory consents and approvals, the last of which is currently expected to be obtained in the third quarter of 1996. Upon closing, excluding the effects of the AP Agreement, the conversion provided for

in the Contribution Agreement will result in a reduction of the Company's ownership interest in Grupo to approximately 23.6%. The effect of the anticipated reduction in the Company's ownership interest in Grupo will be a reclassification of $14,952,000 between due to cellular equipment vendor and minority interests on the Company's consolidated balance sheet. The Guarantor will continue to guarantee the remaining debt of Portatel secured by an approximate 30.7% equity interest in Portatel.

The remaining debt of Portatel is subdivided into various pieces, referred to as Tranches. The loans under Tranche I bear interest at the LIBOR rate plus 2.5%. Interest and principal are payable in semiannual installments through November 15, 2001. The loans under Tranche II bear interest at the LIBOR rate plus 6%. Interest and principal are payable in semiannual installments through September 25, 2001. The amounts outstanding under the Portatel Credit Agreements at June 30, 1996 (in thousands) are as follows:

	Tranche I	Tranche II	Total
Current	$ 1,742	$ 340	$ 2,082
Long-Term	7,835	1,532	9,367
	$ 9,577	$ 1,872	$11,449

10. SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid for interest was approximately $1,107,000 and $564,000 for the six months ended June 30, 1996 and 1995, respectively. The Company made no federal and state income tax payments and through Grupo, paid approximately $394,000 in Mexican taxes during the six months ended June 30, 1996. The Company made no federal and state income tax payments in the six months ended June 30, 1995.

11. PER SHARE DATA

Weighted average common shares outstanding do not include common stock equivalents since their effect on the net loss per common share would be antidilutive.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

As of and for the three and six months ended June 30, 1996, the Company has consolidated the financial statements of Grupo, which investment was accounted for under the equity method in 1995 (see Note 2 to the consolidated financial statements included elsewhere herein). As a result of the consolidation of Grupo and the formation of Grupo Holdings (see Note 2 to the consolidated financial statements included elsewhere herein), equity in loss of affiliates in the 1996 period no longer reflects Grupo, and the Company's minority interests at June 30, 1996 include third-party ownership interests of 69.8% and 38.4% for Grupo and Grupo Holdings, respectively. In addition, the Company's balance sheet at June 30, 1996 reflects higher notes receivable from foreign affiliates due to the formation of and initial contributions to Grupo Holdings by the minority member of Grupo Holdings.

This Form 10-Q contains certain forward looking statements about the Company's completion of pending transactions and availability of certain tax benefits. Any such statements are subject to risks that could cause the actual results or needs to vary materially.

Financial Condition

Currently, the Company is financing its cash requirements from three credit facilities: a $100,000,000 demand discretionary bank line of credit (the "line of credit") and two brokerage margin loan facilities. The line of credit expires on November 16, 1996 and the Company presently anticipates renewal of such facility. Short-term obligations outstanding as of June 30, 1996 were $19,000,000 under the line of credit and $29,206,000 under one of the brokerage margin loan facilities. As of August 9, 1996, the Company has pledged in the aggregate 8,499,980 shares of TCI Group Series A Common Stock as collateral, and borrowings under each of these credit facilities are limited to 50% of the market value of such stock pledged, with an additional 15% collateral requirement on one of the brokerage margin loan facilities if borrowings exceed $100,000,000, up to a maximum of $200,000,000. Based on the market value of the stock currently pledged, and outstanding short-term obligations of approximately $51,622,000 as of August 9, 1996, the Company's unused borrowing capacity under the three existing credit facilities is approximately $15,847,000. A significant portion of the Company's assets are liquid, and can be pledged as collateral for added borrowing capacity. Given the market value of the remaining shares of marketable equity securities that could potentially be pledged as additional collateral as of August 9, 1996, the Company's three credit facilities provide for maximum additional borrowings of up to approximately $165,432,000. The Company's ability to meet cash needs in the near term for future development depends in large part on the value of its portfolio of securities. The Company periodically evaluates its financial position and alternative financing arrangements.

In March 1996, the Company sold 41,598 shares of TCI Class B 6% Cumulative Redeemable Exchangeable Junior Preferred Stock for pretax proceeds of approximately $2,690,000, and recognized a gain on the sale of approximately $2,678,000. In the second quarter of 1996, the Company sold 90,000 shares of General Communication, Inc. Class A Common Stock for pretax proceeds of approximately $722,000, and recognized a gain on the sale of approximately $719,000. The Company will utilize current year losses and/or net operating loss carryforwards to offset the federal income taxes resulting from these gains. Proceeds from these sales were used for working capital and to fund the development of the Company's wireless technologies, as well as for the repayment of $1,600,000 of short-term obligations in March 1996.

Portatel has long-term debt obligations under various credit facilities with a U.S. bank and various related parties (the "Portatel Credit Agreements"). Such long-term obligations are denominated in U.S. dollars and were incurred for working capital, including the purchase and construction of cellular infrastructure equipment. The outstanding debt under the Portatel Credit Agreements is guaranteed by a cellular equipment vendor of Portatel (the "Guarantor"). During 1995 and January 1996, Portatel failed to meet a portion of its debt obligations under such credit facilities. Accordingly, payments were made by the Guarantor to Portatel's lenders on Portatel's behalf. Such amounts are included in current liabilities at June 30, 1996. As a result of Portatel's failure to make

such payments, the Guarantor had the right to require Grupo to transfer to the Guarantor 40% of the stock of Portatel held in trust as collateral for such guarantee, but did not exercise its right to acquire such shares. Grupo, Portatel and certain shareholders of Grupo (including the Company) entered into a Contribution Agreement with the Guarantor, effective January 31, 1996, to convert the payments made by the Guarantor in 1995 and January 1996 on behalf of Portatel into capital stock of Grupo. Closing under the Contribution Agreement is contingent upon certain Mexican regulatory consents and approvals, the last of which is currently expected to be obtained in the third quarter of 1996. Upon closing, excluding the effects of the AP Agreement, the conversion provided for in the Contribution Agreement will result in a reduction of the Company's ownership interest in Grupo from 30.2% to approximately 23.6%. The effect of the anticipated reduction in the Company's ownership interest in Grupo will be a reclassification of $14,952,000 between due to cellular equipment vendor and minority interests on the Company's consolidated balance sheet. The Guarantor will continue to guarantee the remaining debt of Portatel of $11,449,000 at June 30, 1996, secured by an approximate 30.7% equity interest in Portatel.

Grupo and Portatel have no external available lines of credit as of June 30, 1996. The Company may be required to meet additional capital commitments with respect to its ownership interest in Grupo, and is committed to making additional loans to the Grupo stockholder who is a Mexican national and a party to the AP Agreement for a portion of any such capital commitments with respect to his ownership interest.

As of August 9, 1996, the Company has funded $3,531,000 for stock in Teletrac, Inc. ("Teletrac") in 1996, and has subscribed to purchase additional stock (on a pro rata basis with other Teletrac stockholders) for $1,004,000. Such amount is payable as requested by Teletrac.

In the second quarter of 1996, the Company purchased the assets and was awarded an assignment of the Federal Communications Commission ("FCC") license of radio broadcasting station WCEZ-FM located in Delaware, Ohio, serving the Delaware/Columbus, Ohio market, for consideration of approximately $3,250,000, including amounts for noncompete and consulting agreements.

Net cash used in operating activities was $11,172,000 and $11,774,000 for the six months ended June 30, 1996 and 1995, respectively, a decrease of $602,000. Although the Company's operating cash needs increased in the 1996 period for direct research and development expenses as well as interest expense, there was a decrease in net cash used between periods due to payments made in the 1995 period for accrued transaction expenses of $5,433,000 related to the December 1994 merger and spin-off of the Company from Associated Communications Corporation. Cash used in investing activities was $5,039,000 and $1,303,000 for the six months ended June 30, 1996 and 1995, respectively. The increase in cash used in investing activities of $3,736,000 was primarily due to $2,639,000 paid for WCEZ-FM, $1,790,000 in capital expenditures, and investments of $2,672,000 in Teletrac in the 1996 period, partially offset by proceeds of $3,412,000 from the sale of marketable equity securities in the 1996 period. The Company's borrowings comprise most of the net cash provided by financing activities in the 1996 and 1995 periods of $16,351,000 and $11,263,000, respectively. The increase between periods is primarily the result of higher borrowings in the 1996 period to finance the investing activities described above. Other financing cash flows in the 1996 period reflect the repayment by the Guarantor of amounts due for Portatel's long-term debt (see Note 9 to the consolidated financial statements included elsewhere herein) and the contribution of capital primarily by the minority owners of Grupo and Grupo Holdings.

Operating Results for the Three Months Ended June 30, 1996, Compared to the Three Months Ended June 30, 1995

Total revenues increased $4,006,000 in the 1996 period compared to the 1995 period. This increase is attributable to the inclusion of cellular communication services revenues resulting from the consolidation of Grupo described above. The increase in cost of cellular communication services is also attributable to the consolidation of Grupo.

Microwave communication services revenues decreased $86,000, or 18% for the 1996 period compared to the 1995 period. The decrease in microwave communication services revenues reflects contract renewals at lower rates and a decline in volume due to the continuing price competition from alternate access providers and local exchange carriers. Cost of microwave communication services, which to a large extent are fixed in nature, decreased $14,000, or 7% between periods due to favorable renegotiation of certain transmission facility leases.

Broadcasting revenues increased $52,000, or 10% for the 1996 period compared to the 1995 period, and the cost of radio broadcasting increased $28,000, or 21%. The increase in revenues and costs is the result of the acquisition of WCEZ-FM in the second quarter of 1996.

Art gallery revenues increased $110,000, or 162% for the 1996 period compared to the 1995 period. The increase in art gallery revenues for the second quarter of 1996 reflects higher priced sales as compared to the second quarter of 1995. The cost of art sales increased $64,000, or 93% in the second quarter of 1996 compared to the second quarter of 1995, reflecting the higher sales in the 1996 period.

Direct research and development expenses were $1,955,000 and $1,228,000 in the 1996 and 1995 periods, respectively. The increase in 1996 was primarily due to increased expenditures for TruePosition™, the Company's cellular telephone and wireless transmitter location system. Sales, general and administrative expenses were $4,349,000 and $2,507,000 in the 1996 and 1995 periods, respectively. The increase from 1995 to 1996 of $1,842,000 was primarily the result of the consolidation of Grupo. Similarly, the increase in depreciation and amortization expense from 1995 to 1996 of $923,000 was also primarily the result of the consolidation of Grupo.

The Company's equity in loss of affiliates was $467,000 and $487,000 in the 1996 and 1995 periods, respectively. Due to the consolidation of Grupo in the 1996 period, the Company's equity in loss of affiliates in 1996 reflects only the Company's approximate 20% share of the results of Teletrac for the three months ended June 30, 1996. The Company's initial equity investment in Teletrac was made in November 1995. The Company's equity in loss of affiliates in the 1995 period reflects only the Company's share of the results of Grupo for the three months ended June 30, 1995.

The $719,000 gain on the sale of marketable equity securities in the 1996 period is the result of the sale of 90,000 shares of General Communication, Inc. Class A Common Stock. Interest and dividend income was $432,000 and $244,000 in the 1996 and 1995 periods, respectively. The increase in 1996 of $188,000 is the result of additional interest income on notes receivable from foreign affiliates included as a result of the formation and consolidation of Grupo Holdings. Interest expense was $813,000 and $422,000 in the 1996 and 1995 periods, respectively. The increase in 1996 of $391,000 is the result of the consolidation of the financial statements of Grupo and an increase in the level of outstanding short-term obligations. Minority interests increased $501,000 in the 1996 period over the 1995 period, reflecting the 69.8% and 38.4% third-party ownership interests in Grupo and Grupo Holdings, respectively, described above.

The Company recognized an income tax benefit (net of foreign tax expense of Grupo) at an effective rate of approximately 32% and 34% in the 1996 and 1995 periods, respectively. The tax benefit recorded for the three months ended June 30, 1996 includes approximately $1,148,000 of net operating loss. Based on current projections, the Company anticipates it will generate a net operating loss for federal income taxes for the year ended December 31, 1996.

The Company's net loss was $3,213,000 for the three months ended June 30, 1996, compared to a net loss of $2,654,000 for the three months ended June 30, 1995. The primary reason for the increased loss of $559,000 in the 1996 period was increased research and development costs relating to TruePosition™ of $727,000, increased interest expense, and the equity in loss of affiliates of $467,000 relating to the Company's investment in Teletrac, offset by the gain on marketable equity securities of $719,000. The consolidation of the financial statements of Grupo had no effect on the Company's consolidated net loss.

Operating Results for the Six Months Ended June 30, 1996, Compared to the Six Months Ended June 30, 1995

Total revenues increased $7,241,000 in the 1996 period compared to the 1995 period. This increase is attributable to the inclusion of cellular communication services revenues resulting from the consolidation of Grupo described above. The increase in cost of cellular communication services is also attributable to the consolidation of Grupo.

Microwave communication services revenues decreased $148,000, or 15% for the 1996 period compared to the 1995 period. The decrease in microwave communication services revenues reflects contract renewals at lower rates and a decline in volume due to the continuing price competition from alternate access providers and local exchange carriers. Cost of microwave communication services, which to a large extent are fixed in nature, decreased $11,000, or 3% between periods due to favorable renegotiation of certain transmission facility leases.

Broadcasting revenues decreased $6,000, or 1% for the 1996 period compared to the 1995 period, and the cost of radio broadcasting increased $62,000, or 23%. 1996 revenues and costs reflect the acquisition of WCEZ-FM in the second quarter of 1996. The additional revenues from WCEZ-FM in the second quarter were offset by a short-term fall in revenues in the first quarter of 1996, the result of format and programming changes at the Company's radio stations in late 1995.

Art gallery revenues decreased $77,000, or 20% for the 1996 period compared to the 1995 period. The decrease in art gallery revenues for the six months ended June 30, 1996 reflects a decline in sales volume as compared to the same period in 1995. The cost of art sales decreased $110,000, or 32% in the first six months of 1996 compared to the first six months of 1995 due to the reduced sales volume in the 1996 period and inventory reserve adjustments in the 1995 period.

Direct research and development expenses were $3,683,000 and $2,236,000 in the 1996 and 1995 periods, respectively. The increase in 1996 was primarily due to increased expenditures for TruePosition™. Sales, general and administrative expenses were $8,537,000 and $5,082,000 in the 1996 and 1995 periods, respectively. The increase from 1995 to 1996 of $3,455,000 was primarily the result of the consolidation of Grupo. Similarly, the increase in depreciation and amortization expense from 1995 to 1996 of $1,844,000 was also primarily the result of the consolidation of Grupo.

The Company's equity in loss of affiliates was $794,000 and $1,157,000 in the 1996 and 1995 periods, respectively. Due to the consolidation of Grupo in the 1996 period, the Company's equity in loss of affiliates in 1996 reflects only the Company's approximate 20% share of the results of Teletrac for the six months ended June 30, 1996. The Company's initial equity investment in Teletrac was made in November 1995. The Company's equity in loss of affiliates in the 1995 period reflects only the Company's share of the results of Grupo for the six months ended June 30, 1995.

The $3,397,000 gain on the sale of marketable equity securities in the 1996 period is the result of the sale of 41,598 shares of TCI Class B 6% Cumulative Redeemable Exchangeable Junior Preferred Stock and 90,000 shares of General Communication, Inc. Class A Common Stock. Interest and dividend income was $1,128,000 and $718,000 in the 1996 and 1995 periods, respectively. The increase in 1996 of $410,000 is the result of additional interest income on notes receivable from foreign affiliates included as a result of the formation and consolidation of Grupo Holdings. Interest expense was $2,007,000 and $724,000 in the 1996 and 1995 periods, respectively. The increase in 1996 of $1,283,000 is the result of the consolidation of the financial statements of Grupo and an increase in the level of outstanding short-term obligations. Minority interests increased $1,352,000 in the 1996 period over the 1995 period, reflecting the 69.8% and 38.4% third-party ownership interests in Grupo and Grupo Holdings, respectively, described above.

The Company recognized an income tax benefit (net of foreign tax expense of Grupo) at an effective rate of approximately 33% and 34% in the 1996 and 1995 periods, respectively. The tax benefit recorded for the six months ended June 30, 1996 includes approximately $1,759,000 of net operating loss. Based on current projections, the Company anticipates it will generate a net operating loss for federal income taxes for the year ended December 31, 1996.

The Company's net loss was $4,802,000 for the six months ended June 30, 1996, compared to a net loss of $5,161,000 for the six months ended June 30, 1995. The primary reason for the decreased loss of $359,000 in the 1996 period was the gain on marketable equity securities of $3,397,000, offset by increased research and development costs relating to TruePosition™ of $1,447,000, increased interest expense, and the equity in loss of affiliates of $794,000 relating to the Company's investment in Teletrac. The consolidation of the financial statements of Grupo had no effect on the Company's consolidated net loss.

PART II

OTHER INFORMATION

Item 3. Defaults Upon Senior Securities

See Note 9 to the Company's consolidated financial statements included herein, which is incorporated herein by reference.

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

On June 6, 1996, the Company held its 1996 Annual Meeting, at which the Company's stockholders elected David J. Berkman as a director of the Company to hold office for a term of three years. 8,188,456 votes were cast for the election of Mr. Berkman, and there were 71,849 votes to withhold authority. The term of Donald H. Jones as a director of the Company continues until such term expires at the Company's 1997 Annual Meeting, and the terms of Myles P. Berkman and Joseph A. Katarincic as directors continue until such terms expire at the Company's 1998 Annual Meeting.

At the 1996 Annual Meeting, the Company's stockholders approved the Company's 1994 Stock Option and Incentive Award Plan (the "1994 Plan") for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended, with respect to future grants of awards under the 1994 Plan. 6,892,254 votes were cast for the approval of the 1994 Plan, 263,151 votes were cast against the approval of the 1994 Plan and there were 30,652 votes to abstain.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits. The following exhibits are filed as part of this Form 10-Q:

Exhibit Number	Description
3.1	Restated Certificate of Incorporation, filed as Exhibit 3.1 to Registration Statement on Form 10/A dated November 15, 1994 and incorporated herein by reference.
3.2	Amended and Restated By-Laws, filed as Exhibit 3.2 to Registration Statement on Form 10/A dated November 15, 1994 and incorporated herein by reference.
4.1	Common Stock Certificates, filed as Exhibits 4.2 and 4.3 to Form 8-K, dated December 22, 1994 and incorporated herein by reference.
4.2	Rights Agreement, dated as of December 15, 1994, by and between the Company and Mellon Bank, N.A., filed as Exhibit 4.1 to Form 8-K, dated December 22, 1994 and incorporated herein by reference.
10.1	Microwave Services, Inc. 1996 Stock Incentive Plan.
27	Article 5 Financial Data Schedule for Quarterly Report on Form 10-Q for the quarter ended June 30, 1996.

(b) Reports on Form 8-K. The Company did not file any reports on Form 8-K during the three months ended June 30, 1996.

SIGNATURES

Pursuant to the requirements 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.

THE ASSOCIATED GROUP, INC.
(Registrant)

Date: August 9, 1996

By: /s/ Myles P. Berkman
Myles P. Berkman
Chairman, President, Chief Executive Officer
and Treasurer
(Principal Financial and Accounting Officer)

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-Q

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

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

For the quarterly period ended March 31, 1996

OR

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

For the transition period from __________ to __________

Commission File Number 0-24924

THE ASSOCIATED GROUP, INC.
(Exact name of registrant as specified in its charter)

DELAWARE
(State of Incorporation)

51-0260858
(I.R.S. Employer Identification No.)

200 Gateway Towers, Pittsburgh, Pennsylvania
(Address of principal executive offices)

15222
(Zip Code)

412-281-1907
(Registrant's telephone number)

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 √ No __

The number of shares outstanding of each of the issuer's classes of common stock, as of May 9, 1996:

Common Stock, Class A	9,382,962
Common Stock, Class B	9,382,985

PART I

FINANCIAL INFORMATION

THE ASSOCIATED GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	March 31, 1996	December 31, 1995
	(amounts in thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents (approximates fair value)	$ 1,480	$ 1,018
Accounts receivable, less allowance for doubtful accounts (March 31, 1996--$3,380,000; December 31, 1995--$183,000)	3,544	626
Notes receivable from foreign affiliates	194	191
Inventory held for resale	1,496	1,311
Prepaid expenses and other assets	1,041	860
Deferred income taxes	1,689	1,057
Total current assets	9,444	5,063
Property and equipment, net of accumulated depreciation and amortization (March 31, 1996--$22,384,000; December 31, 1995--$7,676,000)	26,294	3,117
Marketable equity securities, at fair value (cost: March 31, 1996--$6,886,000; December 31, 1995--$6,898,000)	499,083	540,082
Notes receivable from foreign affiliates	19,420	11,240
Investments in wireless communications affiliates	13,963	13,602
Other noncurrent assets	6,292	1,367
Total assets	$ 574,496	$ 574,471

See notes to consolidated financial statements

THE ASSOCIATED GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	March 31, 1996	December 31, 1995
	(amounts in thousands)	
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 4,691	$ 4,681
Other accrued expenses	2,240	1,297
Due to cellular equipment vendor	14,693	-
Short-term obligations	39,890	33,470
Current portion of long-term debt	2,082	-
Total current liabilities	63,596	39,448
Deferred compensation	1,284	1,264
Long-term debt, excluding current portion	10,238	-
Deferred income taxes	160,353	175,564
Minority interests	9,857	797
Commitments and contingencies	-	-
Stockholders' equity:		
Preferred stock, par value $.01 per share; authorized 5,000,000 shares; none issued	-	-
Class A Common Stock, par value $.10 per share; authorized 100,000,000 shares; 9,382,962 shares issued and outstanding in 1996 and 1995	938	938
Class B Common Stock, par value $.10 per share; authorized 50,000,000 shares; 9,382,985 shares issued and outstanding in 1996 and 1995	938	938
Unrealized gain on marketable equity securities, net of deferred taxes (March 31, 1996--$172,269,000; December 31, 1995--$186,614,000)	319,929	346,570
Retained earnings	7,363	8,952
Total stockholders' equity	329,168	357,398
Total liabilities and stockholders' equity	$ 574,496	$ 574,471

See notes to consolidated financial statements

THE ASSOCIATED GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended March 31,	
	1996	1995
	(amounts in thousands, except share and per share amounts)	
Revenues:		
Cellular communication services	$ 3,542	$ -
Microwave communication services	420	482
Radio broadcasting	342	400
Art gallery sales	132	319
	4,436	1,201
Costs and expenses:		
Cost of sales:		
Cellular communication services	1,904	-
Microwave communication services	194	191
Radio broadcasting	165	131
Art gallery sales	96	270
Direct research and development expenses	1,728	1,008
Sales, general and administrative expenses	4,188	2,575
Depreciation and amortization expense	1,268	347
	9,543	4,522
Operating loss	(5,107)	(3,321)
Equity in loss of affiliates	(327)	(670)
Other income (expense):		
Gain on sale of marketable equity securities	2,678	-
Interest and dividend income	696	474
Interest expense	(1,194)	(302)
Minority interests	850	(1)
	3,030	171
Loss before income taxes	(2,404)	(3,820)
Income tax benefit	815	1,313
Net loss	$ (1,589)	$ (2,507)
Net loss per common share	$ (.08)	$ (.13)
Weighted average common shares outstanding	18,765,947	18,765,947

See notes to consolidated financial statements

THE ASSOCIATED GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Three Months Ended March 31, 1996	1995
	(amounts in thousands)	
Cash Flows From Operating Activities		
Net loss	$ (1,589)	$ (2,507)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,268	347
Provision for losses on accounts receivable	282	4
Gain on sale of marketable equity securities	(2,678)	-
Equity in loss of affiliates	327	670
Minority interests	(850)	1
Provision for deferred income taxes	(865)	(1,313)
Change in assets and liabilities:		
Accounts receivable	(669)	37
Inventory held for resale	50	169
Prepaid expenses and other assets	139	92
Accounts payable	(2,836)	170
Accrued transaction expenses	-	(5,433)
Other accrued expenses	(184)	(1,026)
Deferred compensation	20	22
Net Cash Used In Operating Activities	(7,585)	(8,767)
Cash Flows From Investing Activities		
Cash and cash equivalents resulting from consolidation of affiliate	751	-
Purchases of property and equipment	(163)	(116)
Proceeds from sale of marketable equity securities	2,690	-
Repayments of notes receivable from foreign affiliates	25	15
Increase in notes receivable from foreign affiliates	(815)	(442)
Investments in wireless communications affiliates	(1,596)	(320)
Other investing activities	(428)	(26)
Net Cash Provided By (Used In) Investing Activities	464	(889)
Cash Flows From Financing Activities		
Repayment of short-term obligations	(1,600)	-
Proceeds from short-term obligations	8,020	8,220
Long-term debt repayment assumed by cellular equipment vendor	(2,845)	-
Increase in due to cellular equipment vendor	3,191	-
Repayment of long-term debt	(170)	-
Investment by minority interests	987	1
Net Cash Provided By Financing Activities	7,583	8,221
Net Increase (Decrease) In Cash And Cash Equivalents	462	(1,435)
Cash And Cash Equivalents At Beginning Of Period	1,018	1,919
Cash And Cash Equivalents At End Of Period	$ 1,480	$ 484

See notes to consolidated financial statements

THE ASSOCIATED GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 1996, are not necessarily indicative of the results that may be expected for the year ended December 31, 1996. For further information, refer to the financial statements and footnotes thereto included in The Associated Group, Inc. (the "Company," as used herein, includes all consolidated subsidiaries, unless the context otherwise indicates) Annual Report on Form 10-K for the year ended December 31, 1995. The audited financial statements of Grupo Portatel, S.A. de C.V. and Subsidiaries for the years ended December 31, 1995, 1994 and 1993 are included as Exhibit 99.1 to The Associated Group, Inc. Annual Report on Form 10-K for the year ended December 31, 1995.

Certain accounts in the financial statements for the 1995 period have been reclassified to conform to the financial statement presentation for the current period. These reclassifications have no effect on net loss.

2. CONSOLIDATION OF GRUPO PORTATEL, S.A. de C.V.

The Company, through a wholly owned subsidiary, Associated Communications of Mexico, Inc. ("ACM"), has a 30.2% interest in Grupo Portatel, S.A. de C.V. ("Grupo"), of which Portatel del Sureste, S.A. de C.V. ("Portatel"), a Mexican cellular telephone company, is a wholly owned subsidiary. Effective January 1, 1996, the Company and the other United States shareholder of Grupo have agreed to contribute their respective stock interests in Grupo, and their rights under an Association in Participation Agreement described below, to Grupo Holdings, L.L.C. ("Grupo Holdings"), a new joint venture limited liability company, in which the Company has a 61.6% controlling equity interest. Through December 31, 1995, the Company recorded its investment in Grupo using the equity method. As a result of the formation of Grupo Holdings and the effects of the Association in Participation Agreement described below, the Company has consolidated the financial statements of Grupo with the Company's financial statements as of January 1, 1996.

In June 1994, the Company entered into an Association in Participation Agreement ("AP Agreement") and a related Joint Venture Agreement (together, the "Grupo Documents") with the other United States shareholder of Grupo and one of the Mexican nationals to whom the Company has loaned funds for the acquisition of Grupo stock. The United States shareholder and the Mexican national have 18.8% and 1.7% direct equity interests in Grupo, respectively. Through the AP Agreement, the Mexican national, acting as the Active Partner (as defined in the AP Agreement), holds a 39.8% equity interest in Grupo. The Company and the other United States shareholder are Silent Partners (as defined in the AP Agreement) in the AP Agreement. The Grupo Documents provide for the allocation to the parties to the Grupo Documents, at a given ratio, of proceeds received from distributions made by Grupo to its shareholders or from the sale of shares held pursuant to the AP Agreement, after adjustment to such proceeds for income tax liabilities and payment of capital advanced by the Silent Partners and related investment fees thereon (the "Distribution of Proceeds Provision"). In the event that the Active Partner, after consultation with the Silent Partners, votes in such a way that is against the express will of the Silent Partners, then the Active Partner's proceeds from the sale of Grupo will be reduced by 50%, in accordance with the Distribution of Proceeds Provision. Additionally, the Grupo Documents provide that in the event of a change in Mexican law which would allow for the Silent Partners to hold direct ownership in Grupo without any percentage limitation, then, at the option of the Silent Partners, the Silent Partners may cause the AP Agreement to be dissolved, and the Silent Partners' ownership increase in Grupo will be determined based upon an allocation methodology consistent with the Distribution of Proceeds Provision. As a result of a change in Mexican law, the

Silent Partners have the ability to increase their direct percentage ownership in Grupo without any percentage limitation, subject to certain Mexican regulatory approvals which are routine in nature, and thus, are entitled at their option to cause the AP Agreement to be dissolved.

Excluding the effects of the AP Agreement and any dilution that may result from the debt to equity conversion discussed in Note 8, the Company has a 30.2% economic ownership interest and through Grupo Holdings controls a 49.0% voting interest in Grupo. Accordingly, through the AP Agreement and control of Grupo Holdings, the Company has sufficient control over the assets of Grupo such that the financial statements of Grupo have been consolidated with the Company's financial statements effective January 1, 1996. Upon closing of the agreement discussed in Note 8, excluding the effects of the AP Agreement, the Company's ownership interest in Grupo will be reduced to approximately 23.6%. Subsequent to this transaction, the Company will continue to exert sufficient control over Grupo to warrant consolidation of Grupo's financial statements.

As a result of the consolidation of Grupo's financial statements and the formation of Grupo Holdings, equity in loss of affiliates in the 1996 period no longer includes Grupo, and the Company's minority interests include third-party ownership interests of 69.8% and 38.4% for Grupo and Grupo Holdings, respectively. The Company's balance sheet includes $7,393,000 of notes receivable from foreign affiliates resulting from the formation of and initial contributions to Grupo Holdings by the minority member of Grupo Holdings. The consolidation of Grupo has no effect on the Company's consolidated net equity, consolidated net loss or per share data since its economic ownership percentage is the same regardless of consolidation of Grupo. The pro forma consolidated revenues of the Company for the three months ended March 31, 1995 would have been $4,834,000, assuming consolidation of Grupo as of January 1, 1995.

3. FOREIGN CURRENCY TRANSLATION

The financial statements of Grupo are translated from Mexican new pesos to U.S. dollars in accordance with Financial Accounting Standards No. 52, "Foreign Currency Translation." Based upon the inflationary and political environment in Mexico, along with the economic dependency Grupo has had on its shareholders (including the Company) and the source of its cash outflows, the U.S. dollar has been utilized as the functional currency. Nonmonetary assets and liabilities have been translated at historical exchange rates and monetary assets and liabilities have been translated based on the current exchange rate. Revenues and expenses have been translated at the weighted average exchange rate in effect during the period. Foreign currency translation gains and losses are included in the statement of operations.

4. INVENTORY

Inventory, which consists of art prints of $1,286,000 and $1,311,000 at March 31, 1996 and December 31, 1995, respectively, and cellular telephones and related equipment of $210,000 and $0 at March 31, 1996 and December 31, 1995, respectively, is recorded at the lower of cost or market value. Cost of art prints is determined under the first-in, first-out method and cost of cellular telephones and related equipment is determined under the last-in, first-out method. Inventory is reported net of a market valuation reserve relating to art inventory of $1,582,000 at March 31, 1996 and December 31, 1995.

5. MARKETABLE EQUITY SECURITIES

The cost and market value of marketable equity securities classified as available for sale at March 31, 1996, are as follows:

Name of Issuer and Title of Each Issue	Number of Shares	Cost of Each Issue In Thousands	Market Value of Each Issue In Thousands
Tele-Communications, Inc.:			
TCI Group Series A Common Stock	12,479,976	$ 3,839	$231,660
TCI Group Series B Common Stock	7,071,852	1,268	130,829
Liberty Media Group Series A Common Stock	3,119,993	1,229	82,290
Liberty Media Group Series B Common Stock	1,767,963	410	50,497
General Communication, Inc.:			
Class A Common Stock	416,000	12	2,496
Class B Common Stock	138,668	4	693
Others	Various	124	618
		$ 6,886	$499,083

During March 1996, the Company sold its 41,598 shares of Tele-Communications, Inc. ("TCI") Class B 6% Cumulative Redeemable Exchangeable Junior Preferred Stock for pretax proceeds of approximately $2,690,000, and has recognized a gain on the sale of approximately $2,678,000. Subsequent to March 31, 1996 and through May 9, 1996, the Company has also sold 68,200 shares of General Communication, Inc. ("GCI") Class A Common Stock for pretax proceeds of approximately $536,000, and will recognize a gain on the sale of approximately $534,000 in the three months ended June 30, 1996.

Including the effects of the sale of marketable equity securities during the March 31, 1996 period, the decrease in the unrealized gain on marketable equity securities, net of tax, recorded as a separate component of stockholders' equity was $26,641,000 and $11,558,000 in the three months ended March 31, 1996 and 1995, respectively.

As of May 9, 1996, the aggregate market value of the marketable equity securities held by the Company declined to approximately $480,475,000, representing an approximate $18,199,000 decrease from March 31, 1996, net of approximately $409,000 relating to the March 31, 1996 market value of securities sold subsequent to March 31, 1996.

6. OTHER NONCURRENT ASSETS

At March 31, 1996, included in other noncurrent assets are amounts for preoperating expenses of Grupo of $1,413,000, net of accumulated amortization of $1,557,000, and amounts for the cost of concession rights granted to Portatel from the Mexican Ministry of Communications and Transportation ("SCT") to operate cellular telephone services in the southeast region of Mexico of $2,587,000, net of accumulated amortization of $938,000. The preoperating expenses are being amortized over a ten year period and the cost of concession rights is being amortized over twenty years, the life of the concession.

7. SHORT-TERM OBLIGATIONS

As of March 31, 1996, the Company has outstanding short-term obligations of $39,890,000 under its demand discretionary bank line of credit and a brokerage margin loan facility, with an aggregate of 4,819,994 shares of TCI Group Series A Common Stock pledged as security under the Company's credit facilities. Subsequent to March 31, 1996 and through May 9, 1996, an additional 600,000 shares of TCI Group Series A Common Stock were pledged, increasing the total number of shares pledged to 5,419,994.

8. LONG-TERM DEBT AND AMOUNTS DUE TO CELLULAR EQUIPMENT VENDOR

Portatel has long-term debt obligations under various credit facilities with a U.S. bank and various related parties (the "Portatel Credit Agreements"). Such long-term obligations are denominated in U.S. dollars and were incurred for working capital, including the purchase and construction of cellular infrastructure equipment. The outstanding debt under the Portatel Credit Agreements is guaranteed by a cellular equipment vendor of Portatel (the "Guarantor"). During 1995 and January 1996, Portatel failed to meet all of its debt obligations under such credit facilities. Accordingly, payments were made by the Guarantor to Portatel's lenders on Portatel's behalf. Such amounts are included in current liabilities at March 31, 1996. As a result of Portatel's failure to make such payments, the Guarantor had the right to require Grupo to transfer to the Guarantor 40% of the stock of Portatel held in trust as collateral for such guarantee, but did not exercise its right to acquire such shares. Grupo, Portatel and certain shareholders of Grupo (including the Company) entered into a Contribution Agreement with the Guarantor effective January 31, 1996 to convert the payments made in 1995 and January 1996 on behalf of Grupo into capital stock of Grupo. Closing under the Contribution Agreement is contingent upon certain Mexican regulatory consents and approvals. Upon closing, excluding the effects of the AP Agreement, the conversion provided for in the Contribution Agreement will result in a reduction of the Company's ownership interest in Grupo to approximately 23.6%. The Guarantor will continue to guarantee the remaining debt of Portatel secured by an approximate 30.7% equity interest in Portatel. In the event that Portatel is unable to make its remaining debt service payments, the Guarantor is obligated to do so on behalf of Portatel.

The remaining debt of Portatel is subdivided into various pieces, referred to as Tranches. The loans under Tranche I bear interest at the LIBOR rate plus 2.5%. Interest and principal are payable in semiannual installments through November 15, 2001. The loans under Tranche II bear interest at the LIBOR rate plus 6%. Interest and principal are payable in semiannual installments through September 25, 2001. The amounts outstanding under the Portatel Credit Agreements at March 31, 1996 are as follows:

	Tranche I	Tranche II	Total
Current	$ 1,742	$ 340	$ 2,082
Long-Term	8,706	1,532	10,238
	$10,448	$1,872	$12,320

9. SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid for interest was approximately $380,000 and $283,000 for the three months ended March 31, 1996 and 1995, respectively. The Company made no federal and state income tax payments and through Grupo, paid approximately $158,000 in Mexican taxes during the three months ended March 31, 1996. The Company made no federal and state income tax payments in the three months ended March 31, 1995.

10. PER SHARE DATA

Weighted average common shares outstanding do not include common stock equivalents since their effect on the net loss per common share would be antidilutive.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

As of and for the three months ended March 31, 1996, the Company has consolidated the financial statements of Grupo, which investment was previously accounted for under the equity method (see Note 2 to the consolidated financial statements included elsewhere herein). As a result of the consolidation of Grupo and the formation of Grupo Holdings (see Note 2 to the consolidated financial statements included elsewhere herein), equity in loss of affiliates in the 1996 period no longer reflects Grupo, and the Company's minority interests include third-party ownership interests of 69.8% and 38.4% for Grupo and Grupo Holdings, respectively. In addition, the Company's balance sheet at March 31, 1996 reflects higher notes receivable from foreign affiliates due to the formation of and initial contributions to Grupo Holdings by the minority member of Grupo Holdings.

Financial Condition

Currently, the Company is financing its cash requirements from two credit facilities: a $100,000,000 demand discretionary bank line of credit (the "line of credit") and a brokerage margin loan facility. The line of credit expires on November 16, 1996 and the Company presently anticipates renewal of such facility. Short-term obligations outstanding as of March 31, 1996 were $19,000,000 under the line of credit and $20,890,000 under the brokerage margin loan facility. The Company has one other brokerage margin loan facility available under which no borrowings were outstanding at March 31, 1996. The Company has pledged in the aggregate as of May 9, 1996, 5,419,994 shares of TCI Group Series A Common Stock as collateral, and borrowings under each of these credit facilities are limited to 50% of the market value of such stock pledged, with an additional 15% collateral requirement on the brokerage margin loan facility currently in use, if borrowings exceed $100,000,000, up to a maximum of $200,000,000. Based on the market value of the stock currently pledged, and outstanding short-term obligations of approximately $40,953,000 as of May 9, 1996, the Company's unused borrowing capacity under the three existing credit facilities is approximately $6,811,000. A significant portion of the Company's assets are liquid, and can be pledged as security for added borrowing capacity. Given the market value of the remaining shares of marketable equity securities that could potentially be pledged as additional security, the Company's three credit facilities provide for maximum additional borrowings of up to approximately $198,625,000 as of May 9, 1996. The Company's ability to meet cash needs in the near term for future development depends in large part on the value of its portfolio of securities. The Company periodically evaluates its financial position and alternative financing arrangements.

In March 1996, the Company sold its 41,598 shares of TCI Class B 6% Cumulative Redeemable Exchangeable Junior Preferred Stock for pretax proceeds of approximately $2,690,000. The Company recognized a gain on the sale of approximately $2,678,000 in the first quarter of 1996. Subsequent to March 31, 1996 and through May 9, 1996, the Company has also sold 68,200 shares of General Communication, Inc. Class A Common Stock for pretax proceeds of approximately $536,000, and will recognize a gain on the sale of approximately $534,000 in the three months ended June 30, 1996. The Company will utilize current year losses and/or net operating loss carryforwards to offset the federal income taxes resulting from these gains. Proceeds from these sales were used for working capital and to fund the development of the Company's wireless technologies, as well as for the repayment of $1,600,000 of short-term obligations in March 1996.

Portatel has long-term debt obligations under various credit facilities with a U.S. bank and various related parties (the "Portatel Credit Agreements"). Such long-term obligations are denominated in U.S. dollars and were incurred for working capital, including the purchase and construction of cellular infrastructure equipment. The outstanding debt under the Portatel Credit Agreements is guaranteed by a cellular equipment vendor of Portatel (the "Guarantor"). During 1995 and January 1996, Portatel failed to meet all of its debt obligations under such credit facilities. Accordingly, payments were made by the Guarantor to Portatel's lenders on Portatel's behalf. Such amounts are included in current liabilities at March 31, 1996. As a result of Portatel's failure to make such payments, the Guarantor had the right to require Grupo to transfer to the Guarantor 40% of the stock of Portatel held in trust as collateral for such guarantee, but did not exercise its right to acquire such shares. Grupo, Portatel and certain shareholders of Grupo (including the Company) entered into a Contribution Agreement effective

January 31, 1996 with the Guarantor to convert the payments made in 1995 and January 1996 on behalf of Grupo into capital stock of Grupo. Closing under the Contribution Agreement is contingent upon certain Mexican regulatory consents and approvals. Upon closing, excluding the effects of the AP Agreement, the conversion provided for in the Contribution Agreement will result in a reduction of the Company's ownership interest in Grupo from 30.2% to approximately 23.6%. The Guarantor will continue to guarantee the remaining debt of Portatel of $12,320,000 at March 31, 1996, secured by an approximate 30.7% equity interest in Portatel. In the event that Portatel is unable to make its remaining debt service payments, the Guarantor is obligated to do so on behalf of Portatel.

Grupo and Portatel have no external available lines of credit as of March 31, 1996. The Company may be required to meet additional capital commitments with respect to its ownership interest in Grupo, and is committed to making additional loans to the Grupo stockholder who is a Mexican national and a party to the AP Agreement for a portion of any such capital commitments with respect to his ownership interest. The Company is required to make a payment in May 1996 of approximately $839,000 for such commitments. Such amount includes approximately $323,000 to be funded by the minority member of Grupo Holdings.

As of May 9, 1996, the Company has funded an additional $513,000 for stock in Teletrac, Inc. ("Teletrac") since March 31, 1996, and has subscribed to purchase additional stock (on a pro rata basis with other Teletrac stockholders) for $2,426,000. Such amount is due as capital is needed by Teletrac.

On March 11, 1996, the Company signed a definitive purchase agreement to purchase the Federal Communications Commission ("FCC") license and related assets of radio broadcasting station WCEZ-FM located in Delaware, Ohio, serving the Delaware/Columbus, Ohio market. The purchase is subject to approval by the FCC and the Company currently expects to close the transaction in the second quarter of 1996. The total consideration for this acquisition will be approximately $3,250,000, including amounts for noncompete and consulting agreements.

Net cash used in operating activities was $7,585,000 and $8,767,000 for the three months ended March 31, 1996 and 1995, respectively. The decrease in cash used in operating activities of $1,182,000 was primarily the result of changes in working capital items (primarily a decrease in accounts payable of $2,836,000 in the 1996 period and payments made in the 1995 period for accrued transaction expenses of $5,433,000 related to the December 1994 merger and spin-off of the Company from Associated Communications Corporation) and higher expenditures for direct research and development and interest expense in the 1996 period of $720,000 and $892,000, respectively. Cash provided by investing activities for the three months ended March 31, 1996 was $464,000 and cash used in investing activities for the three months ended March 31, 1995 was $889,000. The $1,353,000 change between periods was primarily due to proceeds of $2,690,000 from the sale of marketable equity securities in the 1996 period, partially offset by greater investments in wireless communications affiliates in the 1996 period. The Company's borrowings comprise most of the net cash provided by financing activities in the 1996 and 1995 periods of $7,583,000 and $8,221,000, respectively. The decrease between periods is primarily the result of the repayment of $1,600,000 of short-term obligations in the first quarter of 1996 from a portion of the proceeds on the sale of marketable equity securities. Other financing cash flows in the 1996 period reflect the repayment by the Guarantor of amounts due for Grupo's long-term debt (see Note 8 to the consolidated financial statements included elsewhere herein).

Operating Results for the Three Months Ended March 31, 1996, Compared to the Three Months Ended March 31, 1995

Total revenues increased $3,235,000, or 269% in the 1996 period compared to the 1995 period. This increase is attributable to the inclusion of cellular communication services revenues resulting from the consolidation of Grupo described above. The increase in cost of cellular communication services is also attributable to the consolidation of Grupo.

Microwave communication services revenues decreased $62,000, or 13% for the 1996 period compared to the 1995 period. The decrease in microwave communication services revenues reflects the continuing effects of price competition from alternate access providers and local exchange carriers. Cost of microwave communication services, which to a large extent are fixed in nature, are comparable between periods.

Broadcasting revenues decreased $58,000, or 15% for the 1996 period compared to the 1995 period. Format and programming changes at the Company's radio stations in late 1995 caused a short-term fall in revenues in the first quarter of 1996. Cost of radio broadcasting increased $34,000, or 26% in the first quarter of 1996 as compared to the same period in 1995, as a result of costs associated with programming changes.

Art gallery revenues decreased $187,000, or 59% for the 1996 period compared to the 1995 period. The decrease in art gallery revenues for the 1996 quarter reflects a decline in sales volume as compared to the 1995 quarter. The cost of art sales decreased $174,000, or 64% in the first quarter of 1996 compared to the first quarter of 1995, reflecting the reduced sales volume in the 1996 period.

Direct research and development expenses were $1,728,000 and $1,008,000 in the 1996 and 1995 periods, respectively. The increase in 1996 was primarily due to increased expenditures for TruePosition™, the Company's cellular telephone and wireless transmitter location system, and for costs in obtaining FCC licenses and preliminary construction activities for the Company's digital termination services business. Sales, general and administrative expenses were $4,188,000 and $2,575,000 in the 1996 and 1995 periods, respectively. The increase from 1995 to 1996 of $1,613,000 was primarily the result of the consolidation of Grupo. Similarly, the increase in depreciation and amortization expense from 1995 to 1996 of $921,000 was also primarily the result of the consolidation of Grupo.

The Company's equity in loss of affiliates was $327,000 and $670,000 in the 1996 and 1995 periods, respectively. Due to the consolidation of Grupo in the 1996 period, the Company's equity in loss of affiliates in 1996 reflects only the Company's approximate 21% share of the first quarter 1996 results of Teletrac. The Company's initial equity investment in Teletrac was made in November 1995. The Company's equity in loss of affiliates in the 1995 period reflects only the Company's share of the first quarter 1995 results of Grupo.

The $2,678,000 gain on the sale of marketable equity securities in the 1996 period is the result of the sale of 41,598 shares of TCI Class B 6% Cumulative Redeemable Exchangeable Junior Preferred Stock. Interest and dividend income was $696,000 and $474,000 in the 1996 and 1995 periods, respectively. The increase in 1996 of $222,000 is the result of additional interest income on notes receivable from foreign affiliates included as a result of the formation and consolidation of Grupo Holdings. Interest expense was $1,194,000 and $302,000 in the 1996 and 1995 periods, respectively. The increase in 1996 of $892,000 is the result of the consolidation of the financial statements of Grupo and an increase in the level of outstanding short-term obligations. Minority interests increased $851,000 in the 1996 period over the 1995 period, reflecting the 69.8% and 38.4% third-party ownership interests in Grupo and Grupo Holdings, respectively, described above.

The Company recognized an income tax benefit at an effective rate of approximately 34% in both the 1996 and 1995 periods. The tax benefit recorded for the three months ended March 31, 1996 includes approximately $611,000 of net operating loss. Based on current projections, the company anticipates it will generate a net operating loss for federal income taxes for the year ended December 31, 1996.

The Company's net loss was $1,589,000 for the three months ended March 31, 1996, compared to a net loss of $2,507,000 for the three months ended March 31, 1995. The primary reason for the decreased loss of $918,000 in the 1996 period was the gain on marketable equity securities of $2,678,000, offset by increased research and development costs relating primarily to TruePosition™ and the Company's digital termination services business of $720,000, and increased interest expense of $892,000. The consolidation of the financial statements of Grupo had no effect on the Company's consolidated net loss.

PART II

OTHER INFORMATION

Item 3. Defaults Upon Senior Securities

See Note 8 to the Company's consolidated financial statements included herein, which is incorporated herein by reference.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits. The following exhibits are filed as part of this Form 10-Q:

Exhibit Number	Description
3.1	Restated Certificate of Incorporation, filed as Exhibit 3.1 to Registration Statement on Form 10/A dated November 15, 1994 and incorporated herein by reference.
3.2	Amended and Restated By-Laws, filed as Exhibit 3.2 to Registration Statement on Form 10/A dated November 15, 1994 and incorporated herein by reference.
4.1	Common Stock Certificates, filed as Exhibits 4.2 and 4.3 to Form 8-K, dated December 22, 1994 and incorporated herein by reference.
4.2	Rights Agreement, dated as of December 15, 1994, by and between the Company and Mellon Bank, N.A., filed as Exhibit 4.1 to Form 8-K, dated December 22, 1994 and incorporated herein by reference.
27	Article 5 Financial Data Schedule for Quarterly Report on Form 10-Q for the quarter ended March 31, 1996.

(b) Reports on Form 8-K. The Company did not file any reports on Form 8-K during the three months ended March 31, 1996.

<u>SIGNATURES</u>

Pursuant to the requirements 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.

THE ASSOCIATED GROUP, INC.
(Registrant)

Date: May 9, 1996

By: /s/ Myles P. Berkman
Myles P. Berkman
Chairman, President, Chief Executive Officer
and Treasurer
(Principal Financial and Accounting Officer)

EXHIBIT INDEX

Exhibit Number		Page Where Found or Incorporated by Reference
3.1	Restated Certificate of Incorporation, filed as Exhibit 3.1 to Registration Statement on Form 10/A dated November 15, 1994 and incorporated herein by reference.	*
3.2	Amended and Restated By-Laws, filed as Exhibit 3.2 to Registration Statement on Form 10/A dated November 15, 1994 and incorporated herein by reference.	*
4.1	Common Stock Certificates, filed as Exhibits 4.2 and 4.3 to Form 8-K, dated December 22, 1994 and incorporated herein by reference.	*
4.2	Rights Agreement, dated as of December 15, 1994, by and between the Company and Mellon Bank, N.A., filed as Exhibit 4.1 to Form 8-K, dated December 22, 1994 and incorporated herein by reference.	*
27	Article 5 Financial Data Schedule for Quarterly Report on Form 10-Q for the quarter ended March 31, 1996.	**

* Previously filed and incorporated by reference

** Filed electronically

Exhibit E
Item 15B

Managerial Capability

MSI is a wholly-owned subsidiary of The Associated Group, Inc.("AGI"). Together AGI and MSI have substantial and significant managerial and operational experience in the provision of telecommunications services and systems.

Myles Berkman has served as President, Chief Executive Officer and Treasurer of MSI since its inception, as well as of its parent company AGI, and its predecessor company ACC since ACC's inception in 1979. In that capacity, he oversaw the development of a company that: a) constructed and managed four cellular systems in New York State; b) managed a digital microwave network and international teleport facility in Los Angeles; c) managed a mobile telephone and paging system in New York City and New Jersey, and d) aided in the construction and operation of a cellular system in southeastern Mexico and the Yucatan Peninsula.

David Berkman serves as MSI's Executive Vice President and Director and has also served AGI in various capacities since 1983. In addition, he serves on the Board of Directors of Grupo Portatel, S.A. de C.V., a Mexican cellular system in which AGI has an interest, and is Vice Chairman of Portatel de Suresta, S.A. de C.V. He is a former Director and member of the Executive Committee of the Cellular Telephone Industry Association.

MSI's nationwide operations are overseen by Richard Goldstein, its Vice President who has over thirteen years of telecommunications experience and its technical operations will be overseen by Mr. John Dion.

In addition, MSI and another FCC 18 GHz licensee, Digital Services Corporation, have formed a joint venture limited liability company, Associated Communications, L.L.C. ("Associated") to act as an agent for a variety of services and management functions including, but not limited to, the marketing of services to potential customers and the management of the competitive local exchange carrier networks. The Chairman and CEO of Associated is Mr. Alex Mandl, former President of AT&T, and an individual with numerous years of hands-on experience in the business of providing high-quality, facilities-based telecommunications services to the public. Applicant's day to day operations will be managed by Peter Vouvounas, who has more than twenty five years of experience in the telecommunications industry. Mr. Vouvounas, for the past seventeen years, has directed the development and operation of numerous nationwide and regional radio and wireless networks for a number of major companies.

Biographical sketches of all of the above-named individuals have been attached hereto.

MICROWAVE SERVICES, INC.

Myles P. Berkman - Chairman, President, Chief Executive Officer, Treasurer and Director

Mr. Berkman, age 59, has been President, Chief Executive Officer, Treasurer and a Director of Microwave Services, Inc., (the "Company") since its inception and of its parent corporation, The Associated Group, Inc. ("AGI"), a publicly traded corporation, since AGI was spun-off from Associated Communications Corporation ("ACC") in December 1994. Mr. Berkman was appointed Chairman of the Company and AGI in November 1995. Mr. Berkman is a member of the Board of Directors of Industry Net Corporation, a company engaged in electronic database publishing. Mr. Berkman was President, Chief Operating Officer, Treasurer and Director of ACC from its inception in March 1979 to December 1994. From 1976 to 1978 Mr. Berkman was a consultant to Control Systems Research, Inc., a designer and manufacturer of industrial service control systems, and from 1973 to 1976, served as the Company's Chairman and Chief Executive Officer. Mr. Berkman served as a director of Rust Craft Greeting Cards, Inc. and Rust Craft Broadcasting Company from 1971 until March 1979; as a director of TCI from 1972 to 1977; as a director of International Cybernetics Corporation from 1982 to 1985; and as President of Rust Craft Cable Communications, Inc. from 1968 to 1972. Mr. Berkman graduated from Harvard College in 1958, and Harvard Law School in 1961.

David J. Berkman - Executive Vice President and Director

Mr. Berkman, age 34, is Executive Vice President and a Director of Microwave Services, Inc., and has been Executive Vice President and a Director of AGI since the spin-off in December 1994. Prior to the spin-off, he was Executive Vice President and a Director of ACC. Mr. Berkman has been employed in various roles at ACC and AGI since his graduation from the Wharton School of the University of Pennsylvania in 1983, including oversight of ACC's domestic cellular operations. Mr. Berkman serves as a member of the Board of Directors of and as Vice Chairman of Grupo Portatel S.A. de C.V., a company operating cellular systems in Mexico in which AGI has a significant interest. Additionally, Mr. Berkman is a member of the Board of Directors of Teletrac, Inc., a company engaged in location and messaging services for vehicle and fleet management.

Richard I. Goldstein - Vice President

Mr. Goldstein, age 35, is Vice President of Microwave Services, Inc., and has been a Vice President of AGI since the spin-off in December 1994. Mr. Goldstein was Vice President-Cellular of ACC until December 1994. From 1991 to 1992, Mr. Goldstein served as Regional General Manager of ACC's New York Cellular systems. From 1983 to 1991, Mr. Goldstein was employed by AT&T Corp. in management consulting, marketing, technical management and technical consulting/support in the areas of data communications, voice communications, voice processing, and network applications. Mr. Goldstein is a 1983 graduate of Carnegie-Mellon University, and has received training at the Massachusetts Institute of Technology in Management Information Systems.

John K. Dion - Vice President

Mr. Dion, age 41, has been Vice President of Microwave Services, Inc., and AGI since March 1996. Mr. Dion is responsible for the operations and development of AGI's wireless projects. Prior to his current assignment, Mr. Dion was Assistant Vice President-Product Design and Development at GTE, where he was responsible for 1.8 GHz product development. Mr. Dion was also General Manager for GTE Personal Communications Services where he was responsible for GTE's personal communications services operations, including research and implementation of GTE's Tele-Go Phone Service. He was a Group Vice President-Product management for GTE Mobile Communications from August 1988 until April 1990. Mr. Dion has 17 years experience in the mobile communications industry, the last 14 working directly in the cellular telephone industry. Before joining GTE, Mr. Dion worked for Western Union, Panasonic, E.F. Johnson and Commterm. Mr. Dion holds a bachelor's degree in electrical engineering from the University of Maine.

Scott G. Bruce - General Counsel and Secretary

Mr. Bruce, age 34, has been General Counsel and Secretary of Microwave Services, Inc., and AGI since December 1995. Prior to that time, Mr. Bruce was Counsel and Assistant Secretary to the Company, AGI and to ACC prior to the spin-off. From 1987 to 1992, Mr. Bruce was a corporate attorney at Wolf, Block, Schorr and Solis-Cohen in Philadelphia, Pennsylvania specializing in mergers and acquisitions and securities law. From 1983 to 1985, Mr. Bruce was with Touche Ross & Co. in New York, New York, a predecessor of Deloitte & Touche. Mr. Bruce is a graduate of Colgate University, and holds a master's degree from New York University's Stern School of Business and a juris doctorate from Villanova University.

Keith C. Hartman - Controller and Assistant Secretary

Mr. Hartman, age 38, is Controller and Assistant Secretary of Microwave Services, Inc., and has held the same position at AGI since it was spun-off from ACC in December 1994, prior to which he was Controller and Assistant Secretary of ACC from 1986 until December 1994. Mr. Hartman was Assistant Controller of ACC from May 1980 to May 1986. Mr. Hartman was employed by a predecessor of KPMG Peat Marwick from June 1979 to May 1980. Mr. Hartman is a 1979 graduate of Duquense University and holds a Bachelor of Science Degree in Business Administration.

Alex J. Mandl - Chairman and Chief Executive Officer of Associated Communications L.L.C.

Mandl, 52, joined Associated Communications in August 1996 after serving as president, chief operating officer and director of AT&T, and as a member of the office of the chairman. In addition to managing AT&T's long-distance and wireless communications businesses, Mandl was one of the architects of the company's plans to compete with the regional Bell operating companies in providing local telecommunication services following the passage of The Telecommunications Act of 1996.

Mandl joined AT&T in 1991 as chief financial officer and group executive, a position he held until 1993. During that time, he directed AT&T's financial strategy, policy and operations; oversaw AT&T Capital Corporation; and managed various internal support functions for the company. In 1993 he was named executive vice president of AT&T and chief executive officer of its Communications Services Group, with responsibility for AT&T's core long-distance services business. He later managed the $11.5 billion acquisition and integration of McCaw Cellular Communications, Inc.

From 1988 to 1991, Mandl was chairman and CEO of Sea-land Services, Inc., the world's largest ocean transportation and distribution services company. Under his leadership, Sea-Land nearly doubled in size and was transformed into the most profitable shipping company in the world.

Mandl began his business career in 1969 at Boise Cascade Corporation as a merger and acquisition analyst, and held various financial positions over the next 11 years. In 1980, he joined Seaboard Coast Line Industries as senior vice president of finance and corporate planning. After Seaboard merged with Chessie Systems, he was named senior vice president in charge of corporate development, human resources and chief information officer of the new parent company. During the same period, he also had operating responsibility for three transportation and information technology subsidiaries. He was appointed chairman and CEO of Sea-Land Services, Inc. in 1988.

Mandl is a member of the Global Business Management Council, Young President' Organization (alumnus), the American Enterprise Institute for Public Policy Research and the Management Policy Council (alumnus). He also serves on the boards of the Warner-Lambert Company, Carnegie Hall, the Walter A. Haas School of Business at the University of California at Berkeley, Willamette University, and AT&T Universal Card Services. He is a former member of the boards of the Coalition of Service Industries and the Emergency Committee for American Trade. In January 1994, Mandl was appointed to the Advisory Council of the National Information Infrastructure by Vice President Gore.

Mandl has an M.B.A. from the University of California at Berkeley and a B.A. degree in economics from Willamette University in Oregon. He was born in Austria, and received his early education there. He came to the United States to attend college, and has lived here ever since.

Peter D. Vouvounas - Director of Field Operations for Associated Communications, L.L.C.

In the early 1970s, Mr. Vouvounas was employed in the engineering staff of several radio and television stations. In 1979, he joined Motorola Communications where he supported numerous federal government agency networks (FBI, DEA, ACOE, US Customs), and was directly responsible for several public safety systems such as the city of Baltimore Fire Communications network. In 1981, Mr. Vouvounas became the Network Manger for American Radio Telephone (later MetroMedia) responsible for the deployment of the first U.S. non-wireline cellular telephone system. He was later appointed Director of Engineering and set up paging networks serving over 100,000 subscribers.

In 1989-1991, Mr. Vouvounas served as Regional Director for MobileComm Bell South. His responsibilities included technology development and operations for seven VHF and four UHF networks with combined subscriber level of over 200,000. He later started his own international consulting service firm which accomplished numerous projects to include the development and deployment of the first nationwide paging system in Venezuela and the design and turn up of the Reuters financial wireless network. In 1993, Mr. Vouvounas joined TDS as National Director of Engineering with the responsibility for satellite/microwave controlled national and regional networks throughout the U.S. He later joined LCC as the Director of Installation and Optimization Services PCS Broadband designing numerous systems in this area.

Mr. Vouvounas has a Bachelor of Science in Electronic Communications from the University of Maryland. He has been an instructor in digital electronics and communications at Arundel Institute of Technology, and is a member of numerous technical associations, including IEEE, NABER, MAPRA, Broadcast Engineers Society, MARCCA, and NYRCCA.

Exhibit F
Item 15C

Technical Ability

MSI's service in Florida will be provided through its own 18 GHz microwave facilities licensed by the Federal Communications Commission (the "FCC") (copies of these relevant FCC licenses have been attached hereto) which will be interconnected with the local exchange networks of the incumbent LEC. Initially these services will be provided in the Tampa SMSA and the Miami SMSA where MSI currently has FCC microwave licenses. In those areas throughout the state where MSI does not have its own facilities, it may offer local exchange services through the resale of the local exchange facilities of other authorized carriers. MSI will negotiate with the incumbent LEC to obtain its interconnection arrangements shortly, so as to be able to provide alternative local exchange service at the earliest possible date.

Though its currently constructed 18 GHz microwave facilities, MSI provides non-interconnected and enhanced services. The Commission has recently deemed MSI to be qualified to provide Alternative Access Vendor service ("AAV"). *See* Docket No. 960640-TA, Certificate No. 4707.