



01 JAN 23 AM 8 31  
MAIL ROOM

Contacts:  
Fred MacFarlane  
Sitrick and Company  
(310) 788-2850  
(941) 758-0389

Michael Boyle  
ELCOTEL  
(941) 758-0389

**FOR IMMEDIATE RELEASE:**

**ELCOTEL FILES FOR REORGANIZATION TO DEAL WITH DEBT: BUSINESS ACTIVITIES TO REMAIN IN FULL OPERATION AS COMPANY FOCUSES ON GROWING WIRELESS AND INTERNET APPLIANCE MARKETS**

Sarasota, FL, January 19, 2001 – Elcotel, Inc. (NASDAQ: ECTL) announced today that the Company and its subsidiaries have filed a voluntary petition for reorganization under Chapter 11 of the United States Bankruptcy Code. In the filing, made in United States Bankruptcy Court, Elcotel attributed the need to file to debt associated with continuing investment in wireless products for its core payphone business and developing its Internet appliance business. Elcotel said, however, that it is committed to maintaining and operating its businesses while it restructures its debt obligations. The Company said it expects that sales, service and support functions will

remain in full operation for customers and distributors around the world during this process.

AV  
CAF  
CMP  
CON  
DOR  
EOR  
LEG  
OFC  
RGC  
SFC  
TFC  
VFC

DOCUMENT NUMBER-DATE

00958 JAN 23 2001

Elcotel has already received court approval to use existing funds to operate on a "business as usual" basis while we evaluate options for additional financing, as needed. The Company said it plans to retain professional services to advise the Company on various recapitalization alternatives and assist in discussions with its debt holder.

As previously announced, Elcotel has been in discussions with its debt holder on a forbearance agreement since September 2000 when some \$11.2 million in bank debt became due and payable. Elcotel reported a net loss of \$4.2 million, or \$0.30 per diluted share, on revenues of \$16.4 million for the first half of its fiscal year 2001 ended September 30, 2000.

"Filing for Chapter 11 is an unfortunate but necessary step in our plan to restructure Elcotel. This allows us time to secure the financial resources needed to continue to effectively serve our customers and prepare for new market opportunities," said Mike Boyle, Chairman and Chief Executive Officer of Elcotel.

"We remain the dominant competitor in the nation's 'smart' payphone business, and we have a growing market presence in Latin and South America. We intend to be a major player both in the U.S. and abroad within the growing Internet appliance and application service provider business. Elcotel's Board of Directors supports the steps we are taking to restructure our finances and point our company toward future growth opportunities," Boyle said.

Faced with a declining national market for payphones due to increasing wireless

phone usage, Elcotel recently implemented a new business plan that involves reduced operating and capital expenditures and a simplified distribution strategy that focuses on its top-tier customers. In addition, the Company broadened its business focus to include the growing international wireless market, and the domestic Internet appliance market. Earlier this year, Elcotel introduced its Grapevine and e-Prism product family of non-PC based Internet appliances and application support services that employ "thin client" technologies to offer a wide variety of Internet services – including E-Mail retrieval, stock market information and product advertising – and provide services in such public venues as convention centers, malls, hotels, and airports, among others. "Unlike payphones, publicly-accessible Internet appliances are a growing and potentially huge market for our company," Mr. Boyle said. "What's more, we not only manufacture these appliances but we also operate the server networks the end users depend on to access content or manage specialized communications needs. So we have additional revenue streams in these products extending well beyond their manufacture. Furthermore, we have developed wireless products for the growing international market that integrate CDMA, TDMA and GSM wireless technologies, as well as design components based on our Grapevine technology."

Mr. Boyle said he expects that this restructuring, coupled with the financial stability he hopes to achieve during the Chapter 11 process, will enable the company to emerge from Chapter 11 as quickly as possible and remain a market leader in the public communications market place. "We've adjusted to where the payphone market is headed," Mr. Boyle concluded. "Now we must deal decisively with our present debt position."

Elcotel, Inc., based in Sarasota, Florida, is a leader in providing public access telecommunications networks and management services for both domestic and international wireline and wireless communication networks. Visit Elcotel's corporate website at [www.elcotel.com](http://www.elcotel.com).

*This press release may include statements that constitute "forward-looking" statements, usually containing the words "believe", "estimate", "expect", or similar expressions. These statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements inherently involve risks and uncertainties that could cause actual results to differ materially from the forward-looking statements. Factors that would cause or contribute to such differences include, but are not limited to, continued acceptance of the Company's products in the marketplace, new product introduction and acceptance, adverse regulatory action affecting the Company and the Company's customers, competition, obsolescence of the Company's products, and other uncertainties detailed in the Company's periodic filings with the Securities and Exchange Commission (SEC). All forward-looking statements in this press release are based on historical information available and management's beliefs, expectations, estimates, intentions and anticipations as of the date of this release. Such information may change or become invalid after the date of this release, and by making these forward-looking statements, the Company undertakes no obligation to update these statements for revisions or changes after the date of this release.*

###