FORM S-4

Registration of securities issued in business combination transactions

Filing Date: **1995-07-28**
SEC Accession No. 0000950170-95-000134

FILER

PEOPLES TELEPHONE COMPANY INC

CIK:**819694**| IRS No.: **132626435** | State of Incorp.:**NY** | Fiscal Year End: **1231**
Type: **S-4** | Act: **33** | File No.: **033-61363** | Film No.: **95556727**
SIC: **4899** Communications services, nec

Mailing Address
2300 NORTHWEST 89TH PLACE
MIAMI FL 33172

Business Address
2300 NORTHWEST 89TH PL
MIAMI FL 33172
3055939667

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JULY 28, 1995
REGISTRATION NO. 33-

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-4

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

PEOPLES TELEPHONE COMPANY, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

<TABLE>
<S> <C> <C>
NEW YORK 4813 13-2626435
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION) (PRIMARY STANDARD INDUSTRIAL CLASSIFICATION CODE NUMBER) (I.R.S. EMPLOYER IDENTIFICATION NO.)
</TABLE>

2300 N.W. 89TH PLACE
MIAMI, FLORIDA 33172
(305) 593-9667
ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

<TABLE>
<S> <C>
ROBERT D. RUBIN
PRESIDENT
PEOPLES TELEPHONE COMPANY, INC.
2300 N.W. 89TH PLACE
MIAMI, FLORIDA 33172
(305) 593-9667
(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER INCLUDING AREA CODE, OF AGENT FOR SERVICE)

Copies to:
DALE S. BERGMAN, ESQ.
GREENBERG, TRAURIG, HOFFMAN,
LIPOFF, ROSEN & QUENTEL, P.A.
1221 BRICKELL AVENUE, 22ND FLOOR
MIAMI, FLORIDA 33131
(305) 579-0652
</TABLE>

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC:
As soon as practicable after this Registration Statement becomes effective.

If the securities being registered on this Form are to be offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box: [ ]

<TABLE>
<CAPTION>
CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED(1)	PROPOSED MAXIMUM OFFERING PRICE PER NOTE(2)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(2)	AMOUNT OF REGISTRATION FEE
<S>	<C>	<C>	<C>	<C>
12-1/4% Senior Notes Due 2002...	$100,000,000	100%	$100,000,000	$34,483

<FN>
(1) Estimated solely for purposes of computing the registration fee pursuant to Rule 457.
</FN>
</TABLE>

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME

EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

PEOPLES TELEPHONE COMPANY, INC.
CROSS REFERENCE SHEET
Furnished Pursuant to Item 501(b) of Regulation S-K

FORM S-4 ITEM NUMBER AND CAPTION	LOCATION IN PROSPECTUS
1. Forepart of the Registration Statement and Outside Front Cover Page of Prospectus	Facing Page of the Registration Statement; Cross Reference Sheet; Outside Front Cover Page
2. Inside Front and Outside Back Cover Pages of Prospectus	Inside Front Cover Page; Outside Back Cover Page
3. Risk Factors and Ratio of Earnings to Fixed Charges, and Other Information	Summary--Summary Financial Information; Risk Factors; The Company
4. Terms of the Transaction	Summary; The Exchange Offer; Description of Notes; Certain Federal Income Tax Consequences; Exchange Offer; Registration Rights
5. Pro Forma Financial Information	Summary--Summary Financial Information; Selected Financial Information
6. Material Contacts with the Company Being Acquired	*
7. Additional Information Required for Reoffering by Persons and Parties Deemed to be Underwriters	*
8. Interests of Named Experts and Counsel	Legal Matters; Experts
9. Disclosure of Commission Position on Indemnification for Securities Act Liabilities	*
10. Information with Respect to S-3 Registrants	*
11. Incorporation of Certain Information by Reference	*
12. Information with Respect to S-2 or S-3 Registrants	*
13. Incorporation of Certain Information by Reference	*
14. Information with Respect to Registrants Other Than S-3 or S-2 Registrants	Outside Front Cover Page; Summary; Risk Factors; The Company; Use of Proceeds; Capitalization; Selected Financial Information; Management's Discussion and Analysis of Financial Condition and Results of Operations; Business; Preferred Stock Investment; Credit Agreement
15. Information with Respect to S-3 Companies	*
16. Information with Respect to S-2 or S-3 Companies	*
17. Information with Respect to Companies Other Than S-2 or S-3 Companies	*
18. Information if Proxies, Consents or Authorizations are to be Solicited	*

19. Information if Proxies, Consents or Authorizations are not to be Solicited or in an Exchange Offer... Management; Certain Transactions; Principal Shareholders

- ------------------------

* Not applicable or answer thereto is negative.

Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any State in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such State.

SUBJECT TO COMPLETION DATED JULY 28, 1995

PROSPECTUS

PTC

PEOPLES TELEPHONE COMPANY, INC.

OFFER TO EXCHANGE

ITS

SERIES B 12 1/4% SENIOR NOTES DUE 2002

FOR ANY AND ALL OUTSTANDING

SERIES A 12 1/4% SENIOR NOTES DUE 2002

THE EXCHANGE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 4:00 P.M., NEW YORK CITY TIME, ON SEPTEMBER 29, 1995, UNLESS EXTENDED.

Peoples Telephone Company, Inc., a New York corporation (the 'Company'), hereby offers, upon the terms and subject to the conditions set forth in this Prospectus and the accompanying letter of transmittal (the 'Letter of Transmittal' and together with this Prospectus, the 'Exchange Offer'), to exchange its Series B 12 1/4% Senior Notes due 2002 (the 'Exchange Notes'), which have been registered under the Securities Act of 1933, as amended (the 'Securities Act'), pursuant to a Registration Statement (as defined herein) of which this Prospectus is a part, for an equal principal amount of its outstanding Series A 12 1/4% Senior Notes due 2002 issued on July 19, 1995 (the 'Old Notes'), of which $100,000,000 principal amount is outstanding. The Exchange Notes and the Old Notes are collectively referred to herein as the 'Notes.' The Company will accept for exchange any and all Old Notes that are validly tendered and not withdrawn on or prior to 4:00 P.M., New York City time, on September 29, 1995, unless the Exchange Offer is extended (the 'Expiration Date'). Tenders of Old Notes may be withdrawn at any time prior to 4:00 P.M., New York City time, on the Expiration Date. The Exchange Notes will be issued and delivered promptly after the Expiration Date. The Exchange Offer is not conditioned upon any minimum principal amount of Old Notes being tendered for Exchange. Old Notes may be tendered only in integral multiples of $1,000. The Exchange Notes will be obligations of the Company evidencing the same debt as the Old Notes, and will be entitled to the benefits of the same Indenture dated as of July 15, 1995 (the 'Indenture') between the Company and First Union National Bank of North Carolina, as Trustee (the 'Trustee'). The form and terms of the Exchange Notes are substantially the same as the form and terms of the Old Notes except that the Exchange Notes have been registered under the Securities Act. See 'The Exchange Offer,' 'Description of the Notes' and 'Exchange Offer; Registration Rights.'

Each broker-dealer that receives Exchange Notes for its own account pursuant to the Exchange Offer must acknowledge that it will deliver a Prospectus in connection with any resale of such Exchange Notes. The Letter of Transmittal states that, by so acknowledging and by delivering a Prospectus, a broker-dealer will not be deemed to admit that it is an 'underwriter' within the meaning of the Securities Act. This Prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of Exchange Notes received in exchange for Old Notes where such Old Notes were acquired by such broker-dealer as a result of market-making or other trading activities. The Company has agreed that for a period of 180 days after the Expiration Date, it will make this Prospectus available to any broker-dealer for use in connection with any such resale. See 'The Exchange Offer,' 'Exchange Offer; Registration Rights' and 'Plan of Distribution.'

There has been no public market for the Old Notes. If a market for the Exchange Notes should develop, the Exchange Notes could trade at a discount from their principal amount. The Company does not intend to list the Exchange Notes on a national securities exchange or to apply for quotation of the Exchange Notes through the National Association of Securities Dealers Automated Quotation System. There can be no assurance that an active public market for the Exchange Notes will develop.

FOR A DISCUSSION OF CERTAIN RISKS ASSOCIATED WITH AN INVESTMENT IN THE EXCHANGE NOTES, SEE 'RISK FACTORS' AT PAGE 16.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE

SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE DATE OF THIS PROSPECTUS IS JULY , 1995

SUMMARY

The following summary is qualified in its entirety by and should be read in conjunction with the more detailed information and consolidated financial statements, including the notes thereto, appearing elsewhere in this Prospectus. References to the Company also include references to its subsidiaries, unless the context otherwise requires. Except as otherwise indicated, certain technical and other terms used in this Prospectus have the meanings assigned to them in the Glossary appearing herein.

THE COMPANY

The Company believes that it is the largest independent operator of public pay telephones in the United States on the basis of the number of public pay telephones in service. Since installing its first public pay telephone in 1985, the Company's core public pay telephone business has grown rapidly to an installed base, as of March 31, 1995, of 40,040 public pay telephones in 41 states and the District of Columbia. The Company's nationwide presence in the public pay telephone market makes it an attractive supplier of public pay telephone services to national and regional accounts, as compared with small competitors and local exchange carriers ('LECs').

The Company owns, operates, services and maintains a system of public pay telephones. Its public pay telephone business generates revenues from coin calls and non-coin calls, such as calling card, credit card, collect and third party billed calls made from its telephones. Since January 1990, the Company has acquired over 33,000 public pay telephones from 27 independent public pay telephone providers. The Company also expands its base of public pay telephones with its own marketing staff by obtaining contracts for new locations where it believes there will be significant demand for public pay telephone service, such as convenience stores, grocery stores, service stations, shopping centers, hotels, restaurants, airports and truck stops. The Company has been able to acquire and develop national corporate accounts which, as of March 31, 1995, included 7-Eleven (2,528 telephones), Emro Marketing Company, a subsidiary of Marathon Oil (2,058 telephones), Vons Supermarkets (761 telephones) and Safeway Stores (420 telephones).

On April 21, 1995, the Company entered into an agreement (the 'AT&T Agreement') with AT&T Corp. ('AT&T'), which established AT&T as the primary operator services provider for the Company's public pay telephones. The Company intends to direct substantially all of its long distance operator services traffic to AT&T, use the AT&T brand name and adopt the AT&T rate structure. In return, AT&T will pay commissions to the Company at a competitive rate reflecting the large volume of calls involved. The AT&T Agreement has an initial two-year term, subject to renewal, and provides that the Company may serve as a nationwide reseller of AT&T operator services to other independent pay telephone providers. While constituting a major new business alliance for the Company, the AT&T Agreement also represents a continuation of prior working agreements between AT&T and the Company, whereby AT&T and the Company jointly market and provide public pay telephone services to national and regional accounts. Examples of such accounts, as of March 31, 1995, included McDonald's Corporation (1,226 telephones) and the Atlanta Hartsfield International Airport (417 telephones).

The Company believes that currently there are approximately 2.1 million public pay telephones operated in the United States, of which approximately 1.8 million are owned by LECs and approximately 300,000 by independent public pay telephone companies. The independent public pay telephone segment of the industry is highly fragmented among many independent public pay telephone providers and over the last several years has been undergoing and continues to undergo a considerable amount of consolidation.

BUSINESS STRATEGY

The Company's business objective is to focus on its core public pay telephone business and grow operating cash flow by continuing to expand its installed base of public pay telephones. The Company seeks to achieve this objective through the following strategies:

Growth Through Selective Acquisitions. The Company believes that growth through selective acquisitions is desirable because it increases the Company's geographic presence and concentration and typically generates more predictable revenues than new public pay telephone installations. In general, the Company has been able to acquire public pay telephones at prices that it considers attractive because smaller providers frequently lack the economies of scale that the Company enjoys. When acquired telephones are integrated into the Company's national system, the Company is often able to operate such telephones

profitably, or more profitably than the seller, because of its economies of scale. The Company intends to utilize its size and experience in integrating public pay telephone acquisitions in an effort to capitalize on the consolidation trend in the industry.

Growth Through New Installations. The Company is seeking to increase its internal growth by marketing its public pay telephones to new and existing accounts within its current markets. The Company believes that its nationwide presence makes it an attractive supplier of public pay telephone services for national corporate accounts by offering these accounts a consistent level of service and reducing the time, administration and costs associated with utilizing multiple providers. The Company is attempting to balance its national corporate account marketing efforts by expanding its regional and local sales efforts, where competition for accounts tends to be less competitive. It has hired or is in the process of hiring regional sales managers in New York, the Mid-Atlantic region, Florida, Texas, the Mid-West region and California, where the Company has significant concentrations of public pay telephones.

Superior Level of Customer Service. The Company attempts to provide the highest quality service in the industry and establish strong relationships with its customers. The Company provides quality service through the use of 'smart' microprocessor-equipped telephones, a sophisticated management information system and a highly trained service and support staff. The Company's advanced telephone technology allows for exact records of telephone activity, tracking of revenues which can be easily verified by its customers and rapid response (typically within 24 hours) to repair malfunctions and service equipment.

Realize Economies of Scale and Maximize Operating Efficiencies. By growing its public pay telephone business, the Company intends to benefit from the realization of further economies of scale in field service, collection and other selling, general and administrative activities. The Company's existing infrastructure permits it to add new public pay telephones in its existing markets without significant incremental operating costs. Furthermore, as a high-volume consumer of long distance service (approximately 17 million minutes per month), the Company has been able to negotiate favorable terms from AT&T and other operator service providers and interexchange carriers. The Company's 'smart' public pay telephones, management information systems and trained service and support staff have permitted it to achieve savings in the cost of telephone repair and maintenance.

1994 OPERATIONAL RESTRUCTURING

In recent years, the Company entered into a variety of complementary niche telecommunications businesses and attempted to vertically integrate its public pay telephone business. The complementary businesses were the Company's inmate telephone, prepaid calling card and international telephone center and cellular telephone rental operations. The Company's efforts to vertically integrate included providing long distance and operator services through its own dedicated switching network and its own billing and collection operations. The Company believed these actions would enhance its long-term growth, diversify and vertically integrate its business and obtain benefits associated with adding to the Company's total

volume of long distance telephone calls. While increasing its long distance minutes remains a key part of the Company's operating strategy, the capital requirements and management attention required by these operations diverted the Company from its core public pay telephone business and adversely affected its operating results. During the second quarter of 1994, management of the Company undertook a review of the Company's operations, management structure and strategic objectives with a view toward reducing expenses and improving operating efficiency. For a discussion of 1994 operating results, see 'Management's Discussion and Analysis of Financial Condition and Results of Operations.'

The principal actions taken by the Company as a result of management's review included:

Renewed Focus on Core Business. In December 1994, the Company decided to focus on the growth opportunities available in its core public pay telephone business and to divest itself of its inmate telephone, prepaid calling card and international telephone center and cellular telephone rental operations. For financial accounting purposes, the inmate telephone and cellular telephone rental operations (the 'Discontinued Operations') have been segregated and reported as discontinued operations. The Company sold its prepaid calling card business in February 1995 and is currently pursuing alternatives to divest the Discontinued Operations and the international telephone center operations. This offering is not conditioned upon the divestiture of any of the Discontinued Operations or the international telephone center operations.

Reduced Size and Improved Quality of Work Force. In 1994, the Company reduced its work force from continuing operations by approximately 100 employees. The annual compensation and fringe benefits associated with the reduction in the continuing operations' work force is estimated by the Company to be approximately $4.3 million (based on 1994 compensation and fringe benefit

expenses). The estimated compensation and fringe benefit expenses associated with such work force reduction and included in the Company's 1994 results from continuing operations is approximately $2.8 million. In addition, the Company hired a new Chief Financial Officer and upgraded the caliber of its employees performing certain key functions. As a result of these actions, the Company reduced operating expenses, upgraded operating systems and strengthened its accounting controls and internal reporting practices.

Management's decision to divest itself of the prepaid calling card and international telephone center operations and the Discontinued Operations and reduce the size of the Company's work force (collectively, the '1994 Operational Restructuring'), together with its review of the Company's operations, resulted in charges in 1994 (the '1994 Charges') of approximately $4.0 million to earnings before interest, income taxes, depreciation and amortization ('EBITDA') from continuing operations, which management believes are one-time charges, although there can be no assurance that similar charges would not be taken in the future. See 'Management's Discussion and Analysis of Financial Condition and Results of Operations-- The 1994 Charges.'

As a result of operating losses in 1994, including losses from the prepaid calling card and international telephone center operations and the Discontinued Operations, the Company was not in compliance with certain financial covenants in the Company's prior credit agreement (the 'Prior Credit Agreement'). The lenders under the Prior Credit Agreement subsequently waived compliance with such covenants and modified the covenants to provide the Company with greater flexibility through 1995. However, as described under '--Recent Developments,' the Company recently defaulted in making certain payments under $6.0 million in principal amount of promissory notes issued in connection with a 1993 acquisition due, in part, to disputes regarding the indemnification obligations of the holder of the notes and to conserve cash in light of the Company's working capital requirements and amortization obligations under the Prior Credit Agreement. The Company obtained temporary waivers in respect of defaults under other indebtedness arising by reason of the payment defaults. For a discussion of these defaults and waivers and recently settled litigation with the holder of the promissory notes, see '--Recent Developments,' 'Risk Factors--Defaults under Indebtedness' and 'Business--Legal Proceedings.' For a discussion of certain liquidity issues being addressed by the Refinancing, see 'Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources.'

1995 REFINANCING PLAN

In order to extend its debt maturities and to provide increased operational and financial flexibility to take advantage of growth opportunities in its core public pay telephone business, simultaneously with the issuance of the Old Notes the Company refinanced the Prior Credit Agreement and certain outstanding notes payable with its new Credit Agreement (as defined below), the Notes and the Preferred Stock Investment (as defined below) (collectively, the 'Refinancing'). See 'Description of Credit Agreement,' '--Recent Developments' and 'Use of Proceeds.' As of July 26, 1995, the Company had not borrowed any of the total $40.0 million of credit available under the Credit Agreement.

RECENT DEVELOPMENTS

PREFERRED STOCK INVESTMENT

On July 3, 1995, the Company entered into an agreement with UBS Capital Corporation ('UBS Capital'), for the issuance by the Company of shares of Cumulative Convertible Preferred Stock (the 'Preferred Stock') for gross proceeds of $15.0 million (collectively, the 'Preferred Stock Investment'). UBS Capital is a wholly-owned indirect merchant banking subsidiary of Union Bank of Switzerland. The Preferred Stock Investment was consummated simultaneously with the issuance of the Old Notes. In connection with the consummation of the Preferred Stock Investment, UBS Capital assigned its rights under such agreement to UBS Partners, Inc., also a wholly-owned subsidiary of Union Bank of Switzerland ('UBS Partners'), and the Preferred Stock was acquired by UBS Partners.

The Preferred Stock cumulates dividends initially at an annual rate of 7%, which will be payable in cash or, at the Company's option during the first three years after issuance, will continue to cumulate. The Preferred Stock is immediately convertible, at the option of the holders, into 2,857,143 shares of Common Stock of the Company (or 15.1% of the outstanding Common Stock as of June 30, 1995, determined in accordance with Rule 13d-3 under the Exchange Act) at a conversion price of $5.25 per share, subject to certain antidilution adjustments. The Preferred Stock is subject to (i) mandatory redemption by the Company 10 years after issuance or, subject to the prior payment in full of the Company's indebtedness under the Credit Agreement and the Notes, in the event of certain bankruptcy or related events relating to the Company, (ii) redemption at the Company's option, resulting in the exercisability of contingent warrants and (iii) in the event of a Change of Control (as defined in the Indenture), redemption, at the option of the holders thereof, in all cases, at its liquidation preference ($15.0 million in the aggregate) plus accrued and unpaid

dividends.

Pursuant to the terms of the Preferred Stock, the holders of the Preferred Stock are entitled to elect two members of the six member Board of Directors of the Company. The two directors initially will be Charles J. Delaney, President of UBS Capital Corporation, and Jeffrey J. Keenan, a Managing Director of UBS Capital Corporation; however, only one such designee will serve until the Company's 1995 Annual Meeting of Shareholders. One existing director will resign to create a vacancy for such director and another existing director is expected not to be renominated at such Annual Meeting. Such existing director has objected to not being renominated. See 'Management--Directors and Executive Officers' and 'Business--Legal Proceedings.'

CERTAIN REGULATORY DEVELOPMENTS

Reduction in Florida Access Fees. The Florida Legislature, during the 1995 General Session, passed a comprehensive rewrite of the State's telecommunications law, which was enacted into law in June 1995. As its cornerstone, the legislation provides for open competition in the Florida local exchange markets, effective January 1, 1996. As one of the largest customers of local exchange service in the State, the Company expects to benefit in terms of price and service quality with the advent of local telephone service competition permitted under this new legislation. In addition, the new law specifically enables the Company

and other independent public pay telephone providers, effective July 1, 1995, to obtain flat rate business line interconnection from the LECs in lieu of the mandatory measured rate structure previously in place. Based upon 1994 average usage of Florida public pay telephones, the Company estimates that, if implemented, these changes may result in an approximate average savings of $25-$30/phone/month to the Company for its Florida operations.

Compensation for Access Code Calls. On May 23, 1995, the United States Court of Appeals for the District of Columbia issued a decision overturning a prior Federal Communications Commission ('FCC') ruling that applicable federal law did not allow the FCC to prescribe compensation to pay telephone providers on 'subscriber 1-800 calls' or 1-800 calls where the recipient of the call selected the operator service provider (for example, calls to 1-800-FLOWERS or 1-800-USA-RAIL). The FCC made this earlier finding in the context of its initial decision to prescribe compensation to public pay telephone providers on 'carrier access code calls' (including 1-800 carrier access code calls, along with '950' and '10XXX' access code calls) under the same federal law. The Court held that there was no legal preclusion to establishment of a system for compensating public pay telephone providers on subscriber 1-800 calls initiated from independent public pay telephones. The Court remanded the case to the FCC for further proceedings 'to consider the need to prescribe compensation for subscriber 1-800 calls routed to providers of operator services that are other than the prescribed provider of operator services.' The Company will participate through the American Public Communications Council industry trade group in an effort to have the FCC expeditiously adopt a compensation mechanism that provides reasonable payment to providers of pay telephone equipment used in making these 1-800 calls. There can be no assurance that a compensation scheme for subscriber 1-800 calls will be adopted on a timely basis or at all.

CERTAIN LEGAL PROCEEDINGS

On May 9, 1995, a complaint (as amended on May 30, 1995) was filed in the Supreme Court of the State of New York, New York County, against the Company by Ascom Communications, Inc. ('ACI') and ACI's sole shareholder, Ascom Holding, Inc. ('AHI'). The complaint alleged breach of contract by the Company for failure to make certain principal and interest payments in respect of $6.0 million principal amount of promissory notes which were issued by the Company to ACI in connection with the November 1993 purchase by the Company of substantially all of ACI's assets. In addition, the complaint alleged that the Company breached its agreement with ACI to register certain shares of Common Stock of the Company under the Securities Act within an agreed upon time frame. The Company did not make such payments due, in part, to disputes regarding the indemnification obligations of ACI and to conserve cash in light of the Company's working capital requirements and amortization requirements under the Prior Credit Agreement. The complaint also alleged that the Company failed to assume certain obligations and pay certain amounts under an equipment lease. The Company settled such litigation in June 1995 for approximately $5.7 million. See 'Business--Legal Proceedings.'

DEFAULTS UNDER INDEBTEDNESS

The Company's payment defaults in respect of the promissory notes held by ACI, as well as the litigation by ACI and AHI, resulted in defaults under the Prior Credit Agreement and the Company's $2.5 million in mortgage indebtedness. On May 31, 1995, the lenders under the Prior Credit Agreement waived the defaults arising from the ACI litigation and the payment defaults in respect of the ACI promissory notes, provided that by June 30, 1995 the Company either consummated the refinancing of the Prior Credit Agreement or settled the ACI litigation on terms that do not require payment by the Company of an amount in

excess of $6.0 million. The litigation was settled in June 1995 for approximately $5.7 million. On May 31, 1995, the Company's mortgage lender temporarily waived the defaults arising out of the payment defaults on the ACI promissory notes provided that the mortgage indebtedness is repaid prior to August 31, 1995. The Company used the net proceeds from the Refinancing to repay all indebtedness under the Prior Credit Agreement, as well as repay certain notes payable, including the mortgage, pending its planned refinancing. See 'Risk Factors--Defaults under Indebtedness' and 'Use of Proceeds.'

THE EXCHANGE OFFER

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Old Notes..... The Old Notes were sold by the Company on July 19, 1995 (the 'Issue Date' or 'Closing Date'), pursuant to a Purchase Agreement, dated as of July 12, 1995 (the 'Note Purchase Agreement'), by and between the Company and Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, the initial purchaser of the Old Notes (the 'Initial Purchaser').

Registration Rights..... Pursuant to the Note Purchase Agreement, the Company and the Initial Purchaser entered into a Registration Rights Agreement, dated as of July 19, 1995 (the 'Registration Rights Agreement'), which grants the holders of the Old Notes certain exchange and registration rights. This Exchange Offer is intended to satisfy such exchange rights which terminate upon consummation of the Exchange Offer.

The Exchange Offer..... The Company is offering to exchange $1,000 principal amount of its Exchange Notes for each $1,000 principal amount of its outstanding Old Notes that are properly tendered and accepted. As of the date of this Prospectus, $100,000,000 in aggregate principal amount of the Old Notes are outstanding. As of July 26, 1995, there were 5 registered holders of Old Notes. See 'The Exchange Offer.'

Based on interpretations by the staff of the Securities and Exchange Commission (the 'Commission') set forth in certain no-action letters issued by the Commission to third parties, the Company believes that Exchange Notes issued pursuant to the Exchange Offer in exchange for Old Notes may be offered for resale, resold and otherwise transferred by any holder thereof (other than any such holder which is an 'affiliate' of the Company within the meaning of Rule 405 under the Securities Act) without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that such Exchange Notes are acquired in the ordinary course of such holder's business and that such holder does not intend to participate and has no arrangement or understanding with any person to participate in the distribution of such Exchange Notes.

Each broker-dealer that receives Exchange Notes for its own account pursuant to the Exchange Offer must acknowledge that it will deliver a prospectus in connection with any resale of such Exchange Notes. The Letter of Transmittal that accompanies this Prospectus states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an 'underwriter' within the meaning of the Securities Act. This Prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of Exchange Notes received in exchange for Old Notes where such Old Notes

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were acquired by such broker-dealer as a result of market-making activities or other trading activities.

Any holder of Old Notes who tenders in the Exchange Offer with the intention to participate, or for the purpose of participating, in a distribution of the Exchange Notes could not rely on the position of the staff of the Commission enunciated in Exxon Capital Holdings Corporation (available April 13, 1989) or similar no-action letters and, in the absence of an exemption therefrom, must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction. Failure to comply with such requirements in such instance may result in such holder incurring liability under the Securities Act for which the holder is not indemnified by the Company.

Expiration Date.....	4:00 p.m., New York City time, on September 29, 1995, unless extended (the 'Expiration Date'). See 'The Exchange Offer--Terms of the Exchange Offer; Expiration Date; Extensions; Amendments.'
Accrued Interest on the Exchange Notes and Old Notes.....	The Exchange Notes will bear interest from their respective issuance dates at the same rate and upon the same terms as the Old Notes. Holders whose Old Notes are accepted for exchange will receive accrued and unpaid interest thereon to, but not including, the issuance date of the Exchange Notes and will be deemed to have waived the right to receive any payment in respect of interest on the Old Notes accrued from and after the date of issuance of the Exchange Notes. Such accrued but unpaid interest on the Old Notes will be payable with the first interest payment on the Exchange Notes.
Conditions of the Exchange Offer.....	The Exchange Offer is subject to certain customary conditions, including (i) no commencement of any action, legal or governmental, with respect to the Exchange Offer or which the Company reasonably determines would make it inadvisable to proceed with the Exchange Offer, (ii) no banking moratorium or similar event or international calamity involving the United States, and (iii) no change in the business or prospects of the Company that may have a material adverse effect on the Company. The Company expects that the foregoing conditions will be satisfied. All such conditions may be waived by the Company. Holders may have certain rights and remedies against the Company under the Registration Rights Agreement should the Company fail to consummate the Exchange Offer. See 'The Exchange Offer--Conditions of the Exchange Offer.'
Procedures for Tendering Old Notes.....	Each holder of Old Notes desiring to accept the Exchange Offer must complete and sign the Letter of Transmittal or a facsimile thereof, in accordance with the instructions contained herein and therein, and mail or deliver the Letter of

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	Transmittal, together with the Old Note and any other required documents to the Exchange Agent (as defined herein) at the address set forth herein and in the Letter of Transmittal on or prior to the Expiration Date. By executing the Letter of Transmittal, each holder will represent to the Company that, among other things, the Exchange Notes acquired pursuant to the Exchange Offer are being obtained in the ordinary course of business of the person receiving such Exchange Notes, whether or not such person is the holder, that neither the holder nor any such other person has any arrangement or understanding with any person to participate in the distribution of such Exchange Notes and that neither the holder nor any such other person is an 'affiliate,' as defined under Rule 405 of the Securities Act.
Untendered Old Notes.....	Following the consummation of the Exchange Offer, holders of Old Notes eligible to participate but who do not tender their Old Notes will not have any further registration rights and such Old Notes will continue to be subject to certain restrictions on transfer. Accordingly, the liquidity of the market for such Old Notes could be adversely affected.
Shelf Registration Statement.....	In the event that applicable interpretations of the Staff of the Commission do not permit the Company to effect the Exchange Offer, or if for any other reason the Exchange Offer is not consummated within 120 days of the Issue Date, or if a holder of the Notes is not permitted to participate in the Exchange Offer or does not receive freely tradeable Exchange Notes pursuant to the Exchange Offer or, under certain circumstances, if the Initial Purchaser so requests, the Company will use its best efforts to cause to become effective a Shelf Registration Statement with respect to the resale of the Notes and use its best efforts to keep such Shelf Registration Statement continuously effective until three years after the Issue Date (or until one year after the Issue Date if such Shelf Registration Statement is filed solely at the request of the Initial Purchaser).
Special Procedures for Beneficial Owners.....	Any beneficial owner whose Old Notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and who wishes to tender should contact such registered holder

	promptly and instruct such registered holder to tender on such beneficial owner's behalf. If such beneficial owner wishes to tender on such owner's own behalf, such owner must, prior to completing and executing the Letter of Transmittal and delivering its Old Notes, either make appropriate arrangements to register ownership of the Old Notes in such owner's name or obtain a properly completed bond power from the registered holder. The transfer of registered ownership may take considerable time.
Guaranteed Delivery Procedures.....	Holders of Old Notes who wish to tender their Old Notes and (i) whose Old Notes are not immediately available or (ii) who

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	cannot deliver their Old Notes, the Letter of Transmittal and any other documents required by the Letter of Transmittal to the Exchange Agent (or comply with the procedures for book-entry transfers) prior to the Expiration Date, must tender their Old Notes according to the guaranteed delivery procedures set forth in 'The Exchange Offer--Guaranteed Delivery Procedures.'
Withdrawal of Tenders.....	Tenders of Old Notes may be withdrawn at any time prior to 4:00 p.m., New York City time, on the Expiration Date.
Acceptance of Old Notes and Delivery of Exchange Notes.....	Subject to the satisfaction or waiver of all conditions of the Exchange Offer, the Company will accept for exchange any and all Old Notes that are properly tendered in the Exchange Offer prior to 4:00 p.m., New York City time, on the Expiration Date. The Exchange Notes issued pursuant to the Exchange Offer will be delivered in exchange for the applicable Old Notes accepted in the Exchange Offer promptly following the Expiration Date. See 'The Exchange Offer--Acceptance of Old Notes for Exchange; Delivery of Exchange Notes.'
Certain Federal Income Tax Consequences.....	For a discussion of certain federal income tax consequences of the exchange of the Old Notes, see 'Certain Federal Income Tax Consequences.'
Exchange Agent.....	First Union National Bank of North Carolina is the exchange agent (the 'Exchange Agent') for the Exchange Offer. The address and telephone number of the Exchange Agent are set forth in 'The Exchange Offer--Exchange Agent.'

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SUMMARY OF TERMS OF NOTES

The Exchange Offer constitutes an offer to exchange up to $100,000,000 aggregate principal amount of the Exchange Notes for up to an equal aggregate principal amount of Old Notes. The Exchange Notes will be obligations of the Company evidencing the same indebtedness as the Old Notes, and will be entitled to the benefit of the same Indenture. The form and terms of the Exchange Notes are substantially the same as the form and terms of the Old Notes except that the Exchange Notes have been registered under the Securities Act. See 'Description of the Notes.'

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Notes Offered.....	$100.0 million principal amount of 12 1/4% Senior Notes due 2002.
Maturity Date.....	July 15, 2002.
Interest Payment Dates.....	The Notes will bear interest at the rate of 12 1/4% per annum, payable semiannually on each January 15 and July 15, commencing January 15, 1996.
Optional Redemption.....	The Notes will be redeemable at the Company's option, in whole or in part, at any time on or after July 15, 2000, at the

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	redemption prices set forth herein, together with accrued and unpaid interest, if any, to the date of redemption. In addition, prior to July 15, 1998, the Company may redeem up to 20% of the principal amount of the Notes originally issued with the net proceeds of one

	or more Equity Offerings resulting in gross proceeds to the Company of not less than $10.0 million at 111 1/4% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date of redemption.
Change of Control.....	Upon the occurrence of a Change of Control, each holder of Notes will have the right to require the Company to purchase all or a portion of such holder's Notes at 101% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date of purchase. See 'Description of the Notes-- Change of Control.'
Ranking.....	The Notes will be senior unsecured obligations of the Company and will rank senior in right of payment to all indebtedness of the Company which is by its terms expressly subordinated in right of payment to the Notes and pari passu in right of payment with all other existing or future senior indebtedness of the Company. As of March 31, 1995 and after giving effect to the Refinancing, there was approximately $5.8 million of indebtedness which would have ranked pari passu in right of payment with the Notes. In addition, the Company has the ability to borrow additional indebtedness of up to approximately $40.0 million under the Credit Agreement. The Company's indebtedness under the Credit Agreement is secured by substantially all of the assets of the Company. Any right of the holders of the Notes to participate in the assets of the Company will be subject to the prior claims of secured creditors, such as the lenders under the Credit Agreement, with respect to those assets securing such claims. As of the date of this Prospectus, the Company has no indebtedness ranking junior in right of payment to the Notes.
Restrictive Covenants.....	The indenture governing the Notes (the 'Indenture') contains certain covenants, including, but not limited to, covenants with respect to the following matters: (i) limitations on additional indebtedness; (ii) limitations on restricted payments; (iii) limitations on the incurrence of liens; (iv) limitations on transactions with affiliates; (v) the application of the proceeds of certain asset sales; (vi) restrictions on the issuance of preferred stock of Restricted Subsidiaries (as defined); (vii) limitations on the creation of restrictions on the ability of Restricted Subsidiaries to make certain distributions and payments to the Company and other Restricted Subsidiaries; and (viii) limitations on the merger, consolidation or transfer of all or substantially all of the assets of the Company and the Restricted Subsidiaries with or to another person. See 'Description of the Notes--Certain Covenants.'

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Exchange Offer; Registration Rights.....	Pursuant to the Registration Rights Agreement, the Company has agreed to use its best efforts to file within 30 days and cause to become effective within 90 days of the Issue Date a registration statement (the 'Exchange Offer Registration Statement') with respect to an offer to exchange the Notes for senior unsecured debt securities of the Company with substantially identical terms to the Notes. The Company has also agreed, under certain circumstances, to file and cause to become effective a Shelf Registration, as described above. As described in the following paragraph, the interest rate on the Notes will increase under certain circumstances if the Company is not in compliance with its registration obligations. The filing of the registration statement of which this Prospectus is a part is intended to satisfy the requirement to file the Exchange Offer Registration Statement. In the event that (i) an Exchange Offer Registration Statement with respect to the Exchange Offer is not filed with the Commission on or prior to the 30th day following the Issue Date, (ii) such Exchange Offer Registration Statement is not declared effective on or prior to the 90th day following the Issue Date, (iii) the Exchange Offer is not consummated on or prior to the 120th day following the Issue Date or (iv) a required Shelf Registration Statement with respect to the Notes is not declared effective on or prior to the 150th day following the Issue Date, the interest rate borne by the Notes will be increased by 0.25% per annum, which rate will be increased by an additional 0.25% per annum for each 90-day period that any such additional interest continues to accrue, with an aggregate maximum increase in the interest rate per annum borne by the Notes of 1.0%. If applicable, in the event a Shelf Registration Statement ceases to be effective

	for a period in excess of 15 days, whether or not consecutive, in any given year, the interest rate borne by the Notes will be increased by an additional 0.25% per annum on the 16th day in the applicable year such Shelf Registration Statement ceases to be effective, which rate will be increased by an additional 0.25% per annum for each additional 90 days that such Shelf Registration Statement is not effective, subject to the same aggregate maximum increase in interest rate referred to above. Upon the filing of the Exchange Offer Registration Statement, the effectiveness of the Exchange Offer Registration Statement or the consummation of the Exchange Offer, as the case may be, the interest rate borne by the Notes will be reduced by the full amount of any such increase to the extent that such increase related to the failure of any such event to have occurred. Upon the effectiveness of a Shelf Registration Statement, the interest rate borne by the Notes will be reduced to the original interest rate of the Notes unless and until increased as described above. See 'Exchange Offer; Registration Rights.'

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Use of Proceeds	No proceeds will be received by the Company from the Exchange Offer. The Company's net proceeds from the sale of the Old Notes, approximately $95.3 million, together with the net proceeds of the Preferred Stock Investment, were used to repay the outstanding balance under the Prior Credit Agreement, an existing mortgage and certain notes payable. It is expected that, subject to the conditions and borrowing base set forth in the Credit Agreement, additional amounts will be borrowed under the Credit Agreement for general corporate purposes, including funding expansion of the Company's core public pay telephone business. See 'Use of Proceeds.'
Absence of a Public Market for the Notes	Prior to this offering, there has not been any public market for the Notes, however, the Old Notes are eligible for trading in the PORTAL Market of the National Association of Securities Dealers, Inc. The Notes are not listed on a national securities exchange and are not authorized for trading on Nasdaq. Accordingly, there can be no assurance as to the development or liquidity of any market for the Old Notes or the Exchange Notes.
Transfer Restrictions	The Old Notes have not been registered under the Securities Act and may not be offered or sold, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

</TABLE>

RISK FACTORS

An investment in the Notes involves a high degree of risk. Prior to making an investment in the Exchange Notes, prospective purchasers should consider all of the information contained in this Prospectus. In particular, prospective purchasers should consider the risks set forth under 'Risk Factors.'

SUMMARY FINANCIAL INFORMATION

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	YEAR ENDED DECEMBER 31,					QUARTER ENDED MARCH 31,
	1990	1991	1992	1993	1994	1994
					(RESTATED)	(RESTATED)
			(DOLLARS IN THOUSANDS)			
OPERATING DATA:						
Total revenues	$ 42,694	$ 55,876	$ 71,483	$ 79,401	$ 114,121	$ 25,126
Costs and expenses:						
Telephone charges	13,491	18,346	22,160	18,398	41,264	8,304
Commissions	7,620	10,416	14,868	17,584	23,565	4,877
Field service and collection	5,982	6,386	9,818	11,994	18,608	4,916
Depreciation and amortization	5,242	7,867	9,900	12,958	19,185	4,112
Selling, general and administrative	7,841	7,233	7,188	7,368	13,043	2,672
Interest expense	1,929	2,506	2,630	2,504	5,312	989
Loss from operations of prepaid calling card and international telephone centers	--	--	--	1,730	1,816	730

Loss on disposal of prepaid calling card and international telephone centers	--	--	--	--	3,690	--
Other	--	--	--	--	--	--
Total costs and expenses	42,105	52,754	66,564	72,536	126,483	26,600
Income (loss) from continuing operations before taxes	589	3,122	4,919	6,865	(12,362)	(1,474)
(Provision for) benefit from income taxes(1)	(289)	(1,240)	(1,774)	(2,586)	4,722	465
Income (loss) from continuing operations	300	1,882	3,145	4,279	(7,640)	(1,009)
Income (loss) from discontinued operations	--	--	109	1,063	(10,753)	(1,048)
Extraordinary loss from extinguishment of debt, net	--	--	--	--	--	--
Net income (loss)	$ 300	$ 1,882	$ 3,254	$ 5,342	$ (18,393)	$ (2,057)
Ratio of earnings to fixed charges	1.3x	2.1x	2.5x	2.8x	--(2)	--(2)
BALANCE SHEET DATA (AT END OF PERIOD):						
Working capital (deficit)	$ 331	$ (1,030)	$ 690	$ 673	$ 16,402	--
Total assets	38,438	45,036	79,257	173,342	190,591	--
Total long-term debt (including current maturities)	22,600	25,933	38,021	79,782	115,325	--
Shareholders' equity	9,262	12,339	27,604	65,333	48,715	--
OTHER DATA:						
Number of pay telephones at end of period	11,486	16,680	21,652	35,687	40,017	35,764
Capital expenditures	$ 9,002	$ 7,914	$ 11,215	$ 8,676	$ 9,201	$ 4,459
EBITDA(3)	$ 7,760	$ 13,495	$ 17,449	$ 22,327	$ 12,135	$ 3,627
Adjusted EBITDA(4)	7,060(5)	13,495	17,449	21,189(6)	21,033(7)	3,987(8)
Pro forma interest expense(10)	--	--	--	--	8,267	--
Ratio of Adjusted EBITDA to pro forma interest expense(4)(10)	--	--	--	--	2.5x	--

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	1995 (RESTATED)
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OPERATING DATA:	
Total revenues	$ 27,454
Costs and expenses:	
Telephone charges	8,491
Commissions	6,297
Field service and collection	4,628
Depreciation and amortization	4,741
Selling, general and administrative	2,368
Interest expense	1,479
Loss from operations of prepaid calling card and international telephone centers	--
Loss on disposal of prepaid calling card and international telephone centers	--
Other	27
Total costs and expenses	28,031
Income (loss) from continuing operations before taxes	(577)
(Provision for) benefit from income taxes(1)	216
Income (loss) from continuing operations	(361)
Income (loss) from discontinued operations	--
Extraordinary loss from extinguishment of debt, net	(2,894)
Net income (loss)	$ (3,255)
Ratio of earnings to fixed charges	--(2)
BALANCE SHEET DATA (AT END OF PERIOD):	
Working capital (deficit)	$ 5,504
Total assets	184,857
Total long-term debt (including current maturities)	114,176
Shareholders' equity	45,396
OTHER DATA:	
Number of pay telephones at end of period	40,040
Capital expenditures	$ 1,272
EBITDA(3)	$ 5,643
Adjusted EBITDA(4)	4,295(9)
Pro forma interest expense(10)	1,960
Ratio of Adjusted EBITDA to pro forma interest expense(4)(10)	2.2x

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(1) In December 1987, the Financial Accounting Standards Board ('FASB') issued Statement of Financial Accounting Standards ('SFAS') No. 96, Accounting for Income Taxes. The Company adopted this Statement prospectively in 1988. In February 1992, the FASB issued SFAS 109 which supersedes SFAS 96. The Company adopted SFAS 109 prospectively in 1991.

(2) The ratio of earnings to fixed charges has been computed by dividing earnings available for fixed charges (income from continuing operations plus total interest expense and one-third of rental expense) by fixed charges. Fixed charges include interest costs from continuing operations and Discontinued Operations, amortization of deferred financing costs and one-third of rental expense. The Company has assumed that one-third of rental expense is representative of the interest factor. On an historical basis, the Company's earnings available for fixed charges in 1994 and in the first quarters of 1994 and 1995 were insufficient to cover fixed charges by approximately $12.4 million, $1.5 million and $0.6 million, respectively. The Company's pro forma earnings available for fixed charges in 1994 and the first quarter of 1995 would have been insufficient to cover fixed charges by approximately $15.0 million and $1.2 million, respectively.

(3) EBITDA consists of net earnings before interest, income taxes, depreciation and amortization. EBITDA is not intended to represent net income, cash flow or any other measures of performance in accordance with generally accepted accounting principles, but is included because management believes certain investors find it to be a useful tool for evaluating creditworthiness.

(4) Adjusted EBITDA is EBITDA adjusted to eliminate one-time income and expense items and the losses from the operations and disposition of the prepaid calling card and international telephone center business, but does not eliminate the compensation and fringe benefit expense included in 1994, estimated at approximately $2.8 million, associated with the reduction of the Company's work force by approximately 100 employees during 1994.

(5) Eliminates one-time income adjustments of approximately $0.7 million for the buyout of certain of the Company's reseller agreements by one of the Company's operator service providers.

(6) Eliminates one-time income adjustments of approximately $1.7 million resulting from certain excise, state sales and use tax refund claims and $1.2 million related to the reduction of validation, royalty and license fees.

(7) Eliminates the 1994 Charges of approximately $4.0 million recorded for, among other things, amounts reserved for settling disputes with service providers, severance charges, lease termination charges and costs incurred in connection with an abandoned merger transaction and eliminates a one-time income adjustment of approximately $0.6 million for a contract signing bonus and volume discounts credited to the Company by one of its service providers. Does not eliminate the compensation and fringe benefit expense, estimated at approximately $2.8 million, associated with the reduction of the Company's work force by approximately 100 employees during 1994. There can be no assurance that charges similar to the 1994 Charges will not be taken in the future. See 'Management's Discussion and Analysis of Financial Condition and Results of Operations--The 1994 Charges.'

(8) Eliminates one time-charges of approximately $0.2 million for additional bad debt reserves and one-time income adjustments of approximately $0.6 million for a contract signing bonus and volume discounts credited to the Company by certain of its service providers.

(9) Eliminates the reduction of telephone charges of approximately $1.3 million recorded as a result of a settlement of a dispute regarding past periods with one of the Company's operator service providers.

(10) Pro forma interest expense is presented after giving pro forma effect to the Refinancing and the application of the proceeds therefrom as though it had occurred on January 1, 1994. In accordance with generally accepted accounting principles, interest expense is after allocation of approximately $5.0 million and $1.0 million of interest expense to the prepaid calling card and international telephone center business and the Discontinued Operations for the year ended December 31, 1994 and the quarter ended March 31, 1995, respectively. Pro forma interest expense is net of interest income of $0.2 million and $0.2 million for the year ended December 31, 1994 and the quarter ended March 31, 1995, respectively.

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RISK FACTORS

An investment in the Notes is highly speculative. Prior to making an

investment in the Exchange Notes, prospective purchasers should carefully consider all of the information contained in this Prospectus and, in particular, should evaluate the following risk factors.

IMPACT OF LEVERAGE

On a pro forma basis, after giving effect to the Refinancing, the Company would have had, as of March 31, 1995, total long-term debt of approximately $103.5 million and the ability to borrow, under the borrowing base formula of the Credit Agreement, approximately an additional $40.0 million. In addition, on a pro forma basis, after giving effect to the Refinancing, the Company's earnings would have been insufficient to cover fixed charges by approximately $15.0 million and $1.2 million for the year ended December 31, 1994 and the quarter ended March 31, 1995, respectively. Although the Indenture will limit the incurrence of additional indebtedness in the future, the Company may be permitted to incur substantial additional indebtedness, which may bear interest at variable rates and contain significant restrictions on the Company's activities. Such indebtedness may be incurred in the ordinary course of business or otherwise, including in connection with acquisitions.

The degree to which the Company is leveraged could have important consequences to the holders of the Notes, including, among other things, the following: (i) the impairment of the Company's ability to obtain financing in the future for working capital, capital expenditures, acquisitions, general corporate or other purposes; (ii) the dedication of a substantial portion of the Company's cash flow from operations for the payment of principal and interest on its indebtedness; (iii) the vulnerability of the Company to economic downturns and competitive pressures due to its high degree of leverage; and (iv) difficulties in satisfying its obligations in respect of indebtedness, including the Notes. See 'Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources.'

DEFAULTS UNDER INDEBTEDNESS

As a result of the Company's losses in 1994, the Company was not in compliance with various financial covenants contained in the Prior Credit Agreement at June 30, 1994 and at December 31, 1994. In September 1994, the senior lenders waived the Company's non-compliance at June 30, 1994 and the Prior Credit Agreement was amended to make the covenants less restrictive for the balance of 1994. In March 1995, the Company amended certain terms contained in the Prior Credit Agreement. In connection with the amendment, the senior lenders agreed to waive the Company's non-compliance for the fourth quarter of 1994 and amended the covenants for the remainder of 1995 making them less restrictive. However, as described under 'Summary--Recent Developments' and 'Business--Legal Proceedings,' the Company recently defaulted in making certain payments under $6.0 million in principal amount of promissory notes issued in connection with a 1993 acquisition due, in part, to disputes regarding the indemnification obligations of the holder of the notes and to conserve cash in light of the Company's working capital requirements and amortization requirements under the Prior Credit Agreement. The Company has obtained temporary waivers in respect of defaults under other indebtedness principally arising by reason of the payment defaults. The nonpayment of the ACI notes was the subject of certain litigation, which has recently been settled. See 'Business--Legal Proceedings.'

The Company's payment defaults in respect of the promissory notes held by ACI, as well as the litigation by ACI and the restatement of the Company's first quarter 1994 financial statements, has resulted in defaults under the Prior Credit Agreement and the Company's $2.5 million in mortgage indebtedness. On May 31, 1995, the lenders under the Prior Credit Agreement waived the defaults arising from the ACI litigation, such restatement and the payment defaults in respect of the ACI promissory notes, provided that

by June 30, 1995 the Company either consummated the Refinancing or settled the ACI litigation on terms that do not require payment by the Company of an amount in excess of $6.0 million. The ACI litigation was settled in June 1995 for approximately $5.7 million. On May 31, 1995, the Company's mortgage lender temporarily waived the defaults arising out of the payment defaults on the ACI promissory notes provided that the mortgage indebtedness is repaid prior to August 31, 1995. The Company used the net proceeds from the Refinancing to repay all indebtedness under the Prior Credit Agreement, and to repay certain notes payable, including the mortgage pending a planned new financing of the mortgaged property. See 'Use of Proceeds.' While the Company believes that the Refinancing will address the liquidity issues currently facing the Company, cure all defaults in respect of indebtedness and improve its financial condition, there can be no assurance that the Company will not default under its indebtedness in the future or have future liquidity problems and that Noteholders will not be materially adversely affected thereby.

RESTRICTIONS IMPOSED BY LENDERS; IMPACT OF ASSET ENCUMBRANCES

The Credit Agreement contains significant financial and operating covenants, including, among other things, requirements that the Company maintain minimum net worth and cash flow levels, and maintain certain financial ratios,

prohibitions on the ability of the Company to incur certain additional indebtedness and restrictions on its ability to make capital expenditures, to incur or suffer to exist certain liens, to pay dividends or to take certain other corporate actions. Amounts will only be available under the Credit Agreement if such financial maintenance and other covenants are satisfied and the borrowing base calculation (which will be based upon the amount of eligible accounts receivable and eligible installed public pay telephones) are satisfied. There can be no assurance that the Company will be able to comply with such covenants or that such covenants will not adversely affect the Company's ability to conduct its operations, finance its capital needs or successfully pursue its business strategies. As described above under '--Defaults under Indebtedness,' the Company has failed to comply with its covenants under the Prior Credit Agreement and other indebtedness and there can be no assurance that it will do so in the future. Any such non-compliance may have a material adverse effect on Noteholders.

Although the Company believes that the terms of the Credit Agreement provide it with adequate liquidity and flexibility to comply with the financial and other covenants contained therein and to pursue its business strategies, there can be no assurance that the Company will comply with such covenants or not be materially restricted by the terms of the Credit Agreement. In addition, changes in economic or business conditions or other factors beyond the Company's control may adversely affect the Company's ability to comply with such covenants or pursue its business strategies. A failure to satisfy any financial or other covenant in the Credit Agreement could permit the lenders under the Credit Agreement to accelerate the indebtedness under the Credit Agreement, which would materially adversely affect holders of the Notes.

The Notes are senior obligations of the Company ranking pari passu in right of payment with all existing and future senior obligations of the Company, including indebtedness under the Credit Agreement and any refinancing thereof. However, the Notes are unsecured obligations while substantially all of the assets of the Company will be pledged to secure the Company's obligations under the Credit Agreement. Indebtedness under the Credit Agreement and any other secured indebtedness of the Company will effectively rank prior to the Notes to the extent of the collateral securing such indebtedness in the event of a realization upon the collateral or a dissolution, liquidation, reorganization or similar proceeding related to the Company. After any such realization or proceeding, there can be no assurance that there will be sufficient available proceeds or other assets for holders of the Notes to recover all or any portion of their claims against the Company under the Notes and the Indenture.

See '--Defaults under Indebtedness,' 'Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources' and 'Description of the Credit Agreement.'

RECENT LOSSES

The Company incurred a loss from continuing operations in 1994 and the first quarter of 1995 of approximately $7.6 million and $0.4 million, respectively, including losses from the Company's prepaid calling card business and international telephone center operations of approximately $5.5 million in 1994. In addition, the Company had a loss from discontinued operations in 1994 of approximately $10.8 million. Losses from continuing operations were primarily the result of increased operating expenses attributable to the Company's vertical integration strategy, the integration of an acquisition of a significant number of public pay telephones in the latter half of 1993 and approximately $2.7 million of 1994 Charges to net income after taxes taken during 1994, which management believes are one-time charges. These charges included, among other things, amounts reserved for settling disputes with service providers, severance charges, lease termination charges and costs incurred in connection with an abandoned merger transaction. Despite the 1994 Operational Restructuring, there can be no assurance as to the future profitability of the Company's continuing or Discontinued Operations or as to the Company's ability to dispose of the Discontinued Operations or the international telephone center operations on favorable terms or on the terms contemplated by the Company's consolidated financial statements. See 'Management's Discussion and Analysis of Financial Condition and Results of Operations--Results of Operations.'

RISKS ASSOCIATED WITH BUSINESS STRATEGIES AND DISCONTINUED OPERATIONS

In recent years, the Company attempted to vertically integrate its public pay telephone business and entered into a variety of complementary niche telecommunications businesses, including its inmate telephone, prepaid calling card and international telephone centers and cellular telephone rental operations. The capital requirements and management attention required by these businesses diverted the Company from its core public pay telephone business. Accordingly, in December 1994, the Company decided to focus on its core public pay telephone business and divest itself of the prepaid calling card and international telephone center operations and the Discontinued Operations. The Company's business strategies for growing its public pay telephone business include growth through acquisitions and new installations. In general, the

Company has been able to integrate acquired public pay telephones without significant costs or management issues; however, in 1994, it experienced difficulties in integrating one of its large acquisitions, which were exacerbated by management's focus on the prepaid calling card and international telephone center operations and the Discontinued Operations. While the Company has undertaken the 1994 Operational Restructuring and made efforts to improve the quality of its management infrastructure and systems, there can be no assurance that the 1994 Operational Restructuring will be a successful strategy or that the Company will be able to expand its core public pay telephone business either through acquisitions or through internal growth, successfully integrate acquired public pay telephones, hire qualified new employees to meet the requirements of its business or obtain the capital necessary to permit it to pursue its business strategies.

In connection with the Preferred Stock Investment, the Company has agreed to certain affirmative and negative covenants with respect to the conduct of its business, among other matters. In particular, absent approval of 75% of the members of the Board of Directors of the Company (which would effectively require the approval of a director elected by the holders of the Preferred Stock), the Company will be restricted from entering into a number of transactions outside of the ordinary course of business (including acquisitions and dispositions of assets (other than the sale of the Discontinued Operations or the international telephone center operations) involving aggregate consideration of more than $5.0 million). The foregoing restriction may prevent the Company from entering into certain acquisitions in furtherance of its business strategy. See 'Preferred Stock Investment.'

In order to focus on the Company's core public pay telephone business, it will be necessary to complete the divestiture of the Discontinued Operations and the international telephone center operations.

The Company's cellular telephone rental operations are not currently profitable and its inmate telephone business is subject to increasing competitive pressures and the risks attendant to having a significant number of its contracts subject to renewal in the next 24 months. There can be no assurance as to whether the Company will be successful in renewing existing inmate telephone contracts or that the inmate telephone business will not be adversely affected by the Company's announcement of its decision to divest the inmate telephone business. As such, there can be no assurance as to the Company's future profitability or as to the Company's ability to dispose of the Discontinued Operations or the international telephone center operations on favorable terms or on the terms contemplated by the Company's consolidated financial statements. If the Company disposes of any of the Discontinued Operations for consideration that is less than the book value of such operation, then the Company will have to take a charge against net income for any such difference. See 'Management's Discussion and Analysis of Financial Condition and Results of Operations--Discontinued Operations' and 'Business--Discontinued Operations.'

REGULATORY FACTORS

Most aspects of the Company's business are subject to regulation by the FCC, the agency that administers the interstate common carriage of telecommunications, and by the state public utility commissions, or both. Changes in existing laws and regulations, as well as new laws and regulations, applicable to the activities of the Company or other telecommunications businesses, may materially adversely impact the operations, revenues and expenses of the Company (including the extent of competition, the charges of providers of interexchange and operator services and the implementation of new technologies).

State regulatory commissions are primarily responsible for regulating the rates, terms and conditions for intrastate public pay telephone and inmate telephone services. Neither state nor federal regulation focuses on the competitive aspects of the business environment in which the Company operates. The Company is also subject to state regulation of operator services and, to a limited extent, cellular resale services. Such regulations may include notice and identification requirements, maximum price limitations, interconnection rates, reporting requirements and prohibitions on handling certain local and long distance calls. Public pay telephones in the United States are owned and operated by LECs or by independent operators such as the Company. A LEC is traditionally the exclusive line service provider in a given geographical region (for example, Southern Bell and Pacific Bell are LECs owned by RBOCs). However, alternative competitive providers of local and intrastate services are beginning to emerge. There are four states in which it is illegal to provide certain intrastate services using non-LEC public pay telephones: Alaska, Connecticut, Hawaii and Oklahoma. Connecticut, however, has proceedings underway to implement public pay telephone competition within the state.

The Company's operations are significantly influenced by the regulation of public pay telephone, inmate telephone, long distance reseller services and other telecommunication services. Authority for regulation of these services is concurrently vested in the FCC and the various state public service commissions. Regulatory jurisdiction is determined by the interstate or intrastate character of the subject service and the degree of regulatory oversight exercised varies

among jurisdictions. While most matters affecting the Company's operations fall within the administrative purview of these regulatory agencies, state and federal legislatures and the federal district court administering the divestiture consent decree for AT&T are also involved in establishing certain rules and requirements governing aspects of these services.

On April 9, 1992, the FCC proposed a new access plan for operator assisted interstate calls dialed on 0+ basis. Currently 0+ calls are sent directly by the LEC to the operator service provider selected by the host location. Under the proposed access plan, known as Billed Party Preference, 0+ calls would be sent instead to the operator service provider chosen by the party paying for the call. Billed Party Preference allows a telephone user to bill a call to the user's pre-established carrier at the user's home or office, thereby

bypassing the opportunity for the pre-subscribed carrier of the public pay telephone provider to handle and receive revenues from the call. The FCC has tentatively concluded that a nationwide Billed Party Preference system for interstate operator assisted calls is in the public interest. Under a Billed Party Preference system, the billed party could bypass the Company entirely, allowing 0+ calls to be made on the Company's telephones without the payment of any compensation to the Company. If the Company does not receive revenue for 0+ calls, the Company will be unable to pay commissions for such calls to owners of locations at which public pay telephones are installed, correctional facilities at which inmate telephones are located, and potentially, car rental companies at which cellular telephones are rented. The FCC has requested and received public comment on the question of compensation to public pay telephone companies under Billed Party Preference. The entire Billed Party Preference proposal remains under consideration at present and the outcome is uncertain. If implemented, Billed Party Preference could have a significant adverse impact on the Company.

For additional information concerning certain regulations affecting the Company, see 'Recent Developments--Certain Regulatory Developments' and 'Business--Regulation.'

GOING CONCERN OPINION; RESTATEMENT OF FINANCIAL STATEMENTS; AUDIT COMMITTEE REPORT

The report of the Company's independent accountants on the Company's consolidated financial statements appearing in this Prospectus contains an explanatory paragraph relating to the Company's ability to continue as a going concern, as described in Note 18 to the Company's consolidated financial statements appearing elsewhere herein. Management believes that, as a result of the Company's receipt of the proceeds of the offering of Notes and the use of such proceeds as described herein to repay outstanding indebtedness, the bases for the explanatory paragraph relating to the Company's ability to continue as a going concern should no longer exist. However, no assurance has been or can be given by the Company or by its independent accountants that such explanatory paragraph will be removed from the independent accountant's report.

In May 1995, the Company received a comment letter from the Securities and Exchange Commission (the 'SEC') on a registration statement on Form S-3 relating to common stock, issued in connection with certain acquisitions, containing comments on the Company's prior filings under the Securities Exchange Act of 1934, among other things. In the course of formulating its responses to the comment letter, the Company discovered that its interest in Global Link Teleco Corporation ('Global Link') was 28.8% instead of the intended 19.99%. To correct this error, the Company reduced its share ownership to the 19.99% level. These events caused the Company and its independent accountants to reevaluate the accounting for its interest in Global Link (formerly known as Phone Zone Teleco Corporation). Such review resulted in a determination that the equity method of accounting for its Global Link investment was appropriate. Consequently, the Company has restated its consolidated financial statements for fiscal 1994 and the first quarter of fiscal 1995 to reflect the revision in accounting treatment for the Global Link investment.

The Company has also restated its financial statements for the quarters ended March 31 and June 30, 1994, as set forth in Form 10-Q's for such periods, to reflect the timing of approximately $2.7 million in adjustments. These adjustments, which include additional reserves for changes in estimates of uncollectible receivables and vendor claims and the write-off of certain acquisition costs, were originally recorded during the quarter ended June 30, 1994 and have now been reflected in the quarter ended March 31, 1994 to more accurately reflect the timing of such adjustments. The restated quarterly financial statements also reflect the $2.0 million gain on the March 31, 1994 sale of the Company's two telecommunications centers in New York to Phone Zone Teleco Corporation in the second quarter of 1994 (when initial payment for the centers was received) rather than the first quarter (when Phone Zone Teleco Corporation took control of the centers on the basis of an agreement in principle). These changes had no impact on net income or cash flow for the

year ended December 31, 1994. While the Company believes that it has substantially addressed all material SEC comments on the Form S-3 registration statement, there can be no assurance that further comments will not be received.

In connection with their 1993 and 1994 audits of the Company, Price Waterhouse issued letters to the Company's Audit Committee indicating a number of reportable conditions in the Company's system of internal accounting procedures, one of which constituted a material weakness relating to the proper cut-off of quarterly financial information. Management believes that it adequately addressed this material weakness prior to the end of fiscal 1994. There were no disagreements with Price Waterhouse as of the date of Price Waterhouse's audit report contained in this Prospectus on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure which, if not resolved to Price Waterhouse's satisfaction, would have caused them to make reference to the subject matter of the disagreement in connection with their report. The report contains explanatory paragraphs relating to the Company's ability to continue as a going concern and for litigation matters as described above.

COMPETITION

The Company's businesses are, and can be expected to remain, highly competitive. The markets in which the Company operates are fragmented, but include certain large, well-capitalized providers of telecommunications services with substantially greater resources than the Company. The Company's principal competition in its public pay telephone business comes from LECs operated by the RBOCs, GTE Corporation ('GTE'), a number of independent providers of public pay telephone services, major operator service providers and interexchange carriers. The Company's competition in its inmate telephone business is from LECs, interexchange carriers and independent providers of public pay telephone systems. In the cellular telephone rental business, the Company competes with GTE and other providers that contract cellular telephone rental services through hotels and auto rental agencies. The Company also competes with many other non-LEC telecommunication companies which offer products and services similar to those of the Company. Increased competition from these sources is causing the Company to pay higher commissions on revenues generated by the public pay telephones to Property Owners. Such higher commissions could have a material adverse effect on the Company by increasing its expenses without a corresponding increase in revenue and by preventing the Company from obtaining or maintaining desirable locations for its public pay telephones. Traditional regulatory actions have not addressed issues involving competitive disputes. See 'Business--Public Pay Telephones--Competition.'

The Company's public pay telephone business is also materially affected by competition in other segments of the telecommunications industry and related regulatory issues. For example, since 1992, AT&T and MCI Communications, Inc. ('MCI') have aggressively promoted the use of access codes to encourage callers to 'dial around' the selected operator service provider at public pay telephones. Dial around calls are attractive to the caller because the caller pays the long distance rates of the operator service provider selected by the caller as opposed to the often inflated per minute rates and surcharges imposed by many operator service providers selected at public pay telephones. Prior to January 1, 1995, the Company only received a fixed amount per telephone as compensation for all interstate and, in some cases, intrastate dial around calls placed at its public pay telephones regardless of how many dial around calls were actually placed at such telephones. Effective January 1, 1995, the Company will receive from AT&T a fixed amount per telephone call for each interstate and interLATA intrastate AT&T dial around call placed at its public pay telephones while it continues to receive the fixed amount per telephone from other carriers. The amount for which the Company is compensated for dial around calls is substantially below the amount it is compensated for 0+ calls made at its public pay telephones through its selected operator service providers. The Company has seen a steady decline in the number of 0+ calls completed at its public pay telephones which has adversely affected the Company's non-coin revenues.

In order to address the impact of dial around calls, as well as pursue new business opportunities, the Company entered into the AT&T Agreement which provides for the Company to receive competitive commission payments for all 0+ and AT&T dial around calls. There can be no assurance that the AT&T Agreement will be a financially beneficial means of addressing dial around issues given the dynamic nature of the domestic telecommunications industry and the evolving regulatory framework, or, if successful, it can be renewed. See 'Management's Discussion and Analysis of Financial Condition and Results of Operations--Overview.' In addition, there can be no assurance that there are not or will not be other competitive trends in other segments of the telecommunications industry that may materially adversely affect the Company.

TECHNOLOGICAL CHANGE AND NEW SERVICES

The telecommunications industry has been characterized by rapid technological advancements, frequent new service introductions and evolving industry standards. The Company's business could be impacted by the introduction of new technology, such as improved wireless communications, cellular telephone service and other personal communications systems. The Company believes that its

future success will depend on its ability to anticipate and respond to changes and new technology. There can be no assurance that the Company will not be materially adversely affected by the introduction and acceptance of new technology.

SERVICE INTERRUPTIONS; EQUIPMENT FAILURES

The Company's long distance operations require that its equipment and the equipment of its long distance service providers be operational 24 hours per day, 365 days per year. As is the case with other telecommunications companies, the Company's long distance operations may experience temporary service interruptions or equipment failures, which may result from causes beyond the Company's control. Any such event could have a material adverse effect on the Company.

RELIANCE ON KEY PERSONNEL

The Company is dependent on the efforts of certain of its officers and other management personnel, including: Jeffrey Hanft, the Company's Chief Executive Officer; Robert D. Rubin, the Company's President; Richard F. Militello, the Company's Chief Operating Officer; Bonnie Biumi, the Company's Chief Financial Officer; Lawrence T. Ellman, the Company's President, Public Pay Telephone Division; and Bruce W. Renard, the Company's Vice President of Regulatory Affairs and General Counsel. The loss of the services of one or more of these individuals could have a material adverse effect on the Company. In addition, the failure of the Company to attract and retain additional management to support its business strategy could also have a material adverse effect on the Company.

CONSEQUENCES OF FAILURE TO EXCHANGE

Holders of Old Notes who do not exchange their Old Notes for Exchange Notes pursuant to the Exchange Offer will continue to be subject to the restrictions on transfer of Old Notes set forth in the legend thereon as a consequence of the issuance of the Old Notes pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. In general, the Old Notes may not be offered or sold, unless registered under the Securities Act, except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. The Company does not currently anticipate that it will register the sale of any Old Notes under the Securities Act.

COMPANY'S RIGHT TO TERMINATE EXCHANGE OFFER

The Company will not be required to accept Old Notes for exchange, and may terminate the Exchange Offer, upon the occurrence of a number of events, including (i) the commencement of any action, legal or governmental, with respect to the Exchange Offer or which the Company reasonably determines would make it inadvisable to proceed with the Exchange Offer, (ii) a banking moratorium or similar event or international calamity involving the United States, and (iii) a change in the business or prospects of the Company that may have a material adverse effect on the Company. Holders of Old Notes may have certain rights and remedies against the Company under the Registration Rights Agreement should the Company fail to consummate the Exchange Offer, including the right to receive certain additional interest on the Old Notes. See 'The Exchange Offer--Conditions of the Exchange Offer.'

ABSENCE OF PUBLIC MARKET FOR THE NOTES

The Old Notes are currently owned by a relatively small number of beneficial owners. Prior to the Exchange Offer, there has not been any public market for the Notes, however, the Old Notes are eligible for trading in the Private Offerings, Resales and Trading through Automated Linkages ('PORTAL') Market. The holders of Old Notes who are not eligible to participate in the Exchange Offer are entitled to certain rights to have the Company file the Shelf Registration Statement with respect to resales of such Notes. The Old Notes have not been registered under the Securities Act and are subject to restrictions on transferability. See '--Consequences of Failure to Exchange.' The Company does not intend to list the Exchange Notes or Old Notes on any national securities exchange or to seek the admission thereof to trading in the National Association of Securities Dealers Automated Quotation System. Accordingly, no assurance can be given that an active public or other market will develop for the Notes or as to liquidity of or the trading market for the Notes. If a trading market does not develop or is not maintained, holders of the Notes may experience difficulty in reselling the Notes or may be unable to sell them at all. If a market for the Notes develops, any such market may be discontinued at any time. If a public trading market develops for the Notes, future trading prices of the Notes will depend on many factors, including, among other things, prevailing interest rates, the Company's results of operations and the market for similar securities. Depending on prevailing interest rates, the market for similar securities and other factors, including the financial condition of the Company, the Notes may trade at a discount from their principal amount.

EXCHANGE OFFER PROCEDURES

Issuance of the Exchange Notes in exchange for the Old Notes pursuant to the Exchange Offer will be made only after a timely receipt by the Company of such Old Notes, a properly completed and duly executed Letter of Transmittal and all other required documents. Therefore, holders of the Old Notes desiring to tender such Old Notes in exchange for Exchange Notes should allow sufficient time to ensure timely delivery. The Company is under no duty to give notification of defects or irregularities with respect to the tenders of Old Notes for exchange. Old Notes that are not tendered or are tendered but not accepted will, following the consummation of the Exchange Offer, continue to be subject to the existing restrictions upon transfer thereof and, upon consummation of the Exchange Offer certain registration rights under the Registration Rights Agreement will terminate with respect to such Notes. In addition, any holder of Old Notes who tenders in the Exchange Offer for the purpose of participating in a distribution of the Exchange Notes may be deemed to have received restricted securities and, if so, will be required to comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction. Each broker-dealer that receives Exchange Notes for its own account in exchange for Old Notes, where such Old Notes were acquired by such broker-dealer as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of such Exchange Notes. See 'Plan of Distribution.' To the extent that Old Notes are tendered and accepted in the Exchange Offer, the trading market for untendered and tendered but unaccepted Old Notes could be adversely affected. See 'The Exchange Offer.'

THE EXCHANGE OFFER

PURPOSE AND EFFECT OF THE EXCHANGE OFFER

The Old Notes were sold by the Company on July 19, 1995 to the Initial Purchaser pursuant to the Note Purchase Agreement. The Initial Purchaser subsequently placed the Old Notes with 'qualified institutional buyers' in reliance on Rule 144A under the Securities Act. Pursuant to the Registration Rights Agreement executed in connection with the Company's sale of the Old Notes to the Initial Purchaser, the Company agreed (i) to file with the Commission a registration statement under the Securities Act with respect to the Exchange Offer within 30 days of the Closing Date, (ii) use its best efforts to cause such Exchange Offer Registration Statement to become effective under the Securities Act no later than 90 days after the Closing Date, and (iii) unless the Exchange Offer would not be permitted by law or a policy of the Commission, to consummate the Exchange Offer on or prior to 120 days after the Closing Date. This Prospectus and the Registration Statement to which it relates are intended to satisfy such Company obligations under the Registration Rights Agreement. A copy of the Registration Rights Agreement has been filed as an exhibit to the Registration Statement of which this Prospectus is a part. The term 'Holder' for purposes of the Exchange Offer means any person in whose name Old Notes are registered on the books of the Company. See 'Exchange Offer; Registration Rights.'

Based on an interpretation by the staff of the Commission set forth in no-action letters issued to third parties, the Company believes that Exchange Notes issued pursuant to the Exchange Offer in exchange for Old Notes may be offered for resale, resold and otherwise transferred by any holder of such Exchange Notes (other than any such holder which is an 'affiliate' of the Company within the meaning of Rule 405 under the Securities Act) without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that such Exchange Notes are acquired in the ordinary course of such holder's business and such holder does not intend to participate and has no arrangement or understanding with any person to participate in the distribution of such Exchange Notes. Any Holder who tenders in the Exchange Offer with the intention to participate, or for the purpose of participating, in a distribution of the Exchange Notes could not rely on the position of the staff of the Commission enumerated in Exxon Capital Holdings Corporation (available April 13, 1989) or similar no-action letters and, in the absence of an exemption therefrom, must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction. In addition, any such resale transaction should be covered by an effective registration statement containing the selling securityholders information required by Item 507 of Regulation S-K. Each broker-dealer that receives Exchange Notes for its own account in exchange for Old Notes, where such Old Notes were acquired by such broker-dealer as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of such Exchange Notes. See '--Resales of the the Exchange Notes.'

By tendering in the Exchange Offer, each Holder will represent to the Company that, among other things, (i) the Exchange Notes acquired pursuant to the Exchange Offer are being obtained in the ordinary course of business of the person receiving such Exchange Notes, whether or not such person is the Holder,

(ii) neither the Holder nor any such other person has an arrangement or understanding with any person to participate in the distribution of such Exchange Notes, (iii) neither the Holder nor any such other person is an 'affiliate,' as defined under Rule 405 of the Securities Act, of the Company, and (iv) the Holder and such other person acknowledge that (a) any person participating in the Exchange Offer for the purpose of distributing the Exchange Notes must, in the absence of an exemption therefrom, comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale of the Exchange Notes and cannot rely on the no-action letters referenced above and (b) failure to comply with such requirements in such instance could result in such Holder incurring liability under the Securities Act for which such Holder is not indemnified by the Company.

As a result of the filing and the effectiveness of the Exchange Offer Registration Statement of which this Prospectus is a part, certain prospective increases in the interest rate on the Old Notes provided for in the Registration Rights Agreement will not occur. See 'Exchange Offer; Registration Rights.' Following the consummation of the Exchange Offer, Holders of Old Notes not tendered will generally not have any further registration rights and the Old Notes will continue to be subject to certain restrictions on transfer. Accordingly, the liquidity of the market for the Old Notes could be adversely affected. See 'Consequences of Failure to Exchange.'

TERMS OF THE EXCHANGE OFFER

The Company hereby offers, upon the terms and subject to the conditions set forth herein and in the accompanying Letter of Transmittal, to exchange $1,000 in principal amount of Exchange Notes for each $1,000 in principal amount of its outstanding Old Notes. Exchange Notes will be issued only in integral multiples of $1,000 to each tendering Holder whose Old Notes are accepted in the Exchange Offer. The Company will accept any Old Notes validly tendered and not withdrawn prior to 4:00 p.m., New York City time, on the Expiration Date. Old Notes that are not accepted for exchange will be returned as promptly as practicable after the Expiration Date. Holders may tender all or a portion of their Old Notes pursuant to the Exchange Offer.

The form and terms of the Exchange Notes under the Indenture will be identical in all material respects to the form and terms of the Old Notes, except that (i) the offering of the Exchange Notes will have been registered under the Securities Act and hence the Exchange Notes will not bear legends restricting the transfer thereof, and (ii) holders of Exchange Notes will not be entitled to certain rights intended for holders of unregistered securities under the Registration Rights Agreement which will terminate upon the consummation of the Exchange Offer. The Exchange Notes evidence the same debt as the Old Notes (which they replace) and will be issued under, and be entitled to the benefits of, the Indenture governing the Old Notes. The Exchange Notes will bear interest from their date of issuance at the same rate and upon the same terms as the Old Notes. See 'Description of the Notes.' Accrued and unpaid interest on the Old Notes accepted for exchange for the period to but not including the date of issuance of the Exchange Notes (the 'Exchange Date') will be paid to the holders of Exchange Notes with the first interest payment on the Exchange Notes. Holders whose Old Notes are accepted for exchange will be deemed to have waived the right to receive any payment in respect of interest on the Old Notes accrued on and after the Exchange Date.

As of the date of this Prospectus, $100,000,000 aggregate principal amount of the Old Notes was outstanding. Approximately $98.0 million principal amount of the Old Notes are registered in the name of Cede & Co., as nominee for The Depository Trust Company (the 'Depository'), and the remainder of the Old Notes are registered in the respective names of the four holders thereof. See 'Description of the Notes--Book Entry; Delivery and Form.' Solely for reasons of administration (and for no other purpose) the Company has fixed the close of business on July 31, 1995, as the record date for the Exchange Offer for purposes of determining the persons to whom this Prospectus and the Letter of Transmittal will be mailed initially. Only a registered holder of Old Notes (or such holder's legal representative or attorney-in-fact) as reflected on the records of the Trustee under the Indenture may participate in the Exchange Offer. There will be no fixed record date for determining registered holders of Old Notes entitled to participate in the Exchange Offer.

Holders of Old Notes do not have appraisal or dissenters' rights under the New York Business Corporation Law or the Indenture in connection with the Exchange Offer. The Company intends to conduct the Exchange Offer in accordance with the applicable requirements of the Securities Act and the rules and regulations of the Commission thereunder.

The Company shall be deemed to have accepted validly tendered Old Notes when, as and if the Company has given oral or written notice thereof to the Exchange Agent. The Exchange Agent will act as agent for tendering holders of Old Notes for the purposes of receiving the Exchange Notes from the Company.

If any tendered Old Notes are not accepted for exchange because of an invalid tender, the occurrence of certain other events set forth herein or otherwise, certificates for any such unaccepted Old Notes will be returned, without expense, to the tendering holder thereof as promptly as practicable after the Expiration Date.

Tendering Holders will not be required to pay brokerage commissions or fees or, subject to the instructions of the Letter of Transmittal, transfer taxes with respect to the exchange of Old Notes for Exchange Notes pursuant to the Exchange Offer. The Company will pay all charges and expenses, other than certain taxes which may be levied in the event of any transfer of ownership, in connection with the Exchange Offer. See '--Fees and Expenses'.

EXPIRATION DATE; EXTENSIONS; AMENDMENTS

The term 'Expiration Date' shall mean 4:00 p.m. New York City time, on September 29, 1995, unless the Company, in its sole discretion, extends the Exchange Offer, in which case the term 'Expiration Date' shall mean the latest date and time to which the Exchange Offer is extended.

In order to extend the Exchange Offer, the Company will notify the Exchange Agent of any extension by oral or written notice and will make a public announcement thereof, each prior to 10:00 a.m., New York City time, on the next business day after the previously scheduled Expiration Date.

The Company reserves the right, in its sole discretion, (i) to delay accepting any Old Notes, (ii) to extend the Exchange Offer, (iii) if any of the conditions set forth below under 'Conditions of the Exchange Offer' shall not have been satisfied, to terminate the Exchange Offer, by giving oral or written notice of such delay, extension, or termination to the Exchange Agent, or (iv) to amend the terms of the Exchange Offer in any manner. Any such delay in acceptance, extension, termination or amendment will be followed as promptly as practicable by a public announcement thereof. If the Exchange Offer is amended in a manner determined by the Company to constitute a material change, the Company will promptly disclose such amendments by means of a prospectus supplement that will be distributed to the registered holders of Old Notes, and the Company will extend the Exchange Offer for a period of five to ten business days following such distribution, depending upon the significance of the amendment and the manner of disclosure to the registered holders, if the Exchange Offer would otherwise expire during such five to 10 business day period.

Without limiting the manner in which the Company may choose to make public announcement of any delay, extension, termination, or amendment of the Exchange Offer, the Company shall not have an obligation to publish, advertise or otherwise communicate any such public announcement, other than by making a timely release to any news agency customarily used by the Company for public announcements.

INTEREST ON THE EXCHANGE NOTES

The Exchange Notes will bear interest from their date of issuance. Holders of Old Notes that are accepted for exchange will receive, in cash, accrued interest thereon to, but not including, the date of issuance of the Exchange Notes. Such interest will be paid with the first interest payment of the Exchange Notes. Interest on the Old Notes accepted for exchange will cease to accrue on the date of issuance of the Exchange Notes.

The Exchange Notes bear interest (as do the Old Notes) at a rate equal to 12 1/4% per annum. Interest on the Exchange Notes is payable semiannually on January 15 and July 15 of each year, commencing on January 15, 1996.

PROCEDURES FOR TENDERING OLD NOTES

The tender by a Holder as set forth below and the acceptance thereof by the Company will constitute a binding agreement between the tendering Holder and the Company upon the terms and subject to the conditions set forth in this Prospectus and in the accompanying Letter of Transmittal. Except as set forth below, a Holder who wishes to tender Old Notes for exchange pursuant to the Exchange Offer must transmit such Old Notes, together with a properly completed and duly executed Letter of Transmittal, including all other documents required by such Letter of Transmittal, to the Exchange Agent at the address set forth below under '--Exchange Agent' on or prior to 4:00 p.m. New York City time, on the Expiration Date.

By executing the Letter of Transmittal, each holder will make to the Company the representations set forth above in the third paragraph under the heading '--Purpose and Effect of the Exchange Offer.'

THE METHOD OF DELIVERY OF OLD NOTES, LETTERS OF TRANSMITTAL AND ALL OTHER REQUIRED DOCUMENTS IS AT THE ELECTION AND RISK OF THE ELIGIBLE HOLDER. IF SUCH

DELIVERY IS BY MAIL, IT IS RECOMMENDED THAT REGISTERED MAIL, PROPERLY INSURED, WITH RETURN RECEIPT REQUESTED BE USED. INSTEAD OF DELIVERY BY MAIL, IT IS RECOMMENDED THAT THE ELIGIBLE HOLDER USE AN OVERNIGHT OR HAND DELIVERY SERVICE. IN ALL CASES, SUFFICIENT TIME SHOULD BE ALLOWED TO ASSURE TIMELY DELIVERY.

Each signature on a Letter of Transmittal or a notice of withdrawal, as the case may be, must be guaranteed unless the Old Notes surrendered for exchange pursuant thereto are tendered (i) by a registered holder of the Old Notes who has not completed either the box entitled 'Special Exchange Instructions' or the box entitled 'Special Delivery Instructions' on the Letter of Transmittal or (ii) by an Eligible Institution (as defined below). In the event that a signature on a Letter of Transmittal or a notice of withdrawal, as the case may be, is required to be guaranteed, such guarantee must be by a firm which is a member of a registered national securities exchange or a member of the National Association of Securities Dealers, Inc., a commercial bank or trust company having an office or correspondent in the United States or is otherwise an 'eligible institution' within the meaning of Rule 17AD-15 under the Exchange Act (collectively, 'Eligible Institutions').

If Old Notes are registered in the name of a person other than a signer of the Letter of Transmittal, the Old Notes surrendered for exchange must either (i) be endorsed by the registered holder, with the signature thereon guaranteed by an Eligible Institution or (ii) be accompanied by a bond power, in satisfactory form as determined by the Company in its sole discretion, duly executed by the registered holder, with the signature thereon guaranteed by an Eligible Institution along with the other documents required upon transfer by the Note Purchase Agreement. The term 'registered holders' as used herein with respect to the Old Notes means any person in whose name the Old Notes are registered on the books of the Registrar for the Old Notes.

Tenders may be made only in principal amounts of $1,000 and integral multiples thereof. Subject to the foregoing, Holders may tender less than the aggregate principal amounts represented by the Old Notes deposited with the Exchange Agent provided they appropriately indicate this fact in the Letter of Transmittal accompanying the tendered Old Notes.

The Company understands that the Exchange Agent will make a request promptly after the date of this Prospectus to establish accounts with respect to the Old Notes at the book-entry transfer facility, The Depository Trust Company (the 'Book-Entry Transfer Facility'), for the purpose of facilitating the Exchange Offer, and subject to the establishment thereof, any financial institution that is a participant in the Book-Entry Transfer Facility's system may make book-entry delivery of Old Notes by causing such book-entry transfer facility to transfer such Old Notes into the Exchange Agent's account with respect to the Old Notes in accordance with the Book-Entry Transfer Facility's procedures for such transfer. Although delivery of the Old Notes may be effected through book-entry transfer into the Exchange Agent's account at the Book-Entry Transfer Facility, an appropriate Letter of Transmittal properly completed and duly executed with any required signature guarantee and all other required documents must in each case be transmitted to and received or confirmed by the Exchange Agent at its address set forth below on or prior to the Expiration Date, or, if the guaranteed delivery procedures described below are complied with, within the time period provided under such procedures. Delivery of documents to the Book-Entry Transfer Facility does not constitute delivery to the Exchange Agent.

All questions as to the validity, form, eligibility (including time of receipt), acceptance and withdrawal of Old Notes tendered for exchange will be determined by the Company in its sole, reasonable discretion, which determination shall be final and binding. The Company reserves the absolute right to reject any and all tenders of any particular Old Notes not properly tendered or to reject any particular Old Notes which acceptance might, in the judgment of the Company or its counsel, be unlawful. The Company also reserves the absolute right to waive any defects or irregularities or conditions of the Exchange Offer as to any particular Old Notes either before or after the Expiration Date (including the right to waive the ineligibility of any holder who seeks to tender Old Notes in the Exchange Offer). The interpretation of the terms and conditions of the Exchange Offer (including the Letter of Transmittal and the instructions thereto) by the Company shall be final and binding on all parties. Unless waived, any defects or irregularities in connection with tenders of Old Notes for exchange must be cured within such reasonable period of time as the Company shall determine. The Company will use reasonable efforts to give notification of defects or irregularities with respect to tenders of Old Notes for exchange but shall not incur any liability for failure to give such notification. Tenders of the Old Notes will not be deemed to have been made until such irregularities have been cured or waived.

If any Letter of Transmittal, endorsement, bond power, power of attorney or any other document required by the Letter of Transmittal is signed by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation or other person acting in a fiduciary or representative capacity, such person should so indicate when signing, and, unless waived by the Company, proper

evidence satisfactory to the Company of such person's authority to so act must be submitted.

Any beneficial owner whose Old Notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and who wishes to tender Old Notes in the Exchange Offer should contact such registered holder promptly and instruct such registered holder to tender on such beneficial owner's behalf. If such beneficial owner wishes to tender directly, such beneficial owner must, prior to completing and executing the Letter of Transmittal and tendering Old Notes, make appropriate arrangements to register ownership of the Old Notes in such beneficial owner's name. Beneficial owners should be aware that the transfer of registered ownership may take considerable time.

GUARANTEED DELIVERY PROCEDURES

Holders who wish to tender their Old Notes and (i) whose Old Notes are not immediately available, (ii) who cannot deliver their Old Notes and Letter of Transmittal or any other documents required by the Letter of Transmittal to the Exchange Agent prior to the Expiration Date, or (iii) who cannot complete the

procedures for book-entry transfer on a timely basis must tender their Old Notes according to the guaranteed delivery procedures set forth in the Letter of Transmittal. Pursuant to such procedures:

(i) such tender must be made by or through an Eligible Institution and a Notice of Guaranteed Delivery (as defined in the Letter of Transmittal) must be signed by such Holder;

(ii) prior to the Expiration Date, the Exchange Agent must have received from the Holder and the Eligible Institution a properly completed and duly executed Letter of Transmittal and a Notice of Guaranteed Delivery (by facsimile transmission, mail or hand delivery) setting forth the name and address of the Holder, the certificate number or numbers of the tendered Old Notes, and the principal amount of tendered Old Notes, stating that the tender is being made thereby and guaranteeing that, within five business days after the date of delivery of the Notice of Guaranteed Delivery, the tendered Old Notes and any other required documents will be deposited by the Eligible Institution with the Exchange Agent; and

(iii) such properly completed and executed documents required by the Letter of Transmittal and the tendered Old Notes in proper form for transfer must be received by the Exchange Agent within five business days after the Expiration Date.

Any Holder who wishes to tender Old Notes pursuant to the guaranteed delivery procedures described above must ensure that the Exchange Agent received the Notice of Guaranteed Delivery and Letter of Transmittal relating to such Old Notes prior to 4:00 p.m. New York City time, on the Expiration Date. Failure to complete the guaranteed delivery procedures outlined above will not, of itself, affect the validity or effect a revocation of any Letter of Transmittal form properly completed and executed by a Holder who attempted to use the guaranteed delivery process.

ACCEPTANCE OF OLD NOTES FOR EXCHANGE; DELIVERY OF EXCHANGE NOTES

Upon satisfaction or waiver of all the conditions to the Exchange Offer, the Company will accept, promptly after the Expiration Date, all Old Notes properly tendered and will issue the Exchange Notes promptly after acceptance of the Old Notes. See '--Conditions of the Exchange Offer.' For purposes of the Exchange Offer, the Company shall be deemed to have accepted properly tendered Old Notes for exchange when, as, and if the Company has given oral or written notice thereof to the Exchange Agent.

In all cases, issuances of Exchange Notes for Old Notes that are accepted for exchange pursuant to the Exchange Offer will be made only after timely receipt by the Exchange Agent of such Old Notes, a properly completed and duly executed Letter of Transmittal, and all other required documents; provided, however, that the Company reserves the absolute right to waive any defects or irregularities in the tender or conditions of the Exchange Offer. If any tendered Old Notes are not accepted for any reason set forth in the terms and conditions of the Exchange Offer or if Old Notes are submitted for a greater principal amount than the Holder desires to exchange, such unaccepted or non-exchanged Old Notes or substitute Old Notes evidencing the unaccepted portion, as appropriate, will be returned without expense to the tendering Holder thereof as promptly as practicable after the expiration or termination of the Exchange Offer.

WITHDRAWAL RIGHTS

Tenders of Old Notes that have not been accepted for exchange by the Company may be withdrawn at any time prior to 4:00 p.m. New York City time on the Expiration Date. For a withdrawal to be effective, a written notice of withdrawal must be received by the Exchange Agent at its address set forth below

(see '--Exchange Agent'). Any such notice of withdrawal must (i) specify the name of the person having deposited the Old Notes to be withdrawn (the 'Depositor'), (ii) identify the Old Notes to be withdrawn (including the certificate number or numbers and principal amount of such Old Notes), (iii) be signed by the

Holder in the same manner as the original signature on the Letter of Transmittal by which such Old Notes were tendered (including any required signature guarantees) or be accompanied by a bond power in the name of the person withdrawing the tender, in satisfactory form as determined by the Company in its sole discretion, duly executed by the registered holder, with the signature thereon guaranteed by an Eligible Institution along with the other documents required upon transfer by the Registration Rights Agreement or Note Purchase Agreement, and (iv) specify the name in which such Old Notes are to be re-registered, if different from the Depositor, pursuant to such documents to transfer. All questions as to the validity, form and eligibility (including time of receipt) of such withdrawal notices will be determined by the Company, whose determination shall be final and binding on all parties. The Old Notes so withdrawn, if any, will be deemed not to have been validly tendered for exchange for purposes of the Exchange Offer. Any Old Notes which have been tendered for exchange but which are withdrawn will be returned to the Holder thereof without cost to such Holder as soon as practicable after withdrawal. Properly withdrawn Old Notes may be retendered by following one of the procedures described under 'Procedures for Tending Old Notes' above at any time on or prior to the Expiration Date.

CONDITIONS OF THE EXCHANGE OFFER

Notwithstanding any other provisions of the Exchange Offer, the Company shall not be required to accept for exchange, or to issue the Exchange Notes in exchange for, any Old Notes and may terminate or amend the Exchange Offer if, any time before the acceptance of the Old Notes for exchange or the exchange of the Exchange Notes for the Old Notes, any of the following events shall occur, which occurrence, in the sole judgment of the Company and regardless of the circumstances (including any action by the Company) giving rise to any such events, make it inadvisable to proceed with the Exchange Offer:

(i) there shall be threatened, instituted, or pending any action or proceeding before, or any injunction, order, or decree shall have been issued by, any court or governmental agency or other governmental regulatory or administrative agency or commission (a) seeking to restrain or prohibit the making or consummation of the Exchange Offer or any other transaction contemplated by the Exchange Offer, or assessing or seeking any damages as a result thereof or (b) resulting in a material delay in the ability of the Company to accept for exchange or exchange some or all of the Old Notes pursuant to the Exchange Offer; or any statute, rule, regulation, order or injunction shall be sought, proposed, introduced, enacted, promulgated or deemed applicable to the Exchange Offer or any of the transactions contemplated by the Exchange Offer by any domestic or foreign government or governmental authority or any action shall have been taken, proposed or threatened by any domestic or foreign government or governmental authority that, in the reasonable judgment of the Company, might directly or indirectly result in any of the consequences referred to in clauses (a) or (b) above or, in the reasonable judgment of the Company, might result in the holders of the Exchange Notes having obligations with respect to resales and transfer of Exchange Notes that are greater than those described in this Prospectus or would otherwise in the reasonable judgment of the Company make it inadvisable to proceed with the Exchange Offer; provided, however, that the Company will use reasonable efforts to modify or amend the Exchange Offer or to take such other reasonable steps as to make the provisions of this section inapplicable;

(ii) there shall have occurred (a) a declaration of a banking moratorium or any suspension of payments in respect of banks in the United States or any limitation by any governmental agency or authority which adversely affects the extension of credit or (b) a commencement of wars, armed hostilities, or other similar international calamity directly or indirectly involving the United States, or, in the case of any of the foregoing existing at the time of the commencement of the Exchange Offer, a material acceleration or worsening thereof;

(iii) any change (or any development involving a prospective change) shall have occurred or be threatened in the business, properties, assets, liabilities, financial condition, operations, results of operation

or prospects of the Company that, in the reasonable judgment of the Company, is or may be adverse to the Company, or the Company shall have become aware of facts that, in the sole judgment of the Company, have or may have adverse significance with respect to the value of the Exchange Notes or the Old Notes; or

(iv) any governmental approval has not been obtained, which approval the Company shall, in its sole discretion, deem necessary for the consummation of the Exchange Offer as contemplated hereby.

If the Company determines in its sole discretion that any of the conditions are not satisfied, the Company may (i) refuse to accept any Old Notes and return all tendered Old Notes to the tendering holders, (ii) extend the Exchange Offer and retain all Old Notes tendered prior to the Expiration Date, subject, however, to the rights of Holders to withdraw such Old Notes (see '--Withdrawal Rights'), or (iii) waive such unsatisfied conditions with respect to the Exchange Offer and accept all validly tendered Old Notes which have not been withdrawn. If such waiver constitutes a material change to the Exchange Offer, the Company will promptly disclose such waiver by means of a prospectus supplement that will be distributed to the registered holders, and the Company will extend the Exchange Offer for a period of five to 10 business days following such distribution, depending upon the significance of the waiver and the manner of disclosure to the registered holders, if the Exchange Offer would otherwise expire during such five to 10 business day period.

The Company expects that the foregoing conditions will be satisfied. The foregoing conditions are for the sole benefit of the Company and may be asserted by the Company regardless of the circumstances giving rise to any such condition or may be waived by the Company in whole or in part at any time and from time to time in its reasonable discretion. The failure by the Company at any time to exercise any of the foregoing rights shall not be deemed a waiver of any such right and each such right shall be deemed an ongoing right which may be asserted at any time and from time to time. Any determination by the Company concerning the events described above will be final and binding upon all parties.

In addition, the Company will not accept for exchange any Old Notes tendered, and no Exchange Notes will be issued in exchange for any such Old Notes, if at such time any stop order shall be threatened or in effect with respect to the Exchange Offer Registration Statement or the qualification of the Indenture under the Trust Indenture Act of 1939.

Holders of Old Notes may have certain rights and remedies against the Company under the Registration Rights Agreement should the Company fail to consummate the Exchange Offer, notwithstanding any nonfulfillment of the above conditions. Such conditions are not intended to modify such rights and remedies in any respect.

TERMINATION OF CERTAIN RIGHTS

Holders of the Old Notes to whom this Exchange Offer is made have special rights under the Registration Rights Agreement that will terminate upon the consummation of the Exchange Offer. The Registration Rights Agreement provides that certain rights under such agreement (including the right to receive prospective increases in the interest rate on the Old Notes) shall terminate upon the occurrence of (i) the filing with the Commission of the Exchange Offer Registration Statement, (ii) the effectiveness under the Securities Act of the Exchange Offer Registration Statement, and (iii) the consummation of the Exchange Offer.

EXCHANGE AGENT

First Union National Bank of North Carolina has been appointed as Exchange Agent for the Exchange Offer. Questions and requests for assistance and requests for additional copies of the Prospectus, the Letter of Transmittal, and other related documents should be addressed to the Exchange Agent as follows:

<TABLE>
<S> <C>

By Registered or Certified Mail,
Overnight Courier or Hand: By Facsimile:

First Union National Bank of North Carolina (704) 383-7316
230 South Tryon Street, 8th Floor Attention: Corporate Trust Division
Charlotte, North Carolina 28288-1179 Confirmed by Telephone: (704) 374-2080

Attention: Corporate Trust Division (Originals of all documents submitted by facsimile should be sent promptly by hand, overnight courier or registered or certified mail.)
</TABLE>

FEES AND EXPENSES

The expenses of soliciting tenders will be borne by the Company. The principal solicitation is being made by mail; however, additional solicitation may be made by telegraph, telephone or in person by officers and regular employees of the Company and its affiliates.

The Company has not retained any dealer-manager in connection with the Exchange Offer and will not make any payments to brokers, dealers or others soliciting acceptance of the Exchange Offer. The Company, however, will pay the Exchange Agent reasonable and customary fees for its services and will reimburse

it for its reasonable out-of-pocket expenses in connection therewith.

The cash expenses to be incurred in connection with the Exchange Offer will be paid by the Company and are estimated in the aggregate to be approximately $40,000. Such expenses include fees and expenses of the Exchange Agent and Trustee, accounting and legal fees and printing costs, among others.

The Company will pay all transfer taxes, if any, applicable to the exchange of Old Notes pursuant to the Exchange Offer. If, however, a transfer tax is imposed for any reason other than the exchange of Old Notes pursuant to the Exchange Offer, then the amount of any transfer taxes (whether imposed on the registered holder or any other persons) will be payable by the tendering holder. If satisfactory evidence of payment of such taxes or exemption therefrom is not submitted with the Letter of Transmittal, the amount of such transfer taxes will be billed directly to such tendering holder.

CONSEQUENCES OF FAILURE TO EXCHANGE

The Old Notes which are not exchanged for Exchange Notes pursuant to the Exchange Offer will remain restricted securities. Accordingly, such Old Notes may be resold only (i) to the Company (upon redemption thereof or otherwise), (ii) so long as the Old Notes are eligible for resale pursuant to Rule 144A, to a person whom the seller reasonably believes is a qualified institutional buyer within the meaning of Rule 144A under the Securities Act, purchasing for its own account or for the account of a qualified institutional buyer to whom notice is given that the resale, pledge or other transfer is being made in reliance on Rule 144A, (iii) in an offshore transaction in accordance with Regulation S under the Securities Act, but only in the case of a transfer that is effected by the delivery to the transferee of Old Notes registered in its name (or its nominee's name) on the books maintained by the registrar of the Old Notes, (iv) pursuant to an exemption from registration in accordance with Rule 144 (if available) or Rule 145 under the Securities Act,

(v) in reliance on another exemption from the registration requirements of the Securities Act, but only in the case of a transfer that is effected by the delivery to the transferee of Old Notes registered in its name (or its nominee's name) on the books maintained by the registrar of the Old Notes, and subject to the receipt by the registrar or co-registrar of a certification of the transferor and an opinion of counsel (satisfactory to the Company) to the effect that such transfer is in compliance with the Securities Act, or (vi) pursuant to an effective registration statement under the Securities Act, in each case in accordance with any applicable securities laws of any state of the United States. Following the consummation of the Exchange Offer, holders of Old Notes will have limited rights under the Registration Rights Agreement. See '--Termination of Certain Rights; The Shelf Registration Statement.'

ACCOUNTING TREATMENT

The Exchange Notes will be recorded at the same carrying value as the Old Notes, as reflected in the Company's accounting records on the date of the exchange. Accordingly, no gain or loss for accounting purposes will be recognized. The expenses of the Exchange Offer will be amortized over the term of the Exchange Notes.

RESALES OF THE EXCHANGE NOTES

With respect to resales of Exchange Notes, based on an interpretation by the staff of the Commission set forth in no-action letters issued to third parties, the Company believes that a Holder (other than (i) a broker-dealer who purchases such Exchange Notes directly from the Company to resell pursuant to Rule 144A or any other available exemption under the Securities Act or (ii) a person that is an affiliate of the Company within the meaning of Rule 405 under the Securities Act) who exchanges Old Notes for Exchange Notes in the ordinary course of business and who is not participating, does not intend to participate, and has no arrangement or understanding with any person to participate, in the distribution of the Exchange Notes, will be allowed to resell the Exchange Notes to the public without further registration under the Securities Act and without delivering to the purchasers of the Exchange Notes a prospectus that satisfies the requirements of Section 10 thereof. However, if any Holder acquires Exchange Notes in the Exchange Offer for the purpose of distributing or participating in a distribution of the Exchange Notes, such Holder cannot rely on the position of the staff of the Commission enunciated in Exxon Capital Holdings Corporation (available April 13, 1989) or similar no-action letters or any similar interpretive letters and must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a secondary resale transaction, unless an exemption from registration is otherwise available. Further, each broker-dealer that receives Exchange Notes for its own account in exchange for Old Notes, where such Old Notes were acquired by such broker-dealer as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of such Exchange Notes.

As contemplated by the no-action letters referenced above and the

Registration Rights Agreement, each Holder accepting the Exchange Offer is required to represent to the Company in the Letter of Transmittal that (i) the Exchange Notes are to be acquired by the Holder or the person receiving such Exchange Notes, whether or not such person is the Holder, in the ordinary course of business, (ii) the Holder or any such other person (other than a broker-dealer referred to in the next sentence) is not engaging and does not intend to engage, in the distribution of the Exchange Notes, (iii) the Holder or any such other person has no arrangement or understanding with any person to participate in the distribution of the Exchange Notes, (iv) neither the Holder nor any such other person is an 'affiliate' of the Company within the meaning of Rule 405 under the Securities Act, and (v) the Holder or any such other person acknowledges that if such Holder or other person participates in the Exchange Offer for the purpose of distributing the Exchange Notes it must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale of the Exchange Notes and cannot rely on those no-action letters. As indicated above, each broker-dealer that receives Exchange Notes for its own account in

exchange for Old Notes must also acknowledge that it will deliver a prospectus in connection with any resale of such Exchange Notes. See 'Plan of Distribution.'

THE SHELF REGISTRATION STATEMENT

In the event that applicable interpretations of the Staff of the Commission do not permit the Company to effect the Exchange Offer, or if for any other reason the Exchange Offer is not consummated within 120 days of the Issue Date, or if a holder of the Notes is not permitted to participate in the Exchange Offer or does not receive freely tradeable Exchange Notes pursuant to the Exchange Offer or, under certain circumstances, if the Initial Purchaser so requests, the Company will use its best efforts to cause to become effective a Shelf Registration Statement with respect to the resale of the Notes and use its best efforts to keep such Shelf Registration Statement continuously effective until three years after the Issue Date (or until one year after the Issue Date if such Shelf Registration Statement is filed solely at the request of the Initial Purchaser). See 'Exchange Offer; Registration Rights' for additional information regarding the Shelf Registration Statement.

ADDITIONAL INTEREST

The Registration Rights Agreement provides that in the event that the Company does not satisfy certain requirements under the Registration Rights Agreement regarding the Exchange Offer and the Shelf Registration Statement, certain holders of Notes will be entitled to receive certain increases in the interest rate on their Notes. See 'Exchange Offer; Registration Rights.'

THE COMPANY

The Company believes that it is the largest independent operator of public pay telephones in the United States on the basis of the number of public pay telephones in service. Since installing its first public pay telephone in 1985, the Company's core public pay telephone business has grown rapidly to an installed base, as of March 31, 1995, of 40,040 public pay telephones in 41 states and the District of Columbia. The Company's nationwide presence in the public pay telephone market makes it an attractive supplier of public pay telephone services to national and regional accounts, as compared with small competitors and LECs.

The Company owns, operates, services and maintains a system of independent public pay telephones. Its public pay telephone business generates revenues from coin calls and non-coin calls, such as calling card, credit card, collect and third party billed calls made from its telephones. Since January 1990, the Company has acquired over 33,000 public pay telephones from 27 independent public pay telephone providers. The Company also expands its base of public pay telephones with its own marketing staff by obtaining contracts for new locations where it believes there will be significant demand for public pay telephone service, such as convenience stores, grocery stores, service stations, shopping centers, hotels, restaurants, airports and truck stops. The Company has been able to acquire and develop national corporate accounts which, as of March 31, 1995, included 7-Eleven (2,528 telephones), Emro Marketing Company, a subsidiary of Marathon Oil (2,058 telephones), Vons Supermarkets (761 telephones) and Safeway Stores (420 telephones).

The Company's principal executive office is located at 2300 N.W. 89th Place, Miami, Florida 33172, and the telephone number of the Company is (305) 593-9667.

USE OF PROCEEDS

The Company will not receive any cash proceeds or incur any additional

indebtedness as a result of the issuance of the Exchange Notes pursuant to the Exchange Offer.

The net proceeds to the Company from the sale of the Old Notes was approximately $95.3 million. The Company used such net proceeds, together with the net proceeds from the Preferred Stock Investment ($14.3 million), (i) to repay all outstanding balances under the Prior Credit Agreement ($95.5 million), and (ii) to repay certain notes payable issued in connection with various acquisitions, including a note payable issued in connection with a recently settled litigation against the Company, and the mortgage note payable on the Company's headquarters facility pending its planned refinancing ($9.7 million). The Prior Credit Agreement would have matured on May 31, 1996, and required monthly principal installments of $1.5 million until maturity and bore interest at prime plus two percent. It is expected that, subject to the conditions and borrowing base set forth in the Credit Agreement, additional amounts will be borrowed under the Credit Agreement for general corporate purposes, including funding expansion of the Company's core public pay telephone business both through acquisitions and internally through new installations. The net proceeds from the Preferred Stock Investment not used in the Refinancing will also be used for such general corporate purposes. The notes payable that were repaid from the net proceeds from the sale of the Old Notes would have matured at various dates from currently payable or payable upon demand to November 1998 and bore interest at rates ranging from 5% to 12 1/2% per annum. See 'Business--Legal Proceedings.'

In the ordinary course of business, the Company considers acquisitions of public pay telephone businesses and related assets from time to time and is not currently engaged in negotiations with respect to any material acquisitions of public pay telephones and related assets. There can be no assurance that any such acquisitions will be consummated or, if consummated, that such acquisitions will be on terms favorable to the Company.

CAPITALIZATION

The following table sets forth the capitalization of the Company (i) as of March 31, 1995 and (ii) as adjusted to give effect to the Refinancing. See 'Use of Proceeds.' This table should be read in conjunction with the selected financial information and the consolidated financial statements and notes thereto, included elsewhere in this Prospectus.

<TABLE>
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	AS OF MARCH 31, 1995	
	ACTUAL	AS ADJUSTED FOR THE REFINANCING
	(DOLLARS IN THOUSANDS)	
<S>	<C>	<C>
Short-term debt:		
Notes payable and current maturities of long-term debt	$ 24,902	$ --
Current portion of obligations under capital leases	2,314	2,314
Total short-term debt	27,216	2,314
Long-term debt:		
Prior Credit Agreement	83,500(1)	--
Credit Agreement	--	--
Senior Notes offered hereby	--	100,000
Obligations under capital leases	3,460	3,460
Total long-term debt	86,960	103,460
Preferred stock, $.01 par value, mandatorily redeemable; 5,000,000 shares authorized; none issued and outstanding actual; 150,000 issued and outstanding as adjusted for the Refinancing	--	14,501(2)
Shareholders' equity:		
Common stock, $.01 par value; 25,000,000 shares authorized; 15,850,000 shares issued and outstanding	159	159
Capital in excess of par value	58,078	58,577
Accumulated deficit	(12,841)	(12,841)
Total shareholders' equity	45,396	45,895
Total capitalization	$132,356	$ 163,856

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(1) The Company made a principal payment of $1.5 million under the Prior Credit Agreement on each of May 1, 1995, June 1, 1995 and July 3, 1995.

(2) Represents $15.0 million of gross proceeds from the sale of the Preferred Stock less $0.5 million of value assigned to warrants to purchase shares of Common Stock sold in connection with the Preferred Stock Investment. In accordance with Regulation S-X under the Securities Act, the Preferred Stock, which is mandatorily redeemable ten years after issuance, is not included in shareholders' equity. See 'Preferred Stock Investment.'

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</TABLE>

SELECTED FINANCIAL INFORMATION

The selected financial information and statistical data set forth below should be read in conjunction with the consolidated financial statements of the Company and the notes thereto and 'Management's Discussion and Analysis of Financial Condition and Results of Operations' included elsewhere in this Prospectus. The selected financial information presented as of and for each of the years in the five-year period ended December 31, 1994 have been derived from the consolidated financial statements of the Company, which have been audited by Price Waterhouse LLP, independent certified public accountants, whose report contains explanatory paragraphs relating to the Company's ability to continue as a going concern and relating to the ultimate outcome of certain litigation, except as they relate to Ram Telephone and Communications, Inc. and affiliates ('Ram') for the year ended December 31, 1990 which was audited by another independent certified public accounting firm. Amounts for 1990 have been restated to reflect pooling accounting with Ram. The financial information presented as of and for the quarters ended March 31, 1994 and 1995 are unaudited and, in the opinion of management, include all adjustments necessary for a fair presentation of such information. The interim results are not necessarily indicative of the results to be expected for the entire year.

<TABLE>

<CAPTION>

	YEAR ENDED DECEMBER 31,					QUARTER ENDED MARCH 31,	
	1990	1991	1992	1993	1994	1994	1995
					(RESTATED)	(RESTATED)	(RESTATED)
	(DOLLARS IN THOUSANDS)						
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
OPERATING DATA:							
Revenues							
Coin calls	$ 23,387	$ 32,326	$ 44,203	$ 56,604	$ 79,392	$ 17,857	$ 19,061
Non-coin calls	18,496	23,130	26,828	22,245	33,054	6,968	8,271
Service and other	811	420	452	552	1,675	301	122
Total revenues	42,694	55,876	71,483	79,401	114,121	25,126	27,454
Costs and expenses:							
Telephone charges	13,491	18,346	22,160	18,398	41,264	8,304	8,491
Commissions	7,620	10,416	14,868	17,584	23,565	4,877	6,297
Field service and collection	5,982	6,386	9,818	11,994	18,608	4,916	4,628
Depreciation and amortization	5,242	7,867	9,900	12,958	19,185	4,112	4,741
Selling, general and administrative	7,841	7,233	7,188	7,368	13,043	2,672	2,368
Interest expense	1,929	2,506	2,630	2,504	5,312	989	1,479
Loss from operations of prepaid calling card and international telephone centers	--	--	--	1,730	1,816	730	--
Loss on disposal of prepaid calling card and international telephone centers	--	--	--	--	3,690	--	--
Other	--	--	--	--	--	--	27
Total costs and expenses	42,105	52,754	66,564	72,536	126,483	26,600	28,031
Income (loss) from continuing operations before taxes	589	3,122	4,919	6,865	(12,362)	(1,474)	(577)
(Provision for) benefit from income taxes(1)	(289)	(1,240)	(1,774)	(2,586)	4,722	465	216
Income (loss) from continuing operations	300	1,882	3,145	4,279	(7,640)	(1,009)	(361)
Income (loss) from discontinued operations	--	--	109	1,063	(10,753)	(1,048)	--

Extraordinary loss from extinguishment of debt, net.....	--	--	--	--	--	--	(2,894)
Net income (loss).....	$ 300	$ 1,882	$ 3,254	$ 5,342	$ (18,393)	$ (2,057)	$ (3,255)
Ratio of earnings to fixed charges.....	1.3x	2.1x	2.5x	2.8x	--(2)	--(2)	--(2)
BALANCE SHEET DATA (AT END OF PERIOD):							
Working capital (deficit).....	$ 331	$ (1,030)	$ 690	$ 673	$ 16,402	--	$ 5,504
Total assets.....	38,438	45,036	79,257	173,342	190,591	--	184,857
Total long-term debt (including current maturities).....	22,600	25,933	38,021	79,782	115,325	--	114,176
Shareholders' equity.....	9,262	12,339	27,604	65,333	48,715	--	45,396
OTHER DATA:							
Number of pay telephones at end of period.....	11,486	16,680	21,652	35,687	40,017	35,764	40,040
Capital expenditures.....	$ 9,002	$ 7,914	$ 11,215	$ 8,676	$ 9,201	$ 4,459	$ 1,272
EBITDA(3).....	$ 7,760	$ 13,495	$ 17,449	$ 22,327	$ 12,135	$ 3,627	$ 5,643
Adjusted EBITDA(4).....	7,060(5)	13,495	17,449	21,189(6)	21,033(7)	3,987(8)	4,295(9)
Pro forma interest expense(10).....	--	--	--	--	8,267	--	1,960
Ratio of Adjusted EBITDA to pro forma interest expense(4)(10).....	--	--	--	--	2.5x	--	2.2x

(Footnotes on following page)

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(1) In December 1987, the Financial Accounting Standards Board ('FASB') issued Statement of Financial Accounting Standards ('SFAS') No. 96, Accounting for Income Taxes. The Company adopted this Statement prospectively in 1988. In February 1992, the FASB issued SFAS 109 which supersedes SFAS 96. The Company adopted SFAS 109 prospectively in 1991.

(2) The ratio of earnings to fixed charges has been computed by dividing earnings available for fixed charges (income from continuing operations plus total interest expense and one-third of rental expense) by fixed charges. Fixed charges include interest costs from continuing operations and Discontinued Operations, amortization of deferred financing costs and one-third of rental expense. The Company has assumed that one-third of rental expense is representative of the interest factor. On an historical basis, the Company's earnings available for fixed charges in 1994 and in the first quarters of 1994 and 1995 were insufficient to cover fixed charges by approximately $12.4 million, $1.5 million and $0.6 million, respectively. The Company's pro forma earnings available for fixed charges in 1994 and the first quarter of 1995 would have been insufficient to cover fixed charges by approximately $15.0 million and $1.2 million, respectively. The Company's pro forma earnings available for combined fixed charges and preferred stock dividends in 1994 and the first quarter of 1995 would have been insufficient to cover fixed charges by approximately $16.1 million and $1.5 million, respectively.

(3) EBITDA consists of net earnings before interest, income taxes, depreciation and amortization. EBITDA is not intended to represent net income, cash flow or any other measures of performance in accordance with generally accepted accounting principles, but is included because management believes certain investors find it to be a useful tool for evaluating creditworthiness.

(4) Adjusted EBITDA is EBITDA adjusted to eliminate one-time income and expense items and the losses from the operations and disposition of the prepaid calling card and international telephone center business, but does not eliminate the compensation and fringe benefit expense included in 1994, estimated at approximately $2.8 million, associated with the reduction of the Company's work force by approximately 100 employees during 1994.

(5) Eliminates one-time income adjustments of approximately $0.7 million for the buyout of certain of the Company's reseller agreements by one of the Company's operator service providers.

(6) Eliminates one-time income adjustments of approximately $1.7 million resulting from certain excise, state sales and use tax refund claims and $1.2 million related to the reduction of validation, royalty and license fees.

(7) Eliminates the 1994 Charges of approximately $4.0 million recorded for, among other things, amounts reserved for settling disputes with service providers, severance charges, lease termination charges and costs incurred

in connection with an abandoned merger transaction and eliminates a one-time income adjustment of approximately $0.6 million for a contract signing bonus and volume discounts credited to the Company by one of its service providers. Does not eliminate the compensation and fringe benefit expense, estimated at approximately $2.8 million, associated with the reduction of the Company's work force by approximately 100 employees during 1994. There can be no assurance that charges similar to the 1994 Charges will not be taken in the future. See 'Management's Discussion and Analysis of Financial Condition and Results of Operations--The 1994 Charges.'

(8) Eliminates one time-charges of approximately $0.2 million for additional bad debt reserves and one-time income adjustments of approximately $0.6 million for a contract signing bonus and volume discounts credited to the Company by certain of its service providers.

(9) Eliminates the reduction of telephone charges of approximately $1.3 million recorded as a result of a settlement of a dispute regarding past periods with one of the Company's operator service providers.

(10) Pro forma interest expense is presented after giving pro forma effect to the Refinancing and the application of the proceeds therefrom as though it had occurred on January 1, 1994. In accordance with generally accepted accounting principles, interest expense is after allocation of approximately $5.0 million and $1.0 million of interest expense to the prepaid calling card and international telephone center business and the Discontinued Operations for the year ended December 31, 1994 and the quarter ended March 31, 1995, respectively. Pro forma interest expense is net of interest income of $0.2 million and $0.2 million for the year ended December 31, 1994 and the quarter ended March 31, 1995, respectively.

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</TABLE>

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

OVERVIEW

The Company's results from continuing operations have been affected by (i) trends within the independent public pay telephone industry segment and the telecommunications industry generally, (ii) changes in the degree to which the Company has vertically integrated its public pay telephone business, (iii) the impact of acquisitions and (iv) the Company's former diversification strategy. In general, the independent public pay telephone industry segment operates in a dynamic environment in terms of regulation and competition. This requires management to adopt flexible approaches to industry and market trends while attempting to grow and improve the basic operating efficiency of the public pay telephone business. As a result, financial period-to-period comparisons are difficult without the following overview.

Industry Trends

The independent public pay telephone industry segment is highly fragmented and characterized by a large number of small providers, many of whom lack the economies of scale of the major independent public pay telephone providers, such as the Company. The industry has been consolidating as the larger providers are competing to acquire the smaller, often less profitable, companies in the industry. The Company expects this trend to continue and believes it is important to have sufficient liquidity and appropriate operating and financial flexibility to grow cash flow through acquisitions and compete in a consolidating environment. Continuing consolidation will provide opportunities to take advantage of the Company's economies of scale in its field service, collection activities and other selling, general and administrative activities, but may increase competitive pressures to pay higher commissions to Property Owners.

Since 1992, the major operator service providers, such as AT&T and MCI, have aggressively promoted the use of access codes to encourage callers to 'dial around' the selected operator service provider at public pay telephones. Dial around calls are attractive to the caller because the caller pays the long distance rates of the operator service provider selected by the caller as opposed to the often inflated per minute rates and surcharges imposed by many operator service providers selected at public pay telephones. Prior to January 1, 1995, the Company only received a fixed amount per telephone as compensation for all interstate and, in some cases, intrastate dial around calls placed at its public pay telephones regardless of how many dial around calls were actually placed at such telephones. Currently, the Company receives a commission from AT&T on all carrier access calls accessing AT&T, including dial around calls, placed at its public pay telephones, while it continues to receive the fixed amount per telephone from other carriers. The amount for which the Company is compensated for dial around calls is substantially below the amount it is

compensated for 0+ calls made at its public pay telephones. The Company has seen a steady decline in the number of 0+ calls completed at its public pay telephones which has adversely affected the Company's non-coin revenues.

In order to address the impact of dial around calls, as well as pursue new business opportunities, the Company entered into the AT&T Agreement which provides for the Company to receive competitive commission payments for all 0+ and AT&T dial around calls. See 'Business--Public Pay Telephones-- AT&T Agreement.' As a result of the AT&T Agreement, the Company will have reduced total revenues from 0+ and AT&T access code calls going forward because the Company will receive compensation in the form of a commission from AT&T rather than receiving as revenue the total amount a caller pays for the telephone call. Similarly, there will be a reduction in the Company's telephone charges going forward due to the elimination of transmission charges, billing, collection and validation costs and bad debt expense which the Company incurred when it acted as its own operator services provider. The Company believes

that the AT&T Agreement represents a better financial alternative than it might otherwise obtain in light of industry trends and also provides the benefits of a business alliance with AT&T and a more simplified financial framework for recording non-coin revenue. Furthermore, the Company believes the AT&T Agreement will enhance the reputation of the Company's public pay telephone business, as its telephones will be branded to advertise AT&T long distance service and rates. Prior to the end of the two-year term of the AT&T Agreement, the Company will evaluate whether to renew the AT&T Agreement based on market conditions and opportunities that exist at the time. There can be no assurance that the trend towards dial around calls will not continue to adversely affect the Company notwithstanding the AT&T Agreement.

Significant trends with respect to local calls and basic access/interconnection may affect the financial results of the Company in the future. The Company expects its local access charges to decline over time as increased competition among local providers, including such new entrants as MFS Communications, compete for the large volume of local calls made through the Company's installed base of public pay telephones. The Company also believes that rates for local coin calls, which are regulated by state regulatory authorities, may increase over time in certain of the Company's major markets. The states of Illinois and Wisconsin have recently increased the maximum local coin rate from $0.25 to $0.35. In addition to an increase in per call rates, some regulatory authorities are considering timed local calls designed to place a time limit on a local coin call that when reached would require additional coins to be deposited to continue the call. Any such additional increases in local coin call rates or further implementation of timed local calls would immediately improve the profitability of local coin calls. There can be no assurance as to the occurrence of any of the foregoing.

Impact of Vertical Integration

Commencing in the fourth quarter of 1992, the Company began a vertical integration strategy to become its own operator service provider at a significant portion of its public pay telephones. Initially, the Company purchased the services necessary to provide its own operator services from one provider. The vendor branded the call under the Company's name and remitted to the Company a commission on each 0+ call. In order to increase the Company's profitability from a call, the Company began to purchase various services from other third party providers on more favorable terms. Commencing in the fourth quarter of 1993, the Company continued its vertical integration strategy by directly providing many of the services necessary to complete a call on its own operator services, such as using its own dedicated switching network for transmitting the call and using its own billing and collection agreements with certain LECs. The Company believed such capabilities would allow the Company to increase its profits from 0+ calls. The implementation of this vertical integration strategy led to an increase in revenues because the Company recorded the total amount the caller paid for the call rather than the commission payment received from a third party provider. During the pursuit of this strategy, the Company's expenses were also significantly higher because the Company built its own infrastructure or purchased services from third parties to provide transmission, operator time, billing, collection and validation. By mid-1994, the Company determined that the vertical integration strategy was not as profitable as expected. As a result, the Company gradually moved its long distance and operator service traffic off of its own system and began purchasing these, as well as billing and collection services, from third parties during the remainder of 1994 and the first quarter of 1995. Commencing in the second quarter of 1995, revenues and expenses for such calls will decline and will be substantially replaced by commission payments from AT&T.

Impact of Acquisitions

The Company completed eight acquisitions which added approximately 4,300 public pay telephones in 1992, three acquisitions which added approximately 13,600 telephones in 1993 and four acquisitions representing approximately 7,100

telephones in 1994. The seasonality of the Company's operating results have been affected by shifts in the geographic concentrations of its telephones resulting from many of such acquisitions and expenses related to the integration of acquisitions into its nationwide public pay telephone

base. In recent years, the Company acquired a large number of telephones in the Northeast and Mid-Atlantic regions of the United States which the Company believes has affected the seasonality of its results. Prior to such acquisitions, the Company's operating results were lower in the second and third quarters. As a result of such acquisitions, the Company has more recently experienced lower operating results in the first and fourth quarters due to the effect of the cold weather in the Northeast and Mid-Atlantic regions on public pay telephone usage. In addition, several large acquisitions of public pay telephone assets in late 1993 and 1994 led to anticipated and unanticipated expenses associated with integrating the acquired public pay telephones into the Company's nationwide network. Examples of such expenses include costs associated with merging and upgrading management information systems, costs of transferring phones over to the Company's operations, additional and duplicative employee costs during the transition period and the investment required for equipment upgrades.

Impact of Former Diversification Strategy

In 1993 and 1994, the Company pursued a strategy of entering complementary niche telecommunications businesses, such as prepaid calling card and international telephone centers and cellular telephone rental operations, in an effort to enhance its long-term growth opportunities and diversify its business. The capital requirements and management attention required by these operations diverted the Company from its core public pay telephone business and adversely affected its operating results. These businesses were essentially start-up in nature, required substantial investments of capital and devotion of management and employee resources. Efforts to develop these businesses strained Company resources, in particular in 1994 when the Company was integrating several significant public pay telephone acquisitions. In December 1994, the Company decided to divest itself of these businesses. The Company sold its prepaid calling card business in February 1995 and is currently pursuing alternatives to divest the Discontinued Operations and the international telephone center operations. Management believes that results of continuing operations during 1994 were adversely affected by this diversification strategy. There can be no assurances that the Company will be successful in divesting itself of the Discontinued Operations and the international telephone center operations.

RESULTS OF OPERATIONS

The following discussion and analysis compares the year ended December 31, 1992 to the year ended December 31, 1993 and the year ended December 31, 1993 to the year ended December 31, 1994, as well as the quarter ended March 31, 1994 to the quarter ended March 31, 1995, and should be read in conjunction with the restated consolidated financial statements and notes thereto appearing elsewhere in this Prospectus. The financial results discussed below relate to continuing operations which primarily consist of the public pay telephone business.

The Company primarily derives its revenues from coin and non-coin calls. Coin revenue is generated exclusively from calls made by depositing coins in the Company's public pay telephones. Non-coin revenue is derived from calling card calls, credit card calls, collect calls and third party billed calls.

Operating expenses include telephone charges, commissions, field service and collection expenses and selling, general and administrative expenses. Telephone charges consist of local line charges to LECs which include costs of basic service and transport of local coin calls, long distance transmission charges and network costs and billing, collection and validation costs. Commissions represent payments to Property Owners for revenues generated by public pay telephones located on their properties. Field service and collection expenses represent the costs of servicing and maintaining the telephones on an ongoing basis, costs of collecting coin from the telephones, and other related operational costs. Selling, general and administrative expenses primarily consist of payroll and related costs, legal and other professional fees,

promotion and advertising expenses, property, gross receipt and certain other taxes, corporate travel and entertainment, and various other expenses.

Depreciation is based on the cost of the telephones, booths, pedestals, and other enclosures, related installation costs and line interconnection charges and is calculated on a straight-line method using a ten-year useful life. Amortization is primarily based on acquisition costs including location contracts, goodwill and non-competition provisions and is calculated on a

straight-line method using estimated useful lives ranging from five to 20 years.

The following table, which relates to the consolidated continuing operations (which consist primarily of the public pay telephone business), sets forth certain financial results as a percentage of total revenues for the periods discussed below.

<TABLE>

<CAPTION>

	YEAR ENDED DECEMBER 31,			QUARTER ENDED MARCH 31,	
	1992	1993	1994	1994	1995
			(RESTATED)	(RESTATED)	(RESTATED)
<S>	<C>	<C>	<C>	<C>	<C>
Revenues:					
Coin calls	61.9%	71.3%	69.5%	71.1%	69.4%
Non-coin calls	37.5	28.0	29.0	27.7	30.1
Service and other	0.6	0.7	1.5	1.2	0.5
Total revenues	100.0	100.0	100.0	100.0	100.0
Costs and expenses:					
Telephone charges	31.0	23.2	36.2	33.1	31.0
Commissions	20.8	22.1	20.6	19.4	22.9
Field service and collection	13.7	15.1	16.3	19.6	16.9
Depreciation and amortization	13.8	16.3	16.8	16.4	17.3
Selling, general and administrative	10.1	9.3	11.4	10.6	8.6
Interest expense	3.7	3.2	4.7	3.9	5.4
Loss from operations of prepaid calling card and international telephone centers	--	2.2	1.6	2.9	--
Loss on disposal of prepaid calling card and international telephone centers	--	--	3.2	--	--
Total costs and expenses	93.1	91.4	110.8	105.9	102.1
Income (loss) from continuing operations before taxes	6.9	8.6	(10.8)	(5.9)	(2.1)
(Provision for) benefit from income taxes	(2.5)	(3.2)	4.1	1.9	0.8
Income (loss) from continuing operations	4.4%	5.4%	(6.7)%	(4.0)%	(1.3)%

</TABLE>

Preliminary results for the first two months of the second quarter of 1995 indicate a decline in total shareholders' equity of approximately $403,000 attributable to losses from continuing operations before taxes of approximately $531,000, offset by $128,000 in additional paid-in-capital from option exercises and a change in the calculation of interest on notes payable from officers and directors of the Company. The Company expects a decline in total shareholders' equity for the last month of the second quarter attributable to continuing losses from continuing operations before taxes. The Company believes the losses from continuing operations before income taxes for the first two months of the second quarter of 1994 to be approximately the same as that for 1995. At May 31, 1995, net current assets of the Company would have decreased by approximately $80.9 million to approximately $(75.3) million as compared with March 31, 1995 reflecting the reclassification of debt which as of May 31, 1995 was due within 12 months from long-term debt to short-term debt.

QUARTER ENDED MARCH 31, 1995 COMPARED TO QUARTER ENDED MARCH 31, 1994

Revenues

Coin revenue represented approximately 69.4% and 71.1% of total revenues from continuing operations for the quarters ended March 31, 1995 and 1994, respectively. Coin revenue increased 6.7% to $19.1 million during the quarter ended March 31, 1995 compared to the same period in 1994. This revenue growth was primarily attributable to growth in the Company's installed base of public pay telephones. The Company's installed public pay telephone base increased to approximately 40,000 at March 31, 1995 from approximately 35,700 at March 31, 1994. The decline in coin revenues per telephone was primarily attributable to the addition of telephones between periods having a lower average coin revenue per telephone than did the Company's installed base during the first quarter of 1994. The Company believes that the number of coin calls made at its public pay telephones may decrease over time. The Company believes, that among other

things, this decrease will be primarily attributable to more public pay telephones in closer proximity to the Company's telephones, alternative methods of calling such as wireless technologies and increased usage of prepaid calling cards.

Non-coin revenue represented approximately 30.1% and 27.7% of total revenues from continuing operations for the quarters ended March 31, 1995 and 1994, respectively. For the quarter ended March 31, 1995, revenues from non-coin calls increased 18.7% to approximately $8.3 million, compared to the quarter ended March 31, 1994. The increase was primarily attributable to the increase in the Company's installed base of public pay telephones described above and the increase in the number of calls completed through the Company's private label operator service program during the quarter ended March 31, 1995, compared to the same period in 1994.

The Company records the total amount the end user pays for the call (net of taxes) as revenue when the call is completed through the Company's private label operator service. In contrast, the Company records as revenue the amount it receives from the third-party operator service provider which represents a negotiated percentage of the total amount the caller pays for the call. The Company used its private label operator service or a third party operator service provider based on which service the Company believes netted it the highest gross margin from the call. Operating Expenses

Total operating expenses were approximately 79.4% and 82.7% of total revenues from continuing operations for the quarters ended March 31, 1995 and 1994, respectively. Telephone charges decreased as a percentage of total revenues from continuing operations to 31.0% for the quarter ended March 31, 1995, compared to 33.1% for the same period in 1994. Telephone charges for the 1995 quarter include a reduction of interexchange carrier expenses related to a settlement with a service provider for certain billing errors and underpayment of operator service revenue of approximately $1.3 million. This reduction was offset by an increase in telephone charges as a result of the increase in the installed public pay telephone base and an increase in the number of calls completed through the Company's private label operator service program during the quarter ended March 31, 1995, compared to the same period in 1994. The Company pays the costs incurred to transmit, bill, collect and validate the call when the call is completed through its private label operator services. In contrast, the Company incurs no such cost when a third party operator service provider completes the call. Telephone charges for the 1994 quarter included one-time income adjustments of approximately $0.6 million for a contract signing bonus and volume discounts credited to the Company by certain of its service providers.

Commissions as a percentage of total revenues from continuing operations were approximately 22.9% and 19.4% for the quarters ended March 31, 1995 and 1994, respectively. The increase in commissions as a

percentage of revenues was primarily attributable to higher commission rates paid in connection with the recently obtained Atlanta Hartsfield International Airport account.

Field service and collection expenses as a percentage of total revenues from continuing operations was 16.9% and 19.6% for the first quarter of 1995 and 1994, respectively. The decrease in these expenses was primarily attributable to the Company's efforts to reduce operating expenses which were commenced in June 1994 and included the downsizing of the Company's field personnel. Selling, general and administrative expenses decreased to 8.6% of total revenues from continuing operations in the 1995 first quarter versus 10.6% for the 1994 first quarter. The decrease in selling, general and administrative expenses was primarily attributable to the cost reduction plan and reengineering efforts commenced by the Company in June 1994.

Depreciation and Amortization

Depreciation and amortization increased to $4.7 million for the quarter ended March 31, 1995, compared to $4.1 million for the same period in 1994. The increase in depreciation and amortization is primarily attributable to increases in the number of installed public pay telephones that resulted from acquisitions during 1994. Depreciation and amortization as a percentage of total revenues from continuing operations increased to 17.3% during the first quarter of 1995 compared to 16.4% for the first quarter of 1994. This increase was primarily attributable to the increase in the number of acquired public pay telephones and the decrease in coin revenue noted above.

Interest Expense

In the first quarter of 1995, interest expense increased 49.5% to $1.5 million. The increase was primarily attributable to increased bank borrowings under the Prior Credit Agreement. In addition, the Company experienced higher interest rates under the Prior Credit Agreement during 1995 which is consistent

with overall increases in market interest rates.

Provision for Income Taxes

The Company's benefit from income taxes decreased approximately $0.2 million for the quarter ended March 31, 1995 from the 1994 period primarily due to a loss from continuing operations before taxes of approximately $0.6 million in the first quarter of 1995, compared to a loss from continued operations before taxes of approximately $1.5 million for the first quarter of 1994.

Net Loss from Continuing Operations

The Company had a net loss from continuing operations of approximately $0.4 million for the quarter ended March 31, 1995 compared to a net loss from continuing operations of approximately $1.0 million for the same period in 1994.

Extraordinary Item

The Company had an extraordinary loss from the write-off of deferred financing costs associated with the early extinguishment of debt of approximately $2.9 million, net of the related income tax benefit of $1.7 million.

Earnings Before Interest, Taxes, Depreciation and Amortization

EBITDA from continuing operations increased by approximately $2.0 million to $5.6 million for the quarter ended March 31, 1995, compared to the same period in 1994. This increase was primarily

attributable to the growth in the Company's installed base of public pay telephones and the decrease in telephone charges as a percentage of revenue as a result of the settlement with a service provider mentioned above, which was partially offset by the increase in commission expense noted above.

YEAR ENDED DECEMBER 31, 1994 COMPARED TO YEAR ENDED DECEMBER 31, 1993 COMPARED TO YEAR ENDED DECEMBER 31, 1992

Revenues

Coin revenue represented approximately 69.5%, 71.3% and 61.9% of total revenues from continuing operations for the years ended December 31, 1994, 1993 and 1992, respectively. Coin revenue increased 40.3% to $79.4 million in 1994, compared to 1993. This revenue growth was primarily attributable to growth in the Company's installed base of public pay telephones. The Company's installed public pay telephone base increased to approximately 40,000 in 1994 up from approximately 35,700 in 1993. The increase in the Company's 1994 revenues was also attributable to the inclusion of approximately 11,600 public pay telephones from the asset acquisition of Ascom Communications, Inc. for a full year in 1994 versus approximately two months in 1993. Coin revenue increased 28.1% to $56.6 million in 1993, compared to 1992. This increase was primarily attributable to the growth in the Company's installed base of public pay telephones which increased to approximately 35,700 in 1993 from approximately 21,700 in 1992.

Non-coin revenue represented approximately 29.0%, 28.0% and 37.5% of total revenues from continuing operations in 1994, 1993, and 1992, respectively. In 1994, revenues from non-coin calls increased by 48.6% to $33.1 million, compared to 1993. The increase was primarily attributable to the increase in the Company's installed base of public pay telephones described above.

Non-coin revenue decreased by 17.1% to $22.2 million in 1993, compared to 1992. This decrease was primarily attributable to a decrease in the percentage of total non-coin calls completed through the Company's private label operator service program. In 1993, the Company sent a substantially larger percentage of its non-coin calls to third-party operator service providers compared to 1992. In addition, in 1993, the Company experienced a significant decline in the number of non-coin calls for which it received compensation compared to 1992. The Company also experienced a similar decline in 1994 compared to 1993. The Company primarily attributes the overall decline to the successful advertising campaigns of the large operator service providers, such as AT&T and MCI, which encourage public telephone users to dial access codes to 'dial around' the selected operator service providers at public pay telephones.

Operating Expenses

Total operating expenses were approximately 84.5%, 69.7% and 75.6% of total revenues from continuing operations for the years ended December 31, 1994, 1993 and 1992, respectively. Telephone charges increased by 124.3% to $41.3 million in 1994. This increase was primarily attributable to (1) the increase in the installed public pay telephone base and (2) the increase in the number of calls completed through the Company's private label operator service program during 1994 compared to 1993. The Company pays the costs incurred to transmit, bill, collect and validate the call when the call is completed through its private

label operator service program. In contrast, the Company incurs no such cost when a third party operator service provider completes the call. In 1993, the Company recorded a refund of telephone charges owed to the Company related to overcharging of carrier costs and the underpayment of operator service revenues by certain vendors. Despite its ongoing negotiations with such vendors, as of December 31, 1994, due to the length of time elapsed since the original claims and the uncertainty as to the realizability of these refund claims, the Company fully reserved these amounts by a charge of approximately $1.2 million. In addition, the Company recorded approximately $0.4 million of other

reserves. Telephone charges in 1993 were reduced by approximately $1.7 million for certain excise, state sales and use tax refunds. In addition, 1993 telephone charges included a one-time reduction of validation, royalty and license fees, among other things, of approximately $1.2 million related to the settlement of a dispute with a service provider. The decrease in telephone charges of 17.0% in 1993 compared to 1992 was also attributable to an increase in the percentage of total calls completed by third-party operator service providers.

Commissions as a percentage of total revenues from continuing operations were approximately 20.6%, 22.1% and 20.8% for the years ended December 31, 1994, 1993 and 1992, respectively. Commissions have remained relatively consistent despite the increased competition and increased commission rates for new or renewal contracts. The Company has been able to maintain its commissions as a percentage of revenue in part because it has balanced its growth in the national account area where commission percentages are the most competitive with the individual or smaller accounts where commission percentages are not as competitive.

Field service and collection expenses as a percentage of total revenues from continuing operations were approximately 16.3%, 15.1% and 13.7% for the years ended December 31, 1994, 1993 and 1992, respectively. The amount of these expenses increased primarily due to (1) additional operations personnel and vehicle costs and rent expense associated with assimilating acquired public pay telephones into the Company's existing network and (2) costs associated with instituting a refurbishing program undertaken to improve the condition of the Company's telephones. The Company currently expects that field service and collection expenses as a percentage of revenue should remain relatively constant over the next twelve months. Selling, general and administrative expenses increased to 11.4% of total revenues from continuing operations (or $13.0 million) versus 9.3% in 1993 and 10.1% in 1992. As part of the 1994 Operational Restructuring, the Company reduced its work force by approximately 100 people during 1994. In 1994, selling, general and administrative expenses included approximately $1.6 million in one-time charges which include, among other things, amounts reserved for settling disputes with service providers, severance charges, lease termination charges and costs incurred in connection with an abandoned merger transaction.

Depreciation and Amortization

Depreciation and amortization increased to $19.2 million from $13.0 million in 1993 and $9.9 million in 1992. The increases in depreciation and amortization are primarily attributable to increases in the number of installed public pay telephones that resulted from acquisitions during 1993 and 1994. Depreciation and amortization as a percentage of total revenues from continuing operations remained relatively consistent at 16.8% and 16.3% for 1994 and 1993, respectively. A significant factor in the relative consistent percentage was the change during the fourth quarter of 1993 in the Company's depreciation policy to recognize the extended estimated service life of its public pay telephones from seven to ten years offset by an increase in the number of acquired public pay telephones. This change in estimate resulted in a decrease in depreciation expense of approximately $3.8 million during 1994.

Interest Expense

In 1994, interest expense increased 112.1% to $5.3 million. The increase was primarily attributable to increased bank borrowings under the Prior Credit Agreement from $67.5 million at December 31, 1993 to $100.2 million at December 31, 1994. The additional borrowings in 1994 under the Company's line of credit include approximately $16.6 million used for public pay telephone acquisitions and $16.1 million used for working capital purposes, which included a portion related to the funding of the prepaid calling card and international telephone center operations and the Discontinued Operations. In addition, the Company experienced higher interest rates under the Prior Credit Agreement during 1994 consistent with overall increases in market interest rates. Interest expense decreased 4.8% in 1993 to $2.5 million, compared to 1992. This decrease is primarily attributable to lower interest rates in 1993 compared to 1992

and the temporary decrease in the Prior Credit Agreement resulting from the use of approximately $14.0 million of proceeds from the Company's August 1993 common stock offering. This was partially offset by the overall increase in the Company's bank borrowings to $67.5 million at December 31, 1993 from $32.5 million at December 31, 1992.

Provision for Income Taxes

The Company's provision for income taxes increased $7.3 million in 1994 primarily due to a loss from continuing operations before taxes of approximately $12.4 million, compared to income from continued operations before taxes of approximately $6.9 million in 1993. The Company's provision for income taxes increased $0.8 million in 1993 compared to 1992 due to an increase in the Company's effective tax rate from 36.1% to 37.7% as a result of higher average state and local tax rates resulting from increased earnings in jurisdictions with higher taxes.

Income (loss) from Continuing Operations

The Company had a loss from continuing operations of approximately $7.6 million in 1994 compared to income from continuing operations of approximately $4.3 million in 1993. The loss from continuing operations included approximately $2.7 million of one-time charges. The 1994 net loss from continuing operations also included a provision of approximately $2.3 million for the estimated impairment of asset value and losses for January 1, 1995 through the divestiture date for the prepaid calling card and international telephone center operations. In 1993, income from continuing operations included approximately $1.8 million in one-time income.

Earnings Before Interest, Taxes, Depreciation and Amortization

EBITDA from continuing operations decreased by $10.2 million to $12.1 million in 1994. The decrease was primarily attributable to approximately $4.0 million of one-time charges which includes the $1.6 million of one-time charges in telephone charges, the $1.6 million of one-time charges in selling, general and administrative expenses discussed above and $0.8 million of one-time charges in various other categories. It was also attributable to those matters discussed under '--Overview' above. In addition, 1993 continuing operations included approximately $2.9 million of one-time income. EBITDA increased $4.9 million in 1993 to $22.3 million compared to 1992. This increase in EBITDA was primarily attributable to the Company's growth of its installed public pay telephone base and the one-time income discussed above.

THE 1994 CHARGES

The 1994 Charges are comprised of (1) approximately $0.6 million related to a write-off of a receivable due from an operator services provider because of the provider's overcharging of carrier costs and underpayment of operator service revenues, (2) approximately $0.5 million related to write-off of a receivable due from a LEC attributed to the underpayment of compensation under various compensation plans, (3) approximately $0.3 million related to reserves for commission payments resulting from differences in contract interpretations, (4) approximately $0.3 million related to the settlement of an indemnifiable claim in connection with a public pay telephone acquisition as a result of the insolvency of a former shareholder of the acquired company, (5) approximately $0.3 million related to severance costs incurred in connection with employee lay-offs, (6) approximately $0.3 million of lease termination expenses, (7) approximately $0.2 million for additional reserves related to the collection of Dial Around Compensation, (8) approximately $0.2 million for additional reserves related to the collection of certain excise, state and local sales and use tax refunds, (9) approximately $0.2

million of additional reserves related to the write-off of various receivables, (10) approximately $0.2 million related to legal and other failed merger costs incurred in connection with a proposed merger transaction, (11) approximately $0.2 million as a result of a change in prepaid expense policy, (12) approximately $0.2 million related to phone damage experienced in New York during the fourth of July holiday, (13) approximately $0.1 million for estimated liabilities related primarily to sales tax audits of prior years of which the Company received notification in 1994, (14) approximately $0.1 million related to shareholder litigation expenses, (15) approximately $0.2 million related to the establishment of liabilities for miscellaneous items, and (16) approximately $0.1 million of charges related to the write-off of costs incurred with prior year acquisitions. Based upon the facts and circumstances surrounding each of these items, management believes these charges are one-time charges, however, there can be no assurance that similar charges will not occur again in the future.

LIQUIDITY AND CAPITAL RESOURCES

During 1994, the Company financed its operations and growth primarily from

operating cash flow and borrowings under the Prior Credit Agreement. For the year ended December 31, 1994, the Company's operating cash flow was $(2.2) million as compared to $20.1 million in 1993 and $11.2 million in 1992. During the first quarter of 1995, the Company financed its operations primarily from operating cash flow. For the quarter ended March 31, 1995, the Company's operating cash flow was $1.0 million.

The Company's working capital was approximately $5.5 million, with a current ratio of 1.10 to 1, at March 31, 1995. This is compared to working capital of $16.4 million and a current ratio of 1.38 to 1 at December 31, 1994. The decrease in the Company's working capital and current ratio was primarily attributable to an additional $10.9 million of debt repayments due within 12 months of March 31, 1995, as compared to December 31, 1994.

Capital expenditures decreased to approximately $1.3 million in the quarter ended March 31, 1995 from approximately $4.5 million in the same period in 1994. This decrease was a result of the Company's implementation of tighter controls and the more efficient utilization of its existing inventory and the lack of expenditures related to the vertical integration of the Company's public pay telephone business as compared to the 1994 first quarter.

The net proceeds from the sale of the Old Notes in July 1995 were used, together with the net proceeds of the Preferred Stock Investment, to fully repay the Prior Credit Agreement, which required monthly principal reductions of $1.5 million through maturity on May 31, 1996. The purpose of the Refinancing is to extend the maturity of the Company's long-term debt to reflect the long-term nature of the Company's assets and provide the Company with greater financial and operating flexibility. The Prior Credit Agreement has been amended significantly since early 1994 as a result of the Company's financing requirements and non-compliance with certain financial covenants contained therein. As of February 1994, the Prior Credit Agreement was amended and restated principally for the purpose of increasing availability thereunder from $70.0 million to $125.0 million. The February 1994 amendment provided the Company with additional borrowing capacity to take advantage of growth opportunities in its industry. Borrowings under the Prior Credit Agreement bore interest throughout 1994 at the rate of (i) 1.25% over the greater of prime or the federal funds rate plus 0.5% or (ii) 2.5% over LIBOR, at the option of the Company.

As a result of operating losses, including losses from the Discontinued Operations, the Company was not in compliance with certain of the financial covenants in the Prior Credit Agreement as of the end of the second quarter of 1994 and was required to obtain waivers from its lenders. As a result of further operating losses, including further losses from the Discontinued Operations, the Company was not in compliance with certain of the financial covenants in the Prior Credit Agreement as of December 31, 1994. As a result of the restatement of the March 31, 1994 quarterly financials, the Company was not in compliance with certain restrictive covenants contained in the Prior Credit Agreement, which non-compliance was waived by the lenders. The Prior Credit Agreement was amended on March 22, 1995 to (i) reduce the size of the Prior

Credit Agreement to $100.0 million, (ii) shorten the maturity of the Prior Credit Agreement from February 17, 1998 to May 31, 1996 and provide for monthly principal payments of $1.5 million commencing May 1, 1995 and (iii) amend the covenants in the Prior Credit Agreement to make them less restrictive through the end of 1995. During the second quarter of fiscal 1995, due in part to a dispute regarding ACI's indemnification obligations to the Company and to conserve cash in light of the Company's working capital requirements and amortization obligations under the Prior Credit Agreement, the Company had not made certain payments under notes payable issued in connection with the acquisition of ACI. In May 1995, ACI and AHI commenced litigation in respect of these and other matters. In June 1995, the Company entered into a settlement of such litigation and used a portion of the net proceeds from the sale of the Notes to repay a note payable owing to ACI issued in connection with the settlement. See 'Business--Legal Proceedings' and 'Use of Proceeds.' As a result of the foregoing, the report of the Company's independent accountants on the Company's consolidated financial statements appearing in this Prospectus, which was issued as of a date prior to the consummation of the Refinancing, contains an explanatory paragraph relating to the Company's ability to continue as a going concern, as described in Note 18 to the Company's consolidated financial statements appearing elsewhere herein.

The Prior Credit Agreement was replaced by the Credit Agreement in connection with the Refinancing. Borrowings under the Credit Agreement bear interest at the rate of (i) 1.5% over the greater of prime or the federal funds rate plus 0.5% or (ii) 3.0% over LIBOR, at the option of the Company, and will be available under a borrowing base formula which takes into account the Company's eligible accounts receivable and eligible installed pay telephones. The Credit Agreement is secured by substantially all of the Company's assets and contains various financial covenants. See 'Description of the Credit Agreement.'

The Company relies on the Credit Agreement to supplement its working capital requirements. As a result of the Refinancing, the Company has significant additional interest expense. Based upon current expectations, the Company believes that cash flow from operations, together with amounts which may be borrowed under the Credit Agreement, will be adequate for it to meet its working capital requirements, pursue its business strategy and service its obligations in respect of the Notes, although there can be no assurance that it will be able to do so.

ASSETS HELD FOR SALE

Included in 'Assets Held for Sale' are the net assets of the prepaid calling card and international telephone center operations. In December 1994, the Company's Board of Directors approved a plan to sell the assets related to these businesses.

During February 1995, the Company sold its prepaid calling card business to Global Link for approximately $6.3 million. The Company received $1.0 million in cash, a $5.3 million promissory note due February 1998, bearing interest at 8.5%, payable quarterly, and shares of common stock of Global Link. As a result of the February 1995 transaction, and because of a drafting error discovered in May 1995 that did not reflect the intentions of the parties, the Company's interest in the outstanding common stock of Global Link was 28.8% instead of the intended 19.99%. To correct this error, the Company has reduced its share ownership to the intended 19.99% level. For financial accounting purposes, the net gain of approximately $3.4 million will be deferred until cash on the promissory note is received. The 1994 financial statements include losses before income taxes of approximately $2.1 million for the period from January 1, 1994 through February 15, 1995, the divestiture date. The Global Link investment will be accounted for under the equity method of accounting subsequent to the divestiture date. Accordingly, the 1994 results of operations have been segregated and are reported as a separate component of income from continuing operations.

Global Link was founded in March 1994 and is at an early stage of development with limited operational history. As a result, Global Link's business and operations are subject to all the risks associated with the establishment or formation of a new business enterprise. It is anticipated that Global Link will require significant capital resources, however, the Company has no intention or obligations to fund any capital requirements. While the Company believes it will recover all amounts due from Global Link there can be no assurance that the Company will realize amounts due or realize significant value from its equity investment.

The Company is in the process of divesting itself of its international telephone center and has recorded a provision for the estimated impairment of asset values of approximately $3.4 million. See Note 15 to the accompanying consolidated financial statements included elsewhere in this Prospectus.

DISCONTINUED OPERATIONS

During December 1994, in an effort to return its focus to its core public pay telephone business, the Company's Board of Directors approved the divestiture of its inmate telephone and cellular telephone rental operations. Accordingly, operating results and cash flows for those businesses have been segregated and reported as discontinued operations.

The Company is in the process of divesting these business segments and has recorded provisions for the estimated impairment of asset values and losses from January 1, 1994 through the estimated divestiture date for its inmate telephone and cellular telephone rental operations after income taxes of approximately $2.0 million and $8.7 million, respectively. The inmate telephone industry has become increasingly competitive. This increased competition could result in increased commission rates and loss of market share which could have an adverse effect on the operating results of the Company's inmate telephone business. See 'Business--Discontinued Operations' and Note 16 to the accompanying consolidated financial statements included elsewhere in this Prospectus.

The following combining tables set forth the net assets and liabilities and results of the Discontinued Operations (dollars in thousands):

<TABLE>
<CAPTION>

	AS OF DECEMBER 31, 1994		
	INMATE	PTC CELLULAR, INC.	TOTAL
<S>	<C>	<C>	<C>
Current assets and liabilities, net	$ 151	$ (2,969)	$ (2,818)
Fixed assets, net	11,379	6,667	18,046

Other long-term assets and liabilities, net	7,441	3,111	10,552
	$18,971	$ 6,809	$ 25,780

</TABLE>

<TABLE>
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	FOR THE YEAR ENDED DECEMBER 31, 1994		
	INMATE	PTC CELLULAR, INC.	TOTAL
<S>	<C>	<C>	<C>
Revenues	$42,428	$ 11,581	$ 54,009
Income (loss) from discontinued operations before income taxes	844	(6,253)	(5,409)
Loss on disposal	(4,054)	(1,380)	(5,434)
Total net loss on discontinued operations before income taxes	(3,210)	(7,633)	(10,843)
Benefit from (provision for) income taxes	1,204	(1,113)	91
Net loss from discontinued operations	$(2,006)	$ (8,746)	$(10,752)
EBITDA	$ 5,097	$ (3,001)	$ 2,096

</TABLE>

BUSINESS

The Company believes that it is the largest independent operator of public pay telephones in the United States on the basis of the number of public pay telephones in service. Since installing its first public pay telephone in 1985, the Company's core public pay telephone business has grown rapidly to an installed base, as of March 31, 1995, of 40,040 public pay telephones in 41 states and the District of Columbia. The Company's nationwide presence in the public pay telephone market makes it an attractive supplier of public pay telephone services to national and regional accounts, as compared with small competitors and LECs.

The Company owns, operates, services and maintains a system of independent public pay telephones. Its public pay telephone business generates revenues from coin calls and non-coin calls, such as calling card, credit card, collect and third party billed calls made from its telephones. Since January 1990, the Company has acquired over 33,000 public pay telephones from 27 independent public pay telephone providers. The Company also expands its base of public pay telephones with its own marketing staff by obtaining contracts for new locations where it believes there will be significant demand for public pay telephone service, such as convenience stores, grocery stores, service stations, shopping centers, hotels, restaurants, airports and truck stops. The Company has been able to acquire and develop national corporate accounts which, as of March 31, 1995, included 7-Eleven (2,528 telephones), Emro Marketing Company, a subsidiary of Marathon Oil (2,058 telephones), Vons Supermarkets (761 telephones) and Safeway Stores (420 telephones).

BUSINESS STRATEGY

The Company's business objective is to focus on its core public pay telephone business and grow operating cash flow by continuing to expand its installed base of public pay telephones. The Company seeks to achieve this objective through the following strategies:

Growth Through Selective Acquisitions. The Company believes that growth through selective acquisitions is desirable because it increases the Company's geographic presence and concentration and typically generates more predictable revenues than new public pay telephone installations. In general, the Company has been able to acquire public pay telephones at prices that it considers attractive because smaller providers frequently lack the economies of scale that the Company enjoys. When acquired telephones are integrated into the Company's national system, the Company is often able to operate such telephones profitably, or more profitably than the seller, because of its economies of scale. The Company intends to utilize its size and experience in integrating public pay telephone acquisitions in an effort to capitalize on the consolidation trend in the industry.

Growth Through New Installations. The Company is seeking to increase its internal growth by marketing its public pay telephones to new and existing accounts within its current markets. The Company believes that its nationwide

presence makes it an attractive supplier of public pay telephone services for national corporate accounts by offering these accounts a consistent level of service and reducing the time, administration and costs associated with utilizing multiple providers. The Company is attempting to balance its national corporate account marketing efforts by expanding its regional and local sales efforts, where competition for accounts tends to be less competitive. It has hired or is in the process of hiring regional sales managers in New York, the Mid-Atlantic region, Florida, Texas, the Mid-West region and California, where the Company has significant concentrations of public pay telephones.

Superior Level of Customer Service. The Company attempts to provide the highest quality service in the industry and establish strong relationships with its customers. The Company provides quality service through the use of 'smart' microprocessor-equipped telephones, a sophisticated management information system and a highly trained service and support staff. The Company's advanced telephone technology

allows for exact records of telephone activity, tracking of revenues which can be easily verified by its customers and rapid response (typically within 24 hours) to repair malfunctions and service equipment.

Realize Economies of Scale and Maximize Operating Efficiencies. By growing its public pay telephone business, the Company intends to benefit from the realization of further economies of scale in field service, collection and other selling, general and administrative activities. The Company's existing infrastructure permits it to add new public pay telephones in its existing markets without significant incremental operating costs. Furthermore, as a high-volume consumer of long distance service (approximately 17 million minutes per month), the Company has been able to negotiate favorable terms from AT&T and other operator service providers and interexchange carriers. The Company's 'smart' public pay telephones, management information systems and trained service and support staff have permitted it to achieve savings in the cost of telephone repair and maintenance.

PUBLIC PAY TELEPHONE INDUSTRY OVERVIEW

According to a report by the North American Telecommunications Association entitled 1993/1994 Telecommunications Market Review & Forecast, calls made from public pay telephones are estimated to represent approximately seven billion dollars in annual revenues to the United States telecommunications industry. Public pay telephones may be owned or operated by LECs or by independent public pay telephone operators. The Company believes that currently there are approximately 2.1 million public pay telephones operated in the United States, of which approximately 1.8 million are owned by LECs and approximately 300,000 by independent public pay telephone companies.

Today's telecommunications marketplace was principally shaped by the 1984 ruling of the United States District Court for the District of Columbia in the well-documented Bell System antitrust divestiture case, United States v. American Telephone & Telegraph Company. The AT&T divestiture created various business opportunities in the telecommunications industry. In 1985, the FCC and thereafter 45 state public service commissions followed this initiative by authorizing the connection of competitive or independently-owned public pay telephones to the public switched network. Prior to that time, the Bell System and other monopoly LECs owned all public pay telephones in the United States.

As part of the AT&T divestiture, the United States was divided into geographic areas known as Local Access and Transport Areas or LATAs. The larger LECs (the ones owned by the RBOCs and GTE) provide telephone service that both originates and terminates within the same LATA ('intraLATA traffic') pursuant to tariffs filed with and approved by state regulatory authorities. These LECs are generally prohibited from offering or deriving revenues or income from interexchange services between LATAs. In addition, most state regulatory authorities require LECs to provide local access line service to independent public pay telephone companies. See '--Regulation.' Until recently, the Company could only obtain local exchange services from the LECs, but this has begun to change as various local and intraLATA competitors have been authorized to provide local exchange service. The Company is beginning to test such local service options. These options should result in lower costs and improved service for the Company in the test markets.

Long distance companies such as AT&T, MCI and Sprint Corporation ('Sprint') provide service between LATAs ('interLATA traffic') and, in some circumstances, may also provide long distance service within LATAs. An interLATA long distance telephone call generally begins with an originating LEC transmitting the call from the originating telephone to a point of connection with a long distance carrier. The long distance carrier, through its owned or leased switching and transmission facilities, transmits the call across its long distance network to the LEC serving the local area in which the recipient of the call is located. This terminating LEC then delivers the call to the recipient.

Prior to 1987, coin calls were the sole source of revenue for independent public pay telephone operators. Long-distance calling card and collect calls from these public pay telephones were handled exclusively by AT&T. All revenue, except the coins deposited in public pay telephones, went to AT&T rather than the owner of the public pay telephone. Beginning in 1987, a competitive operator service system developed which allowed operator service providers, including other long distance companies such as MCI and Sprint, to handle this traffic and to offer independent public pay telephone companies commissions for directing operator assisted or calling card calls to them.

PUBLIC PAY TELEPHONES

As of March 31, 1995, the Company's public pay telephone system consisted of 40,040 public pay telephones located in 41 states and the District of Columbia. The following chart sets forth certain approximate information with respect to the locations of the Company's public pay telephones as of March 31, 1995:

<TABLE>
<CAPTION>

STATE	PUBLIC PAY TELEPHONES	PERCENTAGE OF TOTAL
<S>	<C>	<C>
Florida	8,479	21.2%
New York	6,723	16.8
California	4,515	11.3
Texas	2,463	6.2
Maryland	2,039	5.1
Virginia	1,874	4.7
Georgia	1,767	4.4
Pennsylvania	1,486	3.7
Tennessee	1,469	3.7
Louisiana	1,372	3.4
North Carolina	1,097	2.7
Ohio	926	2.3
South Carolina	840	2.1
Other states	4,990	12.4
Total	40,040	100.0%

</TABLE>

The Company's public pay telephone business primarily generates revenues from coin and non-coin calls. Non-coin calls include calling card, credit card, collect and third party billed calls made from its telephones.

Coin Calls

Substantially all of the Company's public pay telephones accept coins as payment for local or long-distance calls and can also be used to place local or long distance non-coin calls. The Company's public pay telephones generate coin revenues primarily from local calls. In all of the territories in which the Company's public pay telephones are located, the Company charges the same rates for local coin calls as does the LEC; in most territories that charge is $0.25, although a limited number of jurisdictions such as Illinois, Iowa and Wisconsin have increased that charge to $0.35. Whereas local coin calls have traditionally been provided for an unlimited call duration, some jurisdictions have begun to allow call timing (i.e., deposit of an additional amount after a specified period.) The maximum rate LECs and independent public pay telephone companies may charge for local calls is typically set by state regulatory authorities. The Company pays local line and usage charges to LECs for each of its installed public pay telephones. These line charges cover basic service to the telephone as well as the transport of local coin calls.

Non-coin Calls

The Company receives revenues for non-coin calls made from its public pay telephones. Non-coin calls include credit card calls, calling card calls, collect calls and third-party billed calls. The services needed to complete a non-coin call include providing an automated or live operator to answer a call, verifying billing information, validating calling cards and credit cards, routing and transmitting the call to its destination, monitoring the call's duration, determining the charge for the call, and billing and collecting the applicable charge. In most jurisdictions, the Company has the right to select

the operator service provider for its public pay telephones. The Company may select a third-party operator service provider. The Company intends to predominantly use the operator services of AT&T pursuant to the AT&T Agreement and, in some cases, other operator service providers. To a limited extent, the Company also sub-contracts operator service from other companies on a private-label basis: customers are connected to the sub- contractors' operators, who identify themselves as PTC Services. The Company considers a variety of factors prior to deciding which operator service company to select. These factors include contractual arrangements between the Company and the operator service providers, the location of the telephones, the types of calls made from the location, the profitability of each type of call under each calling alternative, the requirements of the Property Owners and applicable regulatory restrictions.

Except in jurisdictions where the Company is prohibited from selecting the operator service provider, AT&T and other operator service providers pay the Company a commission for each call completed by the selected operator service provider. The Company may also install an automated operator system that allows the telephones to collect and store billing information and forward calls to the called party. At locations where the automated operator system is in operation, the caller has the option to complete the call through the automated system, the Company's selected operator service provider or an operator service provider accessed by the caller. The FCC has the right to regulate the amount public pay telephone operators may charge for interstate calls, however, while several proposals are under consideration, no formal interstate rate caps currently exist. See '--Regulation.'

The Company also receives additional revenue from long distance carriers pursuant to FCC regulations as dial around compensation for non-coin calls made from its public pay telephones. A 'dial around' call is made by using an access code to reach a long distance carrier other than the one designated by the pay telephone operator. Pursuant to an FCC ruling, independent public pay telephone providers are entitled to dial around compensation on an interim basis at a fixed rate of $6.00 per telephone per month for interstate dial around calls. Similarly, state regulatory authorities in Florida, Georgia and South Carolina have implemented intrastate dial around compensation programs for independent public pay telephones. Other states are also currently considering intrastate dial around compensation programs for independent public pay telephones. Recently, AT&T agreed to begin providing its share of dial around compensation through a $0.25 per call rate payment in lieu of AT&T's portion of the flat monthly rate payment amounts. This handling was approved by the FCC, effective January 1, 1995. The same treatment will be applied at the intrastate level once any necessary state approvals are obtained. More recently, Sprint has requested that a per call compensation system be applied to its interstate traffic as well, which request was approved by the FCC, effective July 1, 1995. See '--Regulation.'

AT&T Agreement

On April 21, 1995, the Company entered into the AT&T Agreement with AT&T for a two-year term. Subject to the AT&T Agreement, AT&T was designated as the primary operator services provider for the Company's public pay telephones. The Company has agreed that AT&T's operator service systems will handle and AT&T's network will carry all interLATA telephone calls made from the Company's public pay telephones (subject to legal and contractual limitations) on a '0+ basis' (such as collect calls, calls billed to a third party telephone number and calls billed to telephone calling cards and commercial credit cards) that are not directed to another operator services provider. To the extent permitted by law and existing contract,

the Company's public pay telephones will identify AT&T as the designated operator services provider and adopt the AT&T rate structure.

Under the AT&T Agreement, in general and subject to certain exceptions, AT&T will pay commissions to the Company which, in the first year of the agreement, will be based upon a percentage of those 0+ and AT&T dial around revenues originating from the Company's public pay telephones that is handled by AT&T's operator services and carried on the AT&T network and, in the second year of the AT&T Agreement, AT&T will continue to pay the Company commissions on 0+ revenue and will pay a specified per call amount for interLATA (800) dial around calls. In addition, the AT&T Agreement contains certain incentive compensation arrangements.

Under the AT&T Agreement, the Company may serve as a nationwide reseller of AT&T operator services to other independent pay telephone providers. While constituting a major new business alliance for the Company, the AT&T Agreement also represents a continuation of prior working agreements between AT&T and the Company, whereby AT&T and the Company jointly market and provide public pay telephone services to national and regional accounts. Examples of such accounts, as of March 31, 1995, included McDonald's Corporation (1,226 telephones) and the Atlanta Hartsfield International Airport (417 telephones).

For a discussion of the background to the Company's decision to enter into the AT&T Agreement, see 'Management's Discussion and Analysis of Financial Condition and Results of Operations--Overview.'

Operating Expenses

The Company's principal operating expenses consist of (i) telephone charges, (ii) commissions paid to Property Owners and (iii) field service and collection costs. The Company pays monthly access charges to LECs for interconnection to the Public Switched Network for local calls, which are computed on either a flat monthly rate or a fixed monthly charge plus a per message or per minute usage rate based on the time and duration of the call. The Company also pays a fee to LECs and long distance carriers based on usage for local (short haul) long distance coin calls. The Company also incurs billing, collection, bad debt and validation costs when acting as an operator service provider. Commissions, which are paid to Property Owners for the right to place the Company's public pay telephones on their premises, are typically expressed as a percentage of revenues and fixed over the term of the contract. Field service and collection costs are principally comprised of the staff costs of collecting coins from and maintaining the Company's public pay telephones.

Growth in Installed Base

The following chart illustrates the growth of the Company's installed public pay telephones:

NUMBER OF PUBLIC PAY TELEPHONES

	1990	1991	1992	1993	1994
Number of Public Pay Telephones	11,486	16,680	21,652	35,687	40,017

Acquisitions

The Company's core public pay telephone business has grown primarily through acquisitions. In general, the Company has been able to acquire public pay telephones at prices that it considers attractive due to the economies of scale which the Company enjoys and smaller providers frequently lack. When public pay telephones typically operated at a loss by smaller providers are integrated into the Company's national system, the Company is frequently able to operate the acquired telephones profitably, or more profitably than the seller, because of economies of scale and the more favorable terms and conditions that the Company's high use of long distance service permits it to negotiate from long distance carriers. The Company believes that selective acquisitions are desirable because acquired public pay telephones typically generate predictable and immediate revenues in comparison to newly installed telephones.

In reviewing acquisition candidates, the Company considers the following:

Historical Financial Performance. The Company reviews the historical revenues and cash flows from the public pay telephones to be acquired, including the mix and volume of coin and non-coin revenue.

Pro Forma Financial Performance. The Company analyzes the prospective profitability of the public pay telephones to be acquired without including overhead of the seller and based on other pro forma considerations, such as the Company's actual field service and collection and other administrative expenses and the typically more favorable terms and conditions with operator and long distance service providers the Company is able to obtain.

Location and Economies of Scale. The Company considers the geographic proximity of the public pay telephones to be acquired to the Company's existing markets, and the extent to which the acquisition would provide the Company with economies of scale through, for example, more efficient operation and maintenance of a greater number of public pay telephones within a geographic region.

Property Agreements and Condition of Equipment. The Company also reviews the revenue sharing terms, expiration date and transferability of related site location agreements with Property Owners, and the type and condition of the proposed equipment to be purchased.

The following table lists the Company's acquisitions of public pay

telephones for consideration in excess of $500,000 since January 1, 1990.

DATE	SELLER/ACQUIRED COMPANY	NO. OF TELEPHONES
February 1990	First Continental Communications, Inc.	725
June 1990	Advanced Telecom Systems, Inc.	396
August 1990	U.S. Commercial Telephone Corp.	1,808
August 1990	Emro Marketing Company	403
April 1991	Tele-America Communications Corporation	2,525
November 1991	RAM Telephone & Communications, Inc.	1,640
January 1992	Coin-Call Corporation	1,312
February 1992	Emro Marketing Company	449
June 1992	American Payphone, Inc.	1,489
September 1992	Millicom Services Company	238
October 1992	Alpha Pay Phones, Ltd. III	655
March 1993	U.S. Tele-Com, Inc.	2,015
November 1993	Ascom Communications, Inc.	11,600
March 1994	Emro Marketing Company	1,045
June 1994	Atlantic Telco Joint Venture	3,300
July 1994	Telecorp Funding, Inc.	600
October 1994	Telecoin Communications, Ltd.	2,155

Although the number of major independent public pay telephone providers (operating in excess of 2,000 public pay telephones) that the Company could potentially acquire has decreased as a result of industry consolidation, the independent market is still substantially fragmented among many independent public pay telephone providers, currently estimated by an independent source to be approximately 600. The Company expects further consolidation in the independent public pay telephone market. Accordingly, the Company intends to utilize its size and experience in integrating public pay telephone acquisitions to capitalize on the consolidation of the public pay telephone industry by continued expansion of its core public pay telephone business through selective acquisitions.

New Installations

Placement of Public Pay Telephones. The Company seeks to increase its internal growth by marketing its public pay telephones to new and existing accounts within its current markets. The Company expands its base of public pay telephones with its own marketing staff by obtaining contracts for new locations where it believes there will be significant demand for public telephone service, such as convenience stores, grocery stores, service stations, shopping centers, hotels, restaurants, airports and truck stops. In evaluating locations, the Company generally conducts a site survey to examine geographical factors, population density, traffic patterns, historical usage information (to the extent available) and other factors in determining whether to install a public pay telephone. The Company has focused its efforts to date on securing telephone locations from large national corporate accounts which can provide a large number of quality locations. In addition, the Company is attempting to balance its national corporate account marketing efforts by expanding its regional and local sales efforts where competition for accounts tends to be less competitive.

The Company installs its public pay telephone equipment pursuant to agreements ('Property Agreements') with Property Owners. The Company's typical Property Agreement has a five-year term and

provides the Company with the option to renew for an additional five years and typically provides for a revenue sharing arrangement between the Company and the Property Owner based on the revenue generated from the telephone. The percentage of revenue paid to a Property Owner is generally fixed for the period of the contract. The Company estimates that the average cost of installing a new public pay telephone including site selection, hardware and labor is approximately $2,300.

The Company is obligated to repair, maintain and service the public pay telephone equipment installed pursuant to the Property Agreements. Through daily computerized polling of its public pay telephones, the Company generally is able to determine possible malfunctions before they are reported and usually repairs such malfunctions within 24 hours. Generally, the failure of the Company to remedy a default within 30 days' after notice gives the Property Owner the right to terminate the Property Agreement. The Company can generally terminate a Property Agreement on 30 days' prior notice to the Property Owner if the public pay telephone does not generate sufficient total revenue for two consecutive months.

Marketing. Although the Company's growth in its core public pay telephone business has been primarily attributable to acquisitions, the Company is also seeking to achieve balanced internal growth by increasing the number of public pay telephones with both large national corporate accounts and smaller regional and local accounts. The Company believes that its nationwide presence makes it

an attractive supplier of public pay telephone services for national corporate accounts by offering these accounts a consistent level of service and reducing the time, administration and costs of utilizing multiple providers. The primary focus of the Company's marketing efforts has been and continues to be the acquisition and development of national corporate accounts, which included, as of March 31, 1995, 7-Eleven (2,528 telephones), Emro Marketing Company, a subsidiary of Marathon Oil (2,058 telephones), Vons Supermarkets (761 telephones) and Safeway Stores (420 telephones). In addition, through their alliance, the Company and AT&T will jointly pursue national and regional accounts which, as of March 31, 1995, included McDonald's Corporation (1,226 telephones) and the Atlanta Hartsfield International Airport (417 telephones). As the country's largest independent public pay telephone provider, the Company believes it is in a strong position to service national accounts, in contrast to smaller competitors or LECs, which currently operate only in their specific geographic regions. In contrast to the limited resources of the smaller independent public pay telephone providers, the Company's 'smart' pay telephones, sophisticated management information systems, and highly trained national service and support staff allow the Company to maintain a high level of service and react quickly to repair damaged equipment. The Company's size and competitive cost structure allow it to offer attractive commissions to Property Owners, frequently greater than the commissions offered by small independent operators.

The Company is also expanding its marketing efforts with respect to smaller regional and local accounts. In this regard, the Company has hired and is in the process of hiring regional sales managers in New York, the Mid-Atlantic region, Florida, Texas, the Mid-West region and California, where the Company has significant concentrations of public pay telephones. Such regional managers will focus on obtaining and servicing larger accounts within their regions as well as recruiting independent sales agents who will market to and service smaller regional and local accounts. The Company's sales efforts are being coordinated by Lawrence T. Ellman, who joined the Company in June 1994 as President of its public pay telephone division. See 'Management--Directors and Executive Officers.'

Competition

The Company believes the principal competitive factors in the public pay telephone business are (i) commission payments to Property Owners; (ii) the ability to serve accounts with locations in several LATAs or states; and (iii) the quality of service provided to Property Owners and the users of the telephones.

In the public pay telephone business, the Company principally competes with the LECs, a number of independent providers of public pay telephone services, major operator service providers and interexchange

carriers. Some of these independent companies have increased in size by incorporating an acquisition strategy similar to that of the Company, and at times, many of these companies compete for the most favorable public pay telephone contracts and sites. Although the Company is the largest independent provider of public pay telephones, most LECs and interexchange carriers with which the Company competes and some independent public pay telephone companies have substantially greater financial, marketing and other resources than the Company. In addition, many LECs, faced with competition from independent public pay telephone companies, have increased their compensation arrangements with Property Owners by offering more favorable commission schedules. Moreover, it is possible that in the future the LECs may begin providing services outside of their traditional franchise territories, which could adversely affect the Company's results of operations.

Telephone Systems Management and Service

The Company has internally developed a computer software system which interfaces with microprocessors in the Company's public pay telephones. The Company's computer system polls all of its public pay telephones each night to determine the amount in each telephone and to diagnose possible operational problems at the telephones. Polling enables the Company to reduce the number of visits required at each public pay telephone to maintain their operation and to collect coins.

Based on the results of each night's polling, the Company determines which telephones require collection or service. Each of the Company's collectors can remove on average from 35 to 40 coin boxes each day, depending upon the number of telephones within the collector's specified collection route. Upon removing the sealed coin box from the telephone, the collector is unaware of the number of coins in the coin box, while management, through its software system, has an exact count of the coins. Once the route is completed, the collector returns to one of the Company's coin rooms located at its executive office or its regional offices, where the coin boxes are automatically counted and the amount in each coin box is recorded and compared to the amounts determined by polling the

telephones on the previous night. The Company reconciles variances at each telephone on a daily basis, which variances have historically not been material.

The Company maintains a staff of approximately 360 field service telephone technicians located throughout the states in which the Company's telephones are installed. The Company has imposed a high standard of service and maintenance in order to ensure that the telephones are operating properly and generating maximum revenue. Through its computer system, the Company generally is able to determine possible malfunctions before they are reported and usually repairs such malfunctions within 24 hours. The Company's most typical malfunctions or problems are caused by vandalism and theft. During 1994, on average, no more than three percent of the Company's public pay telephones were out of service, or were not operating properly, at any one time. Telephone repair costs are expensed by the Company rather than capitalized. The Company is continuously monitoring and testing the latest technology in the industry to prevent tampering, vandalism and theft.

Telephone Equipment Suppliers

The Company purchases its public pay telephones from independent manufacturers. As of March 31, 1995, approximately 32,700, or 81.7%, of the public pay telephones that the Company operates were manufactured by Intellicall, Inc. ('Intellicall'). The Company also operates telephones manufactured by Protel, Inc. ('Protel') and Elcotel, Inc. ('Elcotel'). The Company believes that it can purchase public telephones from Protel, Elcotel or other public pay telephone manufacturers on terms similar to those in effect with Intellicall. The Company has a non-exclusive arrangement with Intellicall pursuant to which the software and engineering schematics to repair the Intellicall telephones are held in escrow to protect the Company against the bankruptcy of, the cessation of business operations by, or the failure to provide system support maintenance by, Intellicall. Therefore, the Company believes that the loss of Intellicall as a

manufacturer of the Company's public pay telephones would not have a material adverse effect on its business.

The Company's public pay telephones use microprocessors that provide voice synthesized calling instructions and the capability to detect and count coins deposited during each call. These 'smart' telephones also provide information to the caller at certain intervals regarding the time remaining on each call and the need for an additional deposit. Substantially all LEC public pay telephones do not have such capabilities.

International

In January 1995, the Company executed an agreement with MasTec, Inc. whereby the Company contributed its Latin American assets to a newly formed corporation in exchange for a 10% equity interest in the corporation which will be managed and funded by MasTec, Inc., the majority shareholder. The Company has the right to provide pay telephone consulting services on an exclusive basis to the new venture. The Company has no obligation to contribute funds to the venture.

ASSETS HELD FOR SALE

Included in 'Assets Held for Sale' are the net assets of the prepaid calling card and international telephone center operations. In December 1994, the Company's Board of Directors approved a plan to sell the assets related to these businesses.

Prepaid Calling Card Business

During February 1995, the Company sold its prepaid calling card business to Global Link for approximately $6.3 million. The Company received $1.0 million in cash, a $5.3 million promissory note due February 1998, bearing interest at 8.5%, payable quarterly, and shares of common stock of Global Link. As a result of the February 1995 transaction, and because of a drafting error discovered in May 1995 that did not reflect the intentions of the parties, the Company's interest in the outstanding common stock of Global Link was 28.8% instead of the intended 19.99%. To correct this error, the Company has reduced its share ownership to the intended 19.99% level. See 'Management's Discussion and Analysis of Financial Condition and Results of Operations--Assets Held for Sale,' 'Certain Transactions' and Note 17 to the accompanying consolidated financial statements included elsewhere in this Prospectus.

The Company's prepaid calling card, which was introduced in late 1992, permits a customer to access the Company's long distance network to make both domestic and international calls. The advantage to a customer in using a debit type of calling card such as those offered by the Company is that the customer is not charged the per-call service fee (typically $.80) applicable to other calling cards and long distance coin calls, in addition to the toll charge. In

1993 and 1994, prepaid calling cards accounted for approximately $1.3 million and $5.1 million of the Company's revenues, respectively. No revenue was generated by the prepaid calling card business in 1992.

The card has the physical characteristics of a traditional credit card. Printed on the back of each card, along with calling instructions, is a ten digit account number. The user of a card prepays an initial amount of between $5 and $500. The user accesses the system through a toll-free (800) number. Upon reaching the system, the caller receives instructions for use of the system. The system checks the caller's account to determine if a sufficient amount exists in the account to allow the caller to place a call. If a sufficient amount exists, the system asks the caller to dial the destination number. Toll charges are debited against the account as the customer uses the Company's long distance telephone services. An account can be 're- loaded'--i.e., the customer can increase the prepaid balance of the account at any time by charging the desired amount to a credit card, or by paying in cash at a location where the Company's cards are sold.

The calling card is marketed primarily through airlines, phone stores, check-cashing businesses, other retail establishments and foreign travel agencies. The calling card is particularly attractive to lower-income individuals who may lack access to long distance telephone service and to foreign tourists and foreign business people traveling in the United States.

International Telephone Centers

The Company selectively sought international opportunities with knowledgeable partners. Prior to the 1994 Operational Restructuring, the Company had and continues to have an indirect 23.8% interest in Artel, an international telecommunications joint venture in Russia which was established to provide international telephone access and intercity service to selected cities in Russia through public telephone calling centers in Moscow. As the Company does not believe that this asset is strategic, it will seek to divest itself of its interest in Artel, although it currently has no agreement to do so. See 'Management's Discussion and Analysis of Financial Condition and Results of Operations--Assets Held for Sale' and Note 15 to the accompanying consolidated financial statements included elsewhere in this Prospectus.

DISCONTINUED OPERATIONS

In recent years, the Company entered into a variety of complementary niche telecommunications businesses, such as its inmate telephone, prepaid calling card and international telephone center and cellular telephone rental operations, in an effort to enhance its long-term growth opportunities and diversify its business. The capital requirements and management attention required by these operations diverted the Company from its core public pay telephone business and adversely affected its operating results. During the second quarter of 1994, management of the Company undertook a review of the Company's operations, management structure and strategic objectives with a view toward reducing expenses and improving operating efficiency. In December 1994, the Company decided to focus exclusively on the growth opportunities available in its core public pay telephone business and to divest itself of such operations. For financial accounting purposes, the inmate telephone and cellular telephone rental operations have been segregated and reported as discontinued operations. The Company sold its prepaid calling card business in February 1995 and is currently pursuing alternatives to divest the remaining operations. This offering is not conditioned upon the divesture of the remaining operations and there can be no assurance as to the Company's ability to dispose of such operations still held by the Company on favorable terms or on the terms contemplated by the Company's consolidated financial statements. See 'Risk Factors--Risks Associated with Business Strategies and Discontinued Operations' and '--Assets Held for Sale.'

Inmate Telephones

General. In 1990, the Company began offering telephone services in correctional facilities to inmates. As of March 31, 1995, the Company operated approximately 3,199 telephone lines in 230 correctional facilities in 24 states. In 1992, 1993 and 1994, the Company's inmate telephone business had approximately $1.9 million, $35.2 million and $42.4 million of revenues, respectively.

The following chart sets forth certain information with respect to the locations of the Company's inmate telephone lines as of March 31, 1995:

STATE	NO. OF LINES

Texas	1,111
Colorado	312
Ohio	270
Georgia	257
Nevada	133
Missouri	129
Idaho	111
Other states	876
Total	3,199

The inmate telephone market primarily consists of collect calls made from various types of short-term and long-term incarceration facilities. Historically, revenues for the average inmate telephone have been higher than for a public pay telephone due to higher usage rates and the fact that inmates may only make collect calls, which have the highest revenue per call after person-to-person calls. Maintenance and related labor costs for inmate telephones are generally lower than for public pay telephones due to the use of automated operator services and the lack of coin collecting and coin mechanism repairs. However, the inmate telephone market has been increasingly competitive and margins have been declining due to increases in commissions payable to correctional facilities.

The Company recently received a proposal from a non-affiliated third party to purchase approximately one-third of the Company's inmate telephones. The purchase price would be based on a multiple of average monthly revenue from the inmate telephones and would be payable in a combination of cash and notes. The sale would be contingent upon a number of conditions, including negotiation and execution of a definitive agreement and obtaining all necessary consents and approvals. The Company is currently evaluating the proposal. There can be no assurance that the Company will find the proposal acceptable or that a definitive agreement will be negotiated and executed or that the sale will be consummated on the proposed or any other terms.

Contracts. The Company originally entered the inmate telephone market through the acquisition of five separate companies which had entered into agreements with local and county governments to provide pay telephone service to prisons and other correctional facilities. New contracts are typically awarded pursuant to a competitive bidding process. The Company markets its inmate telephone services through staff who are responsible for both new contracts and renewals of existing contracts. To date, the Company's primary focus has been on retaining and renewing existing contracts.

As of March 31, 1995, approximately 17% of the Company's inmate telephone contracts expire or are up for renewal during 1995. Another approximately 35% expire during 1996 and approximately 48% of the Company's current inmate telephone contracts expire or are up for renewal in 1997 or thereafter. There can be no assurance as to whether the Company will be successful in renewing existing inmate telephone contracts or that the Company's inmate telephone business will not be adversely affected by the Company's announcement of its decision to divest its inmate telephone business. In addition, the sale of the inmate telephone business will require that correctional facilities consent to the assignment of certain inmate telephone contracts which may affect the ability of the Company to divest itself of such business on a timely basis.

Operations. Within correctional facilities, the Company currently utilizes automated operator calling systems from a number of providers. All of these systems limit inmates to collect calls. In facilities with

more than 50 inmates, the Company generally installs its proprietary prison pay telephone system. This calling system is a configuration of proprietary software based on an integrated microcomputer platform and basic telecommunications hardware consisting of dialers and storage modules.

All of these automated operator systems function in essentially the same manner. The inmate removes the handset from the telephone and dials the destination number. The system first confirms that the destination number has not been blocked. Blocking is designed to prevent completion of calls for which payment will not be collectible and generally occurs if the call is being made to a person who has not previously paid for a call on the Company's system or does not desire to receive calls from a facility or inmate. The system also blocks numbers that do not allow collect call billing or a number previously screened through the Line Information Data Base, a computerized record developed by LECs containing all valid telephone and calling card numbers in their territories for purposes of performing billing and validation. If the number has not been blocked, the system automatically requests the inmate's name, records the inmate's response and waits for the called party to answer. When the call is answered, the system informs the called party that there is a collect call,

plays back the name of the inmate in the inmate's voice, and instructs the called party to accept the call by saying yes or rejecting the call by hanging up. Only calls that are positively accepted will be connected for completion.

The system is programmed to record the details of each call (i.e., the number dialed, the bill to number and the length of call). The call detail is polled (extracted) from each system on a daily basis into the system's centralized billing center. The Company then rates the calls according to the Company's state and federal tariffs and according to any contractually agreed upon rates and then bills the calls in the manner described in '--Billing and Collection.' The Company's proprietary prison pay telephone system provides extensive anti-fraud, call monitoring and surveillance capabilities for the correctional facilities where its inmate systems are installed. These include reports of frequently called numbers, calls of longer than normal duration and calls by more than one inmate to the same number. Upon request, the Company will provide the facility with the specific call detail.

Service. The systems in each facility are provided and installed at no cost to the government agency. The Company shares a percentage of the revenues it receives with the government agency. The Company generally provides all service-related activities. Service issues are reported to the Company's Technical Support Center through a 24-hour, toll-free (800) number. Service is typically restored on a major outage within 24 hours. Most problems are corrected remotely and generally an on-site visit is not required.

Billing and Collection. The Company uses Zero Plus Dialing, Inc. ('ZPDI'), a third party billing and collection clearinghouse, to process and collect non-coin telephone revenues handled by the Company's contracted operator service providers other than AT&T. The Company forwards the call records to ZPDI, which sends the records to the appropriate LEC for billing and collection. The LEC includes the rated calls on its customers' monthly telephone bills. The LEC forwards the proceeds from the billed and collected call records to ZPDI, less the billing and collection fee charged by the LEC and a reserve for uncollectibles. ZPDI remits the proceeds to the Company, less the ZPDI processing fee. The entire billing and collection cycle generally takes between 60 and 120 days after the call record is submitted to ZPDI.

Competition. In the inmate telephone business, the Company competes with approximately 20 independent providers of inmate pay telephone systems, the LECs and interexchange carriers. The Company believes that the principal competitive factors in the inmate telephone market are rates of commissions paid to the correctional facilities, system features and functionality, service and the ability to customize inmate call processing systems to the specifications and needs of the correctional facility. The Company competes for business on local, county, state and federal levels. The cost of market entry and the complexity of the bid process increases proportionally with respect to the size of the correctional facility. While the local and county markets are somewhat fragmented with many service providers, state correctional facilities are generally bid on a single statewide contract basis. Depending on the type of facility and the State, the Company must direct its marketing efforts to municipal purchasing officers,

enforcement or jail administrators, or to the independent contractors that operate the facility. The Company currently provides no inmate services to federal facilities.

Cellular Telephone Rentals

General. The Company's cellular telephone rental operations are conducted by the Company's 90%-owned subsidiary, PTC Cellular, Inc. ('PTCC'). As of March 31, 1995, PTCC had 13,293 cellular telephones installed in rental cars and 644 hand-held portable cellular telephones. In 1992, 1993 and 1994, cellular telephone operations had approximately $1.5 million, $6.3 million and $11.6 million of revenues, respectively. PTCC markets its cellular telephone services principally through car rental agencies. PTCC has in-car distribution agreements with Avis, Hayes Leasing (Avis Dallas), Avis Grand (Avis Los Angeles) and Budget Rent-a-Car Corporation ('Budget'). PTCC is in the final stages of signing an in-car distribution agreement with Alamo Rent-a-Car, Inc. PTCC provides portable cellular phone rentals at select Avis and Budget locations.

Operations. PTCC's hand-held portable cellular telephones are manufactured by Murata Technology and PTCC's in-car cellular phones have been manufactured by Ericsson Mobile Communications, Inc. ('Ericsson'), incorporating credit card and billing technology supplied by Cellular Technical Services Company, Inc. ('CTS'). PTCC has experienced certain operational problems with these cellular telephones. Many of the transceivers supplied by Ericsson have malfunctioned and PTCC has been unable to detect inoperable equipment in a timely fashion, thus negatively affecting PTCC's revenues and customer relations. PTCC is in the process of developing new in-car cellular technology, including a credit card swipe interface, and transceivers and handsets that will be supplied by Motorola's OEM Data Products Group, eliminating PTCC's dependency

on the system previously supplied by CTS and Ericsson. The new Motorola telephones will have internal diagnostics and be programmed to contact PTCC if they detect a problem. PTCC anticipates that these new cellular telephones will be introduced in the summer of 1995. PTCC has recently signed a termination agreement with CTS which serves as a formal acceptance of PTCC's plans to deploy its new technology and also provides for an orderly wind down of the services CTS provides to PTCC through February 1996.

PTCC targets business travellers for both in-car and portable cellular rentals. The hand-held units are rented at the time the vehicle is rented and charges are applied to a credit card presented at the time a phone is returned. Users of in-car cellular telephones do not separately rent the cellular telephones at the time the vehicle is rented. Rather, each such telephone is equipped with a credit-card 'swipe' device that permits the customer to activate the telephone with a major credit card when needed. PTCC has elected to reduce its emphasis on the portable cellular telephone industry and focus more attention on its in-car cellular telephone market because of the following factors: (i) the requirement to pay significant commissions to rental car companies with respect to each portable cellular telephone available for rent to the customers of the rental car companies; (ii) the high degree of competition in the portable cellular telephone industry; and (iii) the lack of barriers to the entry of competitors into this market. In addition, in-car cellular telephones cater to the discretionary use of consumers who generally would not rent a portable cellular telephone but will use a phone if it is readily available. The in-car cellular rental telephones operate in a hands free mode and also provide added safety to all rental car customers that rent a car with a phone. Finally, many business travellers belong to preferred rental programs that usually include easy and fast delivery of cars to these customers. In many cases, these select customers who never enter a rental facility and would not have an easy way to rent a portable phone, are usually among the highest users of in-car phones.

Competition. PTCC's principal competitors are Quick-Call Corporation, Shared Technologies Cellular, Inc., SIMS Communications, Inc., a number of local providers of short term cellular services and cellular carriers. In addition, other telecommunication companies such as carriers, including AT&T/McCaw Cellular Communication, Inc. or any of the RBOCs, could enter the in-car cellular telephone market and directly compete with PTCC. These carriers are currently indirectly competing with PTCC by obtaining subscribers for their cellular service and encouraging those subscribers to use their own cellular phones in

lieu of in-car cellular telephones. Other potential competitors include manufacturers of cellular telephones and their components, including CELLNET Corporation and Cell-Tel Data Services, Inc.

REGULATION

The Company's operations are significantly influenced by the regulation of public pay telephone, inmate telephone, long distance reseller services and other telecommunication services. Authority for regulation of these services is concurrently vested in the FCC and the various state public utility commissions. Regulatory jurisdiction is determined by the interstate or intrastate character of the subject service, and the degree of regulatory oversight exercised varies among jurisdictions. While most matters affecting the Company's operations fall within the administrative purview of these regulatory agencies, state and federal legislatures and the federal district court administering the AT&T divestiture consent decree are also involved in establishing certain rules governing aspects of these services.

State Regulation

State regulatory commissions are primarily responsible for regulating the rates, terms and conditions for intrastate public pay telephone and inmate telephone services. The degree to which states regulate the types of services offered by the Company varies significantly, from some states which do not require any certification or authorization to operate within the state, to other states which prohibit non-LEC public pay telephone services. In most states which permit such services, approval to operate in that state involves the submission of a certification application and an agreement by the Company to comply with the rules, regulations and reporting requirements of that state. The Company has obtained the requisite regulatory approvals to provide the public pay telephone and, where applicable, inmate telephone services, in all states in which it currently provides such services. The Company does not anticipate any significant difficulties in obtaining approval to operate in any additional states on an intrastate basis, except in the four states in which it is illegal to provide certain intrastate services using non-LEC public pay telephones: Alaska, Connecticut, Hawaii and Oklahoma. Connecticut, however, has proceedings underway to implement public pay telephone competition within that state.

The Company is also affected by state regulation of operator services. Many

state regulatory bodies have imposed regulations upon the provision of intrastate operator services which are similar or identical to the regulations adopted by the FCC pursuant to the Telephone Operator Consumer Services Improvement Act of 1990 which was enacted on October 17, 1990 ('TOCSIA'). Most states which permit intrastate operator services competition regulate its provision. Such regulations may include notice and identification requirements, maximum price limitations, reporting requirements and prohibitions on handling certain local and long distance calls. Several states have not authorized intraLATA operator competition because of the exclusive franchise granted to LECs in such states. The Company has obtained, where necessary, the proper intrastate operator service authorizations, including, where applicable, certificates of public convenience and necessity and approval or acceptance of its tariffs, in those states in which it provides intrastate operator services.

As of December 31, 1994, the Company was unable to derive revenue from intraLATA and local non-coin calls for telephones located in Arkansas, Maine and Massachusetts. In 1993, the Company entered into agreements with two RBOCs for their LECs to pay the Company a commission on local and/or intraLATA calls. These agreements remain in place, with similar agreements currently under negotiation with other LECs.

On January 14, 1993, the Florida Public Service Commission, as the first state regulatory body to address the issue, ruled that a $3.00 per telephone/per month intrastate dial around compensation should be paid to the Company and other competitive public pay telephone providers. Only two other states, Georgia and South Carolina, have implemented any intrastate dial around compensation program. However, the Company expects to receive intrastate dial around compensation in 1995 for AT&T calls under a recent

agreement between AT&T and the public pay telephone industry as described in '--Federal Regulation' below.

The Company is a certified operator service provider and interexchange carrier or has the right to provide operator and interexchange services under its PTC Services brand in the following states: California, Colorado, Florida, Georgia, Illinois, Kansas, Louisiana, Maryland, Michigan, Missouri, Nebraska, New Jersey, New York, Pennsylvania, Rhode Island, South Carolina, Texas, Utah, Virginia and Washington.

State regulation has generally not addressed the provision of cellular rental services such as those provided by the Company. In limited cases, state regulation may reach underlying cellular facilities-based carriers and, in even more narrow instances, traditional resellers of cellular service. The Company is certified as a cellular reseller in California and New York as per the specific requirements of those states.

Federal Regulation

The FCC does not regulate the provision of public pay telephone and inmate telephone services by competitive public pay telephone companies to the same degree as do the states. However, the FCC has retained jurisdiction and agreed to address instances where LECs or state public service commissions have unreasonably interfered with a public pay telephone or inmate telephone owner's right to interconnect to the interstate Public Switched Network. The FCC also acts as a repository for customer complaints involving rates or improper practices of public pay telephone providers. The competitive public pay telephone and inmate telephone industries are involved with several proceedings at the federal level which the Company believes may present significant opportunities for advancing the interests of the competitive public pay telephone and inmate telephone industries.

Despite the fact that the Company has selected an operator service company and, in some cases, an automated operator system installed in each of the Company's telephones, under TOCSIA, each user of the Company's public pay telephones has the right to access any long distance operator service company or interexchange carrier to make a non-coin interLATA call from the Company's telephones. Previously, the Company received no commission or revenue if the user for the Company's public pay telephone accessed an operator service provider or interexchange carrier other than the operator service provider selected by the Company at that telephone. However, pursuant to TOCSIA, the FCC ruled that operator service providers and interexchange carriers must compensate public pay telephone providers for interstate dial around calls placed through such provider's telephones. The FCC ruled on May 8, 1992 that the Company, and all other competitive public pay telephone providers, would receive, on an interim basis, $6.00 per telephone/per month as compensation for interstate dial around calls. This flat rate system was made effective in June 1992 and the Company received its first payment under this system in the third quarter of 1992. Recently, AT&T has agreed to begin providing its share of dial around compensation through a $0.25 per call flat rate payment in lieu of AT&T's portion of the flat rate payment amounts. This handling was approved by the FCC, effective January 1, 1995. The same treatment will be applied at the intrastate

level, once any necessary state approvals are obtained. More recently, Sprint has requested that a per call compensation system be applied to its interstate traffic as well, which request was approved by the FCC, effective July 1, 1995.

TOCSIA imposes certain rules and requirements on the Company. TOCSIA, and the rules and regulations promulgated thereunder by the FCC, are designed to improve consumer awareness through the standardization of certain procedures in the provision of interstate operator services. The Company complies with provisions of TOCSIA, both as a call aggregator (sending calls to operator service companies) and an operator service provider (through the Company's automated operator system and as a reseller). The requirements include call branding (announcing the name of the operator service provider at the beginning and end of each call), posting notices to users at telephone locations identifying the designated operator service provider, quoting rates at the user's request and filing informational tariffs.

In January 1991, as required by TOCSIA, the Company filed with the FCC an informational tariff consisting of a description of its services and the rates it may charge. Subsequently, the FCC has advised Congress that the FCC would not exercise its option under TOCSIA to seek to invoke more stringent rate regulation for operator service providers. The Company has amended its tariff from time to time as it adds additional services or adjusts rates. The Company has also filed all periodic reports required by the FCC which include rate compilations, complaints, lawsuits, investigations and inquiries, as well as certain enumerated cost data. TOCSIA has also required the FCC to take such action as is necessary to ensure that public pay telephone companies are not exposed to undue risk of fraud. In response, the FCC has required the LECs to file tariffs for the provision of international call blocking services, the majority of which are now in effect. Under current FCC regulations, the Company's services to inmates at correctional facilities are not subject to TOCSIA, however, on February 8, 1995, the FCC issued a Notice of Proposed Rule Making, raising the issues of (1) whether and to what extent TOCSIA should apply to aggregators, including inmate providers and (2) whether carrier branding should be required on the remote (receiving) end of a collect call. Adverse rulings on these issues could negatively affect the inmate telephone business. In addition, recent rulings by two federal courts raise questions under the FCC's streamlined regulations applicable to the Company's business, which may result in more stringent regulatory reporting requirements imposed. The Company does not believe however that this will adversely affect its operations.

On April 9, 1992, the FCC proposed a new access plan for operator assisted interstate calls dialed on 0+ basis. Currently, 0+ calls are sent directly by the LEC to the operator service provider selected by the host location. Under the proposed access plan, known as Billed Party Preference, 0+ calls would be sent instead to the operator service provider chosen by the party paying for the call. Billed Party Preference allows a telephone user to bill a call to the user's pre-established carrier at the user's home or office, thereby bypassing the opportunity for the pre-subscribed carrier of the public pay telephone provider to handle and receive revenues from the call. The FCC has tentatively concluded that a nationwide Billed Party Preference system for interstate operator assisted calls is in the public interest. Under a Billed Party Preference system, the billed party could bypass the Company entirely, allowing 0+ calls to be made on the Company's telephones without the payment of any compensation to the Company. If the Company does not receive revenue for 0+ calls, the Company will be unable to pay commissions for such calls to Property Owners. The FCC has requested and received public comment on the question of compensation to public pay telephone companies under Billed Party Preference. The entire Billed Party Preference proposal remains under consideration at present and the outcome is uncertain. If implemented, Billed Party Preference could have a significant adverse impact on the Company. In addition, the American Public Communications Council (of which the Company is a member), along with other telecommunications companies and associations, has filed a rate ceiling alternative to Billed Party Preference with the FCC. The proposal is pending and the outcome is uncertain.

The FCC does not regulate cellular resale service or its providers, however, the FCC has considered whether to apply TOCSIA to cellular resale service. A recent federal court decision overturning the FCC's forbearance policy towards non-dominant telecommunications companies has caused the filing of tariffs by certain facilities-based cellular carriers, however, the Company has been advised that no traditional or rental resale cellular carrier has made, or is expected to make, such a tariff filing.

Local Regulation

In addition to state and federal regulation of the Company's business, local municipal and county authorities have begun to adopt ordinances addressing the placement and operation of pay telephone equipment on or over the public rights-of-way in their respective jurisdictions. These ordinances vary widely in their specifics, but typically adopt a permitting process that includes issues of placement, aesthetics, fees and other qualifications for the deployment of

public pay telephones on the public rights-of-way. The future potential adoption of such local ordinances on a wide-scale basis poses an additional regulatory burden that could adversely affect the Company's operations.

EMPLOYEES

As of March 31, 1995, the Company had 633 employees, 236 of whom were executive, administrative, accounting, sales or clerical personnel and 397 of whom were installers, maintenance and repair personnel and coin collectors. Of the 633 employees, 527 were employed in continuing operations. The Company has no collective bargaining agreements with its employees and believes that its employee relations are good.

FACILITIES

In 1993, the Company relocated its headquarters facility to an existing 68,000 square-foot building located at 2300 N.W. 89th Place, Miami, Florida, which was purchased for $3.5 million. The facility was subject to a mortgage in the amount of $2.5 million bearing interest at the rate of 7.38% per annum, which mortgage was paid in full with a portion of the proceeds from the Company's sale of the Notes. See 'Use of Proceeds.' The Company terminated its lease for its former headquarters facility in 1994 for a payment of approximately $75,000.

The Company maintains 28 service facilities, which are linked to the Company's headquarters by computer modem. The Company considers its current facilities adequate for its stated business purposes.

LEGAL PROCEEDINGS

On May 25, 1994, a complaint was filed in the United States District Court, Southern District of Florida, naming the Company, Jeffrey Hanft, Chairman and Chief Executive Officer, and Richard Militello, Chief Operating Officer, as defendants. The case is identified as Albert Hirschensohn v. Peoples Telephone Company, Inc., Jeffrey Hanft and Richard F. Militello, United States District Court for the Southern District of Florida, Case No. 94-0976 CIV-UNGARO-BENAGES. The complaint alleges the violation of certain federal securities laws through the issuance of 'false and misleading' statements regarding the subsequently terminated proposed merger with IDB Communications Group, Inc. and the Company's first quarter results. The complaint seeks certification as a class action including all persons who purchased shares of the Company's common stock between April 21 and May 10, 1994 as well as unspecified compensatory damages. On May 26, 1995, plaintiff filed under seal a motion for leave to file an amended and supplemental complaint, which motion was granted by the court on June 20, 1995. Based upon management's assessment of the facts and the Company's public disclosures at the time in question, as well as consultation with counsel, the Company believes the complaint is without merit and intends to vigorously contest and defend against the action. Because of the preliminary nature of the litigation, the Company is unable to predict the outcome of such litigation at this time.

On July 1, 1993, the Company filed a law suit against BellSouth Telecommunications, Inc., a unit of BellSouth Corp. that does business as Southern Bell Telephone and Telegraph ('BellSouth'), alleging, among other things, violations of the federal and State of Florida antitrust laws based upon alleged monopolization and misrepresentations in connection with BellSouth's operation of its public pay telephone business in Florida. The case is identified as Peoples Telephone Company, Inc. vs. BellSouth Telecommunications, Inc., United States District Court for the Southern District of Florida, Case No. 93-1260-CIV-KING. The suit seeks unspecified damages and other relief. The case is still in the discovery phase, but BellSouth has attempted to stay discovery pending the court's ruling on its defenses of state action and immunity. In response, the court has limited discovery to the threshold defense issues raised by BellSouth. BellSouth has also filed motions for summary judgment which have been briefed by the parties and were argued on April 6, 1995. The parties are awaiting a decision by the court. Because of the preliminary nature of the litigation, the Company is unable to predict the outcome of such litigation.

On May 9, 1995, a complaint (as amended on May 30, 1995) was filed in the Supreme Court of the State of New York, New York County, against the Company by ACI and ACI's sole shareholder, AHI. The complaint alleged breach of contract by the Company for failure to repay principal and interest on a $2.0 million one year promissory note (the 'One Year Note') and interest on a $4.0 million five year promissory note (the 'Five Year Note') which were issued by the Company to ACI in connection with the

November 1993 purchase by the Company of substantially all of ACI's assets. In addition, the complaint alleged that the Company breached its agreement with ACI to register certain shares of Common Stock issued to ACI in connection with the acquisition under the Securities Act within an agreed upon time frame. The complaint also alleged that the Company failed to assume certain obligations and pay certain amounts under an equipment lease. The complaint sought damages of approximately $2.1 million in principal and interest allegedly due under the One Year Note, approximately $4.4 million in principal and interest allegedly due under the Five Year Note, approximately $333,000 in connection with the equipment lease and an unspecified amount of damages for failure to promptly register the Common Stock under the Securities Act. On June 29, 1995, the Company settled such litigation for approximately $5.7 million, of which $500,000 was paid upon execution of the settlement agreement, and the remainder was paid in full in connection with the consummation of the Refinancing.

Pursuant to the terms of the Preferred Stock Investment, UBS Partners is entitled to designate two of the six members of the Board of Directors of the Company. To effect the foregoing at the closing of the Preferred Stock Investment, the Company had sought the resignation of two of its existing directors to create the vacancies necessary to effect UBS Partners' designation rights. Ronald Gelber agreed to resign from the Board while Richard Whitman, another director, refused to resign. Consequently, only one of UBS Partners' designees currently serves on the Board. The Nominating Committee of the Board of Directors of the Company has not renominated Mr. Whitman for election as a director at the Company's 1995 Annual Meeting of Shareholders to be held in August 1995. Mr. Whitman, through his counsel, has objected in writing to not being renominated and to having been asked to resign. Mr. Whitman has alleged that the request that he resign in consideration of the grant of stock options was taken without the approval, knowledge or consent of the Board of Directors of the Company and that such actions were inappropriate and may violate applicable laws. Mr. Whitman has, through his counsel, indicated that he reserves all rights and legal remedies to which he is entitled as a member of the Board and a significant shareholder of the Company.

In May 1995, the Company received a letter from Kayne Anderson Investment Management, Inc. ('Kayne Anderson'), a general partner of certain investment partnerships holding shares of Common Stock of the Company and the largest shareholder of the Company, advising that it had become aware of the terms of the Company's offering of the Notes and alleging that the inclusion in the definition of 'Change of Control' of a change in the composition of the Board of Directors over a two-year period would constitute a breach of the fiduciary duties of the Company's directors. While the Company strongly believes that inclusion of such provision in the 'Change of Control' definition is not a breach of the directors' fiduciary duties, the Indenture and the Notes do not now include such provision in the definition of 'Change of Control.' In 1994, Kayne Anderson and the Company had preliminary discussions with respect to a potential equity investment in the Company by partnerships managed by Kayne Anderson on terms which the Company did not find attractive at the time.

On July 6, 1995, the Company was served with a complaint alleging a number of contractual breaches and tort claims against Buckeye Communications, Inc. ('Buckeye') and certain of its associated companies, including a joint venture in which Buckeye and the Company each have a 50% interest (the 'Buckeye Venture'). Buckeye is not an affiliate of the Company. The plaintiffs are parties to a development and marketing agreement with Buckeye pursuant to which certain images were licensed to Buckeye for numerous marketing purposes. Buckeye and the Company subsequently entered into the Buckeye Venture, pursuant to which the licensed images were made available to the Buckeye Venture for use in producing pre-paid calling cards that were to be distributed by the Company. The plaintiffs are claiming $30.0 million in damages and seeking other equitable relief. The Company has no knowledge of the merit of the allegations against the other parties, has had no direct contact with the plaintiffs and believes that the allegations against it are without merit.

The Company is also subject to various ordinary and routine legal proceedings arising out of the conduct of its business. The Company does not believe that the ultimate disposition of these proceedings will have a material adverse effect on its financial position.

MANAGEMENT

DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth the name, age and position of each of the directors and executive officers of the Company as of the date of this Prospectus. Richard Whitman, one of the Company's outside directors, was not nominated for election as a director at the Company's 1995 Annual Meeting of Shareholders, which will be held in August 1995. Jeffrey J. Keenan, who together with Charles J. Delaney are the designees of UBS Partners, is expected to be nominated in lieu of Mr. Whitman. Mr. Whitman has advised the Company in

writing, by his counsel, that he objects to being asked to resign from the Board and has requested that he be renominated at the Company's upcoming 1995 Annual Meeting of Shareholders. See 'Business--Legal Proceedings.'

NAME	AGE	POSITION
Jeffrey Hanft	48	Chairman and Chief Executive Officer
Robert D. Rubin	36	President and Director
Richard F. Militello	45	Chief Operating Officer
Bonnie S. Biumi	33	Chief Financial Officer
Lawrence T. Ellman	43	President, Pay Telephone Division
F. J. Pollak	32	President, PTCC
Bruce W. Renard	41	Vice President--Regulatory Affairs/ General Counsel
Karen V. Garcia	38	Vice President--Customer Support
Jody Frank(1)(2)	43	Director
Robert E. Lund(1)	51	Director
Richard Whitman(2)	44	Director
Charles J. Delaney	35	Director
Jeffrey J. Keenan(3)	38	UBS Capital Designee to serve as Director

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(1) Member of Compensation Committee.

(2) Member of Audit Committee.

(3) Expected to be nominated for election to the Board of Directors in connection with the Preferred Stock Investment. See 'Preferred Stock Investment.'

The principal occupation of each director and executive officer for at least the last five years is set forth below:

JEFFREY HANFT has been the Chairman of the Board of Directors of the Company and its predecessor since December 1983 and the Chief Executive Officer of the Company since December 1988. He was also the President of the Company from December 1983 until June 1990 and from September 1993 until June 1994. Mr. Hanft was the chairman of the Florida Pay Telephone Association from 1987 to December 1990 and the chairman of the American Public Communications Council ('APCC') from April 1988 to January 1992. Mr. Hanft is currently the chairman of the Legal Committee of the APCC and chairman emeritus of the APCC.

ROBERT D. RUBIN joined the Company in August 1989 as Executive Vice President and became President in June 1994 and a director in February 1995. Mr. Rubin is also chairman of the Company's merger and acquisition committee. Mr. Rubin was an attorney from August 1984 to August 1989 specializing in mergers and acquisitions, securities laws and general corporate law.

RICHARD F. MILITELLO has been employed by the Company since October 1986. He served as Chief Financial Officer of the Company from October 1986 to October 1993, as Vice President--Finance from June 1988 to August 1993, and as Chief Operating Officer since October 1993.

BONNIE S. BIUMI joined the Company in July 1994 as Chief Financial Officer. Prior to joining the Company, Ms. Biumi was a Senior Manager with Price Waterhouse LLP in Miami, Florida. Ms. Biumi is a certified public accountant.

LAWRENCE T. ELLMAN joined the Company in June 1994 as President of its Pay Telephone Division. From 1990 until joining the Company, Mr. Ellman was President of Atlantic Telco Joint Venture, an independent public pay telephone operator acquired by the Company in June 1994. For approximately eight years prior thereto, he was Executive Vice President and Chief Financial Officer of American Potomac Distributing Company, a beverage distributor.

F. J. POLLAK has been employed by the Company since November 1993 as President of PTCC. From September 1992 through October 1993, Mr. Pollak was Marketing Director for Weisman Enterprises ('Weisman'), the holding company for Intera Communications, Best Vendors and Mobile Merchandising, Inc. From January 1984 through September 1993, he was Executive Vice President of Nationwide Vending Services, Inc., whose assets were sold to Weisman.

BRUCE W. RENARD joined the Company as Vice President--Regulatory Affairs/General Counsel in January 1992. From September 1, 1991 to December 31, 1991, Mr. Renard was a sole practitioner specializing in legal and regulatory consulting services to the telecommunications and utility industries. From August 1984 to September 1991, Mr. Renard was a partner with the Florida law firm of Messer, Vickers, et al., managing the utility and telecommunication law sections of the firm. Prior to that time Mr. Renard served as Associate General Counsel for the Florida Public Service Commission.

KAREN V. GARCIA joined the Company in October 1990 as National Sales Manager. Ms. Garcia's previous employment included 13 years with the Bell

System, two of which were at New York Telephone Company and the remaining eleven with Southern Bell Telephone Company. Ms. Garcia has been Vice President of Sales and Customer Support since November 1993.

JODY FRANK has served as a Director of the Company and its predecessor since September 1986. Since February 1990, he has been a vice president of Shearson Lehman and, after Smith Barney acquired the assets of Shearson Lehman in 1994, Smith Barney Shearson.

ROBERT E. LUND was elected as a Director of the Company in May 1994. From September 1990 to December 1991, Mr. Lund was Chairman and Chief Executive officer of International Telecharge, Inc., a telecommunications company. From February 1993 until October 1994 (when Newtrend, L.P. was sold), Mr. Lund served as Chief Operating Officer of Newtrend, L.P., a provider of software and professional services. Since December 1994, Mr. Lund has served as President and Chief Executive Officer of S2 Software, Inc., a Dallas, Texas software company.

RICHARD WHITMAN has been a Director of the Company since December 1991. In October 1987, Mr. Whitman co-founded RAM Telephone & Communications, Inc., where he served as the chief executive officer, president and a director until its merger with the Company in December 1991. From December 1988 to December 1991, Mr. Whitman was chief executive officer, president and a director of United Tele-Services, Inc. ('UTS'), a long distance provider and reseller which he co-founded. In December 1991, UTS was merged into Ram. From 1989 to December 1991, Mr. Whitman served as Vice Chairman of the APCC and from 1990 through 1991 he has served as Chairman of the California Pay Phone Association. Since 1981, Mr. Whitman has served as a director of Holex Office Systems, Inc., a diversified manufacturer

of office products. Since May 1, 1995, Mr. Whitman has been Chairman of the Board of Directors of Correctional Communications Corporation, Inc., a provider of inmate telephone services.

CHARLES J. DELANEY was appointed as a Director of the Company in July 1995, has been President of UBS Capital Corporation since January 1993 and Managing Director in charge of the Leveraged Finance Group of the Corporate Banking Division of Union Bank of Switzerland since May 1989. Prior to May 1989, Mr. Delaney was Vice President of Marine Midland Bank, N.A. Mr. Delaney is also a director of Specialty Foods Corporation, SDW Holding Corporation and RU Corporation.

JEFFREY J. KEENAN has been a Vice President of UBS Partners since January 1995 and a director of UBS Partners since March 1995. Mr. Keenan joined UBS Capital Corporation in June 1994 as a Managing Director. Prior to joining UBS Capital Corporation, Mr. Keenan was Managing General Partner of the WSW Fund, a $250 million equity investment fund. From 1988 until 1991, he was a General Partner at Acadia Partners, L.P., a $1.8 billion investment fund and prior thereto, a Managing Director of AEA Investors, Inc., a $500 million equity investment fund. Mr. Keenan is also a director of Choctaw Maid Farms, Inc. and United Building Materials Corporation.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets forth, for the fiscal years ended December 31, 1994, 1993 and 1992, the compensation paid by the Company to its Chief Executive Officer and each of the four most highly compensated executive officers for the fiscal year ended December 31, 1994.

<TABLE>
<CAPTION>

		ANNUAL COMPENSATION		LONG-TERM COMPENSATION AWARDS	
NAME AND PRINCIPAL POSITION	YEAR	SALARY	BONUS	SECURITIES UNDERLYING OPTIONS	ALL OTHER COMPENSATION(1)
<S>	<C>	<C>	<C>	<C>	<C>
Jeffrey Hanft,	1994	$ 417,000	$ 0	300,000	$ 2,000
CEO, Chairman	1993	361,000	0	68,000	2,000
of the Board	1992	282,000	120,000	75,000	2,000
Robert D. Rubin,	1994	263,000	0	240,000	2,000
President	1993	233,000	0	54,000	2,000
	1992	179,000	80,000	60,000	1,000
Richard F. Militello,	1994	208,000	0	180,000	1,000
Chief Operating	1993	176,000	0	42,000	1,000
Officer	1992	135,000	57,000	83,000	1,000
Bruce W. Renard,	1994	150,000	0	20,000	2,000

V.P. Regulatory Affairs,	1993	164,000	25,000	15,000	2,000
General Counsel	1992	150,000	43,000	0	0
Lawrence T. Ellman	1994(2)	105,000	10,000	45,000	0
President, Pay Telephone Division					

<FN>
(1) The amounts disclosed in this column include the Company's contributions on behalf of the named executive officer to the Company's 401(k) retirement plan in amounts equal to 25% of the executive officer's yearly participation in the plan.

(2) Mr. Ellman joined the Company in June 1994.
</FN>
</TABLE>

Option Grants in Last Fiscal Year

The following table sets forth certain information with respect to stock options granted during the year ended December 31, 1994 to the executive officers named in the Summary Compensation Table:

<TABLE>
<CAPTION>

	INDIVIDUAL GRANTS				POTENTIAL REALIZABLE VALUE OF ASSUMED ANNUAL RATE OF STOCK PRICE APPRECIATION FOR OPTION TERM(2)	
	NUMBER OF SECURITIES UNDERLYING OPTIONS(1)	% OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL YEAR	EXERCISE OR BASE PRICE ($/SHARE)	EXPIRATION DATE	5%	10%
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Jeffrey Hanft	250,000	22.67%	$ 8.50(3)	2/16/99	$ 588,000	$ 1,301,000
	50,000(4)	4.53%	$ 5.13	10/13/99	$ 71,000	$ 157,000
Robert D. Rubin	200,000	18.13%	$ 8.50(3)	2/16/99	$ 470,000	$ 1,041,000
	40,000(4)	3.63%	$ 5.13	10/13/99	$ 57,000	$ 126,000
Richard F. Militello	150,000	13.60%	$ 8.50(3)	2/16/99	$ 353,000	$ 780,000
	30,000(4)	2.72%	$ 5.13	10/13/99	$ 43,000	$ 94,000
Bruce W. Renard	20,000	1.81%	$ 5.13	10/13/99	$ 28,000	$ 63,000
Lawrence T. Ellman	45,000	4.08%	$ 5.69	7/11/99	$ 71,000	$ 157,000

<FN>
- ----------
(1) Options were granted for a term of five years, subject to earlier termination in certain events related to termination of employment. Options become exercisable in three equal annual installments.

(2) These amounts represent assumed rates of appreciation which may not necessarily be achieved. The actual gains, if any, are dependent on the market value of the Company's common stock at a future date as well as the option holder's continued employment throughout the vesting period.

Appreciation reported is net of exercise price.

(3) In the event of a change in control of the Company, such exercise price will be adjusted to $5.38.

(4) Vesting of options is contingent upon the Company meeting certain performance levels during 1995.
</FN>
</TABLE>

Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values

The following table sets forth certain information as to each exercise of stock options during the year ended December 31, 1994 by the executive officers named in the Summary Compensation Table and the fiscal year end value of unexercised options:

<TABLE>
<CAPTION>

			NUMBER OF UNEXERCISED OPTIONS AT FISCAL YEAR END	VALUE OF UNEXERCISED OPTIONS AT FISCAL YEAR END
NAME	SHARES ACQUIRED ON EXERCISES(S)	VALUE REALIZED	EXERCISABLE/UNEXERCISABLE	EXERCISABLE/UNEXERCISABLE
- ----				

<S>	<C>	<C>	<C>	<C>
Jeffrey Hanft.....	0	$ 0	261,667/180,833	$ 0/0
Robert D. Rubin.....	0	0	229,333/124,667	0/0
Richard F. Militello.....	0	0	173,000/94,000	0/0
Bruce W. Renard.....	0	0	99,167/18,333	4,200/0
Lawrence T. Ellman.....	0	0	15,000/30,000	0/0

</TABLE>

Employment Agreements

The Company is a party to an employment agreement with Jeffrey Hanft commencing January 1, 1994 and ending on December 31, 1998. The agreement provides for automatic one year extensions thereafter unless either party gives notice that it is not to be extended. The employment agreement provides for payment of a base salary currently fixed at the annual rate of $500,000 from January 1, 1995 to December 31, 1995. Commencing January 1, 1996 and every January 1st thereafter during the term of the agreement, the base salary will increase by an amount equal to the previous year's base salary multiplied by

10%. The base salary may also be increased annually by merit increases or at any time at the discretion of the Board of Directors. Under certain circumstances (e.g., if the Company's income is not at certain levels), no increase may be granted. Mr. Hanft may also receive an incentive bonus for each of the Company's fiscal years during the term of his agreement. The incentive bonus shall be equal to 3% of the Company's pre-tax consolidated net income but shall not exceed 60% of Mr. Hanft's base salary for such fiscal year. Mr. Hanft is also entitled under the agreement to other employee benefits. Further, if the Company terminates Mr. Hanft's employment agreement without cause or Mr. Hanft terminates the agreement for certain defined reasons, the Company will pay Mr. Hanft (a) his base salary through the termination date and (b) as severance pay a lump sum amount equal to 200% of the sum of (i) the annual base salary at the highest rate in effect during the 12 months immediately preceding termination and (ii) the average of the three annual bonus payments paid with respect to the preceding three years under the agreement. Upon termination due to a change in control within one year after the change in control, Mr. Hanft shall receive (a) his base salary through the termination date, (b) all other benefits provided in the agreement and (c) severance pay equal to 299.99% of the average taxable compensation of Mr. Hanft for the five taxable years prior to such termination. Upon termination of his employment for disability, Mr. Hanft is entitled to 100% of his base salary then in effect for one year and 50% of his base salary for two additional years.

The Company is a party to an employment agreement with Robert D. Rubin, the Company's President. The employment agreement is for a four year term commencing January 1, 1994 and ending December 31, 1997. Mr. Rubin's base salary for 1994 and 1995 under such agreement is $315,000. The agreement provides for automatic one year extensions thereafter unless either party gives notice that it is not to be extended. Mr. Rubin's employment agreement is otherwise similar to Mr. Hanft's, except that Mr. Rubin's incentive bonus is 1.85% of the Company's pre-tax consolidated net income.

The Company is a party to an employment agreement with Richard P. Militello, the Company's Chief Operating Officer. The employment agreement is for a three year term commencing January 1, 1994 and ending December 31, 1996. Mr. Militello's base salary for 1994 and 1995 under such agreement is $250,000. The agreement provides for automatic one year extensions thereafter unless either party gives notice that it is not to be extended. Mr. Militello's employment agreement is otherwise similar to those of Messrs. Hanft and Rubin, except that Mr. Militello's incentive bonus is 1.5% of the Company's pre-tax consolidated net income.

As a result of losses incurred by the Company in the first quarter of 1994, effective June 1, 1994 Messrs. Hanft, Rubin and Militello voluntarily reduced their salaries by 50%. On October 1, 1994, their salaries were reinstated to their contract amounts.

The Company is a party to an employment agreement with Bruce W. Renard, the Company's Vice President--Regulatory Affairs/General Counsel. The employment agreement is for a three year term commencing on January 1, 1995 and ending on December 31, 1997. The agreement provides for payment of a base salary initially fixed at the annual rate of $172,500 with an annual increase of 10%, provided the Company has met certain income targets. The agreement provides for automatic one year extensions thereafter unless either party gives notice that it is not to be extended. Mr. Renard's employment agreement also provides for an incentive bonus in the sole discretion of the Board of Directors and that upon termination due to a change in control, Mr. Renard shall receive severance pay equal to 100% of his highest annual base salary.

The Company is a party to an employment agreement with Lawrence T. Ellman, the President of the Company's Pay Telephone Division. The employment agreement

is for a three year term commencing June 22, 1994 and ending June 22, 1997. The agreement provides for a base salary at the annual rate of $150,000, increasing 10% each year with the approval of the Board of Directors, and a minimum annual bonus of $25,000. Mr. Ellman's employment agreement is otherwise similar to those of Messrs. Hanft,

Rubin and Militello, except that the Company shall have no obligation to pay benefits upon a termination for cause, disability or death, and no additional benefits accrue to Mr. Ellman upon a change in control.

Each employment agreement above restricts the employee from competing with the Company for one year in the areas in which the Company then operates following termination of the agreement. Generally, except as set forth above, the Company may terminate an employment agreement without further payment if the employee materially breaches his or her obligations and duties under the agreement or is convicted of a felony under certain circumstances or violates the non-competition provision contained in the employment agreement or upon death of the employee.

Directors' Compensation and Consulting Arrangements

Jody Frank has agreed to provide consulting services to the Company in the areas of financial analysis and acquisitions. Mr. Frank received a fee of $50,000 in 1994. In 1995, Mr. Frank will receive a monthly fee of $2,000 for such consulting services. Mr. Frank also received a grant of options on 15,000 shares of Common Stock of the Company in 1994.

Bernard M. Frank, who was a director of the Company and a Compensation Committee member in 1994, received a fee of $25,000 and a grant of options on 15,000 shares of Common Stock of the Company in 1994. Mr. Frank resigned from the Board of Directors and the Compensation Committee in February 1995. Mr. Frank is the father of Jody Frank.

Richard Whitman received $47,500 in 1994 for providing consulting services to the Company. Mr. Whitman received a grant of options on 15,000 shares of Common Stock of the Company in 1994.

Ronald Gelber received fees of $50,000 in 1994 from the Company for serving on its Board of Directors. In 1995, Mr. Gelber received a monthly fee of $2,000 for serving as the Chairman of the Audit Committee. In 1994, Mr. Gelber also received a grant of options on 15,000 shares of Common Stock of the Company. Mr. Gelber resigned from the Board of Directors in July 1995.

Robert Lund received $32,500 from the Company in 1994 for consulting services and for serving on its Board of Directors. Mr. Lund also received a grant of options on 15,000 shares of Common Stock of the Company in 1994.

For 1995, all directors will receive as compensation for serving on the Board of Directors, $500 per person for each meeting attended telephonically and $1,000 per person for each meeting attended in person. Upon election, pursuant to the terms of the Company's 1993 Non-Employee Director Stock Option Plan, each non-employee director of the Company receives an option to purchase 15,000 shares of Common Stock of the Company. The exercise price of any option granted to directors is the fair market value of the Common Stock of the Company on the date the option is granted.

Compensation Committee Interlocks and Insider Participation

See '--Directors' Compensation and Consulting Arrangements' with regard to Messrs. Bernard Frank and Ronald Gelber and 'Certain Transactions' with regard to Mr. Frank. Mr. Bernard Frank resigned from the Board of Directors and the Compensation Committee in February 1995. Mr. Ronald Gelber resigned from the Board of Directors and the Audit Committee in July 1995.

CERTAIN TRANSACTIONS

Since January 1, 1994, the Company has engaged in the following transactions with directors and/or executive officers of the Company, shareholders listed in the security ownership table in 'Principal Shareholders,' or with businesses with which they are associated:

1. The Company prepaid a deposit on a real property lease for its Russian joint venture, Artel, to Robin Enterprises, Inc. ('Robin') in the amount of $675,000. Such lease was canceled in June 1994 and the prepaid deposit returned to the Company. Robin is a corporation which owns an approximately 32,000 square foot building in Moscow. Jeffrey Hanft, Jody Frank, Bernard M. Frank, Robert D. Rubin, Richard F. Militello and Richard Whitman are shareholders of Robin.

2. On March 31, 1994, the Company sold certain of its telephone calling center assets to Global Link for a total of $2.5 million. In connection with the transaction, Global Link delivered to the Company 10.0% of the issued and outstanding common stock of Global Link and granted the Company the right to designate two members on Global Link's Board of Directors. In February 1995, after obtaining a fairness opinion indicating the proposed sale of the assets for the agreed upon consideration was fair to the Company from a financial point of view and after the transaction was approved by the disinterested members of the Company's Board of Directors, the Company sold substantially all of the assets of its prepaid calling card business to Global Link for approximately $6.3 million. Upon the sale, the Company maintained the right to designate one member on Global Link's Board of Directors. The Company received $1.0 million in cash, a $5.3 million promissory note due February 1998, bearing interest at 8.5%, payable quarterly and shares of common stock of Global Link. As a result of the February 1995 transaction, and because of a drafting error discovered in May 1995 that did not reflect the intentions of the parties, the Company's interest in the outstanding common stock of Global Link was 28.8% instead of the intended 19.99%. To correct this error, the Company reduced its share ownership to the intended 19.99% level. Jeffrey Hanft and Jody Frank are directors, and Mr. Frank is a shareholder of Global Link as is Mr. Bernard M. Frank, a former director of the Company.

3. On November 24, 1994, the Company entered into a Settlement Agreement with Richard Whitman, a Director of the Company, to resolve claims arising under an indemnity provision in connection with the November 1, 1991 merger of Ram Telephone and Communications ('Ram') into the Company. Pursuant to the Settlement Agreement, Mr. Whitman executed a promissory note in favor of the Company, agreeing to pay $237,000, plus simple interest of eight percent (8%) per annum, due and payable in full on December 31, 1997. Mr. Whitman also executed a Security Agreement, providing a pledge of up to 150,000 shares of the Company's common stock to collateralize payment of the promissory note. Mr. Whitman was a shareholder of Ram.

4. Information concerning indebtedness of directors and/or executive officers to the Company since January 1, 1994 is as follows: (a) largest aggregate indebtedness outstanding: Jeffrey Hanft ($2,385,000); Robert D. Rubin ($735,000); Richard F. Militello ($907,000); Jody Frank ($309,000); and Ronald Gelber ($47,000); (b) currently outstanding indebtedness: Jeffrey Hanft ($1,712,000); Robert D. Rubin ($574,000); Richard F. Militello ($734,000); Jody Frank ($309,000); and Ronald Gelber ($47,000).

Since January 1, 1994, the Company has loaned (the 'Company Loans') certain funds to Jeffrey Hanft, Robert D. Rubin, Richard F. Militello, Jody Frank and Ronald Gelber (the 'Borrowers') for the reasons described below. Each of the Company Loans is evidenced by a promissory note. Each such Company Loan is due in full on March 28, 1996, and bears interest at the prime rate of interest set by the Company's senior lender. Included in the currently outstanding loans for these transactions are the following: Mr. Hanft $968,000; Mr. Rubin $435,000; Mr. Militello $501,000; Mr. Frank $239,000; and Mr. Gelber $47,000.

Each of the Company Loans was made following approval by the members of the Board of Directors who were not parties to the transaction as a means to provide the Borrowers with a vehicle to refinance certain commercial bank indebtedness they had incurred to exercise Company stock options and pay related income taxes. The Borrowers exercised the stock options in December 1993 to purchase the Company's common stock for purposes of increasing the Company's shareholders' equity without accessing external capital markets. The Borrowers personally borrowed the funds to exercise the options from a commercial bank and pledged the Company's common stock issued upon exercise as collateral for the bank loans ('Bank Loans'). This equity increase in turn was a significant factor in permitting the Company to increase its credit facility from $60.0 million to $125.0 million in February 1994.

Commencing in May 1994, as the market price of the stock declined, the bank on several occasions required the Borrowers to pay down the Bank Loans or provide additional collateral. The Borrowers approached the disinterested members of the Company's Board of Directors to seek the Company's assistance in refinancing a portion of their Bank Loans. The Company then advanced the Company Loans upon the repayment terms noted above.

Mr. Hanft, Mr. Militello and Mr. Frank also borrowed $535,000, $128,000 and $70,000, respectively, from the Company in connection with the payment of personal income taxes related to the phantom gain incurred upon the December 1993 exercise of the stock options mentioned above. The loans are due in 1995 and bear interest at a rate equal to the average annual borrowing rate of the Company's senior debt (for the fiscal year ending on or immediately preceding the date interest on the outstanding principal is payable).

In an unrelated transaction, in lieu of receiving payment of their earned 1993 bonus, Mr. Hanft, Mr. Rubin and Mr. Militello agreed to accept loans from the Company which bear interest at a rate equal to the average annual borrowing rate of the Company's senior debt (for the fiscal year ending on or immediately preceding the date interest on the outstanding principal balance is payable)

which loans are payable within five years of the date of the loan. Included in the currently outstanding loans for this transaction are the following: Mr. Hanft $210,000; Mr. Rubin $140,000; and Mr. Militello $105,000.

5. On July 19, 1995, UBS Partners purchased 150,000 shares of the Preferred Stock for gross proceeds of $15.0 million. See 'Preferred Stock Investment.' Charles J. Delaney, a director of the Company, is the President of UBS Capital, an affiliate of UBS Partners. Jeffrey J. Keenan, who is expected to be elected a director of the Company by UBS Partners at or about the time of the Company's 1995 Annual Meeting of Shareholders to be held in August 1995, is a Managing Director of UBS Capital and a director and vice president of UBS Partners. In connection with the Preferred Stock Investment, the Company has agreed to reimburse UBS Partners for its out of pocket expenses up to a maximum amount of $350,000.

6. In connection with the resignations of former directors Bernard M. Frank and Ronald Gelber, in February 1995 and July 1995 respectively, the Company issued to each former director options to acquire 32,500 shares of Common Stock. The exercise prices of the options, based on the market price of the Company's Common Stock on the date of the grants, are $5.06 with regard to Mr. Frank's options and $4.16 with regard to Mr. Gelber's options.

7. In February 1994, the Company amended a credit facility agreement with Creditanstalt-Bankverein and certain other lenders in order to provide the Company with a revolving line of credit of $125 million, and issued to Creditanstalt American Corporation (a subsidiary of Creditanstalt-Bankverein) 250,000 Series D warrants to acquire Common Stock or Series B Preferred Stock of the Company, with an exercise price of $9.00 per share. At the same time, Creditanstalt American Corporation, as the assignee of Creditanstalt-Bankverein, exercised 150,000 Series A warrants to acquire 150,000 shares of Common Stock at an exercise price of $3.17 per share. In March 1995, the Company amended its credit facility agreement with Creditanstalt-Bankverein and certain other lenders by reducing the credit facility to $100 million. In May 1995, the Company agreed to decrease to $5.25 the exercise price of a portion of the Series D warrants in

return for the cancellation of a demand registration right held by Creditanstalt American Corporation. In July 1995, the Company repaid the approximately $95.5 million of indebtedness under the credit facility, amended the credit facility to reduce the line of credit to $40 million, and paid Creditanstalt-Bankverein a loan origination fee of $200,000. Between January 1, 1994 and June 30, 1995, the Company paid approximately $5.3 million in interest and fees to Creditanstalt-Bankverein as agent and as a lender in connection with the Company's credit facilities. See 'Description of the Credit Agreement.'

In May 1995, in order to facilitate a $2.5 million loan to PTC Cellular, Inc., a wholly-owned subsidiary of the Company, the Company entered into an exchange agreement under which it granted to Creditanstalt Corporate Finance, Inc. (an affiliate of Creditanstalt American Corporation) the right to exchange indebtedness under the loan for shares of Common Stock of the Company, with an exchange ratio based on the then current market price of the Common Stock. Concurrently with the exchange agreement, PTC Cellular, Inc. issued warrants to acquire 263,916 shares of Class A or Class B Common Stock of PTC Cellular, Inc. to Creditanstalt Corporate Finance, Inc, at an exercise price of $.01 per share. The warrants expire on May 3, 2005.

PRINCIPAL SHAREHOLDERS

The following table sets forth certain information concerning the beneficial ownership of the Common Stock of the Company as of April 30, 1995 (or July 19, 1995 with respect to Charles J. Delaney and UBS Partners) by (i) each person known by the Company to beneficially own more than five percent of the outstanding Common Stock of the Company, (ii) each director of the Company, (iii) each of the executive officers named in the summary compensation table, and (iv) all directors and executive officers of the Company as a group. Except as otherwise indicated, the persons named in the table have the sole voting and investment power with respect to the shares as beneficially owned by them.

<TABLE>
<CAPTION>

NAME OF BENEFICIAL OWNER	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP(1)	PERCENT OF CLASS
<S>	<C>	<C>
Jeffrey Hanft	781,529(2)(3)	4.79%
Robert D. Rubin	344,833(3)	2.12
Richard F. Militello	306,275(3)(4)	1.89
Richard Whitman	264,219(5)	1.64
Jody Frank	214,262(5)(6)	1.33
Bruce W. Renard	115,833(3)	*
Lawrence T. Ellman	15,000(3)	*
Robert E. Lund	31,350(5)	*

Charles J. Delaney	0(7)	-
UBS Partners, Inc. 299 Park Avenue New York, New York 10171	2,857,143(8)/dagger/	15.1
Kayne Anderson Investment Management, Inc. 1800 Avenue of the Stars Los Angeles, California 90067	1,023,200	6.37
Creditanstalt American Corp. 245 Park Avenue New York, New York 10167	850,000(9)	5.07
All directors and executive officers as a group (12 persons)(4)(5)(6)(7)	2,185,801(2)(3)	12.75

</TABLE>

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* Less than one percent.

/dagger/ Information provided by Schedule 13D and/or 13Gs filed by such persons. The Company has not independently verified such information.

(1) Includes shares of Common Stock of the Company issuable upon the exercise of stock options, which are exercisable within 60 days of the date hereof.

(2) Includes 11,980 shares of Common Stock of the Company issued to Rikki Hanft, the minor daughter of Jeffrey Hanft.

(3) Includes currently exercisable options to purchase 794,833 shares of Common Stock of the Company granted under the Company's stock option plans to the following executive officers: 261,667 to Jeffrey Hanft (at an average exercise price of $8.30 per share); 229,333 to Robert D. Rubin (at an average exercise price of $8.14 per share); 173,000 to Richard F. Militello (at an average exercise price of $8.15 per share); 115,833 to Bruce W. Renard (at an average exercise price of $6.18 per share); and 15,000 to Lawrence T. Ellman (at an average exercise price of $5.69 per share).

(4) Includes 5,625 shares owned by Richard F. Militello as custodian for Laura Militello, Sara Militello and Michael Militello, his minor children.

(5) Includes currently exercisable options to purchase Common Stock of the Company granted to the following directors: 60,000 to Richard Whitman (at an average exercise price of $10.03 per share); 105,000 to Jody Frank (at an average exercise price of $8.70 per share); and 30,000 to Robert E. Lund (at an average exercise price of $8.00 per share).

(6) Includes 40,050 shares of Common Stock of the Company in a voting trust of which Jody Frank is the beneficial owner. Also includes 3,812 shares for which Jody Frank is custodian and as to which Aaron Frank, Rebekah Frank and Lucy Frank, Mr. Frank's minor children, are the beneficial owners of 1,812 shares, 1,000 shares and 1,000 shares, respectively.

(7) Excludes all shares of Common Stock beneficially owned by UBS Partners, as to which Mr. Delaney disclaims beneficial ownership. See footnote 8.

(8) Represents 2,857,143 shares subject to issuance upon conversion of the Preferred Stock held by UBS Partners. See 'Preferred Stock Investment.'

(9) Represents a currently exercisable warrant received in connection with the Prior Credit Agreement and 150,000 shares of Common Stock of the Company obtained upon the exercise of a warrant in connection with the Prior Credit Agreement. The warrant expires on March 12, 2000 and is exercisable into 700,000 shares of the Company's Series B Preferred Stock at an average price of $7.17 per share. Each share of Series B Preferred Stock is convertible into one share of Common Stock of the Company.

PREFERRED STOCK INVESTMENT

On July 3, 1995, the Company entered into an agreement with UBS Capital for the issuance by the Company of the Preferred Stock for gross proceeds of $15.0 million, which agreement was assigned by UBS Capital to UBS Partners prior to the consummation of the Preferred Stock Investment. UBS Capital is a wholly-owned indirect merchant banking subsidiary of Union Bank of Switzerland, and UBS Partners is also a wholly-owned subsidiary of Union Bank of Switzerland. The Preferred Stock Investment was consummated simultaneously with the issuance of the Old Notes and the Preferred Stock was acquired by UBS Partners.

The Preferred Stock cumulates dividends at an annual rate of 7%, subject to increase up to 11% under certain circumstances, including accelerations of indebtedness of the Company and material breaches of representations, warranties and covenants, which will be payable in cash or, at the Company's option during the first three years after issuance, will continue to cumulate. The Preferred Stock is immediately convertible, at the option of the holders, into 2,857,143 shares of outstanding Common Stock of the Company (or approximately 15.1% of the outstanding Common Stock as of July 19, 1995, determined in accordance with Rule 13d-3 under the Exchange Act) at a conversion price of $5.25 per share, subject to reduction pursuant to antidilution adjustments in connection with, among other things, certain issuances of shares of, or rights to acquire, Common Stock at less than the then conversion price of the Preferred Stock. The Preferred Stock is subject to (i) mandatory redemption by the Company 10 years after

issuance or, subject to the prior payment in full of the Company's indebtedness under the Credit Agreement and the Notes, in the event of certain bankruptcy or related events relating to the Company, (ii) redemption at the Company's option, resulting in the exercisability of contingent warrants and (iii) in the event of a Change of Control (as defined in the Indenture), redemption, at the option of the holders thereof, in all cases at its liquidation preference ($15.0 million in the aggregate) plus accrued and unpaid dividends.

Pursuant to the terms of the Preferred Stock, the holders of the Preferred Stock are entitled to elect two members of the six member Board of Directors of the Company. The two directors initially will be Charles J. Delaney, President of UBS Capital Corporation, and Jeffrey J. Keenan, a Managing Director of UBS Capital Corporation and a Vice President and director of UBS Partners. See 'Management--Directors and Executive Officers.' The Preferred Stock is also entitled to vote on all other matters submitted to the stockholders for a vote together with the holders of the Common Stock voting as a single class with each share of Preferred Stock entitled to one vote for each share of Common Stock issuable upon conversion.

In connection with the Preferred Stock Investment, the Company has agreed to certain affirmative and negative covenants with respect to the conduct of its business, among other matters. So long as 25% of the shares of Preferred Stock or the Common Stock into which such Preferred Stock is convertible remain outstanding and have not been sold publicly, the Company has agreed with UBS Partners and Appian Capital Partners, L.L.C. ('Appian') to observe certain negative covenants, including that the Company will not:

(a) (i) amend its Certificate of Incorporation or bylaws in a way which would adversely affect the rights of holders of the Preferred Stock or underlying Common Stock or subordinate the rights of the holders of the Preferred Stock to the rights of other holders of capital stock of the Company; (ii) except in an underwritten public offering, and except for issuances in connection with pro rata distributions to holders of the Common Stock, issuances of Common Stock pursuant to options, warrants and other rights outstanding on the date of the purchase agreement relating to the Preferred Stock or employee stock options, or issuances of Common Stock in certain permitted acquisitions, sell capital stock of the Company unless holders of the Preferred Stock, the underlying Common Stock or the Warrants issued to Appian are given the right to purchase such capital stock to maintain such holders' percentage interest in the Company's Common Stock; or (iii) effect a Fundamental Change (as defined) including (A) the sale or transfer of more than 40% of the consolidated assets of the Company and its

subsidiaries and (B) mergers and consolidations other than those in which the Preferred Stock is unaffected and the holders of the majority of the voting power to elect the Board of Directors continue to own such majority voting power unless such Fundamental Change provides that upon the consummation thereof, the Company shall have purchased all shares of the Preferred Stock tendered to the Company for purchase at a price per share equal to its liquidation preference ($15.0 million in the aggregate) plus accrued and unpaid dividends thereon pursuant to an offer to purchase given to the holders of the Preferred Stock not less than 15 days prior to the date such Fundamental Change is to be consummated; or

(b) Without the approval of 75% of the members of the Board of Directors:

(i) engage in transactions with stockholders, directors, officers, employees or defined affiliates which transactions would require disclosure under Rule 404 of Regulation S-K under the Securities Act;

(ii) issue (A) debt securities which are convertible into the Company's Common Stock or with equity features such as warrants unless such equity features meet certain tests or (B) capital stock or other equity securities senior to or on a parity with the Preferred Stock or having a voting power greater than one vote per share of Common Stock;

(iii) merge or consolidate or, except for certain permitted acquisitions or dispositions, allow a subsidiary to merge or consolidate;

(iv) sell, lease or otherwise dispose of assets of the Company or its subsidiaries involving aggregate consideration greater than $5.0 million;

(v) liquidate, dissolve or effect a recapitalization or reorganization;

(vi) acquire an interest in or assets of any other company involving aggregate consideration greater than $5.0 million;

(vii) own, manage or operate any business other than the domestic pay telephone business; or

(viii) hire, elect or replace the Company's Chief Executive Officer, President, Chief Financial Officer or Chief Operating Officer or change the terms of employment or compensation thereof.

Notwithstanding the foregoing, the Company may sell the Discontinued Operations, sell the Notes and enter into and borrow under the Credit Agreement. So long as any shares of the Preferred Stock remain outstanding, without the prior consent of the holders of a majority of the then outstanding shares of Preferred Stock, the Company is prohibited from paying or declaring any dividend or making any distribution on any other capital stock of the Company (other than dividends payable solely in the securities in respect of which such dividends are paid).

In connection with the Preferred Stock Investment, UBS Capital was issued a contingent warrant, exercisable only if the Company redeems the Preferred Stock pursuant to its optional redemption rights. Such warrant will be exercisable initially for the same number of shares and at the same price as the Preferred Stock being redeemed is convertible, all determined as of the redemption date of such Preferred Stock. Such contingent warrant has anti-dilution provisions comparable to the Preferred Stock. UBS Capital also has the right to have its Preferred Stock and underlying Common Stock repurchased by the Company (at the original purchase price thereof plus accrued and unpaid dividends thereon) if the Company violates certain regulations regarding an investee of a Small Business Investment Company.

UBS Capital has also agreed, subject to certain limitations and restrictions, that for up to 10 years from the date of the closing of the purchase of the Preferred Stock, it will not, without the consent of the Company's Board of Directors, acquire beneficial ownership (determined in accordance with Rule 13d-3 under the Exchange Act) of more than 25% of the Company's voting securities, offer or solicit any other person to acquire the Company or conduct a proxy solicitation with respect to the Company.

Appian assisted the parties and provided financial consulting services in connection with the Preferred Stock Investment. In connection with the Preferred Stock Investment, Appian purchased from the Company, for $1.00, warrants to purchase up to 275,000 shares of Common Stock of the Company at an exercise price of $5.25 per share (the 'Warrants'). Appian also received a fee of $400,000.

The Company has also agreed to register for resale under the Securities Act the Common Stock issuable upon conversion of the Preferred Stock or upon exercise of the Warrants.

DESCRIPTION OF THE CREDIT AGREEMENT

Simultaneous with the issuance and sale of the Old Notes, the Company entered into an amendment and restatement of the Prior Credit Agreement (as amended and restated, the 'Credit Agreement') with Creditanstalt-Bankverein (the 'Bank'), providing for a revolving credit facility for the benefit of the Company in the aggregate amount of $40.0 million. The Credit Agreement has a term of four years. The Bank has informed the Company that it intends to syndicate a portion of the loan provided under the Credit Agreement. The following is a description of the terms of the Credit Agreement. The following summary of certain provisions of the Credit Agreement does not purport to be complete and is subject to, and qualified in its entirety by reference to, all of the provisions of the Credit Agreement. References to the Company in the following summary refer to Peoples Telephone Company, Inc. only.

Borrowing Base. The Company may use borrowings under the Credit Agreement for internal growth and to fund future acquisitions, although the Bank will have the right to approve any acquisition for consideration in excess of $3.0 million. Borrowings under the Credit Agreement will not be permitted to exceed the sum of (i) 75.0% of the Company's eligible accounts receivable plus (ii) an amount equal to $1,200 multiplied by the number of eligible installed pay telephones, in the aggregate up to the total limit of $40.0 million.

Interest. Interest on the principal balance outstanding under the Credit Agreement accrues at the option of the Company at the rate of (i) 1.5% above the greater of (a) the Bank's prime lending rate at its principal office in New York, New York and (b) the federal funds rate plus 0.5% or (ii) 3.0% above the rate quoted by the Bank as the average London interbank offered rate for one, two, three and six-month Eurodollar deposits. In the event of a default under the Credit Agreement, at the Bank's option, the interest rate on the borrowings under the Credit Agreement would increase to 2.0% per annum above the then applicable rate.

Security. As security for the indebtedness under the Credit Agreement, the Company has granted to the Bank a first priority security interest in substantially all existing and future assets of the Company, whether tangible or intangible, including, without limitation, accounts receivable, inventory and equipment.

Certain Covenants. In addition to customary covenants, the Credit Agreement contains various restrictive financial and other covenants including, without limitation, (i) prohibitions on the incurrence of additional indebtedness, (ii) restrictions on the creation of additional liens, (iii) certain limitations on dividends and distributions by the Company, (iv)

restrictions on mergers and sales of assets, investments and transactions with affiliates and (v) certain financial maintenance tests. Such financial maintenance tests, include, among others, (i) a minimum EBITDA test of $5.0 million for the quarter ending June 30, 1995,

$10.0 million for the two quarter period ending September 30, 1995 and $15.0 million for the three quarter period ending December 31, 1995, and, thereafter, a minimum annual EBITDA test (tested quarterly for the prior four quarters) beginning at $19.0 million for the quarter ended March 31, 1996 and increasing over time to $26.0 million after December 31, 1997, (ii) a minimum ratio of annual EBITDA to interest expense (tested quarterly) beginning at 1.5 to 1 and increasing over time to 2.5 to 1 after December 31, 1997, (iii) a minimum net worth test beginning at $47.0 million and increasing over time to $67.0 million after December 31, 1998, (iv) a maximum ratio of debt to net worth of 3.25 to 1 for the first two years and decreasing to 3.0 to 1 for the remaining two years, and (v) maximum ratio of bank debt to EBITDA of 2.0 to 1 (tested quarterly using EBITDA from the prior four quarters). For purposes of the foregoing covenants, EBITDA shall include EBITDA from the Discontinued Operations and net worth shall include the Preferred Stock.

Events of Default. The events of default under the Credit Agreement are customary for facilities of such nature and include payment and non-payment defaults and certain events of bankruptcy or insolvency of the Company.

Fees. In connection with the execution of the Credit Agreement, the Company paid a loan origination fee of $200,000. The Credit Agreement also provides for a monthly fee based on the unused portion of the Credit Agreement and an annual agency fee.

DESCRIPTION OF THE NOTES

The Old Notes were and the Exchange Notes will be issued under an indenture dated as of July 15, 1995 (the 'Indenture') between the Company and First Union National Bank of North Carolina, as trustee (the 'Trustee'), a copy of which is filed as an exhibit to the Exchange Offer Registration Statement. Upon the issuance of the Exchange Notes, if any, or the effectiveness of a Shelf Registration Statement (as defined below), the Indenture will be subject to and governed by the Trust Indenture Act of 1939, as amended (the 'Trust Indenture Act'). The following summary of the material provisions of the Indenture does not purport to be complete and is subject to, and qualified in its entirety by reference to, the Trust Indenture Act and to all of the provisions of the Indenture, including the definitions of certain terms contained therein and including those terms made part of the Indenture by reference to the Trust Indenture Act. The definitions of certain capitalized terms used in the following summary are set forth below under '--Certain Definitions.' Unless the context otherwise requires, references to the Notes shall include the Exchange Notes. References to the Company in the following summary refer to Peoples Telephone Company, Inc. only.

GENERAL

The Notes are unsecured senior obligations of the Company limited to $100.0 million aggregate principal amount. The Notes are issued only in fully registered form, without coupons, in denominations of $1,000 and integral multiples thereof. Principal of, premium, if any, and interest on the Notes will be payable, and the Notes will be transferable, at the corporate trust office or agency of the Trustee in the City of New York maintained for such purposes in New York, New York. In addition, interest may be paid at the option of the Company by check mailed to the person entitled thereto as shown on the security register. No service charge will be made for any transfer, exchange or redemption of Notes, except in certain circumstances for any tax or other governmental charge that may be imposed in connection therewith.

MATURITY, INTEREST AND PRINCIPAL

The Notes will mature on July 15, 2002. Interest on the Notes accrues at the rate of 12 1/4% per annum and will be payable semi-annually on each January 15 and July 15, commencing January 15, 1996, to the holders of record of Notes at the close of business on the January 1 and July 1 immediately preceding such interest payment date. Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the original date of issuance (the 'Issue Date'). Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

As discussed under 'Exchange Offer; Registration Rights,' pursuant to the Registration Rights Agreement, the Company has agreed, at its expense, for the benefit of the holders of the Notes, either (i) to effect a registered Exchange Offer under the Securities Act to exchange the Old Notes for Exchange Notes, which will have terms identical in all material respects to the Old Notes (except that the Exchange Notes will not contain terms with respect to transfer restrictions) or (ii) in the event that any changes in law or applicable

interpretations of the staff of the Commission do not permit the Company to effect the Exchange Offer, or if for any other reason the Exchange Offer is not consummated within 120 days of the Issue Date, or upon the request of the Initial Purchaser (under certain circumstances), to register the Notes for resale under the Securities Act through a shelf registration statement (a 'Shelf Registration Statement'). In the event that either (a) the Exchange Offer Registration Statement is not filed with the Commission on or prior to the 30th calendar day following the Issue Date, (b) the Exchange Offer Registration Statement has not been declared effective on or prior to the 90th calendar day following the Issue Date, (c) the Exchange Offer is not consummated on or prior to the 120th calendar day following the Issue Date or (d) a Shelf Registration Statement is not declared effective on or prior to the 150th day following the Issue Date, the interest rate borne by the Notes shall be increased by 0.25% per annum following such 30-day period in the case of (a) above, such 90-day period in the case of (b) above, such 120-day period in the case of (c) above

or such 150-day period in the case of (d) above, which rate will be increased by an additional 0.25% per annum for each 90-day period that any such additional interest continues to accrue; provided that in no event shall the interest rate borne by the Notes be increased by more than 1%. Upon (w) the filing of the Exchange Offer Registration Statement in the case of clause (a) above, (x) the effectiveness of the Exchange Offer Registration Statement in the case of clause (b) above, (y) the consummation of the Exchange Offer in the case of clause (c) above or (z) the effectiveness of a Shelf Registration Statement in the case of clause (d) above, the interest rate borne by the Notes from the date of such filing, effectiveness or consummation, as the case may be, will be reduced to the interest rate which would otherwise apply. See 'Exchange Offer; Registration Rights.'

Old Notes that remain outstanding after the consummation of the Exchange Offer and Exchange Notes issued in connection with the Exchange Offer will be treated as a single class of securities under the Indenture.

REDEMPTION

Optional Redemption. The Notes will be redeemable at the option of the Company, in whole or in part, at any time on or after July 15, 2000, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest to the redemption date, if redeemed during the 12-month period beginning July 15 of the years indicated below:

<TABLE>
<CAPTION>

YEAR	REDEMPTION PRICE
<S>	<C>
2000	103.50%
2001	101.75%
2002	100.00%

</TABLE>

In addition, prior to July 15, 1998, in the event of one or more Equity Offerings consummated after the Issue Date (other than the sale of the UBS Partners Preferred Stock) for aggregate gross proceeds to the Company equal to or exceeding $10.0 million, the Company may redeem in the aggregate up to a maximum of 20% of the principal amount of Notes originally issued with the net proceeds thereof at a redemption price equal to 111 1/4% of the principal amount thereof plus accrued and unpaid interest to the redemption date.

Mandatory Redemption. There are no mandatory sinking fund payments for the Notes. However, as described below, the Company may be obligated, under certain circumstances, (a) to make an offer to purchase all outstanding Notes at a redemption price of 101% of the principal amount thereof, plus accrued interest to the date of purchase, upon a Change of Control and (b) to make an offer to purchase Notes with a portion of the net cash proceeds of certain sales or other dispositions of assets at a redemption price of 100% of principal amount, plus accrued and unpaid interest to the date of purchase. See 'Change of Control' and 'Certain Covenants--Disposition of Proceeds of Asset Sales,' respectively.

Selection and Notice. In the event that less than all of the Notes are to be redeemed at any time, selection of such Notes for redemption will be made by the Trustee in compliance with the requirements of the principal national securities exchange, if any, on which the Notes are listed or, if the Notes are not then listed on a national securities exchange, on a pro rata basis, by lot or by such method as the Trustee shall deem fair and appropriate; provided that no Notes of a principal amount of $1,000 or less shall be redeemed in part; provided, further, that any redemption pursuant to the provisions relating to a sale of the Company's Common Stock pursuant to one or more Equity Offerings shall be made on a pro rata basis or on as nearly a pro rata basis as practicable (subject to any procedures of The Depository Trust Company). Notice of redemption shall be mailed by first-class mail at least 30 but not more than 60 days before the redemption

date to each holder of Notes to be redeemed at its registered address. If any Note is to be redeemed in part only, the notice of redemption that relates to such Note shall state the portion of the principal amount thereof to be redeemed. A new Note in a principal amount equal to the unredeemed portion thereof will be issued in the name of the holder thereof upon cancellation of the original Note. On and after the redemption date, if the Company does not default in the payment of the redemption price, interest will cease to accrue on Notes or portions thereof called for redemption.

CHANGE OF CONTROL

Upon the occurrence of a Change of Control, the Company shall be obligated to make an offer to purchase (a 'Change of Control Offer'), and shall, subject to the provisions described below, purchase, on a business day (the 'Change of Control Purchase Date') not more than 60 nor less than 30 days following the occurrence of the Change of Control, all of the then outstanding Notes at a purchase price (the 'Change of Control Purchase Price') equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to the Change of Control Purchase Date. The Company shall be required to purchase all Notes properly tendered into the Change of Control Offer and not withdrawn. The Change of Control Offer is required to remain open for at least 20 business days and until the close of business on the Change of Control Purchase Date.

In order to effect such Change of Control Offer, the Company shall, not later than the 30th day after the Change of Control, mail to each holder of Notes notice of the Change of Control Offer, which notice shall govern the terms of the Change of Control Offer and shall state, among other things, the procedures that holders of Notes must follow to accept the Change of Control Offer.

The occurrence of the events constituting a Change of Control under the Indenture may result in an event of default under the Credit Agreement and in respect of other Indebtedness of the Company and the Restricted Subsidiaries and, consequently, the lenders thereof will have the right to require repayment of such Indebtedness in full. If a Change of Control Offer is made, there can be no assurance that the Company will have available funds sufficient to pay the Change of Control Purchase Price for all of the Notes that might be delivered by holders of Notes seeking to accept the Change of Control Offer. The Company shall not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements applicable to a Change of Control Offer made by the Company and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

The Company will comply with Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable, in the event that a Change of Control occurs and the Company is required to purchase Notes as described above.

RANKING

The indebtedness of the Company evidenced by the Notes ranks senior in right of payment to all indebtedness of the Company expressly subordinated in right of payment to the Notes and pari passu in right of payment with all other existing and future indebtedness of the Company. As of the date of this Prospectus, the Company has no outstanding indebtedness ranking junior in right of payment to the Notes. Although the Notes and the obligations under the Credit Agreement constitute senior obligations of the Company, the lenders under the Credit Agreement (and any other indebtedness secured by assets of the Company) will have a claim ranking prior to that of the holders of the Notes with respect to the distribution of assets and the proceeds thereof securing the Company's obligations thereunder. See 'Risk Factors-- Defaults under Indebtedness,' 'Risk Factors--Restrictions Imposed by Lenders; Impact of Asset Encumbrances' and 'Description of the Credit Agreement.'

CERTAIN COVENANTS

The Indenture contains the following covenants, among others;

Limitation on Indebtedness. The Indenture provides that the Company will not, and will not permit any of the Restricted Subsidiaries to, create, incur, issue, assume, guarantee or in any manner become directly or indirectly liable, contingently or otherwise (in each case, to 'incur'), for the payment of any Indebtedness (including any Acquired Indebtedness); provided that (i) the Company (and not the Restricted Subsidiaries) will be permitted to incur Indebtedness (including Acquired Indebtedness) and (ii) a Restricted Subsidiary will be permitted to incur Acquired Indebtedness if, at the time of any such incurrence and after giving pro forma effect thereto (including the application of the net proceeds therefrom), the Consolidated Fixed Charge Coverage Ratio of the Company is at least equal to 2.25:1.00 if such Indebtedness is incurred on or prior to December 31, 1996 or 2.50:1.00 if such Indebtedness is incurred on or after January 1, 1997.

Notwithstanding the foregoing, the Company and the Restricted Subsidiaries,

as applicable, may incur each and all of the following (each of which shall be given independent effect):

(a) Indebtedness of the Company evidenced by the Notes and other Indebtedness of the Company and the Restricted Subsidiaries outstanding on the Issue Date;

(b) Indebtedness of the Company under the Credit Agreement in an aggregate principal amount at any time outstanding not to exceed the sum of (1) 75% of the net amount of accounts receivable (as determined under GAAP) of the Company and the Restricted Subsidiaries plus (2) an amount equal to $1,200 multiplied by the number of Eligible Pay Telephones (as defined in the Credit Agreement as in effect on the Issue Date), in each case as determined in good faith by the Company at the time of each incurrence of Indebtedness under the Credit Agreement; provided in no event shall the aggregate principal amount of Indebtedness under the Credit Agreement permitted pursuant to this clause (b) exceed $60.0 million at any time outstanding;

(c) Indebtedness of the Company and/or any Restricted Subsidiary used to finance the cost of acquiring public pay telephones (including in any Asset Acquisition) in an aggregate principal amount incurred after the Issue Date not to exceed $10.0 million; provided that, (x) at the time of and after giving effect to any such incurrence under this clause (c), the aggregate principal amount of Indebtedness incurred under this clause (c) after the Issue Date shall not exceed the aggregate net cash proceeds (other than net proceeds from the UBS Partners Preferred Stock) received by the Company after the Issue Date from the issuance of Capital Stock (other than Redeemable Capital Stock) of the Company and (y) the principal amount of Indebtedness being incurred at any time under this clause (c) shall not exceed the amount of Restricted Payments Availability at the date of incurrence;

(d) Indebtedness of the Company and/or any Restricted Subsidiary incurred in respect of performance bonds, bankers' acceptances, letters of credit of the Company and any Restricted Subsidiary and surety bonds provided by the Company or any Restricted Subsidiary in the ordinary course of business not to exceed $5.0 million in the aggregate;

(e) (i) Interest Rate Protection Obligations of the Company and/or any Restricted Subsidiary covering Indebtedness of the Company or any Restricted Subsidiary; provided that (x) any Indebtedness to which any such Interest Rate Protection Obligations relate bears interest at fluctuating interest rates and is otherwise permitted to be incurred under this covenant and (y) the notional principal amount of any such Interest Rate Protection Obligations does not exceed the principal amount of the Indebtedness to which such Interest Rate Protection Obligations relate and (ii) Indebtedness under Currency Agreements of the Company or any Restricted Subsidiary; provided

that such Currency Agreements do not increase the Indebtedness of the Company and the Restricted Subsidiaries in the aggregate other than as a result of fluctuations in foreign currency exchange rates;

(f) (i) Indebtedness of a Restricted Subsidiary to the Company or to another Restricted Subsidiary, in each case which is not subordinated in right of payment to any Indebtedness of such Restricted Subsidiary, and (ii) Indebtedness of the Company to a Restricted Subsidiary (but only for so long as such Restricted Subsidiary continues to be a Restricted Subsidiary) which is unsecured and subordinated in right of payment from and after such time as the Notes shall become due and payable (whether at a Stated Maturity, by acceleration or otherwise) to the payment and performance of the Company's obligations under the Indenture and the Notes;

(g) Indebtedness of the Company to the extent the proceeds are used to refinance (whether by amendment, renewal, extension or refunding) Indebtedness of the Company or any of the Restricted Subsidiaries; provided that (i) the principal amount of Indebtedness incurred pursuant to this clause (g) (or, if such Indebtedness provides for an amount less than the principal amount thereof to be due and payable upon a declaration of acceleration of the maturity thereof, the original issue price of such Indebtedness) shall not exceed the sum of the principal amount of Indebtedness so refinanced, plus the amount of any premium required to be paid in connection with such refinancing pursuant to the terms of such Indebtedness or the amount of any premium reasonably determined by the Company as necessary to accomplish such refinancing by means of a tender offer or privately negotiated purchase, plus the amount of reasonable and customary expenses incurred in connection therewith, and (ii) such Indebtedness being incurred does not have a lower Average Life to Stated Maturity than the Indebtedness being refinanced and, in the case of any such refinancing of the Notes, does not have an earlier Stated Maturity for any principal payment than the Notes; and

(h) additional Indebtedness of the Company and/or any of the Restricted

Subsidiaries not to exceed $10.0 million in aggregate principal amount at any one time outstanding.

Limitation on Issuances and Sale of Preferred Stock by Restricted Subsidiaries. The Indenture provides that the Company (i) will not permit any of the Restricted Subsidiaries to issue any Preferred Stock (other than to the Company or a Restricted Subsidiary) and (ii) will not permit any person (other than the Company or a Restricted Subsidiary) to own any Preferred Stock of any Restricted Subsidiary.

Limitation on Restricted Payments. The Indenture provides that the Company will not, and will not permit any of the Restricted Subsidiaries to, directly or indirectly, do any of the following:

(i) declare or pay any dividend or make any other distribution or payment on or in respect of Capital Stock of the Company or any payment to the direct or indirect holders (in their capacities as such) of Capital Stock of the Company (other than dividends or distributions payable solely in Capital Stock of the Company (other than Redeemable Capital Stock) or in options, warrants or other rights to purchase Capital Stock of the Company (other than Redeemable Capital Stock)),

(ii) purchase, redeem, defease or otherwise acquire or retire for value any Capital Stock of the Company (other than any such Capital Stock owned by a Restricted Subsidiary),

(iii) make any principal payment on, or purchase, defease, repurchase, redeem or otherwise acquire or retire for value, prior to any scheduled maturity, scheduled repayment, scheduled sinking fund payment or other Stated Maturity, any Subordinated Indebtedness, or

(iv) make any Investment (other than any Permitted Investment) in any person (other than in a Restricted Subsidiary or a person that becomes a Restricted Subsidiary as a result of such Investment or a person that merges into the Company or a Restricted Subsidiary)

(such payments or Investments described in the preceding clauses (i), (ii), (iii) and (iv) are collectively referred to as 'Restricted Payments'), unless, at the time of and after giving effect to the proposed Restricted Payment (the amount of any such Restricted Payment, if other than cash, shall be the Fair Market Value of the asset(s) proposed to be transferred by the Company or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment), (A) no Default shall have occurred and be continuing, (B) the Company would be able to incur $1.00 of additional Indebtedness under the applicable provisions of the proviso to the first paragraph of the 'Limitation on Indebtedness' covenant and (C) the aggregate amount of all Restricted Payments declared or made from and after the Issue Date (including any Designation Amount) would not exceed (1) 50% of the aggregate Consolidated Net Income of the Company accrued on a cumulative basis during the period beginning on April 1, 1995 and ending on the last day of the fiscal quarter of the Company immediately preceding the date of such proposed Restricted Payment (or, if such aggregate cumulative Consolidated Net Income of the Company for such period shall be a deficit, minus 100% of such deficit) plus (2) the aggregate net cash proceeds received by the Company from the issuance or sale of Capital Stock (excluding (x) any net cash proceeds from the issuance of the UBS Partners Preferred Stock or any Capital Stock issued upon conversion thereof and (y) any net cash proceeds from the issuance of Redeemable Capital Stock, but including Capital Stock issued upon the conversion of convertible Indebtedness, in exchange for outstanding Indebtedness or from the exercise of options, warrants or rights to purchase Capital Stock (other than Redeemable Capital Stock)) of the Company to any person (other than to a Restricted Subsidiary) after the Issue Date plus (3) in the case of the disposition for cash or repayment in cash of any Investment constituting a Restricted Payment made after the Issue Date (other than pursuant to clause (v) of the next paragraph), an amount equal to the lesser of the return of capital with respect to such Investment and the cost of such Investment, in either case, less the cost of the disposition of such Investment minus (4) the aggregate principal amount of Indebtedness incurred after the Issue Date pursuant to clause (c) of the second paragraph of the covenant 'Limitation on Indebtedness.' For purposes of the preceding clause (C)(2), upon the issuance of Capital Stock from either the conversion of convertible Indebtedness or in exchange for outstanding Indebtedness or upon the exercise of options, warrants or rights, the amount counted as net cash proceeds received will be the cash amount received by the Company at the original issuance of the Indebtedness that is so converted or exchanged or from the issuance of options, warrants or rights, as the case may be, plus the incremental amount received by the Company, if any, upon the conversion, exchange or exercise thereof.

None of the foregoing provisions will prohibit (i) the payment of any dividend within 60 days after the date of its declaration, if at the date of declaration such payment would be permitted by the foregoing paragraph; (ii) so long as no Default shall have occurred and be continuing, the redemption, repurchase or other acquisition or retirement of any shares of any class of Capital Stock of the Company or any Restricted Subsidiary in exchange for, or

out of the net cash proceeds of, a substantially concurrent issue and sale of other shares of Capital Stock (other than Redeemable Capital Stock) of the Company to any person (other than to a Restricted Subsidiary); provided that such net cash proceeds so used are excluded from clause (C)(2) of the preceding paragraph; (iii) so long as no Default shall have occurred and be continuing, any redemption, repurchase or other acquisition or retirement of Subordinated Indebtedness in exchange for, or out of the net cash proceeds of, a substantially concurrent issue and sale of (1) Capital Stock (other than Redeemable Capital Stock) of the Company; provided that any such net cash proceeds so used are excluded from clause (C)(2) of the preceding paragraph, or (2) Subordinated Indebtedness of the Company so long as such Subordinated Indebtedness has no Stated Maturity earlier than the 91st day after the Stated Maturity for the final scheduled principal payment of the Notes; (iv) so long as no Default shall have occurred and be continuing, the making of Investments constituting Restricted Payments made as a result of the receipt of non-cash consideration from any Asset Sale made pursuant to and in compliance with the covenant 'Disposition of Proceeds of Asset Sales'; (v) Investments constituting Restricted Payments not to exceed $5.0 million in the aggregate at any one time outstanding; (vi) subsequent to the third anniversary of the issuance of the UBS Partners Preferred Stock, so long as no Default shall have occurred and be continuing and the Consolidated Fixed Charge Coverage Ratio of the Company is at least equal to 3.0:1.0, the payment of scheduled cash dividend payments on the UBS Partners Preferred Stock in accordance with the terms of

the UBS Partners Preferred Stock as in effect on the Issue Date; and (vii) the redemption of the UBS Partners Preferred Stock upon a Change of Control if (1) a Change of Control Offer has been made under the Indenture and all holders of Notes validly tendering their Notes shall have had such Notes purchased by the Company and (2) no payment default under the Indenture arising after the Change of Control Offer shall have occurred or be continuing. In computing the amount of Restricted Payments previously made for purposes of clause (C) of the preceding paragraph, Restricted Payments under clauses (i), (iv), (v), (vi) and (vii) of this paragraph shall be included without duplication and Restricted Payments under clauses (ii) and (iii) of this paragraph shall be excluded.

Limitation on Liens. The Indenture provides that the Company will not, and will not permit any of the Restricted Subsidiaries to, create, incur, assume or suffer to exist any Liens of any kind against or upon any of its property or assets, or any proceeds therefrom, except for (a) Liens existing as of the Issue Date; (b) Liens on property or assets of the Company securing the obligations under the Credit Agreement; (c) Liens in favor of the Company or any Restricted Subsidiary of the Company; (d) Liens on property or assets securing Subordinated Indebtedness; provided that the Notes are secured by a Lien on such property or assets that is senior in priority to such Liens; (e) Liens on property or assets securing Indebtedness of the Company ranking pari passu in right of payment with the Notes (other than pursuant to the preceding clause (b)); provided that the Notes are secured by a Lien on such property or assets that is equal and ratable with such Liens; and (f) Permitted Liens.

Disposition of Proceeds of Asset Sales. The Indenture provides that the Company will not, and will not permit any of the Restricted Subsidiaries to, directly or indirectly, make any Asset Sale unless (a) the Company or such Restricted Subsidiary, as the case may be, receives consideration at the time of such Asset Sale at least equal to the Fair Market Value of the assets or shares subject to such Asset Sale and (b) at least 75% of such consideration consists of any combination of (i) cash or Cash Equivalents or (ii) Indebtedness of the Company or such Restricted Subsidiary assumed by the purchaser of the assets or shares subject to such Asset Sale and the Company or such Restricted Subsidiary is unconditionally released from such Indebtedness. The Company may (a) use no more than the Other Senior Debt Pro Rata Share of such Net Cash Proceeds to repay, and thereby permanently reduce the commitments or amounts available to be reborrowed under, Other Senior Debt and/or (b) apply such Net Cash Proceeds to acquire or construct property or assets in lines (whether based on product, services or geography) of business related to the businesses of the Company and the Restricted Subsidiaries as conducted on the Issue Date (after giving effect to the sale of (i) the Capital Stock or assets of PTC Cellular, Inc. and (ii) the Company's inmate telephone business) within 270 days after the consummation of such Asset Sale. To the extent all or part of the Net Cash Proceeds of any Asset Sale are not so applied, the Company or any Restricted Subsidiary shall, within 270 days of such Asset Sale, make an offer to purchase (an 'Asset Sale Offer') from all holders of Notes up to a maximum principal amount (expressed as a multiple of $1,000) of Notes equal to such Net Cash Proceeds, at a purchase price equal to 100% of the principal amount thereof, plus accrued and unpaid interest thereon, if any, to the date of purchase; provided that the Company may defer the Asset Sale Offer until there are an aggregate unutilized Net Cash Proceeds from such Asset Sales equal to or in excess of $10.0 million, at which time the entire unutilized amount of such Net Cash Proceeds, and not just the amount in excess of $10.0 million, shall be applied as required pursuant to this paragraph. The Asset Sale Offer shall remain open for a period of 20 business days or such longer period as may be required by law. To the extent an Asset Sale Offer is oversubscribed, Notes shall be purchased among holders on a proportionate basis (based on the relative aggregate principal amounts validly tendered for purchase by holders thereof). To the extent the Asset Sale Offer is not fully subscribed to by the holders of the Notes, the Company may retain and

utilize any unutilized portion of the Net Cash Proceeds for any purpose consistent with the other terms of the Indenture.

Notwithstanding the foregoing, the Company and any Restricted Subsidiary will not be required to comply with clause (b) of the first sentence of the immediately preceding paragraph with respect to Asset Sales by the Company or any Restricted Subsidiary of (i) the Capital Stock or assets of PTC Cellular, Inc.,

(ii) the Company's 23.75% interest in Artel Business & Telecommunications, Inc. ('Artel') and (iii) the Company's inmate telephone business; provided that, in the case of the inmate telephone business, such noncompliance will only be permitted to the extent the Company delivers to the Trustee a written opinion from an Independent Financial Advisor to the effect of clause (a) of the first sentence of the immediately preceding paragraph. In addition to the foregoing, the Company and any Restricted Subsidiary will not be required to comply with the second sentence of the immediately preceding paragraph with respect to Net Cash Proceeds from Asset Sales by the Company or any Restricted Subsidiary of (i) the Capital Stock or assets of PTC Cellular, Inc., (ii) the Company's inmate telephone business and (iii) the Company's 23.75% interest in Artel; provided that the Net Cash Proceeds from any Asset Sale of Discontinued Operations shall be required to be applied as follows: (A) the Company or any Restricted Subsidiary may retain up to $5.0 million of such Net Cash Proceeds; (B) the Company or any Restricted Subsidiary may apply up to 50% of any such Net Cash Proceeds in excess of $5.0 million in the manner provided by clause (b) of the second sentence of the preceding paragraph; and (C) up to 50% of any such Net Cash Proceeds in excess of $5.0 million, together with any such excess Net Cash Proceeds not applied as contemplated by the preceding clause (B) within the time frame required by clause (b) of the second sentence of the preceding paragraph (collectively, 'Discontinued Operations Excess Proceeds'), shall be used by the Company to make an offer to purchase Notes at a purchase price equal to 100% of the principal amount thereof plus accrued and unpaid interest to the date of purchase; provided, further, that the Company may defer any such offer to purchase contemplated by the preceding clause (C) until the aggregate Discontinued Operations Excess Proceeds is in excess of $5.0 million, at which time the entire Discontinued Operations Excess Proceeds, and not just the amount in excess of such $5.0 million, shall be utilized to make an offer to purchase. Such offer to purchase shall be made within 45 days after such threshold is exceeded and shall comply with the same requirements for an Asset Sale Offer set forth above and in the Indenture.

The Company will comply with Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable, in the event that an Asset Sale occurs and the Company is required to purchase Notes as described above.

Limitation on Transactions with Interested Persons. The Indenture provides that the Company will not, and will not permit any of the Restricted Subsidiaries to, directly or indirectly, enter into or suffer to exist any transaction or series of related transactions (including, without limitation, the sale, transfer, disposition, purchase, exchange or lease of assets, property or services) with, or for the benefit of, any Affiliate of the Company (other than a Wholly-Owned Restricted Subsidiary), any officer or director of the Company or any Restricted Subsidiary or any beneficial owner (determined in accordance with the Indenture) of five percent or more of the Company's Common Stock at any time outstanding (each of the foregoing persons being referred to as an 'Interested Person') except (i) on terms that are no less favorable to the Company or such Restricted Subsidiary, as the case may be, than those which could have been obtained in a comparable transaction at such time from a person who is not an Interested Person and (ii) with respect to a transaction or series of transactions involving aggregate payments or value equal to or greater than $100,000, the Company shall have delivered an officers' certificate to the Trustee certifying that such transaction or transactions comply with the preceding clause (i) and that such transaction or transactions have been approved by a majority of the Board of Directors of the Company including a majority of the Independent Directors of the Board of Directors of the Company. In addition to the foregoing, with respect to a transaction or series of transactions with an Interested Person involving aggregate payments or value equal to or greater than $1.5 million, the Company must deliver to the Trustee a written opinion from an Independent Financial Advisor stating that such transaction or series of transactions are fair from a financial point of view. This covenant will not restrict the Company from (a) redeeming or paying dividends in respect of its Capital Stock permitted under the covenant '--Limitation on Restricted Payments,' (b) paying reasonable and customary regular fees and other compensation, including interests in Common Stock of the Company, to directors of the Company who are not employees of the Company, (c) paying any amounts pursuant to agreements existing, and as in effect, on the Issue Date and disclosed in this Prospectus, (d) paying loans or advances to officers of the Company

and the Restricted Subsidiaries for bona fide business purposes of the Company not in excess of $500,000 in the aggregate at any one time outstanding and (e) engaging in banking or other transactions with Creditanstalt-Bankverein and its

Affiliates and any other lender under the Credit Agreement relating to services customarily provided by Creditanstalt-Bankverein or its Affiliates and any other lender under the Credit Agreement in the ordinary course of its respective commercial lending business.

Limitation on Dividends and Other Payment Restrictions Affecting Restricted Subsidiaries. The Indenture provides that the Company will not, and will not permit any of the Restricted Subsidiaries to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to (a) pay dividends, in cash or otherwise, or make any other distributions on or in respect of its Capital Stock or any other interest or participation in, or measured by, its profits, (b) pay any Indebtedness owed to the Company or any other Restricted Subsidiary, (c) make loans or advances to the Company or any other Restricted Subsidiary, (d) transfer any of its properties or assets to the Company or any other Restricted Subsidiary (other than any customary restriction on transfers of property subject to a Lien permitted under the Indenture which would not materially adversely affect the Company's ability to satisfy its obligations under the Notes and the Indenture) or (e) guarantee any Indebtedness of the Company or any other Restricted Subsidiary, except for such encumbrances or restrictions existing under or by reason of (i) applicable law, (ii) customary non-assignment provisions of any contract or any licensing agreement entered into by the Company or any of the Restricted Subsidiaries in the ordinary course of business or any lease governing a leasehold interest of the Company or any Restricted Subsidiary, (iii) the Credit Agreement as in effect on the Issue Date and (iv) any agreement or other instrument of a person acquired by the Company or any Restricted Subsidiary in existence at the time of such acquisition (but not created in contemplation thereof), which encumbrance or restriction is not applicable to any person, or the properties or assets of any person, other than the person, or the property or assets of the person, so acquired.

Reporting Requirements. The Indenture requires that the Company file with the Commission the annual reports, quarterly reports and other documents required to be filed with the Commission pursuant to Sections 13 and 15 of the Exchange Act, whether or not the Company has a class of securities registered under the Exchange Act, on the basis required by such Sections. The Company is required to file with the Trustee within 15 days after it files them with the Commission copies of such reports and documents.

Designation of Unrestricted Subsidiaries. The Indenture provides that the Company may designate any Subsidiary of the Company as an 'Unrestricted Subsidiary' under the Indenture (a 'Designation') if:

(a) no Default shall have occurred and be continuing at the time of or after giving effect to such Designation;

(b) at the time of and after giving effect to such Designation, the Company could incur $1.00 of additional Indebtedness under the applicable provisions of the proviso to the first paragraph of the 'Limitation on Indebtedness' covenant described above; and

(c) the Company would be permitted under the Indenture to make an Investment at the time of Designation (assuming the effectiveness of such Designation) in an amount (the 'Designation Amount') equal to the Fair Market Value of such Subsidiary on such date.

In the event of any such Designation, the Company shall be deemed to have made an Investment constituting a Restricted Payment pursuant to the covenant 'Limitation on Restricted Payments' for all purposes of the Indenture in the Designation Amount. The Indenture further provides that (i) neither the Company nor any Restricted Subsidiary shall at any time (x) provide credit support for, subject any of its property or assets to the satisfaction of, or guarantee, any Indebtedness of any Unrestricted Subsidiary (including any undertaking, agreement or instrument evidencing such Indebtedness), (y) be directly or

indirectly liable for any Indebtedness of any Unrestricted Subsidiary or (z) be directly or indirectly liable for any Indebtedness which provides that the holder thereof may (upon notice, lapse of time or both) declare a default thereon or cause the payment thereof to be accelerated or payable prior to its final scheduled maturity upon the occurrence of a default with respect to any Indebtedness of any Unrestricted Subsidiary (including any right to take enforcement action against such Unrestricted Subsidiary), except, in the case of clause (x) or (y), to the extent otherwise permitted under the terms of the Indenture, including, without limitation, pursuant to the 'Limitation on Restricted Payments' and the 'Limitation on Indebtedness' covenants, and (ii) no Unrestricted Subsidiary shall at any time guarantee or otherwise provide credit support for any obligation of the Company or any Restricted Subsidiary.

The Indenture further provides that the Company may revoke any Designation of a Subsidiary as an Unrestricted Subsidiary (a 'Revocation') if:

(a) no Default shall have occurred and be continuing at the time of and after giving effect to such Revocation; and

(b) all Liens and Indebtedness of such Unrestricted Subsidiary outstanding immediately following such Revocation would, if incurred at such time, have been permitted to be incurred for all purposes of the Indenture.

All Designations and Revocations must be evidenced by Board Resolutions of the Company delivered to the Trustee certifying compliance with the foregoing provisions.

PTC Cellular, Inc. shall, for so long as it constitutes a Discontinued Operation, be an Unrestricted Subsidiary and shall at all such times be subject to the provisions of the Indenture applicable to Unrestricted Subsidiaries.

MERGER, SALE OF ASSETS, ETC.

The Company will not, in any transaction or series of transactions, merge or consolidate with or into, or sell, assign, transfer, lease or otherwise dispose of all or substantially all of its properties and assets as an entirety to, any person or persons, and the Company will not permit any of the Restricted Subsidiaries to enter into any such transaction or series of transactions if such transaction or series of transactions, in the aggregate, would result in a sale, assignment, transfer, lease or other disposition of all or substantially all of the properties and assets of the Company or the Company and the Restricted Subsidiaries, taken as a whole, to any other person or persons, unless at the time and after giving effect thereto (i) either (A) if the transaction or transactions is a merger or consolidation, the Company shall be the surviving person of such merger or consolidation, or (B) the person (if other than the Company) formed by such consolidation or into which the Company or such Restricted Subsidiary is merged or to which the properties and assets of the Company or such Restricted Subsidiary, as the case may be, substantially as an entirety, are transferred (any such surviving person or transferee person being the 'Surviving Entity') shall be a corporation organized and existing under the laws of the United States of America, any State thereof or the District of Columbia and shall expressly assume by a supplemental indenture executed and delivered to the Trustee, in form satisfactory to the Trustee, all the obligations of the Company under the Notes and the Indenture, and in each case, the Indenture shall remain in full force and effect; (ii) immediately before and immediately after giving effect to such transaction or series of transactions on a pro forma basis (including, without limitation, any Indebtedness incurred or anticipated to be incurred in connection with or in respect of such transaction or series of transactions), no Default shall have occurred and be continuing; and (iii) immediately after giving effect to such transaction or series of transactions on a pro forma basis (including, without limitation, any Indebtedness incurred or anticipated to be incurred in connection with or in respect of such transaction or series of transactions), the Company or the Surviving Entity, as the case may be, could incur $1.00 of

additional Indebtedness under the applicable provisions of the proviso to the first paragraph of the 'Limitation on Indebtedness' covenant described above.

In connection with any consolidation, merger, transfer, lease or other disposition contemplated hereby, the Company shall deliver, or cause to be delivered, to the Trustee, in form and substance reasonably satisfactory to the Trustee, an officers' certificate and an opinion of counsel, each stating that such consolidation, merger, transfer, lease or other disposition and the supplemental indenture in respect thereof comply with the requirements under the Indenture.

Upon any consolidation or merger or any transfer of all or substantially all of the assets of the Company in accordance with the foregoing, in which the Company is not the continuing corporation, the successor corporation formed by such a consolidation or into which the Company is merged or to which such transfer is made, shall succeed to, and be substituted for, and may exercise every right and power of, the Company under the Indenture with the same effect as if such successor corporation had been named as the Company therein.

EVENTS OF DEFAULT

The following will be 'Events of Default' under the Indenture:

(i) default in the payment of the principal of or premium, if any, when due and payable, on any of the Notes (whether at its Stated Maturity, upon optional redemption or required purchase); or

(ii) default in the payment of an installment of interest on any of the Notes, when due and payable, for 30 days or more; or

(iii) the Company shall fail to perform or observe any of the terms, covenants or agreements described under '--Merger, Sales of Assets, Etc.' or '--Certain Covenants--Limitation on Indebtedness,' '--Limitation on Restricted Payments,' '--Disposition of Proceeds of Asset Sales' or '--Change of Control'; or

(iv) the Company shall fail to perform or observe any term, covenant or agreement contained in the Notes or the Indenture (other than a default specified in (i), (ii) or (iii) above) for a period of 30 days after

written notice of such failure requiring the Company to remedy the same shall have been given (x) to the Company by the Trustee or (y) to the Company and the Trustee by the holders of 25% in aggregate principal amount of the Notes then outstanding; or

(v) either (a) default or defaults in the payment of any principal, premium or interest under one or more agreements, instruments, mortgages, bonds, debentures or other evidences of Indebtedness (a 'Debt Instrument') under which the Company or one or more Restricted Subsidiaries or the Company and one or more Restricted Subsidiaries then have outstanding Indebtedness in excess of $5.0 million, individually or in the aggregate, or (b) any other default or defaults under one or more Debt Instruments under which the Company or one or more Restricted Subsidiaries or the Company and one or more Restricted Subsidiaries then have outstanding Indebtedness in excess of $5.0 million, individually or in the aggregate, and in the case of this clause (b) either (x) such Indebtedness is already due and payable in full or (y) such default or defaults have resulted in the acceleration of the maturity of such Indebtedness; or

(vi) one or more judgments, orders or decrees of any court or regulatory or administrative agency of competent jurisdiction for the payment of money in excess of $5.0 million either individually or in the aggregate, shall be entered against the Company or any Restricted Subsidiary or any of their

respective properties and shall not be discharged or fully bonded and there shall have been a period of 60 days after the date on which any period for appeal has expired and during which a stay of enforcement of such judgment, order or decree shall not be in effect; or

(vii) any holder (or person acting on its behalf) of at least $5.0 million in aggregate principal amount of Indebtedness of the Company or any of the Restricted Subsidiaries shall, subsequent to the occurrence of a default with respect to such Indebtedness and in accordance with the terms of the document or agreement governing such Indebtedness, commence judicial proceedings to foreclose upon assets of the Company or one or more of the Restricted Subsidiaries having an aggregate Fair Market Value in excess of $5.0 million or shall have exercised any right under applicable law or applicable security documents to take ownership of any such assets in lieu of foreclosure; or

(viii) certain events of bankruptcy, insolvency or reorganization with respect to the Company or any Significant Subsidiary of the Company shall have occurred.

If an Event of Default (other than as specified in clause (viii) with respect to the Company) shall occur and be continuing, the Trustee, by notice to the Company, or the holders of at least 25% in aggregate principal amount of the Notes then outstanding, by notice to the Trustee and the Company, may declare the principal of, premium, if any, and accrued interest on all of the outstanding Notes due and payable immediately, upon which declaration, all amounts payable in respect of the Notes shall be immediately due and payable. If an Event of Default specified in clause (viii) (with respect to the Company) above occurs and is continuing, then the principal of, premium, if any, and accrued interest on all of the outstanding Notes shall ipso facto become and be immediately due and payable without any declaration or other act on the part of the Trustee or any holder of Notes.

After a declaration of acceleration under the Indenture, but before a judgment or decree for payment of the money due has been obtained by the Trustee, the holders of a majority in aggregate principal amount of the outstanding Notes, by written notice to the Company and the Trustee, may rescind such declaration if (a) the Company has paid or deposited with the Trustee a sum sufficient to pay (i) all sums paid or advanced by the Trustee under the Indenture and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, (ii) all overdue interest on all Notes, (iii) the principal of and premium, if any, on any Notes which have become due otherwise than by such declaration of acceleration and interest thereon at the rate borne by the Notes, and (iv) to the extent that payment of such interest is lawful, interest upon overdue interest and overdue principal at the rate borne by the Notes which has become due otherwise than by such declaration of acceleration; (b) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction; and (c) all Events of Default, other than the non-payment of principal of, premium, if any, and interest on the Notes that has become due solely by such declaration of acceleration, have been cured or waived.

The holders of not less than a majority in aggregate principal amount of the outstanding Notes may on behalf of the holders of all the Notes waive any past defaults under the Indenture, except a default in the payment of the principal of, premium, if any, or interest on any Note, or in respect of a covenant or provision which under the Indenture cannot be modified or amended without the consent of the holder of each Note outstanding.

No holder of any of the Notes has any right to institute any proceeding

with respect to the Indenture or any remedy thereunder, unless the holders of at least 25% in aggregate principal amount of the outstanding Notes have made written request, and offered reasonable indemnity, to the Trustee to institute such proceeding as Trustee under the Notes and the Indenture, the Trustee has failed to institute such proceeding within 15 days after receipt of such notice and the Trustee, within such 15-day period, has not received directions inconsistent with such written request by holders of a majority in aggregate principal amount of the outstanding Notes. Such limitations do not apply, however, to a suit instituted by a holder of a Note for

the enforcement of the payment of the principal of, premium, if any, or interest on such Note on or after the respective due dates expressed in such Note.

During the existence of an Event of Default, the Trustee is required to exercise such rights and powers vested in it under the Indenture and use the same degree of care and skill in its exercise thereof as a prudent person would exercise under the circumstances in the conduct of such person's own affairs. Subject to the provisions of the Indenture relating to the duties of the Trustee, in case an Event of Default shall occur and be continuing, the Trustee under the Indenture is not under any obligation to exercise any of its rights or powers under the Indenture at the request or direction of any of the holders unless such holders shall have offered to the Trustee reasonable security or indemnity. Subject to certain provisions concerning the rights of the Trustee, the holders of a majority in aggregate principal amount of the outstanding Notes have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee under the Indenture.

If a Default occurs and is continuing and is known to the Trustee, the Trustee shall mail to each holder of the Notes notice of the Default within 30 days after obtaining knowledge thereof. Except in the case of a Default in payment of principal of, premium, if any, or interest on any Notes, the Trustee may withhold the notice to the holders of such Notes if a committee of its trust officers in good faith determines that withholding the notice is in the interest of the holders of the Notes.

The Company will be required to furnish to the Trustee annual and quarterly statements as to the performance by the Company of its obligations under the Indenture and as to any default in such performance. The Company is also required to notify the Trustee within ten days of any event which is, or after notice or lapse of time or both would become, an Event of Default.

DEFEASANCE OR COVENANT DEFEASANCE OF INDENTURE

The Company may, at its option and at any time, terminate the obligations of the Company with respect to the outstanding Notes ('defeasance'). Such defeasance means that the Company shall be deemed to have paid and discharged the entire Indebtedness represented by the outstanding Notes, except for (i) the rights of holders of outstanding Notes to receive payment in respect of the principal of, premium, if any, and interest on such Notes when such payments are due, (ii) the Company's obligations to issue temporary Notes, register the transfer or exchange of any Notes, replace mutilated, destroyed, lost or stolen Notes and maintain an office or agency for payments in respect of the Notes, (iii) the rights, powers, trusts, duties and immunities of the Trustee, and (iv) the defeasance provisions of the Indenture. In addition, the Company may, at its option and at any time, elect to terminate its obligations with respect to certain covenants that are set forth in the Indenture, some of which are described under '--Certain Covenants' above, and any omission to comply with such obligations shall not constitute a Default or an Event of Default with respect to the Notes ('covenant defeasance').

In order to exercise either defeasance or covenant defeasance, (i) the Company must irrevocably deposit with the Trustee, in trust, for the benefit of the holders of the Notes, cash in United States dollars, U.S. Government Obligations (as defined in the Indenture), or a combination thereof, in such amounts as will be sufficient, in the opinion of a nationally recognized firm of independent public accountants, to pay the principal of, premium, if any, and interest on the outstanding Notes to redemption or maturity; (ii) the Company shall have delivered to the Trustee an opinion of counsel to the effect that the holders of the outstanding Notes will not recognize income, gain or loss for federal income tax purposes as a result of such defeasance or covenant defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance or covenant defeasance had not occurred (in the case of defeasance, such opinion must refer to and be based upon a ruling of the Internal Revenue Service or a change in applicable federal income tax laws); (iii) no Default shall have

occurred and be continuing on the date of such deposit or with respect to clause (viii) under the first paragraph under '--Events of Default,' at any time during the period ending on the 91st day after the date of deposit; (iv) such defeasance or covenant defeasance shall not cause the Trustee to have a conflicting interest with respect to any securities of the Company; (v) such defeasance or covenant defeasance shall not result in a breach or violation of,

or constitute a default under, any agreement or instrument to which the Company is a party or by which it is bound; (vi) the Company shall have delivered to the Trustee an opinion of counsel to the effect that (A) the trust funds will not be subject to any rights of holders of Indebtedness and (B) after the 91st day following the deposit, the trust funds will not be subject to the effect of any applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally; and (vii) the Company shall have delivered to the Trustee an officers' certificate and an opinion of counsel, each stating that all conditions precedent under the Indenture to either defeasance or covenant defeasance, as the case may be, have been complied with and that no violations under agreements governing any other outstanding Indebtedness would result.

SATISFACTION AND DISCHARGE

The Indenture will be discharged and will cease to be of further effect (except as to surviving rights or registration of transfer or exchange of the Notes, as expressly provided for in the Indenture) as to all outstanding Notes when (i) either (a) all the Notes theretofore authenticated and delivered (except lost, stolen or destroyed Notes which have been replaced or paid and Notes for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust) have been delivered to the Trustee for cancellation or (b) all Notes not theretofore delivered to the Trustee for cancellation have become due and payable and the Company has irrevocably deposited or caused to be deposited with the Trustee funds in an amount sufficient to pay and discharge the entire Indebtedness on the Notes not theretofore delivered to the Trustee for cancellation, for principal of, premium, if any, and interest on the Notes to the date of deposit together with irrevocable instructions from the Company directing the Trustee to apply such funds to the payment thereof at maturity or redemption, as the case may be; (ii) the Company has paid all other sums payable under the Indenture by the Company; and (iii) the Company has delivered to the Trustee an officers' certificate and an opinion of counsel stating that all conditions precedent under the Indenture relating to the satisfaction and discharge of the Indenture have been complied with.

AMENDMENTS AND WAIVERS

From time to time, the Company, when authorized by a resolution of its Board of Directors, and the Trustee may, without the consent of the holders of any outstanding Notes, amend, waive or supplement the Indenture or the Notes for certain specified purposes, including, among other things, curing ambiguities, defects or inconsistencies, qualifying, or maintaining the qualification of, the Indenture under the Trust Indenture Act, or making any change that does not adversely affect the rights of any holder; provided that the Company has delivered to the Trustee an opinion of counsel acceptable to the Trustee stating that such change does not adversely affect the legal rights of any holder. Other amendments and modifications of the Indenture or the Notes may be made by the Company, and the Trustee with the consent of the holders of not less than a majority of the aggregate principal amount of the outstanding Notes; provided that no such modification or amendment may, without the consent of the holder of each outstanding Note affected thereby, (i) reduce the principal amount of, extend the fixed maturity of or alter the redemption provisions of, the Notes, (ii) change the currency in which any Notes or any premium or the interest thereon is payable, (iii) reduce the percentage in principal amount of outstanding Notes that must consent to an amendment, supplement or waiver or consent to take any action under the Indenture or the Notes, (iv) impair the right to institute suit for the enforcement of any payment on or with respect to the Notes, (v) waive a default in payment with respect to the Notes, (vi) amend, change or modify the obligation of the Company to make and consummate a Change of Control Offer in the event of a Change of Control or make and consummate

the offer with respect to any Asset Sale or modify any of the provisions or definitions with respect thereto, (vii) adversely affect the ranking of the Notes in a manner adverse to holders of the Notes or (viii) reduce or change the rate or time for payment of interest on the Notes.

THE TRUSTEE

The Indenture provides that, except during the continuance of an Event of Default, the Trustee thereunder will perform only such duties as are specifically set forth in the Indenture. If an Event of Default has occurred and is continuing, the Trustee will exercise such rights and powers vested in it under the Indenture and use the same degree of care and skill in its exercise as a prudent person would exercise under the circumstances in the conduct of such person's own affairs.

The Indenture and, upon issuance of the Exchange Notes or effectiveness of a Shelf Registration Statement, provisions of the Trust Indenture Act, incorporated by reference therein contain limitations on the rights of the Trustee, should it become a creditor of the Company, to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise. The Trustee is permitted to engage in other transactions with the Company or any Affiliate of the Company; provided

that if it acquires any conflicting interest (as defined in the Indenture or in the Trust Indenture Act) it must eliminate such conflict or resign.

GOVERNING LAW

The Indenture and the Notes are governed by the laws of the State of New York, without regard to principles of conflicts of law.

CERTAIN DEFINITIONS

'Acquired Indebtedness' means Indebtedness of a person (a) assumed in connection with an Asset Acquisition from such person or (b) existing at the time such person becomes a Restricted Subsidiary which, in either case, was not created or entered into in anticipation or contemplation of an Asset Acquisition or such person becoming a Restricted Subsidiary.

'Affiliate' means, with respect to any specified person, any other person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified person.

'Asset Acquisition' means (a) an Investment by the Company or any Restricted Subsidiary in any other person pursuant to which such person shall become a Restricted Subsidiary or shall be merged with or into the Company or any Restricted Subsidiary, (b) the acquisition by the Company or any Restricted Subsidiary of the assets of any person which constitute all or substantially all of the assets of such person or any division or line (whether based on product or geography) of business of such person or (c) the acquisition by the Company or any Restricted Subsidiary of any public pay telephones, inmate telephones, cellular telephones and/or telephone operating facility from any person other than the manufacturer (or an Affiliate thereof or special purpose finance entity related thereto) of such telephones in a transaction involving consideration having a Fair Market Value equal to or greater than $500,000.

'Asset Sale' means any sale, issuance, conveyance, transfer, lease or other disposition to any person other than the Company or a Wholly-Owned Restricted Subsidiary, in one or a series of related transactions, of (a) any Capital Stock of any Restricted Subsidiary; (b) all or substantially all of the properties and assets of any division or line (whether based on product or geography) of business of the Company or any Restricted Subsidiary; (c) any other properties or assets of the Company or any Restricted Subsidiary other

than in the ordinary course of business; or (d) any public pay telephones, inmate telephones, cellular telephones and/or telephone operating facility by the Company or any Restricted Subsidiary involving consideration having a Fair Market Value equal to or greater than $500,000. For the purposes of this definition, the term 'Asset Sale' shall not include (i) any sale, issuance, conveyance, transfer, lease or other disposition of properties or assets that is governed by the provisions described under '--Merger, Sale of Assets, Etc.,' (ii) sales of obsolete equipment and (iii) any sale, issuance, conveyance, transfer, lease or other disposition of properties or assets, whether in one transaction or a series of related transactions, involving assets with a Fair Market Value not in excess of $50,000.

'Average Life to Stated Maturity' means, with respect to any Indebtedness, as at any date of determination, the quotient obtained by dividing (a) the sum of the products of (i) the number of years from such date to the date or dates of each successive scheduled principal payment (including, without limitation, any sinking fund requirements) of such Indebtedness multiplied by (ii) the amount of each such principal payment by (b) the sum of all such principal payments.

'Capital Stock' means, with respect to any person, any and all shares, interests, participations, rights in or other equivalents (however designated) of such person's capital stock, and any rights (other than debt securities convertible into capital stock), warrants or options exchangeable for or convertible into such capital stock.

'Capitalized Lease Obligation' means any obligation under a lease of (or other agreement conveying the right to use) any property (whether real, personal or mixed) that is required to be classified and accounted for as a capital lease obligation under GAAP, and, for the purpose of the Indenture, the amount of such obligation at any date shall be the capitalized amount thereof at such date, determined in accordance with GAAP.

'Cash Equivalents' means, at any time, (i) any evidence of Indebtedness with a maturity of 365 days (or, for purposes of the 'Disposition of Proceeds of Asset Sales' covenant, 270 days) or less issued or directly and fully guaranteed or insured by the United States of America or any agency or instrumentality thereof (provided that the full faith and credit of the United States of America is pledged in support thereof); (ii) certificates of deposit or acceptances with a maturity of 365 days (or for purposes of the 'Disposition of Proceeds of Asset Sales' covenant, 270 days) or less of any financial institution that is a member of the Federal Reserve System having combined capital and surplus and undivided profits of not less than $250.0 million; (iii) commercial paper with a maturity

of 365 days (or for purposes of the 'Disposition of Proceeds of Asset Sales' covenant, 270 days) or less issued by a corporation that is not an Affiliate of the Company organized under the laws of any State of the United States or of the District of Columbia and rated at least A-1 by Standard & Poor's Corporation or at least P-1 by Moody's Investor's Service, Inc. or at least an equivalent rating category of another nationally recognized securities rating agency; (iv) repurchase agreements and reverse repurchase agreements relating to marketable direct obligations issued or unconditionally guaranteed by the government of the United States of America or issued by any agency thereof and backed by the full faith and credit of the United States of America, in each case maturing within one year from the date of acquisition; and (v) money market accounts with a financial institution of the type described in clause (ii) above which invest substantially in instruments of the types described in clauses (i) through (iv) above.

'Change of Control' is defined to mean the occurrence of any of the following events: (a) any 'person' or 'group' (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act), other than a Permitted Holder, is or becomes the 'beneficial owner' (as defined in Rules 13d-3 and 13d-5 under the Exchange Act, except that a person shall be deemed to have 'beneficial ownership' of all securities that such person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of more than 50% of the total Voting Stock of the Company; or (b) the Company consolidates with, or merges with or into, another person or sells, assigns, conveys, transfers,

leases or otherwise disposes of all or substantially all of its assets to any person, or any person consolidates with, or merges with or into, the Company, in any such event pursuant to a transaction in which the outstanding Voting Stock of the Company is converted into or exchanged for cash, securities or other property, other than any such transaction where (i) the outstanding Voting Stock of the Company is converted into or exchanged for (1) Voting Stock (other than Redeemable Capital Stock) of the surviving or transferee corporation or (2) cash, securities and other property in an amount which could be paid by the Company as a Restricted Payment under the Indenture and (ii) immediately after such transaction no 'person' or 'group' (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act), other than a Permitted Holder, is the 'beneficial owner' (as defined in Rules 13d-3 and 13d-5 under the Exchange Act, except that a person shall be deemed to have 'beneficial ownership' of all securities that such person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of more than 50% of the total Voting Stock of the surviving or transferee corporation.

'Common Stock' means, with respect to any person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or nonvoting) of, such person's common stock, whether outstanding at the Issue Date or issued after the Issue Date, and includes, without limitation, all series and classes of such common stock.

'Consolidated Cash Flow Available for Fixed Charges' means, with respect to the Company and the Restricted Subsidiaries for any period, (i) the sum of, without duplication, the amounts for such period, taken as a single accounting period, of (a) Consolidated Net Income, (b) Consolidated Non-cash Charges, (c) Consolidated Interest Expense to the extent reducing Consolidated Net Income, (d) Consolidated Income Tax Expense to the extent reducing Consolidated Net Income and (e) to the extent incurred in such period and not otherwise included in clause (b) above, the 1994 Charges to the extent reducing Consolidated Net Income less (ii) non-cash items increasing Consolidated Net Income.

'Consolidated Fixed Charge Coverage Ratio' means, with respect to the Company, the ratio of the aggregate amount of Consolidated Cash Flow Available for Fixed Charges of the Company and the Restricted Subsidiaries for the four full fiscal quarters for which financial information in respect thereof is available immediately preceding the date of the transaction (the 'Transaction Date') giving rise to the need to calculate the Consolidated Fixed Charge Coverage Ratio (such four full fiscal quarter period being referred to herein as the 'Four Quarter Period') to the aggregate amount of Consolidated Fixed Charges of the Company for the Four Quarter Period. In addition to and without limitation of the foregoing, for purposes of this definition, 'Consolidated Cash Flow Available for Fixed Charges' and 'Consolidated Fixed Charges' shall be calculated after giving effect on a pro forma basis for the period of such calculation to, without duplication, (a) the incurrence of any Indebtedness of the Company or any Restricted Subsidiary during the period commencing on the first day of the Four Quarter Period to and including the Transaction Date (the 'Reference Period'), including, without limitation, the incurrence of the Indebtedness giving rise to the need to make such calculation, as if such incurrence occurred on the first day of the Reference Period, (b) an adjustment to eliminate or include, as the case may be, the Consolidated Cash Flow Available for Fixed Charges and the Consolidated Fixed Charges of such person directly attributable to assets which are the subject of any Asset Sales or Asset Acquisitions occurring during the Reference Period, as if such Asset Sale (after giving effect to any Designation of Unrestricted Subsidiaries) or Asset Acquisition occurred on the first day of the Reference Period and (c) the

retirement of Indebtedness which cannot be reborrowed during the Reference Period as if retired on the first day of the Reference Period. Furthermore, in calculating 'Consolidated Fixed Charges' for purposes of determining the denominator (but not the numerator) of this 'Consolidated Fixed Charge Coverage Ratio,' (i) interest on outstanding Indebtedness determined on a fluctuating basis as of the Transaction Date and which will continue to be so determined thereafter shall be deemed to have accrued at a fixed rate per annum equal to the rate of interest on such Indebtedness in effect on the Transaction Date, (ii) if interest on any Indebtedness actually incurred on the Transaction Date may optionally be determined at an interest rate based upon a factor of a prime or similar rate, a eurocurrency interbank offered rate, or other rates, then the

interest rate in effect on the Transaction Date will be deemed to have been in effect during the Reference Period; and (iii) notwithstanding clause (i) and (ii) above, interest on Indebtedness determined on a fluctuating basis, to the extent such interest is covered by agreements relating to Interest Rate Protection Obligations, shall be deemed to have accrued at the rate per annum resulting after giving effect to the operation of such agreements to the extent then applicable.

'Consolidated Fixed Charges' means, with respect to the Company for any period, the sum of, without duplication, the amounts for such period of (i) Consolidated Interest Expense and (ii) the aggregate amount of dividends and other distributions paid or accrued during such period in respect of Redeemable Capital Stock (other than the shares of UBS Partners Preferred Stock) of the Company and the Restricted Subsidiaries on a consolidated basis.

'Consolidated Income Tax Expense' means, with respect to the Company for any period, the provision for federal, state, local and foreign income taxes of the Company and the Restricted Subsidiaries for such period as determined on a consolidated basis in accordance with GAAP.

'Consolidated Interest Expense' means, with respect to the Company for any period, without duplication, the sum of (i) the interest expense of the Company and the Restricted Subsidiaries for such period as determined on a consolidated basis in accordance with GAAP, including, without limitation, (a) any amortization of debt discount, (b) the net cost under Interest Rate Protection Obligations (including any amortization of discounts), (c) the interest portion of any deferred payment obligation, (d) all commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing and (e) all accrued interest and, (ii) the interest component of Capitalized Lease Obligations paid, accrued and/or scheduled to be paid or accrued by the Company and the Restricted Subsidiaries during such period as determined on a consolidated basis in accordance with GAAP. Notwithstanding anything herein to the contrary, Consolidated Interest Expense shall include amounts which would constitute Consolidated Interest Expense but for the treatment of the Discontinued Operations under GAAP.

'Consolidated Net Income' means, with respect to the Company and the Restricted Subsidiaries for any period, the consolidated net income (or loss) from continued operations of the Company and the Restricted Subsidiaries for such period as determined in accordance with GAAP, adjusted, to the extent included in calculating such net income (or loss), by excluding, without duplication, (i) all extraordinary gains and losses (net of fees and expenses relating to the transaction giving rise thereto), (ii) the portion of net income (or loss) of the Company and the Restricted Subsidiaries allocable to minority interests in unconsolidated persons except to the extent that cash dividends or distributions have actually been received by the Company or a Restricted Subsidiary, (iii) net income (or loss) of any person combined with such person or one of its Restricted Subsidiaries on a 'pooling of interests' basis attributable to any period prior to the date of combination, (iv) any gain realized upon the termination of any employee pension benefit plan, on an after-tax basis, (v) gains in respect of any Asset Sales by the Company or a Restricted Subsidiary (net of fees and expenses relating to the transaction giving rise thereto), on an after-tax basis, (vi) the net income of any Unrestricted Subsidiary, except to the extent that cash dividends or distributions have been actually received by the Company or one of the Restricted Subsidiaries, (vii) the cumulative non-cash effect of any change in any accounting principle and (viii) the net income of any Restricted Subsidiary to the extent that the declaration of dividends or similar distributions by that Restricted Subsidiary of that income is not at the time permitted, directly or indirectly, by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulations applicable to that Restricted Subsidiary or its stockholders.

'Consolidated Non-cash Charges' means, with respect to the Company for any period, the aggregate depreciation, amortization and other non-cash expenses of the Company and the Restricted Subsidiaries

reducing Consolidated Net Income of such person and its Restricted Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP.

'Credit Agreement' means the Fourth Amended and Restated Loan and Security

Agreement dated as of July 19, 1995, by and among the Company, as borrower, Creditanstalt-Bankverein, as lender, and any other lenders which become parties from time to time thereto, together with the related documents thereto (including, without limitation, any security documents), in each case as such agreements may be amended (including any amendment and restatement thereof), supplemented or otherwise modified from time to time, including any agreement extending the maturity of, refinancing or otherwise restructuring all or any portion of the Indebtedness under such agreement or any successor agreement in compliance with the Indenture.

'Currency Agreement' means any foreign exchange contract, currency swap agreement or other similar agreement or arrangement designed to protect the Company or any of the Restricted Subsidiaries against fluctuations in currency values.

'Default' means any event that is, or after notice or passage of time or both would be, an Event of Default.

'Designation' has the meaning set forth under '--Certain Covenants--Designation of Unrestricted Subsidiaries.'

'Designation Amount' has the meaning set forth under '--Certain Covenants--Designation of Unrestricted Subsidiaries.'

'Discontinued Operations' means those business segments of the Company segregated and accounted for as discontinued operations for financial accounting purposes as of the Issue Date for so long as such operations constitute discontinued operations.

'Equity Offering' means an offering, whether public or private, of Capital Stock (other than Redeemable Capital Stock or Capital Stock requiring the payment of dividends in cash or Redeemable Capital Stock at any time on or prior to any Stated Maturity of the Notes) of the Company issued and sold directly by the Company.

'Event of Default' has the meaning set forth under '--Events of Default' herein.

'Fair Market Value' means, with respect to any asset, the price (after taking into account any liabilities relating to such assets) which could be negotiated in an arm's length free market transaction, for cash, between a willing seller and a willing buyer, neither of which is under pressure or compulsion to complete the transaction; provided that, except with respect to any Asset Sale which involves an asset or assets the value of which could reasonably be expected to exceed $500,000, the Fair Market Value of any such asset or assets shall be determined by the Board of Directors of the Company, acting in good faith and shall be evidenced by resolutions of the Board of Directors of the Company delivered to the Trustee.

'GAAP' means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as may be approved by a significant segment of the accounting profession of the United States of America, which are applicable as of the date of determination and are consistently applied.

'guarantee' means, as applied to any obligation, (i) a guarantee (other than by endorsement of negotiable instruments for collection in the ordinary course of business), direct or indirect, in any manner,

of any part or all of such obligation and (ii) an agreement, direct or indirect, contingent or otherwise, the practical effect of which is to assure in any way the payment or performance (or payment of damages in the event of non-performance) of all or any part of such obligation, including, without limiting the foregoing, the payment of amounts drawn down by letters of credit. A guarantee shall include, without limitation, any agreement to maintain or preserve any other person's financial condition or to cause any other person to achieve certain levels of operating results.

'Indebtedness' means, with respect to any person, without duplication, (a) all liabilities of such person for borrowed money or for the deferred purchase price of property or services, excluding any trade payables and other accrued current liabilities incurred in the ordinary course of business, but including, without limitation, all obligations, contingent or otherwise, of such person in connection with any letters of credit, banker's acceptance or other similar credit transaction, (b) all obligations of such person evidenced by bonds, notes, debentures or other similar instruments, (c) all Indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by such person (even if the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), but excluding trade accounts payable arising in the ordinary course of business, (d) all Capitalized Lease Obligations of such person, (e) all Indebtedness referred to in the preceding

clauses of other persons and all dividends of other persons, the payment of which is secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien upon property (including, without limitation, accounts and contract rights) owned by such person, even though such person has not assumed or become liable for the payment of such Indebtedness (the amount of such obligation being deemed to be the lesser of the value of such property or asset or the amount of the obligation so secured), (f) all guarantees of Indebtedness referred to in this definition by such person, (g) all Redeemable Capital Stock valued at the greater of its voluntary or involuntary maximum fixed repurchase price plus accrued dividends, (h) all obligations under or in respect of foreign exchange contracts, currency swap agreements or other similar agreements and Interest Rate Protection Obligations of such person and (i) any amendment, supplement, modification, deferral, renewal, extension or refunding of any liability of the types referred to in clauses (a) through (h) above. For purposes hereof, the 'maximum fixed repurchase price' of any Redeemable Capital Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Redeemable Capital Stock as if such Redeemable Capital Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to the Indenture, and if such price is based upon, or measured by, the fair market value of such Redeemable Capital Stock, such fair market value shall be determined in good faith by the board of directors of the issuer of such Redeemable Capital Stock. When any person becomes a Restricted Subsidiary, there shall be deemed to have been an incurrence by such Restricted Subsidiary of all Indebtedness for which it is liable at the time it becomes a Restricted Subsidiary. If the Company or any of the Restricted Subsidiaries, directly or indirectly, guarantees Indebtedness of a third person, there shall be deemed to be an incurrence of such guaranteed Indebtedness as if the Company or such Restricted Subsidiary had directly incurred or otherwise assumed such guaranteed Indebtedness.

'Independent Director' means, with respect to any transaction or series of transactions, a member of the Board of Directors of the Company who is not employed by the Company (other than as a consultant) and who does not have, or was not appointed to the Board of Directors of a shareholder which has, any material direct or indirect financial interest in or with respect to such transaction or series of transactions.

'Independent Financial Advisor' means a firm (i) which does not, and whose directors, officers and employees or Affiliates do not, have a direct or indirect financial interest in the Company and (ii) which, in the judgment of the Board of Directors of the Company, is otherwise independent and qualified to perform the task for which it is to be engaged.

'Interest Rate Protection Obligations' means the obligations of any person pursuant to any arrangement with any other person whereby, directly or indirectly, such person is entitled to receive from

time to time periodic payments calculated by applying either a floating or a fixed rate of interest on a stated notional amount in exchange for periodic payments made by such person calculated by applying a fixed or a floating rate of interest on the same notional amount and shall include, without limitation, interest rate swaps, caps, floors, collars and similar agreements.

'Interested Person' has the meaning set forth under '--Certain Covenants--Limitation on Transactions with Interested Persons.'

'Investment' means, with respect to any person, any direct or indirect loan or other extension of credit (including by way of a guarantee) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or any purchase or acquisition by such person of any Capital Stock, bonds, notes, debentures or other securities or evidences of Indebtedness issued by, any other person. 'Investments' shall exclude extensions of trade credit on commercially reasonable terms in accordance with normal trade practices. In addition to the foregoing, any foreign exchange contract, currency swap agreement or other similar agreement shall constitute an Investment hereunder.

'Issue Date' means the original date of issuance of the Notes.

'Lien' means any mortgage, charge, pledge, lien (statutory or other), security interest, hypothecation, assignment for security, claim, or preference or priority or other encumbrance upon or with respect to any property of any kind. A person shall be deemed to own subject to a Lien any property which such person has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement.

'Net Cash Proceeds' means, with respect to any Asset Sale, the sum of (a) the proceeds thereof in the form of cash or Cash Equivalents (including payments in respect of deferred payment obligations when received in the form of cash or Cash Equivalents (except to the extent that such obligations are financed or sold with recourse to the Company or any Restricted Subsidiary)) and (b) the aggregate principal amount (or, in the case of Indebtedness issued with original

issue discount, accreted value) of any Indebtedness of the Company assumed by the purchaser of the assets or shares subject to such Asset Sale and as to which the Company has been unconditionally released, net of (i) brokerage commissions and other fees and expenses (including, without limitation, fees and expenses of legal counsel and investment bankers) related to such Asset Sale, (ii) provisions for all taxes payable as a result of such Asset Sale, (iii) amounts required to be paid to any person (other than the Company or any Restricted Subsidiary) owning a beneficial interest in the assets subject to the Asset Sale (which, in the case of a Lien permitted under the Indenture, is being pledged or used to permanently reduce Indebtedness secured by such Lien) and (iv) appropriate amounts to be provided by the Company or any Restricted Subsidiary, as the case may be, as a reserve required in accordance with GAAP consistently applied against any liabilities associated with such Asset Sale and retained by the Company or any Restricted Subsidiary, as the case may be, after such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as reflected in an officers' certificate delivered to the Trustee; provided that any amounts remaining after such adjustments, revaluations or liquidations of such reserves shall also constitute Net Cash Proceeds.

'1994 Charges' means the one-time charges taken by the Company in the fiscal year ended December 31, 1994 and reflected in the financial statements included in this Prospectus.

'Other Senior Debt' means Indebtedness of the Company ranking pari passu in right of payment with the Notes, the terms of which require that Net Cash Proceeds be used to permanently reduce (and thereby also reduce commitments relating to) such Indebtedness.

'Other Senior Debt Pro Rata Share' means a fraction, (i) the numerator of which is the aggregate principal amount of Other Senior Debt outstanding on the date Net Cash Proceeds are received and (ii) the denominator of which is the sum of (x) the aggregate principal amount of Notes outstanding on such date and (y) the aggregate principal amount of any Other Senior Debt outstanding on such date.

'Permitted Holders' mean any of the following individually or collectively: (i) UBS Capital Corporation or its affiliates; (ii) Jeffrey Hanft, the Chairman of the Board and Chief Executive Officer of the Company; (iii) Robert D. Rubin, the President of the Company; and (iv) their respective controlled Affiliates.

'Permitted Investments' means any of the following: (i) Investments in Cash Equivalents; (ii) Investments in prepaid expenses, negotiable instruments held for collection and lease, utility and workers' compensation, performance and other similar deposits; (iii) Interest Rate Protection Obligations and Currency Agreements permitted under clause (e) of the second paragraph of the 'Limitation on Indebtedness' covenant set forth above; (iv) any issuance of Capital Stock (other than Redeemable Capital Stock) of the Company in exchange for Capital Stock, property or assets of another person; and (v) Investments representing Capital Stock or obligations issued to the Company or any of the Restricted Subsidiaries in settlement of claims against any other person by reason of a composition or readjustment of debt or a reorganization of any debtor of the Company or such Restricted Subsidiary.

'Permitted Liens' means the following types of Liens:

(a) Liens for taxes, assessments or governmental charges or claims either (i) not delinquent or (ii) contested in good faith by appropriate proceedings and as to which the Company or the Restricted Subsidiaries shall have set aside on its books such reserves as may be required pursuant to GAAP;

(b) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, suppliers, materialmen, repairmen and other Liens imposed by law incurred in the ordinary course of business for sums not yet delinquent or being contested in good faith, if such reserve or other appropriate provision, if any, as shall be required by GAAP shall have been made in respect thereof;

(c) Liens incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security, or to secure the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases, government contracts, performance and return-of-money bonds and other similar obligations (exclusive of obligations for the payment of borrowed money);

(d) judgment Liens not giving rise to an Event of Default so long as such Lien is adequately bonded and any appropriate legal proceedings which may have been duly initiated for the review of such judgment shall not have been finally terminated or the period within which such proceedings may be initiated shall not have expired;

(e) easements, reservations, licenses, rights-of-way, zoning restrictions and other similar charges or encumbrances in respect of real property not interfering in any material respect with the ordinary conduct of the business of the Company or any of the Restricted Subsidiaries;

(f) any interest or title of a lessor or sublessor under any Capitalized Lease Obligation or operating lease;

(g) purchase money Liens incurred in the ordinary course of business; provided that (i) the related purchase money Indebtedness shall not be secured by any property or assets of the Company or

any Restricted Subsidiary other than the property and assets so acquired and (ii) the Lien securing such Indebtedness shall be created within 90 days of such acquisition;

(h) Liens securing reimbursement obligations with respect to commercial letters of credit which encumber documents and other property relating to such letters of credit and products and proceeds thereof;

(i) Liens encumbering deposits made to secure obligations arising from statutory, regulatory, contractual, or warranty requirements of the Company or any of the Restricted Subsidiaries, including rights of offset and set-off;

(j) Liens securing Interest Rate Protection Obligations and Currency Agreements, which Interest Rate Protection Obligations and Currency Agreements relate to Indebtedness that is secured by Liens otherwise permitted under the Indenture;

(k) Liens securing Indebtedness of the Company or any Restricted Subsidiary incurred to purchase public pay telephones, which Indebtedness is permitted to be incurred pursuant to the 'Limitation on Indebtedness' covenant, is owed to a vendor or to a bank or other financial institution and has financed the purchase of such public pay telephones; provided that (i) the amount of such Indebtedness does not exceed, at the time of incurrence, the lesser of the book value or the Fair Market Value of the public pay telephones so acquired and (ii) the Indebtedness shall not be secured by any property or assets of the Company or any Restricted Subsidiary other than the public pay telephones so acquired;

(l) Liens securing Indebtedness under Capitalized Lease Obligations incurred by the Company or a Restricted Subsidiary after the Issue Date in the ordinary course of business to the extent relating to property and assets subject to the applicable lease and which are securing solely the lease rental of such property, plus reasonable fees and expenses incurred in connection therewith; and

(m) Liens securing Acquired Indebtedness created prior to (and not created in connection with or in contemplation of) the incurrence of such Indebtedness by the Company or a Restricted Subsidiary; provided that such Lien does not extend to any property or assets of the Company or any Restricted Subsidiary other than the property and assets acquired in the transaction resulting in such Acquired Indebtedness being incurred by the Company or any Restricted Subsidiary; provided, further, that such Acquired Indebtedness is permitted to be incurred by the Company or such Restricted Subsidiary, as the case may be, pursuant to the 'Limitation on Indebtedness' covenant.

'person' means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

'Preferred Stock' means, with respect to any person, any and all shares, interests, participations or other equivalents (however designated) of such person's preferred or preference stock whether now outstanding or issued after the Issue Date, and including, without limitation, all classes and series of preferred or preference stock of such person.

'Redeemable Capital Stock' means any class or series of Capital Stock that, either by its terms, by the terms of any security into which it is convertible or exchangeable or by contract or otherwise, is or upon the happening of an event or passage of time would be, required to be redeemed on or prior to any Stated Maturity of the Notes or is redeemable at the option of the holder thereof at any time on or prior to any Stated Maturity of the Notes, or is convertible into or exchangeable for debt securities at any time on or prior to any Stated Maturity of the Notes.

'Restricted Payments Availability' means, at any date, the amount available as of such date for Restricted Payments as determined by reference to clauses (C)(1), (2), (3) and (4) of the first paragraph of the 'Limitation on Restricted Payments' covenant at such date, less the amount of all Restricted Payments

previously declared or made from and after the Issue Date to such date.

'Restricted Subsidiary' means any Subsidiary of the Company that has not been designated by the Board of Directors of the Company, by a Board Resolution delivered to the Trustee, as an Unrestricted Subsidiary pursuant to and in compliance with the covenant 'Designation of Unrestricted Subsidiaries.' Any such designation may be revoked by a Board Resolution delivered to the Trustee, subject to the provisions of such covenant.

'Revocation' has the meaning set forth under '--Certain Covenants--Designation of Unrestricted Subsidiaries.'

'Significant Subsidiary' means, at any particular time, any Restricted Subsidiary that, together with the Restricted Subsidiaries of such Restricted Subsidiary, (a) accounted for more than 10% of the consolidated revenues of the Company and the Restricted Subsidiaries for the most recently completed fiscal year of the Company or (b) was the owner of more than 10% of the consolidated assets of the Company and the Restricted Subsidiaries as at the end of such fiscal year, all as shown on the consolidated financial statements of the Company and the Restricted Subsidiaries for such fiscal year.

'Stated Maturity' means, when used with respect to any Note or any installment of interest thereon, the date specified in such Note as the fixed date on which any principal of such Note or such installment of interest is due and payable, and when used with respect to any other Indebtedness, means any date specified in the instrument governing such Indebtedness as the fixed date on which the principal of such Indebtedness, or any installment of interest thereon, is due and payable.

'Subordinated Indebtedness' means Indebtedness of the Company which is expressly subordinated in right of payment to the Notes.

'Subsidiary' means, with respect to any person, (i) a corporation a majority of whose Voting Stock is at the time, directly or indirectly, owned by such person, by one or more Subsidiaries of such person or by such person and one or more Subsidiaries thereof and (ii) any other person (other than a corporation), including, without limitation, a joint venture, in which such person, one or more Subsidiaries thereof or such person and one or more Subsidiaries thereof, directly or indirectly, at the date of determination thereof, has at least majority ownership interest entitled to vote in the election of directors, managers or trustees thereof (or other person performing similar functions). For purposes of this definition, any directors' qualifying shares or investments by foreign nationals mandated by applicable law shall be disregarded in determining the ownership of a Subsidiary.

'UBS Partners Preferred Stock' means the Company's Series C Cumulative Convertible Preferred Stock, par value $.01 per share, issued pursuant to the Securities Purchase Agreement dated as of July 3, 1995 among the Company, UBS Capital Corporation (and assigned to UBS Partners) and Appian Capital Partners, L.L.C.

'Unrestricted Subsidiary' means (i) PTC Cellular, Inc. and (ii) any other Subsidiary of the Company designated as such pursuant to and in compliance with the covenant 'Designation of Unrestricted Subsidiaries.' Any such designation pursuant to clause (i) or (ii) may be revoked by a Board Resolution of the Company delivered to the Trustee, subject to the provisions of such covenant; provided that PTC Cellular, Inc. shall be an Unrestricted Subsidiary for so long as it constitutes a Discontinued Operation.

'Voting Stock' means any class or classes of Capital Stock pursuant to which the holders thereof have the general voting power under ordinary circumstances to elect at least a majority of the board of directors, managers or trustees of any person (irrespective of whether or not, at the time, stock of any other class or classes shall have, or might have, voting power by reason of the happening of any contingency).

'Wholly-Owned Restricted Subsidiary' means any Restricted Subsidiary of which 100% of the outstanding Capital Stock is owned by the Company or another Wholly-Owned Restricted Subsidiary. For purposes of this definition, any directors' qualifying shares or investments by foreign nationals mandated by applicable law shall be disregarded in determining the ownership of a Restricted Subsidiary.

BOOK-ENTRY; DELIVERY AND FORM

The certificates representing the Notes will be issued in fully registered form, without coupons. Except as described below, the Notes will be deposited with, or on behalf of, The Depository Trust Company, New York, New York ('DTC'), and registered in the name of Cede & Co. as DTC's nominee in the form of a global Note certificate (the 'Global Certificate') or will remain in the custody of the Trustee pursuant to the FAST Balance Certificate Agreement between DTC and the Trustee.

Notes originally purchased by or transferred to (i) institutional 'accredited investors' (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act) who are not 'qualified institutional buyers' (as defined in Rule 144A under the Securities Act) ('QIBs'), (ii) except as described below, persons outside the United States pursuant to sales in accordance with Regulation S under the Securities Act or (iii) any other persons who are not QIBs (collectively, 'Non-Global Purchasers') will be issued in registered form without coupons (the 'Certificated Notes'). Upon the transfer to a QIB of Certificated Notes initially issued to a Non-Global Purchaser, such Certificated Notes will be exchanged for an interest in the Global Certificate or in the Notes in the custody of the Trustee representing the principal amount at maturity of Notes being transferred.

EXCHANGE OFFER; REGISTRATION RIGHTS

Pursuant to the Registration Rights Agreement the Company will, at its expense, for the benefit of the holders of the Notes, (i) use its best efforts to file within 30 days after the Issue Date, a registration statement (the 'Exchange Offer Registration Statement') with the Commission with respect to a registered offer to exchange the Old Notes for the Exchange Notes, which will have terms identical in all material respects to the Old Notes (except that the Exchange Notes will not contain terms with respect to transfer restrictions) and (ii) use its best efforts to cause the Exchange Offer Registration Statement to be declared effective under the Securities Act within 90 days after the Issue Date. The registration statement to which this Prospectus relates is the Exchange Offer Registration Statement and was filed within the required period. Upon the Exchange Offer Registration Statement being declared effective, the Company will offer the Exchange Notes in exchange for surrender of the Old Notes. The Company will keep the Exchange Offer open for not less than 30 days (or longer if required by applicable law) after the date notice of the Exchange Offer is mailed to the holders of the Old Notes. For each Old Note surrendered to the Company pursuant to the Exchange Offer, the holder of such Old Note will receive an Exchange Note having a principal amount equal to that of the surrendered Old Note. Under existing interpretations of the staff of the Commission, the Exchange Notes would in general be freely transferable after the Exchange Offer without further registration under the Securities Act; provided that broker-dealers ('Participating Broker-Dealers') receiving Exchange Notes in the Exchange Offer will have a prospectus delivery requirement with respect to resales of such Exchange Notes. The Commission has taken the position that Participating Broker-Dealers may fulfill their prospectus delivery requirements with respect to the Exchange Notes (other than a resale of an unsold allotment from the original sale of the Old Notes) with the prospectus contained in the Exchange Offer Registration Statement. Under the Registration Rights Agreement, the Company is required to allow Participating Broker-Dealers and other persons, if any, with similar prospectus delivery requirements to use the prospectus contained in the Exchange Offer Registration Statement in connection with the resale of such Exchange Notes. For a period of at least 180 days after the consummation of the Exchange Offer the Company will make available a prospectus meeting the requirements of the Securities Act to any broker-dealer for use in connection with any resale of any such Exchange Notes.

Each holder of Old Notes (other than certain specified holders) who wishes to exchange such Old Notes for Exchange Notes in the Exchange Offer will be required to make certain representations, including representations that any Exchange Notes to be received by it will be acquired in the ordinary course of its business and that at the time of the commencement of the Exchange Offer it has no arrangement with any person to participate in the distribution (within the meaning of the Securities Act) of the Exchange Notes.

The Company has agreed to pay all expenses incident to the Exchange Offer and will indemnify the Initial Purchaser against certain liabilities, including liabilities under the Securities Act.

In the event that applicable interpretations of the staff of the Commission do not permit the Company to effect such an Exchange Offer, or if for any other reason the Exchange Offer is not consummated within 120 days of the Issue Date, or if a holder of the Notes is not permitted to participate in the Exchange Offer or does not receive freely tradeable Exchange Notes pursuant to the Exchange Offer or, under certain circumstances, if the Initial Purchaser or the holders of a majority in aggregate principal amount of Notes so request, the Company will, at its cost (a) as promptly as practicable and, in any event, within 30 days thereafter, file a shelf registration statement (the 'Shelf Registration Statement') covering resales of the Notes, (b) use its best efforts to cause the Shelf Registration Statement to be declared effective under the Securities Act and (c) use its best efforts to keep effective the Shelf Registration Statement for a period of three years after the Issue Date (or for a period of one year after the Issue Date if such Shelf Registration Statement is filed solely at the request of the Initial Purchaser). The Company will, in the event a Shelf Registration Statement is declared effective, provide to each holder of the Notes copies of the prospectus which is a part of the Shelf Registration Statement, notify each such holder when the Shelf Registration

Statement has become effective and take certain other actions as are required to permit unrestricted resales

of the Notes. A holder of Notes that sells such Notes pursuant to the Shelf Registration Statement generally will be required to be named as a selling security holder in the related prospectus and to deliver a prospectus to purchasers, will be subject to certain of the civil liability provisions under the Securities Act in connection with such sales and will be bound by the provisions of the Registration Rights Agreement that are applicable to such a holder (including certain indemnification obligations).

If on or prior to 30 days following the Issue Date, an Exchange Offer Registration Statement has not been filed with the Commission, additional interest will accrue on the Notes from and including the 31st day following the Issue Date until, but excluding, the date such registration statement is filed. In addition, if on or prior to 90 days following the Issue Date, such Exchange Offer Registration Statement is not declared effective, additional interest will accrue on the Notes from and including the 91st day following the Issue Date until, but excluding, the date such registration statement is declared effective. Further, if on or prior to 120 days following the Issue Date the Exchange Offer is not consummated, additional interest will accrue on the Notes from and including the 121st day following the Issue Date until, but excluding, the consummation of the Exchange Offer. If the law or applicable interpretations of the Commission thereof prohibit a holder from participating in the Exchange Offer or if such holder does not receive freely tradeable Exchange Notes pursuant to the Exchange Offer or if for any reason the Exchange Offer is not consummated within 120 days of the Issue Date, and if by 150 days after the Issue Date a Shelf Registration Statement is not declared effective, additional interest will accrue on the Notes not exchanged as a result of such law or interpretation from and including the 151st day after the Issue Date, until the effective date of the Shelf Registration Statement. In each case, additional interest will be payable in cash semiannually in arrears, with the first semiannual payment due on the first interest payment date in respect of the Notes following the date from which additional interest begins to accrue, and will accrue, under each circumstance set forth above at a rate per annum equal to an additional one quarter of one percent (0.25%) of the principal amount of the Notes upon the occurrence of each such circumstance, which rate will increase by one quarter of one percent (0.25%) for each 90-day period that such additional interest continues to accrue under any such circumstance, with an aggregate maximum increase in the interest rate per annum equal to one percent (1.00%).

If applicable, in the event that the Shelf Registration Statement ceases to be effective prior to the third anniversary of the Issue Date (or the first anniversary of the Issue Date if a Shelf Registration Statement was filed solely at the request of the Initial Purchaser) for a period in excess of 15 days, whether or not consecutive, in any given year, then, the interest rate borne by the Notes shall increase by an additional one quarter of one percent (0.25%) per annum on the 16th day in the applicable year such Shelf Registration Statement ceases to be effective. Such interest rate will increase by an additional one quarter of one percent (0.25%) per annum for each additional 90 days that such Shelf Registration Statement is not effective, subject to the same aggregate maximum increase in the interest rate per annum of one percent (1.00%) referred to above. Upon the filing of the Exchange Offer Registration Statement, the effectiveness of the Exchange Offer Registration Statement, or the consummation of the Exchange Offer, as the case may be, the interest rate borne by the Notes will be reduced by the full amount of any such increase to the extent that such increase related to the failure of any such event to have occurred. Upon the effectiveness of a Shelf Registration Statement, the interest rate borne by the Notes shall be reduced to the original interest rate of the Notes unless and until increased as described above.

Interest on each Exchange Note will accrue from July 19, 1995 or from the most recent interest payment date to which interest was paid on the Note surrendered in exchange therefor or on the Exchange Note, as the case may be. The Exchange Notes will bear interest at 12 1/4% per annum, except that, if any interest accrues on the Exchange Notes in respect of any period prior to their issuance, such interest will accrue at the rate or rates borne by the Notes from time to time during such period.

The summary herein of certain provisions of the Registration Rights Agreement does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all the provisions of the

Registration Rights Agreement, a copy of the form of which will be made available to prospective purchasers of the Notes upon request to the Company.

PLAN OF DISTRIBUTION

Each broker-dealer that receives Exchange Notes for its own account pursuant to the Exchange Offer must acknowledge that it will deliver a prospectus in connection with any resale of such Exchange Notes. This Prospectus, as it may be amended or supplemented from time to time, may be used

by a broker-dealer in connection with resales of Exchange Notes received in exchange for Old Notes where such Old Notes were acquired as a result of market-making activities or other trading activities. The Company has agreed that for a period of 180 days after the Expiration Date, it will make this Prospectus, as amended or supplemented, available to any broker-dealer for use in connection with any such resale. See 'The Exchange Offer' and 'Exchange Offer; Registration Rights.'

The Company will not receive any proceeds from any sale of Exchange Notes by broker-dealers. Exchange Notes received by broker-dealers for their own account pursuant to the Exchange Offer may be sold from time to time in one or more transactions in the over-the-counter market, in negotiated transactions, through the writing of options on the Exchange Notes or a combination of such methods of resale, at market prices prevailing at the time of resale, at prices related to such prevailing market prices or negotiated prices. Any such resale may be made directly to purchasers or to or through brokers or dealers who may receive compensation in the form of commissions or concessions from any such broker-dealer and/or the purchasers of any such Exchange Notes. Any broker-dealer that resells Exchange Notes that were received by it for its own account pursuant to the Exchange Offer and any broker or dealer that participates in a distribution of such Exchange Notes may be deemed to be an 'underwriter' within the meaning of the Securities Act and any profit on any such resale of Exchange Notes and any commissions or concessions received by any such persons may be deemed to be underwriting compensation under the Securities Act. The Letter of Transmittal states that by acknowledging that it will deliver and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an 'underwriter' within the meaning of the Securities Act.

For a period of 180 days after the Expiration Date, the Company will promptly send additional copies of this Prospectus and any amendment or supplement to this Prospectus to any broker-dealer that requests such documents in the Letter of Transmittal. The Company has agreed to pay certain expenses incident to the Exchange Offer other than commissions or concessions of any brokers or dealers and will indemnify the Holders of the Notes (including any broker-dealers) against certain liabilities, including liabilities under the Securities Act.

LEGAL MATTERS

Certain legal matters regarding the Notes offered hereby will be passed upon for the Company by Greenberg, Traurig, Hoffman, Lipoff, Rosen & Quentel, P.A., Miami, Florida.

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The financial statements of the Company as of December 31, 1994 and 1993 and for each of the three years in the period ended December 31, 1994 included in this Prospectus have been audited by Price Waterhouse LLP, independent certified public accountants, as stated in their report appearing herein (which contains an explanatory paragraph relating to the Company's ability to continue as a going concern and relating to the ultimate outcome of certain litigation, as described in Note 18 to the financial statements).

AVAILABLE INFORMATION

The Company has filed with the Securities and Exchange Commission (the 'Commission') a Registration Statement on Form S-4 (together with all amendments, exhibits, schedules and supplements thereto, the 'Registration Statement') under the Securities Act with respect to the Exchange Notes offered hereby. This Prospectus, which forms a part of the Registration Statement, does not contain all the information set forth in the Registration Statement, certain parts of which have been omitted in accordance with the rules and regulations of the Commission. For further information with respect to the Company and the Exchange Notes offered hereby, reference is made to the Registration Statement. Statements contained in this Prospectus as to the contents of certain documents filed as exhibits to the Registration Statement are not necessarily complete, and, in each instance, reference is made to the copy of the document so filed. Each such statement is qualified in its entirety by such reference. The Company is subject to the informational requirements of the Exchange Act, and in accordance therewith files periodic reports, proxy statements and other information with the Commission. The Registration Statement and such other materials can be inspected and copied at the public reference facilities maintained by the Commission at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549; and at the Commission's regional offices at Suite 1400, Northwestern Atrium Center, 500 West Madison Street, Chicago, Illinois 60661-2511, and at the 13th Floor, 7 World Trade Center, New York, New York 10048. Copies of such material can also be obtained from the Commission at prescribed rates through its Public Reference Section at 450 Fifth Street, N.W., Washington, D.C. 20549. While any Notes remain outstanding, the Company will make available, upon request, to any holder and any prospective purchaser of Notes the information required pursuant to Rule 144A(d) (4) under the Securities Act during any period in which the Company is not subject to Section 13 or 15(d) of the Exchange Act. Any such request should be directed to the Chief Financial Officer, Peoples

Telephone Company, Inc., 2300 N.W. 89th Place, Miami, Florida 33172, (305) 593-9667.

The Indenture provides that the Company will furnish copies of the periodic reports required to be filed with the Commission under the Exchange Act to the holders of the Notes. If the Company is not subject to the periodic reporting and informational requirements of the Exchange Act, it will, to the extent such filings are accepted by the Commission, and whether or not the Company has a class of securities registered under the Exchange Act, file with the Commission, and provide the Trustee and the holders of the Notes within 15 days after such filings with, annual reports containing the information required to be contained in Form 10-K promulgated under the Exchange Act, quarterly reports containing the information required to be contained in Form 10-Q promulgated under the Exchange Act, and from time to time such other information as is required to be contained in Form 8-K promulgated under the Exchange Act. If filing such reports with the Commission is not accepted by the Commission or prohibited by the Exchange Act, the Company will also provide copies of such reports, at its cost, to prospective purchasers of the Notes promptly upon written request.

GLOSSARY

Billed Party Preference is a plan that would automatically route long distance non-coin calls at the pay telephone to the 'billed party's' preferred carrier, thereby bypassing the opportunity for the pre-subscribed carrier of the public pay telephone provider to handle and receive revenues from the call.

Dial Around Compensation is compensation paid to competitive public pay telephone providers for the use of public pay telephones to access operator service providers or interexchange carriers other than the primary operator service providers selected by the owner of the public pay telephone. The FCC ruled on May 8, 1992 that competitive public pay telephone providers would receive $6.00 per telephone/per month as compensation for interstate dial around calls. This flat rate system was made effective in June 1992. The per telephone/per month system will remain in effect until replaced by a per call compensation system, now under development. Recently AT&T has agreed to begin providing its share of dial around compensation through a $.25 per call flat rate payment in lieu of AT&T's portion of the flat monthly rate payment amounts. This handling was approved by the FCC, effective January 1, 1995. The same treatment will be applied for AT&T at the intrastate level, once any necessary state approvals are obtained. Sprint has recently received FCC approval to begin paying its dial around compensation on a flat rate basis of $0.25 per call in lieu of its share of the $6.00 flat rate, effective July 1, 1995.

FCC is the Federal Communications Commission, which regulates the interstate common carriage of telecommunications.

Interexchange carrier is a telecommunications provider of transmission services between exchanges, typically referred to as long-distance or toll telephone service.

InterLATA calls are calls between local access and transport areas ('LATAs').

IntraLATA calls are calls originated and terminated in the same LATA.

LEC is a local exchange carrier, which is a company providing local telephone services.

Non-coin calls are calling card, credit card, collect and third party billed calls, not paid for with coinage at the pay telephone.

Operator service provider is a company providing automatic and/or live operator service related to long distance calls.

Property Owners are the owners of (i) the locations, such as convenience stores, service stations, grocery stores, hospitals, hotels, shopping centers, truck stops and airports, at which public pay telephones are installed; (ii) correctional facilities at which telephones are located; and (iii) car rental companies at which cellular telephones are rented.

Public Switched Network is the traditional telephone network, including local, intraLATA and interLATA facilities used to carry, switch and connect telephone calls between the calling and called parties.

RBOCs are the seven Regional Bell Operating Companies, which were formed as a result of the AT&T divestiture.

PEOPLES TELEPHONE COMPANY, INC.
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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors and
Shareholders of Peoples Telephone Company, Inc.

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Peoples Telephone Company, Inc. and its subsidiaries at December 31, 1994 and 1993, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1994, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As more fully described in Note 18 to the accompanying financial statements, the Company's failure to make an April 1995 payment due on a promissory note and the restatement of the Company's first quarter 1994 financial statements on Form 10-Q has caused a default under the Company's $100 million revolving line of credit and under the Company's mortgage note agreement. The Company obtained from the lenders a waiver of default related to its first quarter 1994 restatement and subject to certain conditions being met by the Company by June 30, 1995, obtained a waiver of default arising from its failure to make the April 1995 payment on a promissory note. With respect to its mortgage note agreement, the Company obtained a waiver subject to the condition that on or before the earlier of one day after the closing of the Senior Note offering or August 31, 1995, the mortgage note and all other obligations owed the mortgage lender be paid in full. In the event the conditions are not satisfied by their prescribed dates, the waivers would be withdrawn, an event of default under the revolving line of credit and the mortgage note agreement would exist and the lenders would have the right to call the loans. Also, should the Company satisfy the aforementioned conditions by the prescribed dates, the Company's remaining balance of its revolving line of credit is due in full on May 31, 1996. The Company is in the process of offering under an exemption from the registration requirements of the Securities Act of 1933, $85 million of Senior Notes due 2002; the proceeds of which, if such offering is successful, together with a proposed $40 million credit agreement, will be used to repay the outstanding balance of the existing line of credit, promissory notes and the mortgage note. As a result, a substantial doubt arises

about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As discussed in Note 14 and in Note 18 to the accompanying financial statements, a complaint has been filed against the Company and certain officers. Such complaint, filed May 25, 1994 and amended May 26, 1995, alleges violation of certain federal securities laws through the issuance of false and misleading statements regarding a failed merger. The complaint seeks class action certification as well as compensatory damages. In addition, the aforementioned promissory note holder has asserted certain other claims against the Company. At the present time, the litigation matters are in the preliminary stages and management, on the advice of legal counsel, is presently unable to predict the ultimate outcome of the litigation. Accordingly, no provision for any liability that may result upon adjudication has been made in the accompanying financial statements.

PRICE WATERHOUSE LLP

Miami, Florida
March 28, 1995, except as to the second paragraph of Note 17 and as to Note 18, which are as of May 31, 1995.

PEOPLES TELEPHONE COMPANY, INC.
CONSOLIDATED BALANCE SHEET (RESTATED)
(IN THOUSANDS)

<TABLE>
<CAPTION>

	DECEMBER 31,	
	1993	1994
<S>	<C>	<C>
ASSETS		
Current assets		
Cash and cash equivalents	$ 4,529	$ 7,663
Accounts receivable, net of allowance for doubtful accounts of $2,115 and $6,035	19,082	17,682
Inventory	1,955	2,981
Prepaid expenses and other current assets	3,878	3,276
Net assets of prepaid calling card and international telephone centers held for sale	--	2,595
Net assets of discontinued operations	--	25,780
Total current assets	29,444	59,977
Property and equipment, net	89,703	76,379
Location contracts, net	27,611	31,877
Goodwill, net	12,308	6,221
Intangible assets, net	6,144	2,802
Other assets, net	8,132	11,882
Deferred income taxes	--	1,453
Total assets	$173,342	$190,591
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Notes payable and current maturities of long-term debt	$ 2,876	$ 14,286
Current portion of obligations under capital leases	1,644	2,738
Accounts payable and accrued expenses	22,831	21,942
Accrued interest payable	533	1,061
Deferred revenue	--	857
Income and other taxes payable	887	2,691
Total current liabilities	28,771	43,575
Notes payable and long-term debt	73,995	94,390
Obligations under capital leases	1,267	3,911
Deferred income taxes	3,701	--
Total liabilities	107,734	141,876
Minority interest	275	--
Commitments and contingencies (Note 14)	--	--
Shareholders' equity	--	--
Preferred stock; $.01 par value; 4,300 shares authorized; none issued and outstanding	--	--
Convertible preferred stock; Series A, $.01 par value; 100 shares authorized; none issued and outstanding	--	--
Convertible preferred stock; Series B, $.01 par value; 600 shares authorized; none issued and outstanding	--	--
Common stock; $.01 par value; 25,000 shares authorized; 15,516 and 15,789 shares issued and outstanding	155	158

Capital in excess of par value	56,371	58,143
Retained earnings (accumulated deficit)	8,807	(9,586)
Total shareholders' equity	65,333	48,715
Total liabilities and shareholders' equity	$173,342	$190,591

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

PEOPLES TELEPHONE COMPANY, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS (RESTATED)
(IN THOUSANDS, EXCEPT PER SHARE DATA)

<TABLE>
<CAPTION>

	FOR THE YEAR ENDED DECEMBER 31,		
	1992	1993	1994
<S>	<C>	<C>	<C>
Revenues			
Coin calls	$44,203	$56,604	$ 79,392
Non-coin calls	26,828	22,245	33,054
Service and other	452	552	1,675
Total revenues	71,483	79,401	114,121
Costs and expenses			
Telephone charges	22,160	18,398	41,264
Commissions	14,868	17,584	23,565
Field service and collection	9,818	11,994	18,608
Depreciation and amortization	9,900	12,958	19,185
Selling, general and administrative	7,188	7,368	13,043
Interest	2,630	2,504	5,312
Loss from operations of prepaid calling card and international telephone centers	--	1,730	1,816
Loss on disposal of prepaid calling card and international telephone centers	--	--	3,690
Total costs and expenses	66,564	72,536	126,483
Income (loss) from continuing operations before taxes	4,919	6,865	(12,362)
(Provision for) benefit from income taxes	(1,774)	(2,586)	4,722
Income (loss) from continuing operations	3,145	4,279	(7,640)
Discontinued operations			
Income (loss) from operations, net of tax (provision) benefit of $(57), $(445), and $1,976	109	1,063	(3,433)
Loss on disposition, net of tax provision of $1,885	--	--	(7,320)
Income (loss) from discontinued operations	109	1,063	(10,753)
Net income (loss)	$ 3,254	$ 5,342	$(18,393)
Primary earnings per share			
Income (loss) from continuing operations	$ .27	$ .30	$ (.49)
Income (loss) from discontinued operations	.01	.07	(.68)
Net income (loss)	$ .28	$ .37	$ (1.17)
Fully diluted earnings per share			
Income (loss) from continuing operations	$ .27	$ .30	$ (.49)
Income (loss) from discontinued operations	.01	.07	(.68)
Net income (loss)	$ .28	$ .37	$ (1.17)
Weighted average common and common equivalent shares outstanding	11,633	14,479	15,713
Weighted average common shares outstanding assuming full dilution	11,686	14,517	15,713

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

PEOPLES TELEPHONE COMPANY, INC.
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (RESTATED)
FOR THE PERIOD FROM JANUARY 1, 1992 THROUGH DECEMBER 31, 1994
(IN THOUSANDS, EXCEPT FOR PER SHARE DATA)

<TABLE>
<CAPTION>

	PREFERRED STOCK	COMMON STOCK	CAPITAL IN EXCESS OF PAR VALUE	RETAINED EARNINGS (ACCUMULATED DEFICIT)	TOTAL
<S>	<C>	<C>	<C>	<C>	<C>
Balance at January 1, 1992	$ 1	$ 77	$ 11,961	$ 301	$ 12,340
Exercise of 782 warrants at $3.17-$4.67 per share	--	8	3,191	--	3,199
Exercise of 1,025 options at $1.33-$3.59 per share	--	10	2,323	--	2,333
Issuance of 1,064 shares of common stock for acquisitions	--	11	6,591	--	6,602
Conversion of 20 shares of Series A preferred stock	(1)	5	(4)	--	--
Issuance costs in connection with acquisitions	--	--	(34)	--	(34)
Preferred stock dividends	--	--	--	(90)	(90)
Net income for the year	--	--	--	3,254	3,254
Balance at December 31, 1992	$ --	$ 111	$ 24,028	$ 3,465	$ 27,604
Exercise of 540 warrants at $3.17-$4.67 per share	--	5	1,721	--	1,726
Exercise of 1,754 options at $2.00-$8.00 per share	--	18	6,245	--	6,263
Issuance of 621 shares of common stock for acquisitions	--	6	7,084	--	7,090
Issuance of 1,500 shares of common stock in public offering	--	15	13,985	--	14,000
Issuance costs associated with public offering of common stock	--	--	(1,160)	--	(1,160)
Tax adjustment related to exercising options	--	--	4,468	--	4,468
Net income for the year	--	--	--	5,342	5,342
Balance at December 31, 1993	$ --	$ 155	$ 56,371	$ 8,807	$ 65,333
Exercise of 150 warrants at $3.17 per share	--	2	473	--	475
Exercise of 177 options at $2.67-$7.83 per share	--	2	829	--	831
Cancellation of 54 shares relating to prior acquisitions	--	(1)	(499)	--	(500)
Tax adjustment related to exercising options	--	--	255	--	255
Adjustment for issuance of warrants to a bank	--	--	2,520	--	2,520
Officer and director notes receivable	--	--	(1,806)	--	(1,806)
Net loss for the year	--	--	--	(18,393)	(18,393)
Balance at December 31, 1994	$ --	$ 158	$ 58,143	$ (9,586)	$ 48,715

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

PEOPLES TELEPHONE COMPANY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (RESTATED)
(IN THOUSANDS)

<TABLE>
<CAPTION>

	FOR THE YEAR ENDED DECEMBER 31,		
	1992	1993	1994
<S>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss)	$ 3,254	$ 5,342	$(18,393)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities			
Depreciation and amortization	9,900	12,958	19,185
Deferred income taxes	1,625	3,192	(3,094)
Loss on disposition of assets	--	--	7,320
Gain on sale of assets	--	--	(2,426)
Changes in assets and liabilities, excluding the effect of acquisitions			
(Increase) decrease in accounts receivable	(3,206)	(10,515)	1,400
Increase in inventory	(735)	(213)	(110)

Increase in prepaid expenses and other current assets	(62)	(3,240)	(97)
Increase in other assets	(852)	(3,502)	(4,015)
Increase (decrease) in accounts payable and accrued expenses	2,033	12,691	(2,780)
Decrease in other payables	(1,005)	(288)	--
Decrease in estimated refund due operator service provider	(653)	--	--
Increase in accrued interest payable	91	333	528
Increase in deferred revenue	--	--	824
Increase in income taxes payable	381	67	1,995
Increase (decrease) in other long term liabilities	195	(194)	--
Increase (decrease) in minority interest	--	275	(275)
Net effect of discontinued operations and assets held for sale	219	3,151	(2,234)
Net cash provided by (used in) operating activities	11,185	20,057	(2,172)
CASH FLOWS FROM INVESTING ACTIVITIES			
Property and equipment additions	(9,677)	(24,119)	(9,590)
Proceeds from property and equipment sales	--	--	3,050
Payments for acquisitions and certain contracts	(15,854)	(46,653)	(16,271)
Contributions to joint ventures	--	(2,701)	(211)
Net cash used in investing activities	(25,531)	(73,473)	(23,022)
CASH FLOWS FROM FINANCING ACTIVITIES			
Borrowings under long-term debt	10,500	49,360	31,252
Principal payments on long-term debt	--	(11,761)	(116)
Principal payments under capital lease obligations	(1,306)	(2,761)	(2,308)
Debt issuance costs	--	(643)	--
Dividends paid on preferred stock	(90)	--	--
Exercise of stock options	2,333	6,263	831
Exercise of warrants	3,199	1,727	475
Officer and director notes receivable	--	--	(1,806)
Proceeds from stock offering	--	14,000	--
Issuance costs associated with public offering of common stock	--	(1,160)	--
Net cash provided by financing activities	14,636	55,025	28,328
Net increase in cash and cash equivalents	290	1,609	3,134
Cash and cash equivalents at beginning of year	2,630	2,920	4,529
Cash and cash equivalents at end of year	$ 2,920	$ 4,529	$ 7,663

The accompanying notes are an integral part of these consolidated financial statements.

PEOPLES TELEPHONE COMPANY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (RESTATED)--(CONTINUED)

	FOR THE YEAR ENDED DECEMBER 31,		
	1992	1993	1994
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Cash paid during the year for:			
Interest	$ 2,731	$ 2,711	$ 4,784
Income taxes	$ 70	$ 490	$ 201

SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES

During 1992, the Company purchased all of the stock of three corporations for a combination of cash and the Company's common stock. During 1993 and 1994, the Company purchased certain net assets of several corporations for a combination of cash, the Company's common stock and the issuance of notes payable. A summary of these acquisitions is as follows (in thousands):

	FOR THE YEAR ENDED DECEMBER 31,		
	1992	1993	1994
Fair value of net assets acquired	$ 17,984	$ 60,631	$ 22,882

Fair value of common stock issued and issuable	(6,601)	(7,090)	(1,096)
Principal amount of note payables issued and other liabilities	--	(7,868)	(6,687)
Net amount paid	$ 11,383	$ 45,673	$ 15,099

</TABLE>

During 1992, 13,210 shares of Series A convertible preferred stock were converted to common stock.

During the three years ended December 31, 1992, 1993 and 1994, the Company acquired fixed assets of $1,834,000, $1,211,000 and $2,456,000, respectively, by incurring capital lease obligations for the same amounts.

The accompanying notes are an integral part of these consolidated financial statements.

PEOPLES TELEPHONE COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (RESTATED)

NOTE 1--GENERAL

Description of business

Peoples Telephone Company, Inc. (the 'Company') owns, operates and maintains public pay telephone systems, connected to the network of regulated telephone companies, throughout the United States, at various third party property owner locations. In connection with the pay telephone systems, the Company also derives revenue from routing calls to operator service companies through its own automated operator system installed in its telephones and through its own dedicated network facilities.

Discontinued operations

In December 1994, in an effort to return the Company's focus to its core public pay telephone business, the Company's Board of Directors approved the divestiture of its inmate telephone and cellular telephone operations (see Note 16).

Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. All significant intercompany balances and transactions have been eliminated. The Global Link equity interest will be accounted for under the equity method of accounting subsequent to the divestiture date. Accordingly, the 1994 results of operations have been segregated and are reported as a separate component of income from continuing operations (see Note 15). The planned divestiture of the Company's inmate telephone and cellular telephone operations has been accounted for as discontinued operations. Accordingly, operating results and cash flows for these businesses have been segregated and reported as discontinued operations in the accompanying consolidated statements of operations and cash flows (see Note 16).

Acquisitions and joint ventures

During 1992, the Company acquired all of the outstanding shares and certain assets of various corporations with operations similar to the Company for a total of $12.9 million in cash and the Company's common stock.

During 1993, the Company acquired certain net assets of several corporations with operations similar to the Company for a total of $60.6 million in cash, common stock and notes payable. The most significant acquisition during 1993 was the purchase of substantially all assets of Ascom Communications, Inc. ('ACI') in November 1993 for $40 million which consisted of $28 million funded by the Company's credit facilities, two promissory notes totalling $6 million and $6 million of the Company's stock (see Note 6 for the terms of the notes). The ACI acquisition added 11,600 public pay telephones and included dedicated switched network facilities installed in five states.

During March 1994, the Company acquired certain assets of Emro Marketing Company for a purchase price of $1.7 million in cash. The assets acquired included approximately 1,045 pay telephones.

During June 1994, the Company acquired certain assets of the Atlantic Telco Joint Venture for approximately $11.5 million in cash. The Atlantic Telco Joint Venture owned and operated approximately

NOTE 1--GENERAL--(CONTINUED)

3,300 pay telephones and related location contracts. These phones are located primarily in Maryland and Virginia.

During July 1994, the Company acquired certain assets of Telecorp Funding, Inc. for approximately $1.9 million in cash and the Company's common stock. The assets acquired included approximately 600 public pay phones and related location contracts located primarily in New York City.

During October 1994, the Company acquired Telecoin Communications, Ltd. for approximately $7.3 million in cash, assumption of liabilities and issuance of the Company's common stock. The assets acquired included approximately 2,155 pay telephones and their related location contracts. These phones are located primarily in Ohio and Pennsylvania.

All 1992, 1993 and 1994 acquisitions were accounted for as purchases.

The following unaudited consolidated pro forma combined condensed statements of operations for the years ended December 31, 1993 and 1994 has been prepared to reflect 1994 acquisitions by the Company, as if they were consummated as of January 1, 1993, after giving effect to certain pro forma adjustments as described below (in thousands, except per share data).

<TABLE>
<CAPTION>

	FOR THE YEAR ENDED DECEMBER 31,	
	1993	1994
<S>	<C>	<C>
Total revenue	$98,560	$125,853
Net income (loss) from continuing operations	$ 4,785	$ (7,906)
Earnings (loss) per common and common equivalent share		
Primary	$ .33	$ (.50)
Fully diluted	$ .33	$ (.50)

</TABLE>

Pro forma adjustments reflect depreciation of fixed assets and amortization of intangible assets acquired, accrual of interest expense on the cash paid for the purchase and accrual for income taxes.

NOTE 2--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Recognition of revenue

Revenues are recognized when earned. Coin call and non-coin call (alternate operator service and store and forward) revenues are recognized at the time the call is made. Revenue from service contracts is recognized on a straight-line basis over the term of the contract.

Cash and cash equivalents

The Company defines cash and cash equivalents as those highly liquid investments purchased with an original maturity of three months or less.

NOTE 2--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--(CONTINUED)

Property and equipment

Property and equipment is recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets commencing when the equipment is installed or placed in service. Installed telephones and related equipment includes installation and other costs which are capitalized and amortized over the estimated useful life of the equipment. The costs associated with maintenance, repairs and refurbishment of telephone

equipment are charged to expense as incurred.

Effective October 1, 1993, the Company revised its depreciation policy to recognize an extended estimated service life on its pay telephones from 7 to 10 years. The change in pay telephone depreciation reduced depreciation expense and increased net income by approximately $470,000 and $3,766,000, or $.03 and $.24 per common share, for the years ended December 31, 1993 and 1994, respectively.

The capitalized cost of equipment and vehicles under capital leases is amortized over the lesser of the lease term or the asset's estimated useful life, and included with depreciation expense in the statement of income.

Inventories

Inventories, which consist primarily of replacement parts, are carried at the lower of cost or market, with cost being determined on the first-in, first-out basis.

Intangible assets

Location contracts and intangible assets primarily result from business combinations and include acquisition costs allocated to location owner contracts, agreements not to compete, and other identifiable intangible assets. These assets are being amortized on a straight-line basis over the estimated life, assuming, in some instances, renewal of the underlying contracts (3 to 10 years). Accumulated amortization at December 31, 1992, 1993 and 1994 was approximately $2,831,000, $5,505,000 and $8,486,000, respectively.

Goodwill primarily arising from acquisitions is being amortized on a straight-line basis over periods to be benefitted, or 20 years, whichever is less. Accumulated amortization at December 31, 1992, 1993 and 1994 was approximately $260,000, $551,000 and $820,000, respectively.

The carrying value of intangible assets is periodically reviewed by the Company and impairments, if any, are recognized when the expected future undiscounted cash flows derived from such intangible assets are less than their carrying value.

Investments

Investments in which the Company has an ownership interest of at least 20 percent but not more than 50 percent are accounted for under the equity method. Investments of less than 20 percent are generally recorded at cost.

NOTE 2--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--(CONTINUED)

Income taxes

Effective January 1, 1991, the Company adopted the provisions of Statement of Financial Accounting Standards No. 109 (SFAS 109), Accounting for Income Taxes. Deferred income taxes are recognized for temporary differences between the tax and financial reporting bases of the Company's assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse.

Earnings per share

Primary per share amounts are computed based upon the weighted average number of common and common equivalent shares outstanding, assuming proceeds from the assumed exercise of options were used to purchase common shares outstanding at the average market price during the period, unless such exercise is antidilutive. Fully diluted earnings per share assumes that the proceeds were used to purchase common shares outstanding at the higher of market value per share at the end of each period or the average market value during the period, unless such exercise is antidilutive (see Note 11).

Reclassification

Certain amounts for the prior years have been reclassified to conform with the current year presentation.

NOTE 3--ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 1993 and 1994 consist primarily of amounts due from a billing and collection clearinghouse for non-coin calls placed through the Company's public pay telephones, and to a lesser extent, commissions from various operator service companies who have been selected to handle non-coin calls not placed through the Company's automated operator system. Pursuant to the Company's agreement with the billing and collection

clearinghouse, the collections from LECs are deposited into a trust account and then distributed directly to the Company. The balance due from one billing and collection clearinghouse was approximately $623,000 and $4,027,000 at December 31, 1993 and 1994, respectively.

Included in the December 31, 1993 and 1994 accounts receivable balance is approximately $1,712,000 and $980,000, respectively, of net receivables relating to the Company's refund claims for overpayment of excise taxes from the Internal Revenue Service and certain state sales and use taxes from various local exchange carriers. These refund claims have been reflected as a reduction of telephone charges in the accompanying consolidated statements of income and were recorded throughout 1993 as the refund claims were finalized.

The December 31, 1994 allowance for doubtful accounts includes approximately $1.6 million representing additional receivables reserves related to vendor disputes.

NOTE 4--PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows (in thousands):

<TABLE>
<CAPTION>

	DECEMBER 31,		ESTIMATED USEFUL LIVES
	1993	1994	(IN YEARS)
<S>	<C>	<C>	<C>
Installed telephones and related equipment, including $659 and $3,518 under capital leases	$100,916	$ 93,769	10
Telephones and related equipment pending installation	7,337	7,388	
Land	950	950	
Building and improvements	3,667	4,252	25
Furniture, fixtures and office equipment	5,523	5,699	5-7
Vehicles under capital leases	3,512	4,902	4
Other	1,286	1,178	5
	123,191	118,138	
Less accumulated depreciation and amortization, including $723 and $1,204 for capital leases	(33,488)	(41,759)	
	$ 89,703	$ 76,379	

</TABLE>

The majority of the Company's installed telephones are security for long-term bank debt (see Note 6).

The Company has entered into various noncancellable leases which are classified as capital leases. Future minimum lease payments under the capitalized lease obligations, including imputed interest, are as follows (in thousands):

<TABLE>
<CAPTION>

FOR THE YEAR ENDING DECEMBER 31,	INSTALLED TELEPHONES AND EQUIPMENT	VEHICLES	TOTAL
<S>	<C>	<C>	<C>
1995	$ 1,381	$ 1,645	$ 3,026
1996	1,021	1,227	2,248
1997	841	652	1,493
1998	734	86	820
1999	36	--	36
	4,013	3,610	7,623
Less amount representing imputed interest	(495)	(479)	(974)
Present value of obligations under capital leases	3,518	3,131	6,649
Less current portion	(1,380)	(1,358)	(2,738)
	$ 2,138	$ 1,773	$ 3,911

</TABLE>

NOTE 5--ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following (in thousands):

<TABLE>
<CAPTION>

	DECEMBER 31,	
	1993	1994
<S>	<C>	<C>
Telecommunication charges	$ 6,185	$ 8,569
Commissions	3,343	3,272
Telephone equipment purchased	4,792	254
Due on acquisitions	1,831	3,077
Other	6,680	6,770
	$22,831	$21,942

</TABLE>

NOTE 6--NOTES PAYABLE AND LONG-TERM DEBT

Notes payable and long-term debt consist of the following (in thousands):

<TABLE>
<CAPTION>

	DECEMBER 31,	
	1993	1994
<S>	<C>	<C>
$125 million revolving line of credit ($70 million as of December 31, 1993) with interest rates ranging from the Bank's prime rate plus 1 1/4% to LIBOR plus 2 1/2%. At December 31, 1994, the Bank's prime rate was 8.5% and the LIBOR rate ranged from 6.125% to 7%. See maturity dates below	$67,500	$100,240
Five-year promissory note to Ascom Communications, Inc. with interest rate at 7% and entire principal due at maturity November 1998	4,000	4,000
Mortgage note payable with interest rate at 7.38% and amortization over 15 years, due in March 1998	2,599	2,513
One year promissory note to Ascom Communications, Inc. with interest rate at 5% and principal due in installments in April 1995 and in June 1995	2,000	1,232
Various notes payable acquired through the acquisition of Telecoin Communications, Ltd. with interest rates ranging from prime plus 1.25% to prime plus 1.5% and maturity dates ranging from due on demand to June 1996	--	669
Other	772	22
	76,871	108,676
Less current maturities	(2,876)	(14,286)
	$73,995	$ 94,390

</TABLE>

Effective February 17, 1994, the Company amended and restated its loan agreement with the Bank (the 'Third Amended Loan Agreement'). Under the terms of the Third Amended Loan Agreement, the $30 million revolving line of credit was increased to $125 million and the previous $30 million and $10 million

NOTE 6--NOTES PAYABLE AND LONG-TERM DEBT--(CONTINUED)

term loans were eliminated. All outstanding principal balances are due in full on February 17, 1998 and interest is payable monthly for loans based on the prime rate and quarterly for loans based on the LIBOR rate. A commitment fee of 3/8 of 1% is charged on the aggregate average daily amount not outstanding under this agreement. The Third Amended Loan Agreement is secured by substantially all of the Company's assets (see Notes 4 and 7).

The Third Amended Loan Agreement contains certain restrictive covenants which, among other things, require the Company to maintain certain net worth and cash flow levels and places certain restrictions on the payments of dividends. At December 31, 1994, the Company was not in compliance with certain covenants contained in its loan agreement. On March 22, 1995, the Company amended certain

terms contained in the Third Amended Loan Agreement (the 'Amendment'). In connection with the Amendment, the Bank agreed to waive the Company's non-compliance with certain covenants for the three month period ended December 31, 1994. Under the terms of the Amendment, the $125 million revolving line of credit was reduced to $100 million, with monthly principal reductions of $1.5 million commencing on May 1, 1995 and all outstanding principal balances due in full on May 31, 1996. The new facility bears interest at the Bank's prime rate plus 2% beginning April 1, 1995 and reduces certain restrictive covenants for 1995 which, among other things, require the Company to maintain certain net worth and cash flow levels and places certain restrictions on the payment of dividends (see Note 18).

In March 1993, the Company purchased land and an office building which became the principal offices of the Company. The purchase was financed with a bank in the principal amount of $2.7 million. Principal and interest payments are based on a 15 year amortization schedule, are payable monthly with a balloon payment due March 1998 and bear interest at a rate of 7.38%.

Future maturities under the terms of the notes, based on amounts outstanding as of December 31, 1994, are as follows (in thousands):

1995	$ 14,286
1996	88,125
1997	135
1998	6,130
	$108,676

NOTE 7--SHAREHOLDERS' EQUITY

In 1990, 1992, 1993 and 1994 under the terms of the Company's loan agreement, as amended, the Company granted its lender warrants to purchase 900,000, 150,000, 300,000 and 250,000 shares of common or preferred stock, respectively. The exercise price of these shares is $3.17, $8.00, $9.33 and $9.00 per share, respectively. The Company's lender exercised its right to purchase 300,000, 450,000 and 150,000 shares of common stock at $3.17 per share during 1992, 1993 and 1994, respectively. All warrants expire in the year 2000.

On August 31, 1993, the Company effected a 3 for 2 stock split effective September 27, 1993. The consolidated financial statements and related financial information have been retroactively adjusted to reflect the 3 for 2 split.

NOTE 7--SHAREHOLDERS' EQUITY--(CONTINUED)

In August 1993, the Company completed the sale of 1,500,000 shares of its common stock in a registered private placement. After the deduction of the underwriting discount and other expenses of the private placement, the net proceeds to the Company were $12.8 million.

The Company's preferred stock may be issued from time to time at the discretion of the Board of Directors without shareholder approval. The Board of Directors is authorized to issue these shares in different series and, with respect to each series, to determine the dividend rate, provisions regarding redemption, conversion, liquidation preference and other rights and privileges.

In August 1988, the Company sold 90,000 shares of its previously authorized common stock. The sale consisted of 45,000 units at a price of $7.00 per unit. Each unit consisted of two shares of common stock together with one warrant to purchase a share of common stock at $4.33 and a share of common stock at $4.66. The warrants were exercised during 1993.

NOTE 8--STOCK OPTION PLANS

The Company maintains three non-qualified stock option plans covering primarily employees and directors. Options under the three plans are issuable at the discretion of committees appointed by the Board of Directors. Certain options under the plans vest at rates of 10% and 33% per year from the date of issuance and may expire 30 days after the termination or resignation of the employee or director.

Under the terms of the plans, the exercise price for options granted is required to be at least the fair market value of the Company's common stock on the date of grant.

The following summarizes pertinent information covering stock options issued pursuant to the Company's stock option plans (in thousands, except per share data):

<TABLE>
<CAPTION>

	NUMBER OF SHARES		
	1992	1993	1994
<S>	<C>	<C>	<C>
Outstanding, beginning of year	3,136	2,797	1,803
Granted	697	776	1,198
Exercised	(1,025)	(1,754)	(177)
Cancelled	(11)	(16)	(30)
Outstanding, end of year	2,797	1,803	2,794
Exercisable, end of the year	2,418	1,425	1,975
Option price per share of outstanding shares	$1.33-$6.00	$1.33-$11.38	$1.33-$11.38

</TABLE>

NOTE 9--EMPLOYEE SAVINGS PLAN

During November 1990, the Company established a savings plan under the provisions of section 401(k) of the Internal Revenue Code (the 'Plan'), which covers substantially all employees. The Company's contributions to the Plan are discretionary. Employees participating in the Plan vest in amounts contributed by the Company over a period of 7 years. The Company matches 25% of employee contributions to a maximum of 6% of employee earnings each plan year. The Company's contributions totalled approximately $50,000, $54,000 and $103,000 for the years ended December 31, 1992, 1993 and 1994, respectively.

NOTE 10--INCOME TAXES

The components of the provision for income taxes for the years ended December 31, 1992, 1993 and 1994 are as follows (in thousands):

<TABLE>
<CAPTION>

	FOR THE YEAR ENDED DECEMBER 31,		
	1992	1993	1994
<S>	<C>	<C>	<C>
Currently payable:			
Federal	$ 543	$ (230)	$ --
State	97	86	63
Deferred	1,134	2,730	(4,785)
	$1,774	$2,586	$(4,722)

</TABLE>

A tax benefit of $4.75 million and $680,000 attributable to the exercise of employee stock options was credited to shareholders' equity during 1993 and 1994, respectively.

A reconciliation between the tax rates and tax at statutory rates for the years ended December 31, 1992, 1993 and 1994 is as follows:

<TABLE>
<CAPTION>

	FOR THE YEAR ENDED DECEMBER 31,		
	1992	1993	1994
<S>	<C>	<C>	<C>
Statutory tax rate	34.0%	35.0%	(34.0)%
Non-deductible expenses	--	1.3	(2.7)
State taxes and other, net	2.1	1.4	(1.5)
	36.1%	37.7%	(38.2)%

</TABLE>

NOTE 10--INCOME TAXES--(CONTINUED)

The significant temporary differences included in the deferred tax asset (liability) as of December 31, 1993 and 1994 are as follows (in thousands):

<TABLE>
<CAPTION>

	DECEMBER 31,	
	1993	1994
<S>	<C>	<C>
Net operating loss carryforward	$ 5,801	$11,166
Alternative Minimum Tax Credit carryforward	218	218
Other	872	972
Total deferred tax asset	6,891	12,356
Difference between book and tax bases of fixed assets	9,145	9,738
Other	1,447	1,165
Total deferred tax liability	10,592	10,903
Net deferred tax asset (liability)	$(3,701)	$ 1,453

</TABLE>

At December 31, 1994, the Company has tax net operating loss carryforwards of approximately $35 million, which expire in various amounts in the years 2002 to 2009. Approximately $3.2 million of these net operating loss carryforwards relate to business acquisitions for which annual utilization will be limited to approximately $330,000, with further limitation if future ownership changes occur. In addition, these loss carryforwards can only be utilized against future taxable income, if any, generated by acquired companies as if these companies continued to file separate income tax returns.

NOTE 11--EARNINGS PER SHARE

For the year ended December 31, 1992, the number of shares of common stock issuable upon exercise of outstanding options and warrants in the aggregate exceeded 20% of the number of common shares outstanding. For the years ended December 31, 1993 and 1994, the treasury stock method was used to determine the dilutive effect of the options and warrants on earnings per share data. Accordingly, the modified treasury stock method was used to determine the dilutive effect of the options and warrants on earnings per share data, for those years.

NOTE 11--EARNINGS PER SHARE--(CONTINUED)

Net income (loss) from continuing operations per share and the weighted average number of shares outstanding used in the computations are summarized as follows (in thousands, except per share data):

<TABLE>
<CAPTION>

	DECEMBER 31, 1992		DECEMBER 31, 1993		DECEMBER 31, 1994	
	PRIMARY EARNINGS PER SHARE	FULLY DILUTED EARNINGS PER SHARE	PRIMARY EARNINGS PER SHARE	FULLY DILUTED EARNINGS PER SHARE	PRIMARY EARNINGS PER SHARE	FULLY DILUTED EARNINGS PER SHARE
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Net income (loss) from continuing operations	$ 3,145	$ 3,145	$ 4,279	$ 4,279	$ (7,640)	$ (7,640)
Add:						
Reduction of interest expense(1)	94	--	--	--	--	--
Deduct:						
Cumulative preferred stock dividend requirement	(90)	--	--	--	--	--

</TABLE>

Income (loss) for per share computations	$ 3,149	$ 3,145	$ 4,279	$ 4,279	$ (7,640)	$ (7,640)
Number of shares:						
Weighted average common shares outstanding	9,671	9,671	12,700	12,700	15,713	15,713
Add:						
Net additional shares issuable(2)	1,962	1,981	1,779	1,817	--	--
Conversion of preferred stock(3)	--	34	--	--	--	--
Weighted average shares used in the per share computations	11,633	11,686	14,479	14,517	15,713	15,713
	$ .27	$ .27	$ .30	$ .29	$ (.49)	$ (.49)

<FN>
- ------------------------
(1) Reduction of interest expense assumes, in 1992, proceeds from the exercise of stock options and warrants, after the assumed repurchase of 20% of the weighted average common shares outstanding, were used to repay debt at the beginning of the period.

(2) Assumes exercise of outstanding common stock equivalents (options and warrants) at the beginning of the period, net of 20% limitation, if applicable, on the assumed repurchase of stock.

(3) Assumes conversion of preferred stock into the underlying shares of common stock at the beginning of the period.
</FN>
</TABLE>

NOTE 12--FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of the Company's debt was estimated based upon the market rates available to the Company for debt with the same remaining maturities. The carrying amounts of the Company's debt closely approximates its fair value.

NOTE 13--LEASES

The Company leases office and warehouse space under various noncancellable operating lease agreements expiring through 1998. Rental expense under such leases aggregated approximately $507,000, $417,000 and $585,000 for the years ended December 31, 1992, 1993 and 1994, respectively.

Future minimum payments under the above rental agreements as of December 31, 1994 are as follows (in thousands):

FOR THE YEAR ENDING DECEMBER 31,	
1995	$ 685
1996	565
1997	135
1998	131
1999	39
	$1,555

NOTE 14--COMMITMENTS AND CONTINGENCIES

On May 25, 1994, a complaint was filed in the United States District Court, Southern District of Florida, naming the Company, Jeffrey Hanft, Chairman and Chief Executive Officer, and Richard Militello, Chief Operating Officer, as defendants. The complaint alleges the violation of certain federal securities laws through the issuance of 'false and misleading' statements regarding the subsequently terminated proposed merger with IDB Communications Group, Inc. and the Company's first quarter results. The complaint seeks certification as a class action including all persons who purchased shares of the Company's common stock between April 12 and May 10, 1994 as well as unspecified compensatory damages. Based upon management's assessment of the facts and the Company's public disclosures at the time in question, as well as consultation with counsel, the Company believes the complaint is without merit and intends to vigorously contest and defend against the action. At the present time, the litigation is in preliminary stages and management and legal counsel are presently unable to predict the outcome. Accordingly, the financial statements do not include any adjustments that might result from this uncertainty (see Note

18).

On July 1, 1993, the Company filed suit against Bell South Telecommunications, Inc., a unit of Bell South Corp. that does business as Southern Bell Telephone & Telegraph ('Bell South'), alleging, among other things, violation of the federal and State of Florida antitrust laws based upon alleged monopolization and misrepresentation in connection with Southern Bell's operation of its pay telephone business in Florida. The suit seeks unspecified damages and other relief. Counsel is unable to predict the outcome of the litigation.

During 1993, the Company negotiated a settlement of various issues that were in dispute with a major vendor. This agreement was finalized in 1994. As a result, the Company terminated certain of its capital leases and was released from certain obligations owed through October 31, 1993. This settlement has been reflected as a reduction of telephone charges in 1993 and approximated $1,156,000.

NOTE 14--COMMITMENTS AND CONTINGENCIES--(CONTINUED)

The Company has employment contracts with certain officers which expire through December 31, 1998. The contracts provide for increases in annual base salary, contingent upon the profitability of the Company, as well as bonus and stock option provisions.

Other than the aforementioned litigation, the Company is a party to certain legal actions arising in the normal course of business. In the opinion of management, the ultimate outcome of such litigation will not have a material effect on the financial position of the Company.

NOTE 15--ASSETS HELD FOR SALE

In December 1994, in an effort to return its focus to its core public pay telephone business, the Company's Board of Directors approved the sale of the Company's prepaid calling card and international telephone center operations.

During February 1995, the Company sold its prepaid calling card business to Global Link Teleco Corporation ('Global Link') for approximately $6.3 million. The Company received $1.0 million in cash, a $5.3 million promissory note due February 1998, bearing interest at 8.5%, payable quarterly, and shares of common stock of Global Link (see Notes 17 and 18). For financial accounting purposes, the net gain of approximately $3.4 million will be deferred until cash on the notes is received. Accordingly, a provision for losses from January 1, 1995 through February 15, 1995, the divestiture date, of approximately $290,000 has been included in loss on disposal.

The Company has also recorded a provision of approximately $3.4 million for the estimated impairment of asset value for its international telephone center.

The following tables set forth the net assets held for sale and the results of operations for the Company's prepaid calling card business and international telephone center (in thousands):

<TABLE>
<CAPTION>

	DECEMBER 31, 1994
<S>	<C>
Current Assets, net	$ 1,286
Fixed Assets, net	717
Other long-term assets, net	592
	$ 2,595

</TABLE>

<TABLE>
<CAPTION>

	DECEMBER 31,		
	1992	1993	1994
<S>	<C>	<C>	<C>
Revenues	$--	$ 1,281	$ 5,149
Loss from operations	--	(1,731)	(1,816)
Loss on disposal	--	--	(3,690)

Total loss from operations before income taxes.....	--	(1,731)	(5,506)
Benefit from income taxes.....	--	652	2,064
Net loss from operations.....	$--	$(1,079)	$(3,442)

</TABLE>

NOTE 16--DISCONTINUED OPERATIONS

In December 1994, as part of the effort to return its focus to its core public pay telephone business, the Company's Board of Directors also adopted a formal plan to divest itself of its inmate telephone and cellular telephone operations.

The Company is in the process of divesting these business segments and has recorded a provision of approximately $4.0 million for the estimated impairment of asset value for its inmate telephone business. In addition, the Company recorded approximately $0.1 million and $1.4 million for the estimated losses through the anticipated divestiture date for its inmate telephone and cellular telephone operations, respectively. The Company has also recorded a valuation allowance of approximately $3.3 million against deferred tax assets that may not be realized upon the disposition of the cellular telephone operations. The valuation allowance represents a 100% reserve against the deferred tax assets and is partially offset by income tax benefits generated during 1994 and through the anticipated divestiture date.

During July 1994, the Company completed the sale of certain inmate telephone lines and related equipment for approximately $2.0 million and other consideration. The telephone lines and related equipment sold were located primarily in the mid-western United States. The Company has recorded a gain on the sale of these assets of approximately $441,000.

The following combining tables set forth the net assets and liabilities and results of operations of the discontinued business segments (in thousands):

<TABLE>
<CAPTION>

	DECEMBER 31, 1994		
	INMATE	PTC CELLULAR, INC.	TOTAL
<S>	<C>	<C>	<C>
Current assets and liabilities, net.....	$ 151	$ (2,969)	$(2,818)
Fixed assets, net.....	11,379	6,667	18,046
Other long-term assets and liabilities, net.....	7,441	3,111	10,552
	$18,971	$ 6,809	$25,780

</TABLE>

<TABLE>
<CAPTION>

	FOR THE YEARS ENDED: DECEMBER 31, 1992		
	INMATE	PTC CELLULAR, INC.	TOTAL
<S>	<C>	<C>	<C>
Revenues.....	$1,917	$ 1,499	$ 3,416
Income (loss) from discontinued operations before income taxes.....	471	(305)	166
Loss on disposal.....	--	--	--
Total net income (loss) on discontinued operations before income taxes.....	471	(305)	166
Benefit from (provision for) income taxes.....	(170)	113	(57)
Net income (loss) from discontinued operations.....	$ 301	$ (192)	$ 109

</TABLE>

NOTE 16--DISCONTINUED OPERATIONS--(CONTINUED)

<TABLE>
<CAPTION>

	DECEMBER 31, 1993		
	INMATE	PTC CELLULAR, INC.	TOTAL
<S>	<C>	<C>	<C>
Revenues	$35,217	$ 6,283	$41,500
Income (loss) from discontinued operations before income taxes	4,136	(2,954)	1,182
Loss on disposal	--	--	--
Total net income (loss) on discontinued operations before income taxes	4,136	(2,954)	1,182
Benefit from (provisions) for income taxes	(1,558)	1,113	(445)
Minority interest, net	--	327	327
Net income (loss) from discontinued operations	$ 2,578	$ (1,514)	$ 1,064

</TABLE>

<TABLE>
<CAPTION>

	DECEMBER 31, 1994		
	INMATE	PTC CELLULAR, INC.	TOTAL
<S>	<C>	<C>	<C>
Revenues	$42,428	$ 11,581	$ 54,009
Income (loss) from discontinued operations before income taxes	844	(6,253)	(5,409)
Loss on disposal	(4,054)	(1,380)	(5,434)
Total net loss on discontinued operations before income taxes	(3,210)	(7,633)	(10,843)
Benefit from (provisions for) income taxes	1,204	(1,113)	91
Net loss from discontinued operations	$(2,006)	$ (8,746)	$(10,752)

</TABLE>

NOTE 17--RELATED PARTY TRANSACTIONS

In March 1994, the Company sold certain assets used in the operation of the Company's two telephone centers located in New York City to Global Link. The total purchase price for the transaction was $2.5 million and 10% of the issued and outstanding capital stock of Global Link. The Company recorded a net gain on the sale of approximately $2.0 million. At the time of the transaction Messrs. Bernard M. Frank and Jody Frank, both directors of the Company, were directors and shareholders of Global Link.

During February, 1995, the Company sold its prepaid calling card business to Global Link for approximately $6.3 million. The Company received $1.0 million in cash, a $5.3 million promissory note due February 1998, bearing interest at 8.5%, payable quarterly, and shares of common stock of Global Link. As a result of the February 1995 transaction, and because of a drafting error discovered in May 1995 that did not reflect the intentions of the parties, the Company's interest in the outstanding common stock of Global Link was 28.8% instead of the intended 19.99%. To correct this error, the Company has agreed with Global Link to reduce its share ownership to the intended 19.99% level. Since the March 1994 transaction with Global Link, Mr. Bernard M. Frank resigned as a director of the Company. Additionally, Mr. Jeffrey Hanft, a shareholder, director and officer of the Company, was appointed as a director of Global Link (see Note 18).

NOTE 17--RELATED PARTY TRANSACTIONS--(CONTINUED)

In 1994, the Company made loans in the amount of approximately $1.8 million

to certain officers and directors to refinance the officers and directors debt previously incurred in connection with the exercise of stock options. The outstanding balances of such loans have been reflected as a reduction from capital in excess of par value in the consolidated statement of stockholders' equity. The officers and directors executed promissory notes which bear interest at prime rate and are due on March 28, 1996 and are secured by approximately 607,000 shares of Peoples Telephone Company, Inc. common stock.

NOTE 18--SUBSEQUENT EVENTS

During April 1995, the Company settled a dispute with one of its vendors which resulted in a reduction of the amounts owed. Accounts payable and telephone charges have been reduced by approximately $1.3 million as a credit against amounts owed in the March 31, 1995 quarterly financial statements.

In early 1995, the Company commenced an offering under an exemption from the registration requirements of the Securities Act of 1933 of approximately $85 million in Senior Notes due 2002. In connection with the completion of the Senior Note offering, which is expected to close during June 1995, the Company will enter into a $40 million revolving credit facility. Proceeds from the sale of the Senior Notes together with borrowings under the new credit facility will be used to refinance the existing $100 million credit facility (see Note 6). The Senior Notes offered will not be registered under the Securities Act of 1933 and may not be offered or resold in the United States absent registration or an applicable exemption from the registration requirements. There can be no assurance that the contemplated refinancing will be completed, or if completed, that it will be on terms favorable to the Company.

In May of 1995, the Company reevaluated its accounting for its remaining interest in Global Link and concluded that equity accounting would be appropriate. The Company's interest in the outstanding common stock of Global Link, after the disposition of the prepaid calling card business, was 28.8% instead of the intended 19.99%. As a result, the Company has agreed with Global Link to reduce its share ownership to the intended 19.99% level. This, together with the significant related party associations and transactions between Global Link and the Company, as described in Note 17, lead the Company to its conclusion that the equity method of accounting for its Global Link investment was appropriate. Accordingly, the segment amount which includes the prepaid calling card business sold to Global Link and previously included in discontinued operations has been reclassified to continuing operations from the Company's financial statements previously issued for the 1994 year. In addition, the Company also restated its financial statements for the quarter ended March 31, 1995 to reflect the revision in the accounting treatment for the Global Link investment.

The Company has also restated its financial statements for the quarters ended March 31 and June 30, 1994, as set forth in Form
10-Q's for such perio
to reflect the timing of approximately $2.7 million in adjustments. These adjustments, which include additional reserves for changes in estimates of uncollectible receivables and vendor claims and the write-off of certain acquisition costs, were originally recorded during the quarter ended June 30, 1994 and have now been reflected in the quarter ended March 31, 1994 to more accurately reflect the timing of such adjustments. The restated quarterly financial statements also reflect the $2 million gain on the March 31, 1994 sale of the Company's two telecommunication centers in New York to Phone Zone Teleco Corporation (now known as Global Link) in the second quarter of 1994 (when initial payment for the centers was received) rather than the first quarter (when Phone Zone took control of the centers on the basis of an agreement in principle). These changes had no impact on net income or cash flow

NOTE 18--SUBSEQUENT EVENTS--(CONTINUED)

for the year ended December 31, 1994. As a result of the restatement of the March 31, 1994 quarterly financial statements, the Company was not in compliance with certain restrictive covenants contained in the existing credit agreement, which was waived by the Bank.

On May 9, 1995, a complaint was filed against the Company by Ascom Communications, Inc. ('ACI'), which complaint was amended on May 30, 1995. The amended complaint purports to assert five causes of action against the Company arising out of the Asset Purchase Agreement entered into among the plaintiffs and the Company on October 13, 1993. The first cause of action asserts a claim for breach of contract for failure to pay principal and interest due under a one year promissory note (the 'One Year Note'), and seeks payment of principal and interest of $2.2 million with respect to the note. The second cause of action asserts a claim for breach of contract for failure to pay principal and interest due under a five year promissory note (the 'Five Year Note'), and seeks payment of principal and interest in the amount of $4.4 million with respect to the note. The Company previously entered into a settlement agreement on March 10,

1995, thereby reducing the amount recorded under the One Year Note to $1.2 million. The amounts due under the settlement agreement and the Five Year Note were fully accrued at December 31, 1994. The third cause of action asserts a claim for breach of contract for failure by the Company to register common stock issued to ACI, and seeks damages in an unspecified amount. The fourth cause of action asserts a claim for breach of contract for the Company's failure to assume an equipment lease with AT&T, and seeks damages in the amount of at least $0.3 million. The fifth cause of action asserts a claim for declaratory relief in connection with the Company's purported failure to register common stock, and seeks a declaratory judgment that the Company must effect registration at the earliest possible time. Based upon the preliminary stages of this case, the Company is unable to predict the outcome of this matter and, accordingly, the accompanying financial statements do not reflect any adjustment that might result from this uncertainty.

The failure by the Company to make the April 1995 payment due on the $2.0 million promissory note has caused a cross default under the Company's $100 million revolving line of credit. The Company has obtained a waiver from its bank subject to the Company's ability, by June 30, 1995, to (1) permanently reduce the $100 million revolving line of credit (see Note 6) to not more than $40 million or (2) settle the ACI litigation under specified terms. There can be no assurance that the reduction in the revolving line of credit or settlement will be completed, or if completed that it will be on terms favorable to the Company. In the event these conditions are not satisfied, the waivers would be withdrawn, an event of default under the loan agreement would exist and the lenders would have a right to call the loan.

Additionally, the event of default under the Company's $100 million revolving line of credit caused a cross default on the Company's mortgage note payable. The Company received a waiver from the lender dated May 31, 1995 subject to the condition that on or before the earlier of (i) one day after the closing of the proposed Senior Notes offering or (2) August 31, 1995, the Company shall have paid in full the $2.5 million outstanding balance of the mortgage note payable and all other obligations owed the mortgage lender.

As a result of the foregoing, a substantial doubt arises about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In connection with the Complaint (as described in Note 14), the plaintiff filed under seal a motion for leave to file an amended and supplemental complaint on May 26, 1995. The Company continues to believe,

NOTE 18--SUBSEQUENT EVENTS--(CONTINUED)

on the advice of legal counsel, the Complaint is without merit and intends to vigorously contest and defend against the action. Because of the preliminary nature of the litigation, the Company is unable to predict the outcome of such litigation. Accordingly, the financial statements do not include any adjustments that might result from this uncertainty.

PEOPLES TELEPHONE COMPANY, INC.
CONSOLIDATED BALANCE SHEET (RESTATED)
(IN THOUSANDS)

<TABLE>
<CAPTION>

	DECEMBER 31, 1994	MARCH 31, 1995
		(UNAUDITED)
<S>	<C>	<C>
ASSETS		
Current assets		
Cash and cash equivalents	$ 7,663	$ 6,721
Accounts receivable, net of allowance for doubtful accounts of $6,035 and $5,236	17,682	16,550
Inventory	2,981	3,324
Prepaid expenses and other current assets	3,276	4,030
Net assets of prepaid calling card and international telephone center business	2,595	--
Net assets of discontinued operations	25,780	27,380
Total current assets	59,977	58,005
Property and equipment, net	76,379	74,514
Location contracts, net	31,877	31,075

Goodwill, net	6,221	6,020
Intangible assets, net	2,802	2,636
Other assets, net	11,882	6,128
Deferred income taxes	1,453	3,406
Investment in unconsolidated affiliate	--	3,073
Total assets	$ 190,591	$ 184,857
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Notes payable and current maturities of long-term debt	$ 14,286	$ 24,902
Current portion of obligations under capital leases	2,738	2,314
Accounts payable and accrued expenses	22,799	22,039
Accrued interest payable	1,061	755
Income and other taxes payable	2,691	2,491
Total current liabilities	43,575	52,501
Notes payable and long-term debt	94,390	83,500
Obligations under capital leases	3,911	3,460
Total liabilities	141,876	139,461
Commitments and contingencies	--	--
Shareholders' equity		
Preferred stock; $.01 par value; 4,300 shares authorized; none issued and outstanding	--	--
Convertible preferred stock; Series A, $.01 par value; 100 shares authorized; none issued and outstanding	--	--
Convertible preferred stock; Series B, $.01 par value; 600 shares authorized; none issued and outstanding	--	--
Common stock; $.01 par value; 25,000 shares authorized; 15,789 and 15,850 shares issued and outstanding	158	159
Capital in excess of par value	58,143	58,078
Accumulated deficit	(9,586)	(12,841)
Total shareholders' equity	48,715	45,396
Total liabilities and shareholders' equity	$ 190,591	$ 184,857

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

PEOPLES TELEPHONE COMPANY, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS (RESTATED)
(UNAUDITED, IN THOUSANDS, EXCEPT PER SHARE DATA)

<TABLE>
<CAPTION>

	FOR THE THREE MONTHS ENDED MARCH 31,	
	1994	1995
<S>	<C>	<C>
Revenues		
Coin calls	$17,857	$19,061
Non-coin calls	6,968	8,271
Service and other	301	122
Total revenues	25,126	27,454
Costs and expenses		
Telephone charges	8,304	8,491
Commissions	4,877	6,297
Field service and collection	4,916	4,628
Depreciation and amortization	4,112	4,741
Selling, general and administrative	2,672	2,368
Interest, net	989	1,479
Income from operations of prepaid calling card and international telephone centers	730	--
Loss on disposal of prepaid calling card and international telephone centers	--	--
Other	--	27
Total costs and expenses	26,600	28,031
Loss from continuing operations before taxes	(1,474)	(577)
Benefit from income taxes	465	216

Loss from continuing operations	(1,009)	(361)
Discontinued operations		
Income from operations, net of tax provision of $629	(1,048)	--
(Loss) income on disposition	--	--
Income from discontinued operations	(1,048)	--
Extraordinary loss from extinguishment of debt, net	--	(2,894)
Net income (loss)	$(2,057)	$(3,255)
Earnings (loss) per common share		
Loss from continuing operations	$ (.06)	$ (.02)
Income from discontinued operations	(.07)	--
Extraordinary loss from extinguishment of debt, net	--	(.18)
Net income (loss)	$ (.13)	$ (.20)
Weighted average common and common equivalent shares outstanding	15,611	15,829

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

PEOPLES TELEPHONE COMPANY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (RESTATED)
(UNAUDITED, IN THOUSANDS)

<TABLE>
<CAPTION>

	FOR THE THREE MONTHS ENDED MARCH 31,	
	1994	1995
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$(2,057)	$(3,255)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	4,112	4,741
Deferred income taxes	(465)	(1,953)
Extraordinary loss from extinguishment of debt	--	2,894
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(3,209)	1,132
Increase in inventory	(2,254)	(343)
Decrease (increase) in prepaid expenses and other current assets	217	(754)
(Increase) decrease in other assets	(995)	2,860
Increase in investment in unconsolidated affiliate	--	(3,073)
Decrease in accounts payable and accrued expenses	(4,550)	(760)
Increase (decrease) in accrued interest	103	(306)
Increase (decrease) in taxes payable	673	(200)
Net effect of discontinued operations and assets held for sale	689	(5)
Net cash (used in) provided by operating activities	(7,736)	978
CASH FLOW FROM INVESTING ACTIVITIES:		
Payments of acquisitions and certain contracts	(2,779)	(435)
Property and equipment additions	(3,640)	(1,272)
Proceeds from sale of assets	--	1,000
Investment in joint ventures	(1,085)	--
Net cash used in investing activities	(7,504)	(707)
CASH FLOW FROM FINANCING ACTIVITIES:		
Net (payment) borrowings under note payable to bank	11,890	(274)
Debt issuance costs	(1,318)	--
Principal payments under capital lease obligations, net	321	(875)
Officer loans	--	(190)
Exercise of stock options and warrants	1,029	126
Net cash provided by (used in) financing activities	11,922	(1,213)
Net decrease in cash and cash equivalents	(3,318)	(942)
Cash and cash equivalents at beginning of period	4,529	7,663
Cash and cash equivalents at end of period	$ 1,211	$ 6,721

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</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

PEOPLES TELEPHONE COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (RESTATED)
MARCH 31, 1995 AND MARCH 31, 1994

(UNAUDITED)

NOTE 1--UNAUDITED INTERIM INFORMATION

The accompanying interim consolidated financial data is unaudited; however, in the opinion of management, the interim data includes all adjustments, necessary for a fair statement of the results for the interim periods. The quarter ended March 31, 1994 included adjustments of approximately $2.1 million for, among other things, amounts incurred for settling disputes and claims and bad debt reserves.

The results of operations for the three months ended March 31, 1995 are not necessarily indicative of the results to be expected for the year ending December 31, 1995.

The interim unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ending December 31, 1994 as set forth elsewhere in this Prospectus.

NOTE 2--EARNINGS PER SHARE

The treasury stock method was used to determine the dilutive effect of the options and warrants on earnings per share data. For 1995 and 1994, common stock equivalents were excluded since the effect would be anti-dilutive. Therefore, fully diluted earnings per share is not presented.

NOTE 3--LONG-TERM DEBT

On March 22, 1995, the Company amended certain terms contained in its Third Amended Loan Agreement (the 'Amendment'). Under the Amendment, the $125.0 million revolving line of credit was reduced to $100.0 million, with monthly principal reductions of $1.5 million commencing on May 1, 1995 and all outstanding principal balances due in full on May 31, 1996. The new facility bears interest at the Bank's prime rate plus 2% beginning April 1, 1995 and reduces certain restrictive covenants for 1995 which, among other things require the Company to maintain certain net worth and cash flow levels and places certain restrictions on the payment of dividends (see Note 6).

As a result of the Amendment, the Company has recorded an extraordinary loss of $4.6 million for the write-off of deferred financing costs, net of the income tax benefit of approximately $1.7 million.

The Company has commenced an offering under an exemption from the registration requirements of the Securities Act of 1933 of approximately $85 million in Senior Notes (the 'Notes') due 2002. In connection with the completion of the Note offering, which is expected to close by early June 1995, the Company will enter into a new $40.0 million revolving credit facility. Proceeds from the sale of the Notes together with borrowings under the new credit facility will be used to refinance the existing $100.0 million credit facility, which will provide the Company with approximately $23.0 million undrawn and available under the new credit facility. The Notes offered will not be registered under the Securities Act and may not be offered or resold in the United States absent registration or an applicable exemption from the registration requirements. There can be no assurance that the contemplated refinancing will be completed, or if completed, that it will be on terms favorable to the Company (see Note 6).

PEOPLES TELEPHONE COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (RESTATED)--(CONTINUED)
MARCH 31, 1995 AND MARCH 31, 1994

(UNAUDITED)

NOTE 4--INVESTMENTS IN UNCONSOLIDATED AFFILIATE

During February 1995, the Company sold its prepaid calling card business to Global Link Teleco Corporation ('Global Link') for approximately $6.3 million. The Company received $1.0 million in cash, a $5.3 million promissory note due

February 1998, bearing interest at 8.5%, payable quarterly, and shares of common stock of Global Link. For financial accounting purposes, the net gain of approximately $3.4 million will be deferred until cash is received. As a result of the February 1995 transaction, and because of a drafting error discovered in May 1995 that did not reflect the intentions of the parties, the Company's interest in the outstanding common stock of Global Link was 28.8% instead of the intended 19.99%. To correct this error, the Company has agreed with Global Link to reduce its share ownership to the intended 19.99% level.

The Company's investment in Global Link is accounted for using the equity method. The Company's share of the results of operations of Global Link from the divestiture date through March 31, 1995 are included in 'Other' in the Statement of Operations. The 1994 results of operations of the prepaid calling card business have been segregated and reported as a separate component of income from continuing operations.

The Company's investment in Global Link represents $6.5 million of outstanding notes receivable net of the $3.4 million deferred gain on the February 1995 transaction and $27,000 representing the Company's share of Global Link's first quarter 1995 operating results.

NOTE 5--DISCONTINUED OPERATIONS

In 1994, in connection with the planned divestiture of the inmate telephone and cellular telephone operations, the Company recorded a provision for the estimated impairment of asset value and losses through the anticipated divestiture date, net of income taxes, of $2.5 million and $4.8 million, respectively. The cellular telephone operations provision is net of an estimated gain on disposition of approximately $1.1 million and includes a valuation allowance of approximately $3.4 million against deferred tax assets that may not be realized upon the disposition of the cellular telephone operations. This provision included approximately $0.1 million and ($1.0) million for the estimated operating income (losses) of the inmate telephone and cellular telephone operations, respectively, for the quarter ended March 31, 1995.

The following combining tables set forth the results of operations of the inmate telephone and cellular telephone operations for the quarters ended March 31, (in thousands):

<TABLE>
<CAPTION>

	1995		
	INMATE	PTC CELLULAR, INC.	TOTAL
<S>	<C>	<C>	<C>
Revenues	$8,106	$ 2,504	$10,610
Income (loss) from operations before income taxes	79	(1,162)	(1,083)
(Provision for) benefit from income taxes	(30)	--	(30)
Net income (loss)	$ 49	$ (1,162)	$(1,113)

</TABLE>

NOTE 5--DISCONTINUED OPERATIONS--(CONTINUED)

<TABLE>
<CAPTION>

	1994		
	INMATE	PTC CELLULAR, INC.	TOTAL
<S>	<C>	<C>	<C>
Revenues	$10,380	$ 2,830	$13,210
Income (loss) from operations before income taxes	200	(1,877)	(1,677)
(Provision for) benefit from income taxes	(75)	704	629
Net income (loss)	$ 125	$ (1,173)	$(1,048)

</TABLE>

NOTE 6--SUBSEQUENT EVENTS

During April 1995, the Company settled a dispute with one of its vendors which resulted in a reduction of the amounts owed. Accounts payable and telephone charges have been reduced by approximately $1.3 million as a credit against amounts owed in the accompanying financial statements to reflect this settlement.

On May 9, 1995, a complaint was filed against the Company by Ascom Communications, Inc. ('ACI'), which complaint was amended on May 30, 1995. The amended complaint purports to assert five causes of action against the Company arising out of the Asset Purchase Agreement entered into among the plaintiffs and the Company on October 13, 1993. The first cause of action asserts a claim for breach of contract for failure to pay principal and interest due under a one year promissory note, and seeks payment of principal and interest of $2.2 million with respect to the note. The second cause of action asserts a claim for breach of contract for failure to pay principal and interest due under a five year promissory note, and seeks payment of principal and interest in the amount of $4.4 million with respect to the note. The third cause of action asserts a claim for breach of contract for failure by the Company to register common stock issued to ACI, and seeks damages in an unspecified amount. The fourth cause of action asserts a claim for breach of contract for the Company's failure to assume an equipment lease with AT&T, and seeks damages in the amount of at least $0.3 million. The fifth cause of action asserts a claim for declaratory relief in connection with the Company's purported failure to register common stock, and seeks a declaratory judgment that the Company must effect registration at the earliest possible time. In June 1995, the Company settled this litigation for approximately $5.7 million.

The failure by the Company to make the April 1995 payment due on the $2.0 million promissory note caused a cross default under the Company's $100 million revolving line of credit. The Company obtained a waiver from its bank subject to the Company's ability, by June 30, 1995, to (1) permanently reduce the $100 million revolving line of credit to not more than $40 million (see Note 3) or (2) settle the ACI litigation for an amount not exceeding more than $6.0 million.

Additionally, the event of default under the Company's $100 million revolving line of credit caused a cross default on the Company's mortgage note payable. The Company received a waiver from the lender dated May 31, 1995 subject to the condition that on or before the earlier of (i) one day after the closing of the proposed Note offering or (2) August 31, 1995, the Company shall have paid in full the $2.5 million outstanding balance of the mortgage note payable and all other obligations to the mortgage lender.

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NO DEALER, SALESPERSON OR OTHER INDIVIDUAL HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS NOT CONTAINED IN THIS PROSPECTUS IN CONNECTION WITH THE OFFERING MADE BY THIS PROSPECTUS. IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, THE NOTES BY ANYONE IN ANY JURISDICTION WHERE, OR TO ANY PERSON TO WHOM, IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE FACTS SET FORTH IN THIS PROSPECTUS OR IN THE AFFAIRS OF THE COMPANY SINCE THE DATE HEREOF.

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PTC
PEOPLES TELEPHONE
COMPANY, INC.

OFFER TO EXCHANGE
ITS
SERIES B 12 1/4% SENIOR NOTES DUE 2002
FOR ANY AND ALL OUTSTANDING
SERIES A 12 1/4% SENIOR NOTES DUE 2002

PROSPECTUS

JULY , 1995

==========

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 20. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Paragraph Tenth of the Company's Certificate of Incorporation provides that the Company will indemnify and reimburse the officers and directors of the Company to the fullest extent provided by law. Paragraph Tenth of the Company's Certificate of Incorporation also provides that the provisions regarding indemnification and advancement of expenses as provided by law shall not be exclusive of any other right which any officer or director of the Company may have or acquire thereafter under any provision of the Company's Certificate of Incorporation or By-laws or by any agreement, vote of shareholders or disinterested directors of the Company or otherwise, provided, that no indemnification may be made to or on behalf of any officer or director if a judgement or other final adjudication adverse to such officer or director establishes that his acts were committed in bad faith or were the result of active and deliberate dishonesty and were material to the cause of action so adjudicated, or that he personally gained in fact a financial profit or other advantage to which he was not legally entitled.

The Company's Certificate of Incorporation also provides that a director will not be liable to the Company or its shareholders for damages for any breach of duty in such director's capacity as a director unless (i) a judgment or other final adjudication adverse to the director establishes that his acts or omissions were in bad faith or involved intentional misconduct or a knowing violation of law or that he personally gained in fact a financial profit or other advantage to which he was not legally entitled or that his acts violated section 719 of the Business Corporation Law of New York or (ii) the liability of any director for any act or omission occurred prior to the adoption of such indemnification provision by the Company.

Pursuant to the Registration Rights Agreements filed as Exhibits 4.8 and 10.9 to this Registration Statement, certain holders of the Registrant's 12 1/4% Senior Notes due 2002 and the Registrant's Preferred Stock have agreed to indemnify the directors, officers and controlling persons of the Registrant against certain civil liabilities that may be incurred in connection with certain registrations relating to such securities, including certain liabilities under the Securities Act.

ITEM 21. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) EXHIBITS:

<TABLE>
<CAPTION>
EXHIBIT DESCRIPTION
- ------- -----------
<S> <C>
3.1 Amended and Restated Certificate of Incorporation adopted on November 30, 1987 (incorporated herein by reference from the Company's Registration Statement on Form 10, No. 0-16479, filed with the Securities and Exchange Commission on January 20, 1988 (the 'Form 10'))
3.2 Amendments to Certificate of Incorporation adopted on March 8, 1990 and March 15, 1990, respectively (incorporated herein by reference from the Company's Annual Report on Form 10-K for the year ended December 31, 1989)
3.3 Amendment to Certificate of Incorporation adopted on June 29, 1990 (incorporated herein by reference from the Company's 1990 Form 10-K)
3.4 Certificate of Amendment to Certificate of Incorporation filed on July 18, 1995 authorizing the Preferred Stock (incorporated herein by reference from the Company's Form 8-K filed on July 21, 1995)

3.5	Restated Bylaws adopted on November 30, 1987 (incorporated herein by reference from the Form 10)

</TABLE>

<TABLE>
<CAPTION>

EXHIBIT	DESCRIPTION
<S>	<C>
4.1	Form of Five-Year Warrant Agreement issued to holders of Series A Preferred Stock (incorporated herein by reference from the Form 10)
4.2	Form of Second Amended and Restated Warrant Agreement dated as of February 17, 1994 between the Company and Creditanstalt American Corporation (incorporated herein by reference from the Company's 1993 Form 10-K)
4.3	Form of Stock Purchase Warrant issued on July 19, 1995 to Appian Capital Partners, L.L.C. (incorporated herein by reference from the Company's Form 8-K filed on July 21, 1995)
4.4	Form of Contingent Stock Purchase Warrant issued on July 19, 1995 to UBS Partners, Inc. (incorporated herein by reference from the Company's Form 8-K filed on July 21, 1995)
*4.5	Purchase Agreement, dated as of July 12, 1995, between Peoples Telephone Company, Inc. and Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated
4.6	Indenture, dated as of July 15, 1995, between the Company and First Union National Bank of North Carolina (incorporated herein by reference from the Company's Form 8-K filed on July 21, 1995)
*4.7	Specimen forms of 12 1/4% Senior Notes due 2002 (Old Notes and Exchange Notes)
4.8	Registration Rights Agreement, dated as of July 19, 1995, between Peoples Telephone Company, Inc. and Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated (incorporated herein by reference from the Company's Form 8-K filed on July 21, 1995)
*5.1	Opinion of Greenberg, Taurig, Hoffman, Lipoff, Rosen & Quentel, P.A.
10.1	Third Amended and Restated Loan and Security Agreement dated as of February 17, 1994 between Creditanstalt-Bankverein, Internationale Nederladen (U.S.) Capital Corporation, NationsBank of Florida, N.A., SunBank/Miami, N.A., The Daiwa Bank, Limited, The Long-Term Credit Bank of Japan Ltd., New York Branch and the Company (incorporated herein by reference from the Company's 1993 Form 10-K)
10.2	Consent, Waiver and First Amendment dated June 10, 1994 to the Third Amended and Restated Loan and Security Agreement dated as of February 17, 1994 between Creditanstalt-Bankverein, Internationale Nederladen (U.S.) Capital Corporation, NationsBank of Florida, N.A., SunBank/Miami, N.A., The Daiwa Bank, Limited, The Long-Term Credit Bank of Japan Ltd., New York Branch and the Company (incorporated herein by reference from the Company's 1994 Form 10-K)
10.3	Consent, Waiver and Second Amendment dated September 28, 1994 to the Third Amended and Restated Loan and Security Agreement dated as of February 17, 1994 between Creditanstalt-Bankverein, Internationale Nederladen (U.S.) Capital Corporation, NationsBank of Florida, N.A., SunBank/Miami, N.A., Daiwa Bank, Limited, The Long-Term Credit Bank of Japan Ltd., New York Branch and the Company (incorporated herein by reference from the Company's 1994 Form 10-K)
10.4	Waiver and Third Amendment dated March 22, 1995 to the Third Amended and Restated Loan and Security Agreement dated as of February 17, 1994 between Creditanstalt-Bankverein, Internationale Nederladen (U.S.) Capital Corporation, NationsBank of Florida, N.A., SunBank/Miami, N.A., The Daiwa Bank, Limited, The Long-Term Credit Bank of Japan Ltd., New York Branch and the Company (incorporated herein by reference from the Company's 1994 Form 10-K)
10.5	Exchange Agreement between the Company and Creditanstalt Corporate Finance, Inc. dated May 3, 1995 (incorporated herein by reference from the Company's Form 8-K filed on July 21, 1995)
10.6	Fourth Amended and Restated Loan and Security Agreement dated as of July 19, 1995 by and between the Company and Creditanstalt-Bankverein (incorporated herein by reference from the Company's Form 8-K filed on July 21, 1995)

</TABLE>

<TABLE>
<CAPTION>

EXHIBIT	DESCRIPTION
<S>	<C>
10.7	Letter Agreement dated July 3, 1995 between the Company and Creditanstalt American Corporation, with respect to the amendment of the Second Amended and Restated Warrant Agreement dated February 17, 1994 (incorporated herein by reference from the Company's Form 8-K filed on July 21, 1995)
*10.8	Securities Purchase Agreement dated July 3, 1995 among the Company, UBS Capital Corporation and Appian Capital Partners, L.L.C., and amendment thereto by letter agreement dated July 18, 1995
10.9	Registration Rights Agreement dated July 19, 1995 between the Company and UBS Partners, Inc. (incorporated herein by reference from the Company's Form 8-K filed on July 21, 1995)
10.10	Asset Purchase Agreement dated March 1, 1993, and related financial statements, among the Company, Silverado Communications Corp., Telink Telephone Systems, Inc. and other shareholders and Agreement and Plan of Merger, dated March 1, 1993, between the Company and Silverado Communications Corp. (incorporated herein by reference from the Company's Form 8-K filed April 8, 1993)
10.11	Asset Purchase Agreement dated July 20, 1993, and related financial statements, among the Company, Southwest Pay Telephone Systems, Inc. and Randall D. Veselka and Stock Purchase Agreement, dated July 20, 1993, between the Company, Southwest Pay Telephone Systems, Inc. and Randall D. Veselka (incorporated herein by reference from the Company's Form 8-K filed July 22, 1993)
10.12	Asset Purchase Agreement dated March 1, 1993, and related financial statements, among the Company, PTC Cellular, Inc., Portable Cellular Communications, Inc. and Nationwide Cellular Service, Inc. (incorporated herein by reference from the Company's Form 8-K filed July 27, 1993)
10.13	Asset Purchase Agreement dated October 13, 1993 between the Company, Ascom Communications, Inc. ('Ascom') and Ascom Holding, Inc., audited financial statements of Ascom for the period from January 1, 1992 through October 31, 1993 and audited financial statements of Ascom for the period from January 1, 1992 through October 31, 1993 as re-filed (incorporated herein by reference from the Company's Form 8-Ks

filed on November 8, 1993, January 21, 1994 and January 31, 1994, respectively)

10.14 Purchase Agreement dated June 23, 1994 among the Company and Atlantic Teleco, Inc., Bender Telephone Inc., Stanley S. Bender and Howard M. Bender and Jerome D. Scheer and Purchase Agreement dated June 23, 1994 among the Company and BTE Associates, L.P., Bender Telephone, Inc. and B&B Associates, audited financial statements of Atlantic Teleco Joint Venture from January 1, 1992 through December 31, 1993 and combined pro forma financial statements (incorporated herein by reference from the Company's Form 8-K's filed on August 11, 1994 and September 7, 1994, respectively)

10.15 Asset Purchase Agreement dated February 14, 1995 between the Company and Global Link Teleco Corporation and pro forma financial information for the periods from January 1, 1993 through December 31, 1993 and the nine months ending September 30, 1994 (incorporated herein by reference from the Company's Form 8-K filed March 2, 1995)

*10.16 Agreement and Plan of Merger dated October 21, 1994 among the Company, Peoples Acquisition Corporation, Telecoin Communications, Ltd., Gilbert A. Mendelson, David T. Magrish, Louis Swartz, Howard Spiegel and Harvey Ostrow

10.17 AT&T Commission Agreement dated April 20, 1995, by and between AT&T Communications, Inc. and the Company (incorporated herein by reference from the Company's Registration Statement on Form S-3 (File No. 33-58607))

10.18 Employment Agreement dated January 1, 1994, and related Stock Option Agreement dated February 16, 1994, between the Company and Jeffrey Hanft (incorporated herein by reference from the Company's 1993 Form 10-K)(1)

10.19 Employment Agreement dated January 1, 1994, and related Stock Option Agreement dated February 16, 1994, between the Company and Robert D. Rubin (incorporated herein by reference from the Company's 1993 Form 10-K)(1)

</TABLE>

<TABLE>
<CAPTION>
EXHIBIT DESCRIPTION
- ------- -----------
<S> <C>

10.20 Employment Agreement dated January 1, 1994, and related Stock Option Agreement dated February 16, 1994, between the Company and Richard F. Militello (incorporated herein by reference from the Company's 1993 Form 10-K)(1)

10.21 Employment Agreement dated July 11, 1994, between the Company and Bonnie S. Biumi and related Stock Option Agreement dated July 11, 1994, between the Company and Bonnie S. Biumi (incorporated herein by reference from the Company's 1994 Form 10-K)(1)

10.22 Employment Agreement dated January 1, 1995, between the Company and Bruce W. Renard (incorporated herein by reference from the Company's 1994 Form 10-K)(1)

*10.23 Employment Agreement dated June 22, 1994, between the Company and Lawrence T. Ellman(1)

10.24 1994 Stock Incentive Plan of the Company (incorporated herein by reference to pages A-1 through A-7 of the Company's 1994 Proxy Statement)(1)

10.25 1993 Non-Employee Directors Stock Option Plan (incorporated herein by reference from the Company's 1993 Proxy Statement)(1)

*10.26 1987 Nonqualified Stock Option Plan(1)

*10.27 1987 Nonqualified Stock Option Plan for Non-Employee Directors(1)

*11.1 Computation of Earnings Per Share

*12.1 Computation of Ratios of Earnings to Fixed Charges

*21.1 List of Subsidiaries

*23.1 Consent of Greenberg, Traurig, Hoffman, Lipoff, Rosen & Quentel, P.A. (included in its opinion filed as Exhibit 5.1)

*23.2 Consent of Price Waterhouse LLP

*24.1 Reference is made to the Signatures section of this Registration Statement for the Powers of Attorney contained therein

*25.1 Form T-1 Statement of Eligibility and Qualification of Trustee for Senior Notes under the Trust Indenture Act of 1939

*99.1 Form of Letter of Transmittal for Exchange Offer and Notice of Guaranteed Delivery

*99.2 Consent of Director Designee

</TABLE>

- ------------------------

* Filed herewith.

(1) Compensatory plan or arrangement.

(b) FINANCIAL STATEMENT SCHEDULES:

<TABLE>
<CAPTION>
ITEM PAGE
- ---- ----
<S> <C>
Report of Independent Certified Public Accountants on Schedule VIII
(see the Report of Price Waterhouse LLP at page F-2 of the Prospectus included in this Registration Statement and the Consent of Price Waterhouse LLP filed as Exhibit 23.2 hereto) -

Schedule VIII -- Valuation and Qualifying Accounts and Reserves..... S-1
</TABLE>

All other schedules for which provision is made in the applicable accounting regulations of the Commission are not required under the related instructions or are not applicable, and therefore have been omitted.

ITEM 22. UNDERTAKINGS

(a) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission

such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(b) The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of a registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of the registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) The undersigned registrant hereby undertakes to respond to requests for information that is incorporated by reference into the prospectus pursuant to Items 4, 10(b), 11, or 13 of this Form, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of the registration statement through the date of responding to the request.

(d) The undersigned registrant hereby undertakes to supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in the registration statement when it became effective.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Miami, State of Florida, on July 26, 1995.

PEOPLES TELEPHONE COMPANY, INC.

By: /s/ JEFFREY HANFT

Jeffrey Hanft, Chairman and
Chief Executive Officer

KNOWN ALL MEN BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints each of Jeffrey Hanft and Robert D. Rubin, respectively, his true and lawful attorney-in-fact, with full powers of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments, including any post-effective amendments, to this registration statement, and to file the same, with exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that said attorneys-in-fact or their respective substitutes may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

<TABLE>
<CAPTION>

SIGNATURE	TITLE	DATE

<C>	<S>	<C>
/s/ JEFFREY HANFT Jeffrey Hanft	Chairman, Chief Executive Officer and Director (principal executive officer)	July 26, 1995
/s/ ROBERT D. RUBIN Robert D. Rubin	President and Director	July 26, 1995
/s/ BONNIE S. BIUMI Bonnie S. Biumi	Chief Financial Officer (principal financial and accounting officer)	July 26, 1995
/s/ JODY FRANK Jody Frank	Director	July 26, 1995
/s/ CHARLES J. DELANEY Charles J. Delaney	Director	July 26, 1995
/s/ ROBERT E. LUND Robert E. Lund	Director	July 26, 1995
/s/ RICHARD WHITMAN Richard Whitman	Director	July 26, 1995

</TABLE>

SCHEDULE VIII

PEOPLES TELEPHONE COMPANY, INC.
VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
(IN THOUSANDS)

<TABLE>
<CAPTION>

CLASSIFICATION	BALANCE AT BEGINNING OF PERIOD	CHARGED TO COSTS AND EXPENSES	OTHER(1)	DEDUCTIONS(2)	BALANCE AT END OF PERIOD
<S>	<C>	<C>	<C>	<C>	<C>
YEAR ENDED 12/31/94:					
Allowance for doubtful accounts	$ 2,115	11,621	(43)	7,658	$ 6,035
Accumulated amortization:					
Location contracts	$ 3,656	3,760	(267)	741	$ 6,408
Intangible assets	$ 1,849	872	(627)	16	$ 2,078
Goodwill	$ 551	399	(130)	--	$ 820
YEAR ENDED 12/31/93:					
Allowance for doubtful accounts	$ 73	5,591	--	3,549	$ 2,115
Accumulated amortization:					
Location contracts	$ 2,210	1,932	--	486	$ 3,656
Intangible assets	$ 621	1,228	--	--	$ 1,849
Goodwill	$ 260	291	--	--	$ 551
YEAR ENDED 12/31/92:					
Allowance for doubtful accounts	$ 48	57	--	32	$ 73
Accumulated amortization:					
Location contracts	$ 1,119	1,091	--	--	$ 2,210
Intangible assets	$ 376	245	--	--	$ 621
Goodwill	$ --	260	--	--	$ 260

<FN>
- ------------------------

(1) Adjustments represent the allowance for doubtful accounts and accumulated amortization related to the prepaid calling card and international telephone centers which were reclassified to 'Net assets of prepaid calling card and international telephone centers held for sale' and the inmate and cellular telephone assets which were reclassified to 'Net assets of discontinued operations.'

(2) Deductions represent bad debt write-offs.

</FN>
</TABLE>

PEOPLES TELEPHONE COMPANY, INC.

$100,000,000
12 1/4% Senior Notes due 2002

PURCHASE AGREEMENT

Dated: July 12, 1995

PEOPLES TELEPHONE COMPANY, INC.
$100,000,000

12 1/4% Senior Notes due 2002

PURCHASE AGREEMENT

July 12, 1995

MERRILL LYNCH & CO.
Merrill Lynch, Pierce, Fenner & Smith
Incorporated
Merrill Lynch World Headquarters
North Tower
World Financial Center
New York, New York 10281-1305

Ladies and Gentlemen:

Peoples Telephone Company, Inc., a New York corporation (the "Company"), proposes to issue and sell to you (the "Initial Purchaser") $100,000,000 aggregate principal amount of its 12 1/4% Senior Notes due 2002 (the "Securities"). The Securities are to be issued pursuant to an indenture to be dated as of July 15, 1995 (the "Indenture") between the Company, as issuer, and First Union National Bank of North Carolina, as trustee (the "Trustee"). This Agreement, the Indenture, the Securities, the Exchange Securities (as defined below), the Private Exchange Securities (as defined below) and the Registration Rights Agreement (as defined below) are referred to collectively as the "Operative Documents." Capitalized terms used herein without definition have the respective meanings specified in the Offering Memorandum (as defined below).

The Securities will be offered and sold to the Initial Purchaser without registration under the Securities Act of 1933, as amended (the "Act"), in reliance upon an exemption from the registration requirements of the Act. In connection with the sale of the Securities, the Company has prepared a preliminary offering memorandum dated May 9, 1995 and a preliminary offering memorandum dated July 3, 1995 (collectively, the "Preliminary Offering Memorandum") and a final offering memorandum dated the date hereof (such offering memorandum, in the form first furnished to the Initial Purchaser for use in connection with the offering of the Securities, or if such form is not so used, in the form subsequently furnished for such use, the "Offering Memorandum," each setting forth certain information concerning the Company and the Securities. The Company hereby confirms that it has

authorized the use of the Preliminary Offering Memorandum and the Offering Memorandum in connection with the offer and resale of the Securities by the Initial Purchaser. Unless stated to the contrary, all references herein to the Offering Memorandum are to the Offering Memorandum at the date hereof (the "Execution Time") and are not meant to include any amendment or supplement thereto subsequent to the Execution Time. If the Company prepares a supplement dated the date hereof to the preliminary offering memorandum dated July 3, 1995 containing only pricing related information, then the term "Offering Memorandum" for purposes of this Agreement shall refer collectively to the preliminary offering memorandum dated July 3, 1995 and such supplement.

The Company understands that the Initial Purchaser proposes to make an offering of the Securities only on the terms and in the manner set forth in the Offering Memorandum and Section 4 hereof, as soon as the Initial Purchaser deems advisable after this Agreement has been executed and delivered, (i) to persons in the United States whom the Initial Purchaser reasonably believes to be qualified institutional buyers ("Qualified Institutional Buyers") as defined in Rule 144A under the Act, as such rule may be amended from time to time ("Rule 144A"), in transactions under Rule 144A, (ii) to a limited number of other institutional "accredited investors" (as defined in Rule 501(a)(1), (2), (3) and (7) under Regulation D of the Act ("Accredited Investors")) in private sales exempt from registration under the Act and/or (iii) to non-U.S. persons outside the United States to whom the Initial Purchaser reasonably believes offers and sales of the Securities may be made in reliance upon Regulation S under the Act ("Regulation S"), in transactions meeting the requirements of Regulation S.

The Initial Purchaser and other holders of Securities (including subsequent transferees) will be entitled to the benefits of the registration rights agreement, to be dated as of

the Closing Time (as defined below) (the "Registration Rights Agreement") between the Company and the Initial Purchaser, in the form attached hereto as Exhibit A. Pursuant to the Registration Rights Agreement, the Company will agree to file with the Securities and Exchange Commission (the "Commission") under the circumstances set forth therein either (i) a registration statement under the Act registering the Exchange Securities (as defined in the Registration Rights Agreement) to be offered in exchange for the Securities and to

use its best efforts to cause such registration statement to be declared effective or (ii) under certain circumstances set forth therein, to file with the Commission a shelf registration statement pursuant to Rule 415 under the Act relating to the resale of the Securities by holders thereof or, if applicable, relating to the resale of Private Exchange Securities (as defined in the Registration Rights Agreement) by the Initial Purchaser pursuant to an exchange of the Securities for Private Exchange Securities, and to use its best efforts to cause such shelf registration statement to be declared effective.

SECTION 1. Representations and Warranties. (a) The Company represents and warrants to the Initial Purchaser as of the date hereof and as of the Closing Time (as defined in Section 3 hereof) that:

(i) As of their respective dates, none of the Offering Memorandum or any amendment or supplement thereto, and at all times subsequent thereto up to and as of the Closing Time, the Offering Memorandum, as amended or supplemented to such time, contained or will contain an untrue statement of a material fact or omitted or will omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that this representation and warranty does not apply to statements or omissions made in reliance upon and in conformity with information furnished in writing by the Initial Purchaser to the Company expressly for use in the Offering Memorandum or any amendment or supplement thereto.

(ii) When the Securities are issued and delivered pursuant to this Agreement, such Securities will not be of the same class (within the meaning of Rule 144A) as securities of the Company which are listed on a national securities exchange registered under Section 6 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or quoted in a U.S. automated inter-dealer quotation system. The Company has been advised that the

Securities have been designated PORTAL eligible securities in accordance with the rules and regulations of the National Association of Securities Dealers, Inc. (the "NASD").

(iii) Neither the Company, nor any of its affiliates

(as defined in Rule 501(b) under the Act) has, directly or through any agent, sold, offered for sale, solicited offers to buy or otherwise negotiated in respect of, any security (as defined in the Act) which is or will be integrated with the sale of the Securities in a manner that would require the registration of the Securities under the Act.

(iv) None of the Company or any affiliate (as such term is defined in Rule 501(b) under the Act) of the Company or any person (other than the Initial Purchaser, as to which the Company makes no representation) acting on the Company's behalf has engaged, in connection with the offering of the Securities, (A) in any form of general solicitation or general advertising within the meaning of Rule 502(c) under the Act, (B) in any directed selling efforts within the meaning of Rule 902 under the Act in the United States in connection with the Securities being offered and sold pursuant to Regulation S under the Act, (C) in any manner involving a public offering within the meaning of Section 4(2) of the Act or (D) in any action which would require the registration of the offering and sale of the Securities pursuant to this Agreement or which would violate applicable state "blue sky" laws.

(v) Assuming that the representations and warranties of the Initial Purchaser contained in Section 4 are true, correct and complete and assuming compliance by the Initial Purchaser with its covenants in Section 4, and assuming that the representations and warranties contained in the purchaser questionnaires (substantially in the form of Exhibit A to the Offering Memorandum) completed by Accredited Investors or non-U.S. persons purchasing Securities are true and correct as of the Closing Time, and assuming compliance by such Accredited Investors or non-U.S. persons, as the case may be, with the agreements in such questionnaire, it is not necessary in connection with the offer, sale and delivery of the Securities to the Initial Purchaser in the manner contemplated by, or in connection with the initial resale of such Securities by the Initial Purchaser in accordance with, this Agreement to register the Securities under the Act or to qualify any indenture

in respect of the Securities under the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act").

(vi) The only subsidiaries of the Company as of the date hereof are those listed on Schedule 1 hereto (the "Subsidiaries"). The Company and the Subsidiaries have been duly incorporated and are validly existing in good standing as corporations under the laws of their respective jurisdictions of incorporation, with all requisite power and authority under such laws, and all necessary authorizations, approvals, orders, licenses, certificates and permits of and from regulatory or governmental officials, bodies and tribunals, (a) to own, lease and operate their respective properties and to conduct their respective businesses as now conducted and as described in the Offering Memorandum and (b) with respect to the Company, to enter into, deliver, incur and perform its obligations under the Operative Documents; and are duly qualified to do business as foreign corporations in good standing in all other jurisdictions where the ownership or leasing of their respective properties or the conduct of their respective businesses requires such qualification, except where the failure to be so qualified could not reasonably be expected to have a material adverse effect on the business, financial condition, assets, results of operations or prospects of the Company and the Subsidiaries taken as a whole (a "Material Adverse Effect"; it being understood that, without limiting the foregoing, it shall in any event constitute a "Material Adverse Effect" under this Agreement if any event or condition could reasonably be expected to result in a decrease in the Company's consolidated revenues, earnings before interest, taxes, depreciation and amortization or net income of 7.5% or more).

(vii) The Securities, the Exchange Securities and the Private Exchange Securities, if any, have been duly authorized by the Company and the Company has all requisite corporate power and authority to execute, issue and deliver the Securities, the Exchange Securities and the Private Exchange Securities, if any, and to incur and perform its obligations provided for therein. The Securities, when executed, authenticated and issued in accordance with the terms of the Indenture (assuming the due authorization, execution and delivery of the Indenture by the Trustee) and when delivered against payment of the purchase price as provided in this Agreement, and the Exchange Securities and the Private Exchange Securities, if any, when executed, authenticated, issued and delivered

by the Company in exchange for the Securities, will constitute the valid and binding obligations of the Company, entitled to the benefits of the Indenture, enforceable against the Company in accordance with the terms thereof, subject to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights and remedies generally and subject to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

(viii) This Agreement has been and as of the Closing Time, the Registration Rights Agreement and the Indenture will have been duly authorized, executed and delivered by the Company and upon such execution by the Company (assuming the due authorization, execution and delivery by the other parties thereto) this Agreement, the Registration Rights Agreement and the Indenture will constitute the valid and binding obligations of the Company enforceable against the Company in accordance with the terms hereof or thereof, subject to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights and remedies generally and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law). No consent, authorization, approval, license or order of, or filing, registration or qualification with, any court or governmental body or agency, domestic or foreign, is required for the performance by the Company of its obligations under the Operative Documents, or for the consummation of the transactions contemplated hereby or thereby except such as may be required (A) in connection with the registration under the Act of the Securities, the Exchange Securities or the Private Exchange Securities, if any, pursuant to the Registration Rights Agreement (including any filing with the NASD), (B) the qualification of the Indenture under the Trust Indenture Act or (C) by state securities or "blue sky" laws in connection with the offer and sale of the Securities, the Exchange Securities or the Private Exchange Securities, if any, pursuant to the Registration Rights Agreement.

(ix) The issuance, sale and delivery of the Securities, the Exchange Securities and the Private Exchange Securities, if any, the execution, delivery and performance by the Company of this Agreement, the Registration Rights Agreement and the Indenture, the consummation by the Company of the transactions contemplated hereby,

thereby and in the Offering Memorandum and the compliance by the Company with the terms of the foregoing do not, and, at the Closing Time, will not, conflict with or constitute or result in a breach or violation by the Company or any of the Subsidiaries of (A) any of the terms or provisions of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) by the Company or any of the Subsidiaries or give rise to any right to accelerate the maturity or require the prepayment of any indebtedness under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any of the Subsidiaries under, any contract, indenture, mortgage, deed of trust, loan agreement, note, lease, license, franchise agreement, authorization, permit, certificate or other agreement or document to which the Company or any of the Subsidiaries is a party or by which any of them may be bound, or to which any of them or any of their respective assets or businesses is subject, which individually or in the aggregate would (1) have or result in a Material Adverse Effect, (2) materially impair the Company's ability to perform the obligations contemplated in the Operative Documents and the Offering Memorandum or (3) materially affect the consummation of the transactions contemplated in the Operative Documents and the Offering Memorandum; and the Company has no knowledge of any conflict, breach or violation of such terms or provisions or of any such default, in any such case, which has occurred or will so result, (B) the articles or by-laws (each, an "Organizational Document") of the Company and the Subsidiaries or (C) any law, statute, rule or regulation, or any judgment, decree or order, in any such case, of any domestic or foreign court or governmental or regulatory agency or other body having jurisdiction over the Company or the Subsidiaries or any of their respective properties or assets, which individually or in the aggregate would (1) have or result in a Material Adverse Effect, (2) materially impair the Company's ability to perform the obligations contemplated in the Operative Documents and the Offering Memorandum or (3) materially affect the consummation of the transactions contemplated in the Operative Documents and the Offering Memorandum.

(x) The Securities, the Exchange Securities, the Credit Agreement (as defined herein), the Registration Rights Agreement and the Indenture each conform in all

material respects to the descriptions thereof in the Offering Memorandum.

(xi) The audited and unaudited consolidated financial statements of the Company included in the Offering Memorandum, together with the related notes thereto, present fairly the financial position, results of operations and cash flows of the Company and the Subsidiaries, at the dates and for the periods to which they relate, and have been prepared in accordance with generally accepted accounting principles ("GAAP"). Price Waterhouse LLP, which has examined the audited consolidated financial statements of the Company as set forth in its report included in the Offering Memorandum, is an independent public accounting firm with respect to the Company within the meaning of the requirements of the Act and the rules and regulations thereunder.

(xii) Since the respective dates as of which information is given in the Offering Memorandum, except as otherwise specifically stated therein, there has been no (A) material adverse change in, the financial condition, properties, assets, results of operations or prospects of the Company and the Subsidiaries taken as a whole, whether or not arising in the ordinary course of business (a "Material Adverse Change"), (B) transaction entered into by the Company or the Subsidiaries, other than in the ordinary course of business, that is material to the Company and the Subsidiaries, taken as a whole or (C) dividend or distribution of any kind declared, paid or made by the Company on its capital stock.

(xiii) The Company has the authorized, issued and outstanding capitalization set forth in the Offering Memorandum under the caption "Capitalization"; all of the outstanding capital stock of the Company has been duly authorized and validly issued, is fully paid and nonassessable and was not issued in violation of any preemptive or similar rights (whether provided contractually or pursuant to any Organizational Document). The Company does not own, directly or indirectly, any shares or any other equity or long-term debt securities or have any equity interest in any firm, partnership, joint venture or other entity other than the Subsidiaries and those joint ventures indicated on Schedule 1 hereto, except as described in the Offering Memorandum. No holder of any securities of the Company is entitled to have such

securities (other than the Securities, the Exchange Securities and the Private Exchange Securities, if any) registered under any registration statement contemplated by the Registration Rights Agreement. All of the outstanding capital stock of each of the

Subsidiaries has been duly authorized and validly issued, is fully paid and nonassessable and was not issued in violation of any preemptive or similar rights (whether provided contractually or pursuant to any Organizational Document) and the outstanding shares of the capital stock owned by the Company of the Subsidiaries are owned beneficially and of record by the Company free and clear of all liens, encumbrances, equities and claims or restrictions on transferability or voting except for liens in favor of the lenders under the Company's existing revolving credit facility and, as of the Closing Time, liens in favor of the lenders under the Credit Agreement (as defined in Section 7(h)).

(xiv) Neither the Company nor the Subsidiaries is (A) in violation of its respective Organizational Documents, (B) in default (or, with notice or lapse of time or both, would be in default) in the performance or observance of any obligation, agreement, covenant or condition contained in any contract, indenture, mortgage, deed of trust, loan agreement, note, lease, license, franchise agreement, authorization, permit, certificate or other agreement or instrument to which it is a party or by which it may be bound, or to which any of its respective assets or properties is subject, or (C) in violation of any law, statute, judgment, decree, order, rule or regulation of any domestic or foreign court with jurisdiction over the Company or the Subsidiaries or any of their respective assets or properties, or other governmental or regulatory authority, agency or other body other than such defaults or violations which, individually or in the aggregate, could not reasonably be expected to have or result in, in the case of clause (B) or (C), a Material Adverse Effect; and any real property and buildings held under lease by the Company or the Subsidiaries which are material (individually or in the aggregate) to the Company and the Subsidiaries, are held by the Company or the applicable Subsidiary, as the case may be, under valid, subsisting and enforceable leases with such exceptions that would not, individually or in the aggregate, have or result in a Material Adverse

Effect.

(xv) The Company and the Subsidiaries own or possess, or can acquire on reasonable terms, adequate licenses, trademarks, service marks, trade names, copyrights and know-how (including trade secrets and other proprietary or confidential information, systems or procedures) (collectively, "intellectual property") necessary to conduct the

business now or proposed to be operated by each of them as described in the Offering Memorandum, except where the failure to own, possess or have the ability to acquire any such intellectual property could not, individually or in the aggregate, be reasonably expected to have a Material Adverse Effect; and neither the Company nor any of the Subsidiaries has received any notice of infringement of or conflict with (and neither knows of any such infringement of or conflict with) asserted rights of others with respect to any of such intellectual property which, if any such assertions of infringement or conflict were sustained, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

(xvi) The Company and the Subsidiaries have obtained all consents, approvals, orders, certificates, licenses, permits, franchises and other authorizations of and from, and has made all declarations and filings with, all governmental and regulatory authorities, all self-regulatory organizations and all courts and other tribunals necessary to own, lease, license and use their respective properties and assets and to conduct their respective businesses in the manner described in the Offering Memorandum, except to the extent that the failure to so obtain or file, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

(xvii) There is no legal action, suit, proceeding inquiry or investigation before or by any court or governmental body or agency, domestic or foreign, now pending or, to the best knowledge of the Company, threatened against the Company or any of the Subsidiaries or affecting the Company or the Subsidiaries or any of their respective properties which would, individually or in the aggregate, have a Material Adverse Effect or which could have any effect on the power or ability of the

Company to perform its obligations under the Operative Documents or to consummate the transactions contemplated hereby or thereby other than proceedings accurately summarized in the Offering Memorandum. Except as set forth in the Offering Memorandum, neither the Company nor any of the Subsidiaries has received any notice or claim of any default (or event, condition or omission which with notice or lapse of time or both would result in a default) under any of its respective material contracts or has knowledge of any breach of any of such contracts by the other party or parties thereto, except such defaults or breaches as

could not reasonably be expected to result in a Material Adverse Effect.

(xviii) Each of the Company and the Subsidiaries has filed all necessary federal, state and foreign income and franchise tax returns, except where the failure to so file such returns would not result in a Material Adverse Effect, and has paid all taxes shown as due thereon; and there is no tax deficiency that has been asserted against the Company or any of the Subsidiaries that would result in a Material Adverse Effect.

(xix) Each of the Company and the Subsidiaries has good and marketable title to all real and personal property described in the Offering Memorandum as being owned by it and good and marketable title to a leasehold estate in the real and personal property described in the Offering Memorandum as being leased by it, free and clear of all liens, charges, encumbrances or restrictions, except, in each case, as described in the Offering Memorandum or to the extent the failure to have such title or the existence of such liens, charges, encumbrances or restrictions does not result in a Material Adverse Effect. All material leases, contracts and agreements to which the Company or any of the Subsidiaries is a party or by which either is bound are, with respect to the Company or any of the Subsidiaries, as the case may be, valid, enforceable and are in full force and effect with only such exceptions as would not have a Material Adverse Effect.

(xx) Neither the Company nor any of the Subsidiaries is an "investment company" or a company "controlled by" an "investment company" as such terms are defined in the Investment Company Act of 1940, as amended, and the rules

and regulations thereunder.

(xxi) No labor problem, dispute or disturbance with the employees of the Company or any of the Subsidiaries exists or, to the best knowledge of the Company, is threatened which, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

(xxii) The representations and warranties of the Company contained in the Securities Purchase Agreement dated as of July 3, 1995 (the "Preferred Stock Purchase Agreement") among the Company, UBS Capital Corporation and Appian Capital Partners, L.L.C. are true and correct in all material respects.

(b) Any certificate signed by any officer of the Company and delivered to the Initial Purchaser or to counsel for the Initial Purchaser pursuant to the terms of this Agreement shall be deemed a representation and warranty by the Company to the Initial Purchaser as to the matters covered thereby.

SECTION 2. Purchase and Sale of the Securities. The Company agrees to sell to the Initial Purchaser and, subject to the terms and conditions and in reliance upon the representations and warranties of the Company herein set forth, the Initial Purchaser agrees to purchase from the Company, at a purchase price of 96 1/4% of the principal amount thereof, $100,000,000 principal amount of Securities.

SECTION 3. Delivery and Payment. Delivery of and payment for the Securities shall be made at 10:00 A.M., New York City time, on July 19, 1995, or such later date and time not more than two (2) business days thereafter as the Initial Purchaser and the Company shall agree (such date and time of delivery and payment for the Securities being herein called the "Closing Time"). Delivery of the Securities shall be made to the Initial Purchaser against payment by the Initial Purchaser of the purchase price thereof by wire transfer or certified or official bank check or checks payable in federal (immediately available) funds to the order of the Company or as the Company may direct; provided that the Company shall reimburse the Initial Purchaser for all costs and expenses associated with obtaining such federal funds. Delivery of the Securities in definitive form shall be made at such location as the Initial Purchaser shall reasonably designate at least one business day in advance of the Closing Time and payment for the Securities

shall be made at the offices of Cahill Gordon & Reindel, 80 Pine Street, New York, New York. Certificates for the Securities shall be registered in such names and in such denominations as the Initial Purchaser may request not less than two full business days in advance of the Closing Time.

The Company agrees to have the Securities available for inspection, checking and packaging by the Initial Purchaser in New York, New York, not later than 10:00 A.M. on the business day prior to the Closing Time.

SECTION 4. Resale of the Securities. (a) The Initial Purchaser has advised the Company that it proposes to offer the Securities for resale upon the terms and conditions set forth in this Agreement and in the Offering Memorandum. The Initial Purchaser hereby represents and warrants to, and

agrees with, the Company that the Initial Purchaser (i) is a Qualified Institutional Buyer, (ii) has not and will not solicit offers for, or offer or sell, the Securities by means of any form of general solicitation or general advertising (as those terms are used in Regulation D under the Act) or in any manner involving a public offering within the meaning of Section 4(2) of the Act and has not and will not engage in any directed selling efforts within the meaning of Rule 902 under the Act in the United States in connection with the Securities being offered and sold pursuant to Regulation S under the Act, (iii) is not purchasing with a view to or for offer or sale in connection with any distribution that would be in violation of federal or state law and (iv) will solicit offers for such Securities pursuant to Rule 144A, Regulation S or resales not involving a public offering, as applicable, only from, and will offer, sell or deliver the Securities, as part of their initial offering, only to (A) persons in the United States whom the Initial Purchaser reasonably believes to be Qualified Institutional Buyers or, if any such person is buying for one or more institutional accounts for which such person is acting as fiduciary or agent, only when such person has represented to the Initial Purchaser that each such account is a Qualified Institutional Buyer, to whom notice has been given that such sale or delivery is being made in reliance on Rule 144A, and, in each case, in transactions under Rule 144A, (B) a limited number of other institutional investors whom the Initial Purchaser reasonably believes to be Accredited Investors that are purchasing for their own accounts or for the account of an Accredited Investor for investment purposes and not with a view to, or for offer or sale in connection with, any distribution

of the Securities in violation of the Act and (C) non-U.S. persons outside the United States to whom the Initial Purchaser reasonably believes offers and sales of the Securities may be made in reliance upon Regulation S under the Act in transactions meeting the requirements of Regulation S; provided that with respect to clauses (B) and (C), each such transfer of Securities is effected by the delivery to such purchaser of Securities in definitive form and registered in its name (or its nominee's name) on the books maintained by the Trustee; and provided, further, that with respect to clause (B), such institutional investors shall be required to complete and deliver a purchaser questionnaire (substantially in the form of Exhibit A to the Offering Memorandum) to the Initial Purchaser prior to the confirmation of any order.

(b) In connection with sales outside the United States, the Initial Purchaser represents and warrants to and agrees with the Company that it will not offer, sell or deliver

Securities to, or for the account or benefit of, U.S. persons (within the meaning of Regulation S under the Act) (i) as part of the Initial Purchaser's distribution at any time or (ii) otherwise until forty (40) days after the later of the commencement of the offering and the Closing Time, and it will send to each dealer to whom it sells such Securities during such period, a confirmation or other notice setting forth the restrictions on offers and sales of the Securities within the United States or to, or for the account or benefit of, U.S. persons.

SECTION 5. Covenants of the Company. The Company covenants with the Initial Purchaser as follows:

(a) The Company will furnish to the Initial Purchaser and counsel for the Initial Purchaser, without charge, such number of copies of the Preliminary Offering Memorandum and the Offering Memorandum and any amendments or supplements thereto as the Initial Purchaser and its counsel may reasonably request.

(b) The Company will not at any time make any amendment or supplement to the Preliminary Offering Memorandum or the Offering Memorandum without the prior written consent of the Initial Purchaser.

(c) If at any time prior to completion of the distribution of the Securities by the Initial Purchaser to

purchasers who are not its affiliates (as determined by the Initial Purchaser) any event shall occur or condition shall exist as a result of which it is necessary, in the opinion of the Initial Purchaser or counsel for the Initial Purchaser, to amend or supplement the Offering Memorandum in order that the Offering Memorandum, as then amended or supplemented, will not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time it is delivered to a purchaser, not misleading or if in the opinion of the Initial Purchaser or counsel to the Initial Purchaser, such amendment or supplement is necessary to comply with applicable law, the Company will, subject to paragraph (b) of this Section 5, promptly prepare, at its own expense, such amendment or supplement as may be necessary to correct such untrue statement or omission or to effect such compliance (in form and substance agreed upon by counsel to the Initial Purchaser), so that as so amended or supplemented, the statements in the Offering

Memorandum will not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time it is delivered to a purchaser, not misleading or so that such Offering Memorandum as so amended or supplemented will comply with applicable law, as the case may be, and furnish to the Initial Purchaser such number of copies of such amendment or supplement as the Initial Purchaser may reasonably request. The Company agrees to notify the Initial Purchaser in writing to suspend use of the Offering Memorandum as promptly as practicable after the occurrence of an event specified in this paragraph (c), and the Initial Purchaser hereby agrees upon receipt of such notice from the Company to suspend use of the Offering Memorandum until the Company has amended or supplemented the Offering Memorandum to correct such misstatement or omission or to effect such compliance.

(d) Notwithstanding any provision of paragraph (b) or (c) to the contrary, however, the Company's obligations under paragraphs (b) and (c) and the Initial Purchaser's obligations under paragraph (c) shall terminate on the earliest to occur of (i) expiration of the Exchange Offer (as defined in the Registration Rights Agreement) pursuant to the Registration Rights Agreement,

(ii) the effective date of a shelf registration statement with respect to the Securities filed pursuant to the Registration Rights Agreement, (iii) the date upon which the Initial Purchaser and its affiliates cease to hold Securities acquired as part of their initial distribution and (iv) the date upon which the Initial Purchaser and its affiliates cease to hold Private Exchange Securities, if any.

(e) Neither the Company nor any of its affiliates (as defined in Rule 501(b) under the Act) will solicit any offer to buy or offer or sell the Securities, the Exchange Securities or the Private Exchange Securities, if any, by means of any form of general solicitation or general advertising (as such terms are used in Regulation D under the Act), or by means of any directed selling efforts (as defined in Rule 902 under the Act) in the United States in connection with the Securities being offered and sold pursuant to Regulation S or in any manner involving a public offering within the meaning of Section 4(2) of the Act prior to the effectiveness of a registration statement with respect to the Securities, the

Exchange Securities or the Private Exchange Securities, as applicable.

(f) Neither the Company nor any of its affiliates (as defined in Rule 501(b) under the Act) will offer, sell or solicit offers to buy or otherwise negotiate in respect of any security (as defined in the Act) which could be integrated with the sale of the Securities in a manner that would require the registration of the Securities under the Act.

(g) The Company will, so long as the Securities are outstanding, furnish to the Trustee on a timely basis, pursuant to the Indenture, whether or not the Company has a class of securities registered under the Exchange Act (i) audited year-end consolidated financial statements (including a balance sheet, income statement, statement of shareholders' equity and statement of changes of cash flow) prepared in accordance with GAAP and substantially in the form required under Regulation S-X under the Exchange Act and the information described in Item 303 of Regulation S-K under the Act with respect to such period and (ii) unaudited quarterly consolidated financial

statements (including a balance sheet, income statement, statement of shareholders' equity and statement of changes of cash flow) prepared in accordance with GAAP and substantially in the form required by Regulation S-X under the Exchange Act and the information described in Item 303 of Regulation S-K under the Act with respect to such period and will furnish to the Initial Purchaser copies of all such reports and information, together with such other documents, reports and information as shall be furnished by the Company to the holders of the Securities or to the Trustee. In the event the Company is not subject to Section 13 or 15(d) of the Exchange Act, the Company will furnish to holders of Securities and prospective purchasers of Securities designated by such holders, upon request of such holders or such prospective purchasers, the information required to be delivered pursuant to Rule 144A(d)(4) under the Act to permit compliance with Rule 144A in connection with resales of the Securities.

(h) The Company will use its best efforts in cooperation with the Initial Purchaser to (i) permit the Securities to be eligible for clearance and settlement through The Depository Trust Company and (ii) permit the Securities to be designated PORTAL securities in accordance with the rules and regulations of the NASD.

(i) Prior to the Closing Time, the Company, will furnish to the Initial Purchaser, as soon as they have been prepared by the Company, a copy of any unaudited interim financial statements of the Company for any period subsequent to the period covered by the most recent financial statements of the Company appearing in the Offering Memorandum.

(j) Each Security and Private Exchange Security, if any, will bear the following legend until such legend shall no longer be necessary or advisable because the Securities are no longer subject to the restrictions on transfer described herein:

> THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE OR OTHER SECURITIES LAWS. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR

OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS THE TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, REGISTRATION.

THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, SELL OR OTHERWISE TRANSFER THIS SECURITY, PRIOR TO THE DATE WHICH IS THREE YEARS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH PEOPLES TELEPHONE COMPANY, INC. (THE "COMPANY") OR ANY AFFILIATE OF THE COMPANY WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF THIS SECURITY) (THE "RESALE RESTRICTION TERMINATION DATE"), ONLY (A) TO THE COMPANY, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES TO NON-U.S. PERSONS THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF

REGULATION S UNDER THE SECURITIES ACT, (E) TO AN INSTITUTIONAL "ACCREDITED INVESTOR" WITHIN THE MEANING OF SUBPARAGRAPH (a)(1), (2), (3) OR (7) OF RULE 501 UNDER THE SECURITIES ACT THAT IS ACQUIRING THE SECURITIES FOR ITS OWN ACCOUNT, OR FOR THE ACCOUNT OF SUCH AN INSTITUTIONAL "ACCREDITED INVESTOR," FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO, OR FOR OFFER OR SALE IN CONNECTION WITH, ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT OR (F) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE COMPANY'S AND THE TRUSTEE'S RIGHT PRIOR TO ANY OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (D), (E) OR (F) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATIONS AND/OR OTHER INFORMATION

SATISFACTORY TO EACH OF THEM, AND IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS SECURITY IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE.

(k) The Company will arrange for the registration and qualification of the Securities for offering and sale under the applicable securities or "blue sky" laws of such states and other jurisdictions as the Initial Purchaser may designate in connection with the resale of the Securities as contemplated by this Agreement and the Offering Memorandum and will continue such qualifications in effect for as long as may be necessary to complete the distribution of the Securities; provided that in no event shall the Company be obligated to (i) qualify as a foreign corporation or as a dealer in securities in any jurisdiction where it would not otherwise be required to so qualify but for this Section 5(k), (ii) file any general consent to service of process in any jurisdiction where it is not at the Closing Time then so subject or (iii) subject itself to taxation in any such jurisdiction if it is not so subject. The Company will file such statements and reports as may be required by the laws of each jurisdiction in which the Securities have been qualified as above provided. The Company shall promptly advise the Initial Purchaser of the receipt by the Company of any notification with respect to the suspension of the qualification

or exemption from qualification of the Securities for offering or sale in any jurisdiction or the institution, threatening or contemplation of any proceeding for such purpose.

(l) From the date hereof to the Closing Time, the Company will not issue any press release or other public communication directly or indirectly or hold any press conference with respect to the Company or any of the Subsidiaries or the business, financial condition, assets, results of operations or prospects of the Company or any of the Subsidiaries, without the prior consent of the Initial Purchaser (which consent shall not be unreasonably withheld), unless in the judgment of the Company and its counsel, and after notification to the Initial Purchaser,

such press release, communication or conference is required by law.

(m) The Company will use the proceeds received from the sale of the Securities in the manner specified in the Offering Memorandum under the heading "Use of Proceeds."

(n) The Company shall not, for a period of 180 days from the date of the Offering Memorandum, without the prior written consent of the Initial Purchaser, directly or indirectly, offer, sell, grant any option to purchase or otherwise dispose of any debt securities of the Company or any of the Subsidiaries (other than the Exchange Securities and the Private Exchange Securities, if any).

SECTION 6. Payment of Expenses. (a) Whether or not any sale of the Securities is consummated, the Company will pay and bear all costs and expenses incident to the performance of its obligations under this Agreement, including (i) the preparation and printing of the Preliminary Offering Memorandum, the Offering Memorandum and any amendments or supplements thereto and the cost of furnishing copies thereof to the Initial Purchaser, (ii) the preparation, issuance, printing and distribution of the Securities, the Exchange Securities, the Private Exchange Securities, if any, and any survey of state securities or "blue sky" laws or legal investment memoranda, (iii) the delivery to the Initial Purchaser of the Securities, the Exchange Securities or the Private Exchange Securities, (iv) the fees and disbursements of the Company's counsel and accountants, (v) the qualification of the Securities under the applicable state securities or "blue sky" laws in accordance with the provisions of Section 5(k) hereof and any filing for

review of the offering with the NASD, if required, including filing fees and reasonable fees and disbursements of counsel to the Initial Purchaser in connection therewith and in connection with the preparation of any survey of state securities or "blue sky" laws or legal investment memoranda, (vi) any fees charged by rating agencies for rating the Securities, the Exchange Securities and the Private Exchange Securities, if any, (vii) the fees and expenses of the Trustee, including the fees and disbursements of counsel for the Trustee, (viii) all expenses (including travel expenses) of the Company and the Initial Purchaser in connection with any meetings with prospective investors in the Securities and (ix) all expenses and listing fees in connection with the application for

designation of the Securities as PORTAL securities.

(b) If the sale of the Securities provided for herein is not consummated because any condition to the obligations of the Initial Purchaser set forth in Section 7 hereof is not satisfied, because this Agreement is terminated pursuant to Section 11 hereof or because of any failure, refusal or inability on the part of the Company to perform all obligations and satisfy all conditions on its part to be performed or satisfied hereunder other than by reason of a default by the Initial Purchaser in payment for the Securities at the Closing Time, the Company shall reimburse the Initial Purchaser promptly upon demand for all reasonable out-of-pocket expenses (including reasonable fees and disbursements of its counsel) that shall have been incurred by it in connection with the proposed purchase and sale of the Securities.

SECTION 7. Conditions of the Initial Purchaser's Obligations. The obligations of the Initial Purchaser to purchase and pay for the Securities are subject to the continued accuracy, as of the Closing Time, of the representations and warranties of the Company herein contained, to the accuracy of the statements of the Company and officers of the Company made in any certificate pursuant to the provisions hereof, to the performance by the Company of its obligations hereunder, and to the following further conditions:

(a) At the Closing Time, the Initial Purchaser shall have received the opinion of Greenberg, Traurig, Hoffman, Lipoff, Rosen, and Quentel, P.A., counsel for the Company, dated as of the Closing Time, in form and substance reasonably satisfactory to the Initial Purchaser and counsel for the Initial Purchaser, to the effect that:

(1) the Company is duly incorporated and is validly existing under the laws of the State of New York, with full corporate power and authority to own, lease and operate its assets and properties and conduct its business as described in the Offering Memorandum;

(2) the authorized, issued and outstanding capital stock of the Company is as set forth in the Offering Memorandum under the caption "Capitalization";

(3) the Company has the requisite corporate

power and authority to execute, deliver and perform its obligations under this Agreement, the Registration Rights Agreement, the Securities, the Exchange Securities, the Private Exchange Securities and the Indenture; and each of this Agreement, the Registration Rights Agreement, the Securities, the Exchange Securities, the Private Exchange Securities and the Indenture has been duly authorized by the Company; the Company has the requisite corporate power and authority to issue and deliver the Securities, the Exchange Securities and the Private Exchange Securities; and the Securities, the Exchange Securities and the Private Exchange Securities have been duly authorized by the Company for issuance;

(4) no consent, approval, authorization, license, qualification or order of or filing or registration with, any court or governmental or regulatory agency or body of the United States or the States of Florida and New York is required for the execution and delivery by the Company of this Agreement, the Registration Rights Agreement or the Indenture or for the issue and sale of the Securities, the Exchange Securities or the Private Exchange Securities, if any, or the consummation by the Company of any of the transactions contemplated herein or therein, except such as may be required (A) in connection with the registration under the Act of the Securities, the Exchange Securities or the Private Exchange Securities, if any, pursuant to the Registration Rights Agreement, (B) the qualification of the Indenture under the Trust Indenture Act in connection with the registration of the Securities, the Exchange Securities or the Private Exchange Securities, if any, pursuant to the Registration Rights

Agreement and (C) such as may be required under the "blue sky" laws of any jurisdiction in connection with the purchase and distribution of the Securities by the Initial Purchaser (as to which such counsel need express no opinion);

(5) the issuance, sale and delivery of the Securities, Exchange Securities and the Private Exchange Securities, if any, the execution, delivery and performance by the Company of this Agreement, the

Registration Rights Agreement and the Indenture, the consummation by the Company of the transactions contemplated hereby, thereby and in the Offering Memorandum and the compliance by the Company with the terms of the foregoing do not, and, at the Closing Time, will not, conflict with or constitute or result in a breach or violation by the Company or any of the Subsidiaries of (A) any of the terms or provisions of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) by the Company or any of the Subsidiaries or give rise to any right to accelerate the maturity or require the prepayment of any indebtedness under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any of the Subsidiaries under, any of the agreements and documents which are identified on a schedule to such opinion (which schedule shall be in the form attached hereto as Schedule 2), (B) the Organizational Documents of the Company and any of the Subsidiaries or (C) any law, rule or regulation of the United States or the States of Florida and New York or any order, decree or judgment known to such counsel to be applicable to the Company or any of the Subsidiaries, in any such case, of any court or governmental or regulatory agency or body or arbitrator;

(6) the statements in the Offering Memorandum under the headings "Summary - The Offering," "Description of the Credit Agreement," "Description of the Notes" and "Exchange Offer; Registration Rights," insofar as such statements purport to summarize certain provisions of the Credit Agreement, the Securities, the Exchange Securities, the Registration Rights Agreement and the Indenture provide a fair summary of such provisions of such agreements and instruments;

(7) each of the Indenture and the Registration Rights Agreement (assuming due authorization and execution of each by each party thereto) constitutes a valid and binding agreement of the Company, enforceable against the Company in accordance with its terms, except (a) as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting

the enforcement of creditors' rights generally, (b) as the enforceability thereof may be subject to the application of general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law) and (c) with respect to the Registration Rights Agreement, that such counsel expresses no opinion regarding the enforceability of the indemnification provisions contained in Section 4 thereof;

(8) each of the Securities, when executed and authenticated in accordance with the provisions of the Indenture and delivered and paid for in accordance with the terms of this Agreement and with respect to the Exchange Securities and the Private Exchange Securities, if any, when executed, authenticated and delivered in exchange for the Securities in accordance with the Registration Rights Agreement, will be entitled to the benefits of the Indenture and will be valid and binding obligations of the Company, enforceable in accordance with its terms except as (a) the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and (b) the enforceability thereof may be subject to the application of general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law);

(9) to the knowledge of such counsel, other than as described in the Offering Memorandum, no legal, regulatory or governmental proceedings (including proceedings by or before any court or governmental or regulatory agency or body of the United States or the States of Florida and New York) are pending to which the Company is a party or to which the assets of the Company are subject which, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect or which, individually or in the aggregate, would have a material adverse effect on the power or ability of the

Company to perform its obligations under the Operative Documents or to consummate the transactions contemplated thereby or by the Offering Memorandum and no such material proceedings have been threatened

against the Company or with respect to any of its assets or properties;

(10) the Company is not required to register as an investment company as such term is defined in the Investment Company Act of 1940, as amended;

(11) assuming that the representations and warranties of the Initial Purchaser contained in Section 4 of this Agreement are true, correct and complete, and assuming compliance by the Initial Purchaser with its covenants in Section 4 hereof, and assuming that the representations and warranties contained in the purchaser questionnaires (substantially in the form of Exhibit A to the Offering Memorandum) completed by Accredited Investors and non-U.S. persons purchasing Securities from the Initial Purchaser are true and correct as of the Closing Time, and assuming compliance by such Accredited Investors and non-U.S. persons with the agreements in such questionnaires, it is not necessary in connection with the offer, sale and delivery of the Securities to the Initial Purchaser under, or in connection with the initial resale of such Securities by the Initial Purchaser in accordance with, this Agreement to register the Securities under the Act or to qualify any indenture in respect of the Securities under the Trust Indenture Act; and

(12) when the Securities are issued and delivered pursuant to this Agreement, such Securities will not be of the same class (within the meaning of Rule 144A) as securities of the Company which are listed on a national securities exchange registered under Section 6 of the Exchange Act or quoted in a U.S. automated inter-dealer quotation system.

In addition such counsel shall state that such counsel has participated in conferences with representatives of the Initial Purchaser, officers and other representatives of the Company and representatives of the independent certified accountants of the Company, at which conferences the contents of the Offering Memorandum and related matters were discussed, and although such counsel

has not verified and does not pass upon or assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Offering Memorandum (except and only to the extent set forth in clause (6) above), on the basis of the foregoing (relying as to materiality to a large extent upon representations and opinions of officers and other representatives of the Company), no facts have come to the attention of such counsel which lead such counsel to believe that the Offering Memorandum at the date thereof or as of the Closing Time, contained or contains an untrue statement of a material fact or omitted or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that such counsel need not express any comment with respect to the financial statements including the notes thereto and supporting schedules, or any other financial and statistical data set forth or referred to in the Offering Memorandum.

References to the Offering Memorandum in this subsection (a) include any supplements thereto at or prior to the Closing Time.

In rendering such opinions, such counsel (A) need not express any opinion with regard to the application of laws of any jurisdiction other than the Federal law of the United States and the laws of the States of Florida and New York and (B) may rely, as to matters of fact, to the extent they deem proper on representations or certificates of responsible officers of the Company and certificates of public officials.

(b) At the Closing Time, the Initial Purchaser shall have received the opinion of Bruce W. Renard, Esq., Vice President - Regulatory Affairs/General Counsel of the Company, dated as of the Closing Time, in form and substance reasonably satisfactory to the Initial Purchaser and counsel for the Initial Purchaser, to the effect that:

(1) each of the Subsidiaries is duly incorporated and is validly existing under the laws of its respective state of incorporation, with full corporate power and authority to own, lease and operate its assets and properties and conduct its business as described in the Offering Memorandum;

(2) each of the Company and the Subsidiaries is

duly qualified to do business as a foreign corporation in good standing under the laws of all other jurisdictions where the ownership or leasing of its respective properties and assets or the conduct of its respective business requires such qualification, except where the failure to be so qualified could not reasonably be expected to have a Material Adverse Effect;

(3) all of the outstanding capital stock of the Company has been duly authorized and validly issued, is fully paid and nonassessable and was not issued in violation of any preemptive or similar rights (whether provided contractually (to such counsel's knowledge) or pursuant to Organizational Documents); no holder of any securities of the Company is entitled to have such securities (other than the Securities, the Exchange Securities and the Private Exchange Securities, if any) registered under any registration statement contemplated by the Registration Rights Agreement;

(4) all of the outstanding capital stock of each of the Subsidiaries has been duly authorized and validly issued, is fully paid and nonassessable and was not issued in violation of any preemptive or similar rights (whether provided contractually or pursuant to any Organizational Document) and the outstanding shares of the capital stock owned by the Company of the Subsidiaries are owned beneficially and of record by the Company free and clear of all liens, encumbrances, equities and claims of restrictions on transferability or voting except for liens in favor of the lenders under the Credit Agreement (as defined in Section 7(h));

(5) to the knowledge of such counsel, other than as described in the Offering Memorandum, no legal, regulatory or governmental proceedings are pending to which the Company or any of the Subsidiaries is a party or to which the assets of the Company or any of the Subsidiaries are subject which, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect or which, individually or in the aggregate, would have a material adverse effect on the power or ability of the Company to perform its obligations under the

Operative Documents or to consummate the transactions contemplated thereby or by the Offering Memorandum and no such material proceedings have been threatened against the Company or any of the Subsidiaries or with respect to any of its respective assets or properties;

(6) to the knowledge of such counsel, neither the Company nor any of the Subsidiaries is (A) in violation of its respective Organizational Documents, (B) in default (or, with notice or lapse of time or both, would be in default) in the performance or observance of any obligation, agreement, covenant or condition contained in any contract, indenture, mortgage, deed of trust, loan agreement, note, lease, license, franchise agreement, authorization, permit, certificate or other agreement or instrument to which it is a party or by which it may be bound, or to which any of its respective assets or properties is subject, or (C) in violation of any law, statute, judgment, decree, order, rule or regulation of any domestic or foreign court with jurisdiction over the Company or any of the Subsidiaries or any of their respective assets or properties, or other governmental or regulatory authority, agency or other body other than such defaults or violations which, individually or in the aggregate, could not reasonably be expected to have or result in, in the case of clause (B) or (C), a Material Adverse Effect; and any real property and buildings held under lease by the Company or any of the Subsidiaries which are material (individually or in the aggregate) to the Company and the Subsidiaries, are held by the Company or the applicable Subsidiary, as the case may be, under valid, subsisting and enforceable leases with such exceptions that would not, individually or in the aggregate, have or result in a Material Adverse Effect;

(7) to the knowledge of such counsel, the Company and each of the Subsidiaries own or possess or can acquire on reasonable terms the intellectual property necessary to conduct the business now or proposed to be operated by each of them as described in the Offering Memorandum, except where the failure to own, possess or have the ability to acquire any such intellectual property could not, individually or in the aggregate, be reasonably expected to have a

Material Adverse Effect; and to the knowledge of such counsel, neither the Company nor any of the Subsidiaries has received any notice of infringement of or conflict with (and such counsel does not know of any such infringement of or conflict with) asserted rights of others with respect to any of such intellectual property which, if any such assertions of infringement or conflict were sustained, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect;

(8) to the knowledge of such counsel, the Company and each of the Subsidiaries have obtained all consents, approvals, orders, certificates, licenses, permits, franchises and other authorizations of and from, and has made all declarations and filings with, all governmental and regulatory authorities, all self-regulatory organizations and all courts and other tribunals necessary to own, lease, license and use their respective properties and assets and to conduct their respective businesses in the manner described in the Offering Memorandum, except to the extent that the failure to so obtain or file, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect; and

(9) the statements set forth in the Offering Memorandum under the headings "Risk Factors - Regulatory Factors," "Business - Regulation," and "Business - Legal Proceedings," insofar as such statements constitute a summary of statutes, rules, regulations, legal matters, documents or proceedings referred to therein, provide a fair summary of such statutes, rules, regulations, legal matters, documents and proceedings and the information with respect thereto.

In addition such counsel shall state that such counsel has participated in conferences with representatives of the Initial Purchaser, officers and other representatives of the Company and representatives of the independent certified accountants of the Company, at which conferences the contents of the Offering Memorandum and related matters were discussed, and although such counsel has not verified and does not pass upon or assume any

responsibility for the accuracy, completeness or fairness of the statements contained in the Offering Memorandum, on

the basis of the foregoing (relying as to materiality to a large extent upon representations and opinions of officers and other representatives of the Company), no facts have come to the attention of such counsel which lead such counsel to believe that the Offering Memorandum at the date thereof or as of the Closing Time, contained or contains an untrue statement of a material fact or omitted or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that such counsel need not express any comment with respect to the financial statements, including the notes thereto, or any other financial or statistical data set forth or referred to in the Offering Memorandum.

(c) The Initial Purchaser shall have received the favorable opinion, dated as of the Closing Time, of Cahill Gordon & Reindel, counsel for the Initial Purchaser, with respect to certain matters set forth in clauses (3), (6) (other than with respect to the Credit Agreement), (7), (8) and (11) of subsection (a) of this Section 7.

In rendering such opinions, such counsel (A) need not express any opinion with regard to the application of laws of any jurisdiction other than the Federal law of the United States and the laws of the State of New York and (B) may rely, as to matters of fact, to the extent they deem proper on representations or certificates of responsible officers of the Company and certificates of public officials.

In giving its opinion required by this subsection (c) of this Section 7, such counsel shall additionally state that such counsel has participated in conferences with officers and other representatives of the Company and representatives of the independent accountants for the Company and representatives of the Initial Purchaser at which conferences the contents of the Offering Memorandum and related matters were discussed, and although such counsel has not verified and does not pass upon and does not assume any responsibility for the accuracy, completeness or fairness of the statements contained in

the Offering Memorandum, on the basis of the foregoing (relying as to materiality to a large extent upon the representations and opinions of officers and other representatives of the Company), no facts have come to the attention of such counsel

which lead such counsel to believe that the Offering Memorandum, at the date thereof, contained an untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading (it being understood that such counsel need express no comment with respect to the financial statements, including the notes thereto, or any other financial or statistical data set forth or referred to in the Offering Memorandum).

(d) The following conditions contained in clauses (i), (ii) and (iii) of this subsection (d) shall have been satisfied at and as of the Closing Time and the Company shall have furnished to the Initial Purchaser a certificate, signed by the Chairman of the Board or the President and the principal financial or accounting officer of the Company, dated as of the Closing Time, to the effect that the signers of such certificate have carefully examined the Offering Memorandum, any amendment or supplement to the Offering Memorandum, and this Agreement and that:

(i) the representations and warranties of the Company in this Agreement are true and correct in all material respects on and as of the Closing Time with the same effect as if made at the Closing Time and the Company has complied with all the agreements and satisfied all the conditions under this Agreement on its part to be performed or satisfied at or prior to the Closing Time;

(ii) since the date of the most recent financial statements included in the Offering Memorandum (exclusive of any amendment or supplement thereto), there has been no Material Adverse Change, whether or not arising in the ordinary course of business. As used in this subparagraph, the term "Offering Memorandum" means the Offering Memorandum in the form first used to confirm sales of the Securities; and

(iii) the agreements and instruments listed on

Schedule 2 hereto represent all agreements and instruments which are material to the Company and the Subsidiaries.

(e) At the time that this Agreement is signed and at the Closing Time, Price Waterhouse LLP shall have furnished to the Initial Purchaser a letter or letters, dated

respectively as of the date of this Agreement and as of the Closing Time, in form and substance satisfactory to the Initial Purchaser, confirming that they are independent certified public accountants within the meaning of the Act and the applicable published rules and regulations thereunder and stating in effect that:

(i) in their opinion the audited financial statements included in the Offering Memorandum comply as to form in all material respects with the applicable accounting requirements of the Act and the rules and regulations promulgated thereunder;

(ii) on the basis of a reading of the latest unaudited financial statements made available by the Company; carrying out certain specified procedures (but not an examination in accordance with generally accepted auditing standards) which would not necessarily reveal matters of significance with respect to the comments set forth in such letter; a reading of the minutes of the meetings of the shareholders, the board of directors and committees thereof of the Company; and inquiries of certain officials of the Company who have responsibility for financial and accounting matters of the Company as to transactions and events subsequent to March 31, 1995, and such other inquiries and procedures as may be specified in such letter, nothing came to their attention which caused them to believe that:

(A) the unaudited financial statements included in the Offering Memorandum do not comply as to form in all material respects with applicable accounting requirements of the Act and with the published rules and regulations of the Commission; and said unaudited financial statements are not in conformity with generally accepted accounting principles applied on a basis substantially consistent with that of the audited financial

statements included in the Offering Memorandum; or

(B) with respect to the period subsequent to March 31, 1995, that at a specified date not more than five business days prior to the date of the letter, there were any changes in the capital stock or there were any increases in the long-term or total debt or any decreases in the net current assets, working capital or shareholders' equity of the

Company, as compared with the amounts shown on the March 31, 1995 unaudited balance sheet included in the Offering Memorandum, or for the period from March 31, 1995 to such specified date there were any decreases, as compared with the corresponding period in the preceding year, in revenues or net income of the Company, except in all instances for increases or decreases that the Offering Memorandum discloses have occurred or may occur; and

(iii) they have performed certain other specified procedures, not constituting an audit, with respect to certain amounts, percentages and financial information that are derived from the general accounting records of the Company and are included in the Offering Memorandum, and have compared such amounts, percentages and financial information with such records of the Company and with information derived from such records and have found them to be in agreement, excluding any questions of legal interpretation. References to the Offering Memorandum in this subsection (e) include any supplement thereto at the date of the applicable letter.

(f) Subsequent to the date hereof or, if earlier, the dates as of which information is given in the Offering Memorandum (exclusive of any amendment or supplement thereto), there shall not have been any change, or any development involving a prospective change, in or affecting the business or properties of the Company the effect of which is, in the sole judgment of the Initial Purchaser, so material and adverse as to make it impractical or inadvisable to proceed with the purchase and the delivery of the Securities as contemplated by the Offering Memorandum (exclusive of any amendment or supplement thereto).

(g) At the Closing Time, counsel for the Initial Purchaser shall have been furnished with such information, certificates and documents as they may reasonably require for the purpose of enabling them to pass upon the issuance and sale of the Securities as contemplated herein and related proceedings, or in order to evidence the accuracy of any of the representations or warranties, or the fulfillment of any of the conditions, herein contained; and all opinions and certificates mentioned above or elsewhere in this Agreement shall be reasonably satisfactory in form

and substance to the Initial Purchaser and counsel for the Initial Purchaser.

(h) An amended and restated credit agreement (the "Credit Agreement") shall have been executed and delivered by the Company, as borrower, and Creditanstalt-Bankverein, as lender, in the form provided to the Initial Purchaser and its counsel prior to the date hereof, providing for a $40 million revolving credit facility and all conditions thereunder to funding shall have been satisfied (other than the condition that the issuance and sale of the Securities be consummated) and the Company shall have borrowed funds thereunder sufficient to repay its existing revolving credit facility. The Company shall have informed the Initial Purchaser and its counsel of any waiver or modification of any condition or term of the Credit Agreement from the form previously provided to the Initial Purchaser and its counsel.

(i) The Company and the Trustee shall have entered into the Indenture.

(j) The Company and the Initial Purchaser shall have entered into the Registration Rights Agreement.

(k) The Preferred Stock Purchase Agreement (as defined in Section 1(a)(xxii)) shall have been executed and delivered by the parties thereto, all conditions to the consummation of the transactions contemplated thereby shall have been satisfied (other than the condition that the issuance and sale of the Securities be consummated), and the Company shall have received gross proceeds of $15 million from the issuance of its preferred stock thereunder. The Company shall have informed the Initial

Purchaser and its counsel of any waiver or modification of any condition or term of the Preferred Stock Purchase Agreement from the form previously provided to the Initial Purchaser and its counsel.

(l) The Initial Purchaser and its counsel shall be satisfied in all material respects with the satisfaction and release documents to be delivered in connection with the payment of the Company's mortgage note payable owing to NationsBank of Florida, N.A.

If any condition specified in this Section 7 shall not have been fulfilled in all material respects when and as required to be fulfilled, this Agreement may be terminated by

the Initial Purchaser by notice to the Company, and such termination shall be without liability of any party to any other party except as provided in Section 6. Notwithstanding any such termination, the provisions of Sections 8 and 9 shall remain in effect. Notice of such cancellation shall be given to the Company in writing or by telephone, facsimile transmission or telegraph confirmed in writing. The Company shall furnish to the Initial Purchaser such conformed copies of such opinions, certificates, letters and documents in such quantities as the Initial Purchaser and counsel for the Initial Purchaser shall reasonably request.

SECTION 8. Indemnification. (a) The Company agrees to indemnify and hold harmless the Initial Purchaser, its affiliates, and each person, if any, who controls the Initial Purchaser or its affiliates within the meaning of Section 15 of the Act or Section 20 of the Exchange Act, and their respective directors, officers, employees and agents, as follows:

(i) against any and all loss, liability, claim, damage and expense whatsoever, joint or several, as incurred, arising out of any untrue statement or alleged untrue statement of a material fact contained in any Preliminary Offering Memorandum or the Offering Memorandum or any amendment or supplement thereto, or the omission or alleged omission therefrom of a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(ii) against any and all loss, liability, claim, damage and expense whatsoever, joint or several, as incurred, to the extent of the aggregate amount paid in

settlement of any litigation, or any investigation or proceeding by any court or governmental agency or body, commenced or threatened, or of any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission, if such settlement is effected with the written consent of the Company; and

(iii) against any and all expenses whatsoever, as incurred (including the reasonable fees and disbursements of counsel chosen by the Initial Purchaser), reasonably incurred in investigating, preparing or defending against any litigation, or any investigation or proceeding by any court or governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue

statement or omission, to the extent that any such expense is not paid under clauses (i) or (ii) above;

provided that this indemnity agreement shall not apply to any loss, liability, claim, damage or expense to the extent arising out of an untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with information furnished to the Company by such Initial Purchaser in writing expressly for use in the Preliminary Offering Memorandum or the Offering Memorandum (or any amendment or supplement thereto).

(b) The Initial Purchaser agrees to indemnify and hold harmless the Company, its directors, officers, employees and agents, and each person, if any, who controls the Company within the meaning of Section 15 of the Act or Section 20 of the Exchange Act from and against any and all loss, liability, claim, damage and expense whatsoever described in the indemnity contained in subsection (a) of this Section 8, as incurred, but only with respect to untrue statements or omissions, or alleged untrue statements or omissions, made in the Offering Memorandum (or any amendment or supplement thereto), or any Preliminary Offering Memorandum (or any amendment or supplement thereto) in reliance upon and in conformity with written information furnished to the Company by such Initial Purchaser expressly for use in the Offering Memorandum (or any amendment or supplement thereto) or such Preliminary Offering Memorandum (or any amendment or supplement thereto).

(c) Each indemnified party shall give notice as promptly as reasonably practicable to each indemnifying party

of any action commenced against it in respect of which indemnity may be sought hereunder, enclosing a copy of all papers properly served on such indemnified party, but failure to so notify an indemnifying party shall not relieve such indemnifying party from any liability which it may have otherwise than on account of this indemnity agreement. An indemnifying party may participate at its own expense in the defense of any such action. If an indemnifying party so elects within a reasonable time after receipt of such notice, such indemnifying party may assume the defense of such action with counsel chosen thereby and approved by the indemnified party or parties defendant in such action; provided that if any such indemnified party reasonably determines that there may be legal defenses available to such indemnified party which are different from or in addition to those available to such indemnifying party or that representation of such indemnifying party and any indemnified party by the same counsel would present a conflict of interest,

then such indemnifying party shall not be entitled to assume such defense. If an indemnifying party is not entitled to assume the defense of such action as a result of the proviso to the preceding sentence, counsel for such indemnifying party shall be entitled to conduct the defense of such indemnifying party and counsel for each indemnified party or parties shall be entitled to conduct the defense of such indemnified party or parties. If an indemnifying party assumes the defense of an action in accordance with and as permitted by the provisions of this paragraph, such indemnifying party shall not be liable for any fees and expenses of counsel for the indemnified parties incurred thereafter in connection with such action. In no event shall the indemnifying parties be liable for fees and expenses of more than one counsel (in addition to any local counsel) separate from its own counsel for all indemnified parties in connection with any one action or separate but similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances.

SECTION 9. Contribution. In order to provide for just and equitable contribution in circumstances in which the indemnity agreement provided for in Section 8 is for any reason held to be unavailable to the indemnified parties although applicable in accordance with its terms, the Company and the Initial Purchaser shall contribute to the aggregate losses, liabilities, claims, damages and expenses of the nature contemplated by said indemnity agreement incurred by the Company and the Initial Purchaser, as incurred, in such

proportions that the Initial Purchaser is responsible for that portion represented by the percentage that the commission to the Initial Purchaser appearing on the cover page of the Offering Memorandum bears to the price to investors appearing thereon and the Company is responsible for the balance; provided that no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this Section, each director, officer, employee and agent of the Initial Purchaser and its affiliates, and each person, if any, who controls the Initial Purchaser and its affiliates within the meaning of Section 15 of the Act, shall have the same rights to contribution as such Initial Purchaser, and each director, officer, employee and agent of the Company, and each person, if any, who controls the Company within the meaning of Section 15 of the Act or Section 20 of the Exchange Act, shall have the same rights to contribution as the Company.

SECTION 10. Representations, Warranties and Agreements to Survive Delivery. All representations, warranties, indemnities, agreements and other statements of the Company and its officers and of the Initial Purchaser contained in or made pursuant to this Agreement shall remain operative and in full force and effect, regardless of any investigation made by or on behalf of any Initial Purchaser or any controlling person, or by or on behalf of the Company, and shall survive delivery of and payment for the Securities hereunder.

SECTION 11. Termination of Agreement. (a) The Initial Purchaser may terminate this Agreement, by notice to the Company, at any time on or prior to the Closing Time (i) if there has been, since the date of this Agreement or since the respective dates as of which information is given in the Offering Memorandum and on or prior to the Closing Time, any Material Adverse Change whether or not arising in the ordinary course of business, or (ii) if, since the date of this Agreement and on or prior to the Closing Time, (A) there has occurred any outbreak of hostilities or escalation of existing hostilities or other national or international calamity or crisis, the effect of which on the financial securities markets of the United States is such as to make it, in the judgment of the Initial Purchaser, impracticable to market the Securities or to enforce contracts for the sale of the Securities, or (B) trading generally on the New York Stock Exchange, the American Stock Exchange or the over-the-counter market has been

suspended, or minimum or maximum prices for trading have been fixed, or maximum ranges for prices for securities generally have been required, by any such exchange or by order of the Commission, the NASD or any other governmental authority or (C) a general banking moratorium has been declared by either Federal or New York authorities. As used in this Section 11(a), the term "Offering Memorandum" means the Offering Memorandum in the form first used to confirm sales of the Securities.

(b) If this Agreement is terminated pursuant to this Section 11, such termination shall be without liability of any party to any other party except as provided in Section 6. Notwithstanding any such termination, the provisions of Sections 8 and 9 shall remain in effect.

(c) This Agreement may also terminate pursuant to the provisions of Section 7, with the effect stated in such Section.

SECTION 12. Notices. All notices and other communications hereunder shall be in writing and shall be deemed to

have been duly given if mailed or transmitted by any standard form of telecommunication. Notices to the Initial Purchaser shall be directed to the Initial Purchaser c/o Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Merrill Lynch World Headquarters, North Tower, World Financial Center, New York, New York 10281-1305, attention of Stanley O'Neal, Managing Director; and notices to the Company shall be directed to Peoples Telephone Company, Inc., 2300 N.W. 89th Place, Miami, Florida 33172, attention: Jeffrey Hanft, Chief Executive Officer.

SECTION 13. Information Supplied by the Initial Purchaser. The statements set forth in the last paragraph on the front cover page and under the heading "Plan of Distribution" in the Preliminary Offering Memorandum or the Offering Memorandum (to the extent such statements relate to the Initial Purchaser) constitute the only information furnished by the Initial Purchaser to the Company for the purposes of Sections 1 and 8 hereof.

SECTION 14. Parties. This Agreement shall inure to the benefit of and be binding upon the Initial Purchaser and the Company and their respective successors and legal representatives. Nothing expressed or mentioned in this

Agreement is intended or shall be construed to give any person, firm or corporation, other than the Initial Purchaser, its affiliates and the Company and their respective successors and legal representatives and the controlling persons and officers, directors, employees and agents referred to in Sections 8 and 9 and their heirs and legal representatives, any legal or equitable right, remedy or claim under, by virtue of or in respect of this Agreement or any provision herein contained. This Agreement and all conditions and provisions hereof are intended to be for the sole and exclusive benefit of the Initial Purchaser, its affiliates and the Company and their respective successors and legal representatives, and said controlling persons and officers, directors, employees and agents and their heirs and legal representatives, and for the benefit of no other person, firm or corporation. No purchaser of Securities from any Initial Purchaser shall be deemed to be a successor by reason merely of such purchase.

SECTION 15. Governing Law and Time. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO ANY PROVISIONS RELATING TO CONFLICTS OF LAWS. Specified times of day refer to New York City time.

SECTION 16. Counterparts. This Agreement may be executed in one or more counterparts and, when a counterpart has been executed by each party, all such counterparts taken together shall constitute one and the same agreement.

If the foregoing is in accordance with your understanding of our agreement, please sign and return to the Company a counterpart hereof, whereupon this instrument, along with all counterparts, will become a binding agreement between the Initial Purchaser and the Company in accordance with its terms.

Very truly yours,

PEOPLES TELEPHONE COMPANY, INC.

By:_____
Name:

Title:

CONFIRMED AND ACCEPTED,
as of the date first above written:

MERRILL LYNCH & CO.
MERRILL LYNCH, PIERCE, FENNER & SMITH
INCORPORATED

By: _____
Name:
Title:

Schedule 1

Subsidiaries

Campus Telephone Services, Inc. (DBA Telink, Inc.)

PTC Cellular, Inc.

Silverado Communications, Inc.

Southwest Inmate Pay Telephone Systems, Inc.

PTC Global Link, Inc.

Global Access, Ltd.

Telink, Inc.

Telink Telephone System, Inc.

Peoples Acquisition Corporation

Peoples Telephone Company, Inc.
(a New Hampshire corporation)

PTC Security Systems, Inc.

Schedule 1

Joint Ventures and Partnerships

Name	Percentage	Formation/ Applicable Law	Other Holders/%
Partnership Marketing Agreement	50%	FL	Frank Magliato - 25% The Windsor Group (Miami), Inc. - 25%
Joint Marketing Agreement	50%	NY	NTT America, Inc. - 50%
Joint Venture Agreement	50%	NY	Buckeye Communic-ations, Inc. - 50%
Partnership Marketing Agreement	50%	FL	Public Access Telephone Company, Inc. - 50%
Partnership Agreement	49.9%	NY	Playboy Enterprises, - 50.1%
Joint Venture Agreement	50%	FL	Telecard Marketing Group, Inc. - 20% Superstar Marketing Group, Inc. - 30%

Schedule 2

List of Material Agreements and Documents

Second Amended and Restated Warrant Agreement dated as of February 17, 1994 between the Company and Creditanstalt American Corporation

Exchange Agreement between the Company and Creditanstalt Corporate Finance, Inc. dated May 3, 1995

Third Amended and Restated Loan and Security Agreement dated as of February 17, 1994 between the Company and Creditanstalt-Bankverein, Internationale Nederladen (U.S.) Capital Corporation, NationsBank of Florida, N.A.,

SunBank/Miami, N.A., The Daiwa Bank, Limited, and The Long-Term Credit Bank of Japan, Ltd., New York Branch

Consent, Waiver and First Amendment dated June 10, 1994 to the Third Amended and Restated Loan and Security Agreement dated as of February 17, 1994 between the Company and Creditanstalt-Bankverein, Internationale Nederladen (U.S.) Capital Corporation, NationsBank of Florida, N.A., SunBank/Miami, N.A., The Daiwa Bank, Limited, and The Long-Term Credit Bank of Japan, Ltd., New York Branch

Consent, Waiver and Second Amendment dated September 28, 1994 to the Third Amended and Restated Loan and Security Agreement dated as of February 17, 1994 between the Company and Creditanstalt-Bankverein, Internationale Nederladen (U.S.) Capital Corporation, NationsBank of Florida, N.A., SunBank/Miami, N.A., The Daiwa Bank, Limited, and The Long-Term Credit Bank of Japan, Ltd., New York Branch

Waiver and Third Amendment dated March 22, 1995 to the Third Amended and Restated Loan and Security Agreement dated as of February 17, 1994 between the Company and Creditanstalt-Bankverein, Internationale Nederladen (U.S.) Capital Corporation, NationsBank of Florida, N.A., SunBank/Miami, N.A., The Daiwa Bank, Limited, and The Long-Term Credit Bank of Japan, Ltd., New York Branch

Fourth Amended and Restated Loan and Security Agreement dated as of July 19, 1995 by and between the Company and Creditanstalt-Bankverein

Securities Purchase Agreement dated July 3, 1995 among the Company, UBS Capital Corporation and Appian Capital Partners, L.L.C.

Registration Rights Agreement dated July 3, 1995 between the Company and UBS Capital Corporation

Letter Agreement dated July 3, 1995 between the Company and Appian Capital Partners, L.L.C.

Asset Purchase Agreement dated March 1, 1993, and related financial statements, among the Company, Silverado Communications Corp., Telink Telephone Systems, Inc. and other shareholders and Agreement and Plan of Merger, dated March 1, 1993, between the Company and Silverado Communications Corp.

Asset Purchase Agreement dated July 20, 1993 among the Company, Southwest Pay Telephone Systems, Inc. and Randall D. Veselka

and Stock Purchase Agreement dated July 20, 1993 between the Company, Southwest Pay Telephone Systems, Inc. and Randall D. Veselka

Asset Purchase Agreement dated March 1, 1993 among the Company, PTC Cellular, Inc., Portable Cellular Communications, Inc. and Nationwide Cellular Service, Inc.

Asset Purchase Agreement dated October 13, 1993 between the Company and Ascom Communications, Inc. and Ascom Holding, Inc.

Purchase Agreement dated June 23, 1994 among the Company and Atlantic Teleco, Inc., Bender Telephone Inc., Stanley S. Bender and Howard M. Bender and Jerome D. Scheer and Purchase Agreement dated June 23, 1994 among the Company and BTE Associates L.P., Bender Telephone, Inc. and B&B Associates

Agreement and Plan of Merger dated October 21, 1994 among the Company, Peoples Acquisition Corporation, Telecoin Communications, Ltd., Gilbert A. Mendelson, David T. Magrish, Louis Swartz, Howard Spiegel and Harvey Ostrow

Asset Purchase Agreement dated February 14, 1995 between the Company and Global Link Teleco Corporation

AT&T Commission Agreement dated April 20, 1995 by and between AT&T Communications, Inc. and the Company

Employment Agreement dated January 1, 1994, and related Stock Option Agreement dated February 16, 1994, between the Company and Jeffrey Hanft

Employment Agreement dated January 1, 1994, and related Stock Option Agreement dated February 16, 1994, between the Company and Robert D. Rubin

Employment Agreement dated January 1, 1994, and related Stock Option Agreement dated February 16, 1994, between the Company and Richard F. Militello

Employment Agreement dated July 11, 1994, and related Stock Option Agreement dated July 11, 1994, between the Company and Bonnie S. Biumi

Employment Agreement dated January 1, 1995 between the Company and Bruce W. Renard

Employment Agreement dated June 22, 1994 between the Company and Lawrence T. Ellman

1994 Stock Incentive Plan

1993 Non-Employee Directors Stock Option Plan

1987 Nonqualified Stock Option Plan

1987 Nonqualified Stock Option Plan for Non-Employee Directors

OLD NOTE

THIS SECURITY IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF THE DEPOSITORY OR A NOMINEE OF THE DEPOSITORY OR A SUCCESSOR DEPOSITORY. THIS SECURITY IS NOT EXCHANGEABLE FOR SECURITIES REGISTERED IN THE NAME OF A PERSON OTHER THAN THE DEPOSITORY OR ITS NOMINEE EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE, AND NO TRANSFER OF THIS SECURITY (OTHER THAN A TRANSFER OF THIS SECURITY AS A WHOLE BY THE DEPOSITORY TO A NOMINEE OF THE DEPOSITORY OR BY A NOMINEE OF THE DEPOSITORY TO THE DEPOSITORY OR ANOTHER NOMINEE OF THE DEPOSITORY) MAY BE REGISTERED EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (55 WATER STREET, NEW YORK, NEW YORK) TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT AND SUCH CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO., OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL, SINCE THE REGISTERED OWNER HEREOF, CEDE, & CO., HAS AN INTEREST HEREIN.

THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE OR OTHER SECURITIES LAWS. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, REGISTRATION.

THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE WHICH IS THREE YEARS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH PEOPLES TELEPHONE COMPANY, INC. (THE "COMPANY") OR ANY AFFILIATE OF THE COMPANY WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF THIS SECURITY) (THE "RESALE

RESTRICTION TERMINATION DATE"), ONLY (A) TO THE COMPANY, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES TO NON-U.S. PERSONS THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, (E) TO AN INSTITUTIONAL "ACCREDITED INVESTOR" WITHIN THE MEANING OF SUBPARAGRAPH (a)(1), (2), (3) OR (7) OF RULE 501 UNDER THE SECURITIES ACT THAT IS ACQUIRING THE SECURITIES FOR ITS OWN ACCOUNT, OR FOR THE ACCOUNT OF SUCH AN INSTITUTIONAL "ACCREDITED INVESTOR," FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO, OR FOR OFFER OR SALE IN CONNECTION WITH, ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT, OR (F) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE COMPANY'S AND THE TRUSTEE'S RIGHT PRIOR TO ANY OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (D), (E) OR (F) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATIONS AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, AND IN EACH OF THE FOREGOING CASES, A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS SECURITY IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE.

PEOPLES TELEPHONE COMPANY, INC.

_____

12-1/4% SENIOR NOTES DUE 2002

CUSIP No. 1

PEOPLES TELEPHONE COMPANY, INC., a New York corporation (herein called the "Company", which term includes any successor corporation under the Indenture hereinafter referred to), for value received, hereby promises to pay to 4 or registered assigns, the principal sum of 5 United States Dollars on July 15, 2002, at the office or agency of the Company referred to below, and to pay interest thereon on January 15 and July 15, in each year, commencing on January 15, 1996 (each an "Interest Payment Date"), accruing from the Issue Date or from the most recent Interest Payment Date to which interest has been paid or duly provided for, at the rate of 12-1/4% per annum, until the principal hereof is paid or duly provided for. Interest shall be computed on the basis of a 360-day year of twelve 30-day months.

The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in the Indenture referred to on the reverse hereof, be paid to the person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on the January 1 or July 1 (each a "Regular Record Date"), whether or not a Business Day, as the case may be, next preceding such Interest Payment Date. Any such interest not so punctually paid, or duly provided for, and interest on such defaulted interest at the then applicable interest rate borne by the Securities, to the extent lawful, shall forthwith cease to be payable to the Holder on such Regular Record Date, and may be paid to the person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Trustee, notice of which shall be given to Holders of Securities not less than 10 days prior to such Special Record Date, or may be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities may be listed, and upon such notice as may be required by such exchange, all as more fully provided in such Indenture. In addition, the Company may be obligated to pay additional interest pursuant to certain provisions of the Registration Rights Agreement.

If this Security is a Global Security, all payments in respect of this Security will be made to the Depository or its nominee in immediately available funds in accordance with customary procedures established from time to time by the Depository. If this Security is a Global Security and a

Restricted Security, only Qualified Institutional Buyers (as defined in Rule 144A under the Securities Act) may hold a beneficial interest herein. If this Security is not a Global Security, payment of the principal of, premium, if any, and interest on this Security will be made at the office or agency of the Company maintained for that purpose in the Borough of Manhattan in The City of New York, or at such other office or agency of the Company as may be maintained for such purpose, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; provided, however, that payment of interest may be made at the option of the Company by check mailed to the address of the person entitled thereto as such address shall appear on the Security Register.

Reference is hereby made to the further provisions of this Security set forth on the reverse hereof.

Unless the certificate of authentication hereon has been duly executed by the Trustee referred to on the reverse hereof by manual signature this Security shall not be entitled to any benefit under the Indenture, or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

Dated: July 19, 1995

PEOPLES TELEPHONE COMPANY, INC.

By:_____
Name:
Title:

Attest:

_____
Authorized Signature

By:_____
Name:
Title:

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Securities referred to in the within-mentioned Indenture.

FIRST UNION NATIONAL BANK OF
NORTH CAROLINA, as Trustee

By:_____
Authorized Officer

Indenture. This Security is one of a duly authorized issue of Securities of the Company designated as its 12-1/4% Senior Notes due 2002 (herein called the "Series A Securities"), limited (except as otherwise provided in the Indenture referred to below) in aggregate principal amount to $100,000,000, which may be issued under an indenture (herein called the "Indenture") dated as of July 15, 1995, between the Company and First Union National Bank of North Carolina, as trustee (herein called the "Trustee," which term includes any successor Trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties, obligations and immunities thereunder of the Company, the Trustee, and the Holders of the Securities, and of the terms upon which the Securities are, and are to be, authenticated and delivered.

All capitalized terms used in this Series A Security which are defined in the Indenture and not otherwise defined herein shall have the meanings assigned to them in the Indenture.

No reference herein to the Indenture and no provisions of this Series A Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of, premium, if any, and interest on this Security at the times, place, and rate, and in the coin or currency, herein prescribed.

Registration Rights. Pursuant to the Registration Rights Agreement, the Company will be obligated to consummate an exchange offer pursuant to which the Holder of this Security shall have the right to exchange this Security for 12-1/4% Senior Notes due 2002, Series B, of the Company (herein called the "Series B Securities") which have been registered (or, with respect to certain Series B Securities thereof, which will be entitled to such registration, as set forth in the Registration Rights Agreement) under the Securities Act, in like principal amount and having identical terms as the Series A Securities hereof, respectively. The Holders of Series A Securities shall

be entitled to receive certain additional interest payments in the event such exchange offer is not consummated and upon certain other conditions, all pursuant to and in accordance with the terms of the Registration Rights Agreement. The Series A Securities and the Series B Securities are together referred to herein as the "Securities."

Redemption.

Optional Redemption. The Securities are subject to redemption, at the option of the Company, as a whole or in part in principal amounts of $1,000 or any integral multiple of $1,000, at any time on or after July 15, 2000, upon not less than 30 nor more than 60 days' prior notice at the Redemption Prices (expressed as percentages of the principal amount) set forth below, plus accrued and unpaid interest to the redemption date, if redeemed during the 12-month period beginning July 15 of the years indicated below:

Year	Redemption Price
2000	103.500%
2001	101.750%
2002	100.000%

In addition, prior to July 15, 1998, in the event of one or more Equity Offerings consummated after the Issue Date (other than the sale of the UBS Capital Preferred Stock) for aggregate gross proceeds to the Company equal to or exceeding $10,000,000, the Company may redeem in the aggregate up to a maximum of 20% of the principal amount of the Securities originally issued with the net proceeds thereof at a redemption price equal to 111-1/4% of the principal amount thereof, plus accrued and unpaid interest to the Redemption Date.

Sinking Fund. The Company will not be required to make any mandatory sinking fund payments in respect of the Securities.

Interest Payments. In the case of any redemption of Series A Securities, interest installments whose Stated Maturity is on or prior to the Redemption Date will be payable to the Holders of such Securities, or one or more Predecessor Securities, of record at the close of business on the relevant Record Date referred to on the face hereof. Securities (or portions thereof) for whose redemption and payment provision is

made in accordance with the Indenture shall cease to bear interest from and after the Redemption Date.

Partial Redemption. In the event of redemption of this Series A Security in part only, a new Series A Security or Securities for the unredeemed portion hereof shall be issued in the name of the Holder hereof upon the cancellation hereof.

Offers to Purchase. Sections 10.14 and 10.15 of the Indenture provide that following any Asset Sale and upon the occurrence of a Change of Control, and subject to further limitations contained therein, the Company shall make an offer to purchase certain amounts of the Securities in accordance with the procedures set forth in the Indenture.

Defaults and Remedies. If an Event of Default shall occur and be continuing, the principal of all of the outstanding Securities, plus all accrued and unpaid interest, if any, to and including the date the Securities are paid, may be declared due and payable in the manner and with the effect provided in the Indenture.

Defeasance. The Indenture contains provisions (which provisions apply to this Series A Security) for defeasance at any time of (a) the entire indebtedness of the Company on this Series A Security and (b) certain restrictive covenants and related Defaults and Events of Default, in each case upon compliance by the Company with certain conditions set forth therein.

Amendments and Waivers. The Company and the Trustee (if a party thereto) may, without the consent of the Holders of any Outstanding Securities, amend, waive or supplement the Indenture or the Securities for certain specified purposes, including, among other things, curing ambiguities, defects or inconsistencies, maintaining the qualification of the Indenture under the Trust Indenture Act of 1939, as amended, and making any change that does not adversely affect the rights of any Holder. Other amendments and modifications of the Indenture or the Securities may be made by the Company and the Trustee with the consent of the Holders of not less than a majority of the aggregate principal amount of the Outstanding Securities, subject to certain exceptions requiring the consent of the Holders of the particular Securities to be affected. Any such consent or waiver by or on behalf of the Holder of this Series A Security shall be conclusive and binding upon such Holder and upon all future Holders of this Series A Security

and of any Series A Security issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof whether or not notation of such consent or waiver is made upon this Series A Security.

Denominations, Transfer and Exchange. The Series A Securities are issuable only in registered form without coupons in denominations of $1,000 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations

therein set forth, the Series A Securities are exchangeable for a like aggregate principal amount of Series A Securities of a different authorized denomination, as requested by the Holder surrendering the same.

If this Series A Security is in certificated form, then as provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Series A Security is registrable on the Security Register of the Company, upon surrender of this Series A Security for registration of transfer at the office or agency of the Company maintained for such purpose in the Borough of Manhattan in The City of New York or at such other office or agency of the Company as may be maintained for such purpose, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Series A Securities, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

If this Series A Security is a Restricted Security in certificated form, then as provided in the Indenture and subject to certain limitations therein set forth, the Holder, provided it is a Qualified Institutional Buyer, may exchange this Series A Security for a book-entry security by instructing the Trustee to arrange for such Series A Security to be represented by a beneficial interest in a Global Security in accordance with the customary procedures of the Depository.

If this Series A Security is a Global Security, it is exchangeable for Series A Securities in certificated form if (i) the Depository notifies the Company that it is unwilling or unable to continue as depository and a successor Depository is not appointed by the Company within 60 days or (ii) there shall have occurred and be continuing an Event of Default and the

Security Registrar has received a request from the Depository to issue certificated Securities. In addition, in accordance with the provisions of the Indenture and subject to certain limitations therein set forth, a beneficial owner of a beneficial interest in a Global Security may request a Series A Security in certificated form, in exchange in whole or in part, as the case may be, for such beneficial owner's interest in the Global Security. In any such instance, an owner of a beneficial interest in a Global Security will be entitled to physical delivery in certificated form of Series A Securities in authorized denominations equal in principal amount to such

beneficial interest and to have such Series A Securities registered in its name.

No service charge shall be made for any registration of transfer or exchange or redemption of Series A Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Certain Information Obligations. At any time when the Company is not subject to Section 13 or 15(d) of the Securities Exchange Act of 1934, upon the request of a Holder of a Series A Security, the Company will promptly furnish or cause to be furnished such information as is specified pursuant to Rule 144A(d)(4) under the Securities Act (or any successor provision thereto) to such Holder or to a prospective purchaser of such Series A Security designated by such Holder, as the case may be, in order to permit compliance by such Holder with Rule 144A under the Securities Act.

Persons Deemed Owners. Prior to and at the time of due presentment of this Series A Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the person in whose name this Series A Security is registered as the owner hereof for all purposes, whether or not this Series A Security shall be overdue, and neither the Company, the Trustee nor any agent shall be affected by notice to the contrary.

GOVERNING LAW. THE INDENTURE AND THIS SECURITY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK (WITHOUT GIVING EFFECT TO THE CONFLICT OF LAWS PRINCIPLES THEREOF). THE TRUSTEE, THE COMPANY, ANY OTHER OBLIGOR IN RESPECT OF THE SECURITIES AND THE HOLDERS AGREE TO SUBMIT TO THE NON-EXCLUSIVE JURISDICTION OF ANY UNITED STATES

FEDERAL OR STATE COURT LOCATED IN THE CITY OF NEW YORK IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THE INDENTURE OR THIS SECURITY.

ASSIGNMENT FORM

If you the holder want to assign this Security, fill in the form below and have your signature guaranteed:

I or we assign and transfer this Security to

_____

(Insert assignee's social security or tax ID number) _____

_____

_____

_____

(Print or type assignee's name, address and zip code) and irrevocably appoint

_____

agent to transfer this Security on the books of the Company. The agent may substitute another to act for such agent.

In connection with any transfer of this Security occurring prior to the date which is the earlier of (i) the date of the declaration by the Commission of the effectiveness of a registration statement under the Securities Act of 1933, as amended (the "Securities Act"), covering resales of this Security (which effectiveness shall not have been suspended or terminated at the date of the transfer) and (ii) the later of July 19, 1998, or the date three years after the Company or an Affiliate of the Company was the owner of this Security (or any Predecessor Security), the undersigned confirms that it has not utilized any general solicitation or general advertising in connection with the transfer and that:

[Check One]

[ ] (a) this Security is being transferred in compliance with the exemption from registration under the Securities Act provided by Rule 144A thereunder.

or

[ ] (b) this Security is being transferred other than in accordance with (a) above and documents, including a transferee certificate substantially in the form attached hereto, are being furnished which comply with the conditions of transfer set forth in this Security and the Indenture.

If none of the foregoing boxes is checked and, in the case of (b) above, if the appropriate document is not attached or otherwise furnished to the Trustee, the Trustee or Registrar shall not be obligated to register this Security in the name of any person other than the Holder hereof unless and until the conditions to any such transfer of registration set forth herein and in Section 3.14 of the Indenture shall have been satisfied.

Date:_____ Your signature: _____

(Sign exactly as your name appears on the other side of this Security)

By:_____

NOTICE: To be executed by an executive officer

NOTICE: Signature(s) must be guaranteed by an institution which is a participant in the Securities Transfer Agent Medallion Program ("STAMP") or similar program.

TO BE COMPLETED BY PURCHASER IF (a) ABOVE IS CHECKED

The undersigned represents and warrants that it is purchasing this Security for its own account or an account with

respect to which it exercises sole investment discretion and that it and any such account is a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act

and is aware that the sale to it is being made in reliance on Rule 144A and acknowledges that it has received such information regarding the Company as the undersigned has requested pursuant to Rule 144A or has determined not to request such information and that it is aware that the transferor is relying upon the undersigned's foregoing representations in order to claim the exemption from registration provided by Rule 144A.

Dated: _____ _____

NOTICE: To be executed by an executive officer

OPTION OF HOLDER TO ELECT PURCHASE

If you wish to have this Security purchased by the Company pursuant to Section 10.14 or 10.15 of the Indenture, check the Box: [ ]

If you wish to have a portion of this Security purchased by the Company pursuant to Section 10.14 or 10.15 of the Indenture, state the amount:

$_____

Date: _____ Your Signature: _____

(Sign exactly as your name appears on the other side of this Security)

By:_____

NOTICE: To be signed by an executive officer

NOTICE: Signature(s) must be guaranteed by an institution which is a participant in the Securities Transfer Agent Medallion Program ("STAMP") or similar program.

EXHIBIT A

FORM OF CERTIFICATE TO BE DELIVERED
IN CONNECTION WITH TRANSFERS TO
NON-QIB INSTITUTIONAL ACCREDITED INVESTORS

PEOPLES TELEPHONE COMPANY, INC.
c/o First Union National Bank of
North Carolina
230 South Tryon Street, 8th Floor
Charlotte, North Carolina 28288-1179
Attention: Corporate Trust Administration

Dear Ladies and Gentlemen:

In connection with our proposed purchase of $ aggregate principal amount of the 12-1/4% Senior Notes due 2002 (the "Notes") of Peoples Telephone Company, Inc., a New York corporation (the "Company"), we confirm that:

We understand that the Notes have not been registered under the Securities Act of 1933, as amended (the "Securities Act"). We agree on our own behalf and on behalf of any investor account for which we are purchasing the Notes to offer, sell or otherwise transfer such Notes prior to the date which is three years after the later of the date of original issue and the last date on which the Company or any affiliate of the Company was the owner of such Notes, or any predecessor thereto (the "Resale Restriction Termination Date") only (a) to the Company, (b) pursuant to a registration statement which has been declared effective under the Securities Act, (c) for so long as the Notes are eligible for resale pursuant to Rule 144A under the Securities Act, to a person we reasonably believe is a "qualified institutional buyer" under Rule 144A (a "QIB") that purchases for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on Rule 144A, (d) pursuant to offers and sales to "non-U.S. persons" that occur outside the United States within the meaning of Regulation S under the Securities Act, (e) to an institutional "accredited investor" within the meaning of subparagraph (a)(1), (2), (3) or (7) of Rule 501 under the Securities Act that is acquiring Notes for its own account or for the account of such an institutional "accredited investor" for investment purposes and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act or (f) pursuant to any other available

exemption from the registration requirements of the Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of our property and the property of such investor account or accounts be at all times within our or their control and to compliance with any applicable state securities laws. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date. If any resale or other transfer of the Notes is proposed to be made pursuant to clause (e) above prior to the Resale Restriction Termination Date, the transferor shall deliver a letter from the transferee substantially in the form of this letter to the Trustee, which shall provide, among other things, that the transferee is an institutional "accredited investor" within the meaning of subparagraph (a)(1), (2), (3) and (7) of Rule 501 under the Securities Act and that it is acquiring such Notes for investment purposes and not for distribution in violation of the Securities Act. We acknowledge on our own behalf and on behalf of any investor account for which we are purchasing Notes that the Company and the Trustee reserve the right prior to any offer, sale or other transfer prior to the Resale Restriction Termination Date of the Notes pursuant to clauses (d), (e) and (f) above to require the delivery of an opinion of counsel, certifications and/or other information satisfactory to the Company and the Trustee.

We are an institutional "accredited investor" (as defined in Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act) purchasing for our own account or for the account of such an institutional "accredited investor," and we are acquiring the Notes for investment purposes and not with a view to, or for offer or sale in connection with, any distribution in violation of the Securities Act and we have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of our investment in the Notes, and we and any accounts for which we are acting are each able to bear the economic risk of our or its investment.

We are acquiring the Notes purchased by us for our own account or for one or more accounts as to each of which we exercise sole investment discretion.

You are entitled to rely upon this letter and you are

irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

Very truly yours,

_____
(NAME OF PURCHASER)

By:_____

Date:_____

Upon transfer, the Notes should be registered in the name of the new beneficial owner as follows:

Name:_____

Address:_____

Taxpayer ID Number:_____

EXCHANGE NOTE

THIS SECURITY IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF THE DEPOSITORY OR A NOMINEE OF THE DEPOSITORY OR A SUCCESSOR DEPOSITORY. THIS SECURITY IS NOT EXCHANGEABLE FOR SECURITIES REGISTERED IN THE NAME OF A PERSON OTHER THAN THE DEPOSITORY OR ITS NOMINEE EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE, AND NO TRANSFER OF THIS SECURITY (OTHER THAN A TRANSFER OF THIS SECURITY AS A WHOLE BY THE DEPOSITORY TO A NOMINEE OF THE DEPOSITORY OR BY A NOMINEE OF THE DEPOSITORY TO THE DEPOSITORY OR ANOTHER NOMINEE OF THE DEPOSITORY) MAY BE REGISTERED EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (55 WATER STREET, NEW YORK, NEW YORK) TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF

TRANSFER, EXCHANGE OR PAYMENT AND SUCH CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO., OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL, SINCE THE REGISTERED OWNER HEREOF, CEDE, & CO., HAS AN INTEREST HEREIN.

PEOPLES TELEPHONE COMPANY INC.

_____

12-1/4% SENIOR NOTES DUE 2002,
SERIES B

CUSIP No._____
No. _____ $_____

PEOPLES TELEPHONE COMPANY INC., a New York corporation (herein called the "Company", which term includes any successor corporation under the Indenture hereinafter referred to), for value received, hereby promises to pay to _____ or registered assigns, the principal sum of _____ Dollars on July 15, 2002, at the office or agency of the Company referred to below, and to pay interest thereon on January 15 and July 15 (each an "Interest Payment Date"), in each year, commencing on January 15, 1996, accruing from the Issue Date or from the most recent Interest Payment Date to which interest has been paid or duly provided for, at the rate of 12-1/4% per annum, until the principal hereof is paid or duly provided for. Interest shall be computed on the basis of a 360-day year of twelve 30-day months.

The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in the Indenture referred to on the reverse hereof, be paid to the person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on the January 1 or July 1 (each a "Regular Record Date"), whether or not a Business Day, as the case may be, next preceding such Interest Payment Date. Any such interest not so punctually paid, or duly provided for, and interest on such defaulted interest at the then applicable interest rate borne by the Securities, to the extent lawful, shall forthwith cease to be payable to the Holder on such Regular Record Date, and may be paid to the person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such defaulted

interest to be fixed by the Trustee, notice of which shall be given to Holders of Securities not less than 10 days prior to such Special Record Date, or may be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities may be listed,

and upon such notice as may be required by such exchange, all as more fully provided in such Indenture.

If this Security is a Global Security, all payments in respect of this Security will be made to the Depository or its nominee in immediately available funds in accordance with customary procedures established from time to time by the Depository. If this Security is not a Global Security, payment of the principal of, premium, if any, and interest on this Security will be made at the office or agency of the Company maintained for that purpose in the Borough of Manhattan in The City of New York, or at such other office or agency of the Company as may be maintained for such purpose, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; provided, however, that payment of interest may be made at the option of the Company by check mailed to the address of the person entitled thereto as such address shall appear on the Security Register.

Reference is hereby made to the further provisions of this Security set forth on the reverse hereof.

Unless the certificate of authentication hereon has been duly executed by the Trustee referred to on the reverse hereof by manual signature this Security shall not be entitled to any benefit under the Indenture, or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

Dated: PEOPLES TELEPHONE COMPANY INC.

By: ---

Attest: Name:
Title:

_____ By: _____
Authorized Signature Name:
Title:

1. Indenture. This Security is one of a duly authorized issue of Securities of the Company designated as its 12-1/4% Senior Notes due 2002, Series B (herein called the "Series B Securities"), limited (except as otherwise provided in the Indenture referred to below) in aggregate principal amount to $100,000,000, which may be issued under an indenture (herein called the "Indenture") dated as of July 15, 1995, between the Company and First Union National Bank of North Carolina, as trustee (herein called the "Trustee," which term includes any successor Trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitation of rights, duties, obligations and immunities thereunder of the Company, the Trustee and the Holders of the Securities, and of the terms upon which the Securities are, and are to be, authenticated and delivered.

All capitalized terms used in this Series B Security which are defined in the Indenture and not otherwise defined herein shall have the meanings assigned to them in the Indenture.

No reference herein to the Indenture and no provision of this Series B Security or of the Indenture shall alter or impair the obligation of the Company or, which is absolute and unconditional, to pay the principal of, premium, if any, and interest on this Security at the times, place, and rate, and in the coin or currency, herein prescribed.

The Series B Securities were issued pursuant to an exchange offer pursuant to which 12-1/4% Senior Notes due 2002 of the Company (herein called the "Series A Securities"), in like principal amount and having substantially identical terms as the Series B Securities, were exchanged for the Series B Securities. The Series A Securities and the Series B Securities are together referred to herein as the "Securities."

2. Redemption.

(a) Optional Redemption. The Securities are subject to redemption, at the option of the Company, as a whole or in part in principal amounts of $1,000 or any integral multiple of

$1,000, at any time on or after July 15, 2000, upon not less than 30 nor more than 60 days' prior notice, at the Redemption

Prices (expressed as percentages of the principal amount) set forth below, plus accrued and unpaid interest to the redemption date, if redeemed during the 12-month period beginning July 15 of the years indicated below:

Year	Redemption Price
2000	103.500%
2001	101.750%
2002	100.000%

In addition, prior to July 15, 1998, in the event of one or more Equity Offerings consummated after the Issue Date (other than the sale of the UBS Capital Preferred Stock) for aggregate gross proceeds to the Company equal to or exceeding $10,000,000, the Company may redeem in the aggregate up to a maximum of 20% of the principal amount of the Securities originally issued with the net proceeds thereof at a redemption price equal to 111-1/4% of the principal amount thereof, plus accrued and unpaid interest to the Redemption Date.

(b) Sinking Fund. The Company will not be required to make any mandatory sinking fund payments in respect of the Securities.

(c) Interest Payments. In the case of any redemption of Series B Securities, interest installments whose Stated Maturity is on or prior to the Redemption Date will be payable to the Holders of such Securities, or one or more Predecessor Securities, of record at the close of business on the relevant Record Date referred to on the face hereof. Securities (or portions thereof) for whose redemption and payment provision is made in accordance with the Indenture shall cease to bear interest from and after the Redemption Date.

(d) Partial Redemption. In the event of redemption of this Series B Security in part only, a new Series B Security or Securities for the unredeemed portion hereof shall be issued in the name of the Holder hereof upon the cancellation hereof.

3. Offers to Purchase. Sections 10.14 and 10.15 of the Indenture provide that following any Asset Sale and upon

the occurrence of a Change of Control, and subject to further limitations contained therein, the Company shall make an offer to purchase certain amounts of the Securities in accordance with the procedures set forth in the Indenture.

4. Defaults and Remedies. If an Event of Default shall occur and be continuing, the principal of all of the outstanding Securities, plus all accrued and unpaid interest, if any, to and including the date the Securities are paid, may be declared due and payable in the manner and with the effect provided in the Indenture.

5. Defeasance. The Indenture contains provisions (which provisions apply to this Series B Security) for defeasance at any time of (a) the entire indebtedness of the Company on this Series B Security and (b) certain restrictive covenants and related Defaults and Events of Default, in each case upon compliance by the Company with certain conditions set forth therein.

6. Amendments and Waivers. The Company and the Trustee (if a party thereto) may, without the consent of the Holders of any Outstanding Securities, amend, waive or supplement the Indenture or the Securities for certain specified purposes, including, among other things, curing ambiguities, defects or inconsistencies, maintaining the qualification of the Indenture under the Trust Indenture Act of 1939, as amended, and making any change that does not adversely affect the rights of any Holder. Other amendments and modifications of the Indenture or the Securities may be made by the Company and the Trustee with the consent of the Holders of not less than a majority of the aggregate principal amount of the Outstanding Securities, subject to certain exceptions requiring the consent of the Holders of the particular Securities to be affected. Any such consent or waiver by or on behalf of the Holder of this Series B Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Series B Security issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof whether or not notation of such consent or waiver is made upon this Series B Security.

7. Denominations, Transfer and Exchange. The Series B Securities are issuable only in registered form without coupons in denominations of $1,000 and any integral multiple thereof. As provided in the Indenture and subject to

certain limitations therein set forth, the Series B Securities are exchangeable for a like aggregate principal amount of Series B Securities of a different authorized denomination, as requested by the Holder surrendering the same.

If this Series B Security is in certificated form, then as provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Series B Security is registrable on the Security Register of the Company, upon surrender of this Series B Security for registration of transfer at the office or agency of the Company maintained for such purpose in the Borough of Manhattan in The City of New York or at such other office or agency of the Company as may be maintained for such purpose, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Series B Securities, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

If this Series B Security is a Global Security, it is exchangeable for Series B Securities in certificated form if (i) the Depository notifies the Company that it is unwilling or unable to continue as depository and a successor Depository is not appointed by the Company within 60 days or (ii) there shall have occurred and be continuing an Event of Default and the Security Registrar has received a request from the Depository to issue certificated Securities. In addition, in accordance with the provisions of the Indenture and subject to certain limitations therein set forth, a beneficial owner of a beneficial interest in a Global Security may request a Series B Security in certificated form, in exchange in whole or in part, as the case may be, for such beneficial owner's interest in the Global Security. In any such instance, an owner of a beneficial interest in a Global Security will be entitled to physical delivery in certificated form of Series B Securities in authorized denominations equal in principal amount to such beneficial interest and to have such Series B Securities registered in its name.

No service charge shall be made for any registration of transfer or exchange or redemption of Series B Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in

connection therewith.

8. Persons Deemed Owners. Prior to and at the time of due presentment of this Series B Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the person in whose name this Series B Security is registered as the owner hereof for all

purposes, whether or not this Series B Security shall be overdue, and neither the Company, the Trustee nor any agent shall be affected by notice to the contrary.

9. GOVERNING LAW. THE INDENTURE AND THIS SECURITY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK (WITHOUT GIVING EFFECT TO THE CONFLICT OF LAWS PRINCIPLES THEREOF). THE TRUSTEE, THE COMPANY, ANY OTHER OBLIGOR IN RESPECT OF THE SECURITIES AND THE HOLDERS AGREE TO SUBMIT TO THE NON-EXCLUSIVE JURISDICTION OF ANY UNITED STATES FEDERAL OR STATE COURT LOCATED IN THE CITY OF NEW YORK IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THE INDENTURE OR SECURITY.

ASSIGNMENT FORM

If you the holder want to assign this Security, fill in the form below and have your signature guaranteed:

I or we assign and transfer this Security to

- ----------

(Insert assignee's social security or tax ID number) ----------

- ----------

- ----------

- ----------

(Print or type assignee's name, address and zip code) and irrevocably appoint

- ----------

agent to transfer this Security on the books of the Company. The agent may substitute another to act for such agent.

Date: _____ Your signature: _____

(Sign exactly as your name appears on the other side of this Security)

By: _____

NOTICE: To be signed by an executive officer

NOTICE: Signature(s) must be guaranteed by an institution which is a participant in the Securities Transfer Agent Medallion Program ("STAMP") or similar program.

OPTION OF HOLDER TO ELECT PURCHASE

If you wish to have this Security purchased by the Company pursuant to Section 10.14 or 10.15 of the Indenture, check the Box: [ ]

If you wish to have a portion of this Security purchased by the Company pursuant to Section 10.14 or 10.15 of the Indenture, state the amount:

$_____

Date: _____ Your Signature: _____

(Sign exactly as your name appears on the other side of this Security)

By: _____

NOTICE: To be signed by an executive officer.

NOTICE: Signature(s) must be guaranteed by an institution which is a participant in the Securities Transfer Agent

Medallion Program ("STAMP") or similar program.

Section 2.04. Form of Trustee's Certificate of Authentication.

TRUSTEE'S CERTIFICATE OF AUTHENTICATION.

This is one of the Securities referred to in the within-mentioned Indenture.

FIRST UNION NATIONAL BANK OF
NORTH CAROLINA, as Trustee

By: _____
Authorized Officer

GREENBERG
ATTORNEYS AT LAW
TRAURIG
1221 BRICKELL AVENUE, MIAMI, FLORIDA 33131
305-579-0500 FAX 305-579-0717

July 28, 1995

Peoples Telephone Company, Inc.
2300 N.W. 89th Place
Miami, Florida 33172

Re: Registered Exchange Offer for 12 1-4% Senior Notes due 2002

Ladies and Gentlemen:

Reference is made to that certain Registration Statement on Form S-4 (the "Registration Statement") under the Securities Act of 1933, as amended (the "Act"), filed by Peoples Telephone Company, Inc., a New York corporation (the "Company"), on the date hereof with the Securities and Exchange Commission. The Registration Statement relates to the Company's offer to exchange its Series B 12 1-4% Senior Notes due 2002 (the "Exchange Notes") for any and all of the Company's outstanding Series A 12 1-4% Senior Notes due 2002 (the "Old Notes"). We have acted as special counsel to the Company in connection with the preparation and filing of the Registration Statement.

For purposes of this opinion letter, we have examined and relied upon copies of (i) the Company's Certificate of Incorporation and Bylaws; (ii) resolutions of the Company's Board of Directors authorizing the exchange of the Old Notes for the Exchange Notes and related matters; (iii) the Registration Statement and exhibits thereto; and (iv) such other documents and instruments as we have deemed necessary for the expression of opinions herein contained. In making the foregoing examinations, we have assumed the genuineness of all signatures and the authenticity of all documents submitted to us as originals, and the conformity to original documents of all documents submitted to us as certified or photostatic copies. As to various questions of fact material to this opinion, we have relied, to the extent we deem reasonably appropriate, upon representations or certificates of officers or directors of the Company and upon documents, records and instruments furnished to us by the Company, without independently checking or verifying the accuracy of such documents, records and instruments.

Based upon the foregoing examination, we are of the opinion that the Exchange Notes have been duly and validly authorized and, when issued and delivered in accordance with the terms of the "Exchange Offer" (as defined in the Registration Statement), will be validly issued, fully paid and binding obligations of the Company, subject to no further assessments.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the reference to our name under the caption "Legal Matters" in the prospectus comprising a part of the Registration Statement. In giving such consent, we do not thereby admit that we are included within the category of persons whose consent is required under Section 7 of the Act or the rules and regulations promulgated thereunder.

Sincerely,

GREENBERG, TRAURIG, HOFFMAN,
LIPOFF, ROSEN & QUENTEL, P.A.

Executed Copy

SECURITIES PURCHASE AGREEMENT

AMONG

PEOPLES TELEPHONE COMPANY, INC.,
UBS CAPITAL CORPORATION
AND
APPIAN CAPITAL PARTNERS, L.L.C.

JULY 3, 1995

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SECURITIES PURCHASE AGREEMENT

SECURITIES PURCHASE AGREEMENT (this "AGREEMENT") is made as of July 3, 1995 by and among Peoples Telephone Company, Inc., a New York corporation (the "COMPANY"), UBS Capital Corporation, a New York corporation ("UBS"), and Appian Capital Partners, L.L.C., a Delaware limited liability company ("ACP" and together with UBS, the "PURCHASERS"). Except as otherwise indicated herein, capitalized terms used herein are defined in Article VII hereof.

Subject to the terms and conditions set forth herein, UBS desires to purchase from the Company, and the Company desires to issue to UBS, shares of Series C Cumulative Convertible Preferred Stock, par value $0.01 per share (the "PREFERRED STOCK"), convertible at any time after the Closing Date (as defined below) into shares of the Company's common stock, par value $0.01 per share (the "COMMON STOCK"), under circumstances as described herein. In addition, ACP desires to purchase from the Company, and the Company desires to issue to ACP, one or more warrants (the "WARRANTS") to purchase at any time after the Closing Date shares of Common Stock under the circumstances as described herein. The Preferred Stock, Underlying Common Stock (as defined herein) and the Warrants are sometimes referred to herein as the "SECURITIES."

In consideration of the mutual promises, representations, warranties, covenants and conditions set forth in this Agreement, the parties hereto agree as follows:

ARTICLE I

ISSUANCE AND SALE OF THE SECURITIES

1.1 SECURITIES PURCHASE. On the terms and subject to the conditions of this Agreement, at the Closing:

(a) The Company shall authorize the issuance and sale to UBS of 150,000 shares of Preferred Stock having the rights and preferences set forth in Exhibit A attached hereto and which will initially be convertible into an aggregate of 2,857,142.9 shares of Common Stock. The total purchase price of the Preferred Stock will be $15,000,000. Each share of Preferred Stock will initially be convertible into Common Stock at $5.25 per share.

(b) The Company shall authorize the issuance and sale to ACP of the Warrants, having the rights and preferences set forth in Exhibit B attached hereto, initially exercisable to purchase up to an aggregate of 275,000 shares of Common Stock. The aggregate purchase price of the Warrants will be $100,000.

(c) The Company shall authorize the issuance and sale to UBS of the

Contingent Warrants (the "Contingent Warrants"), as described in Section 8.13 hereof.

1.2 CLOSING TRANSACTIONS.

(a) CLOSING. The closing of the transactions contemplated by this Agreement (the "CLOSING") will take place at the offices of Kirkland & Ellis, 153 East 53rd Street, New York, New York at 10:00 a.m., on the date of closing of the Senior Note Financing (as defined below) (so long as all conditions to the obligations of the parties to consummate the transactions contemplated hereby have been satisfied or waived), or at such other time and location as is mutually agreed upon by the Company and the Purchasers but in any event not after August 15, 1995. The date and time of the Closing are herein referred to as the "CLOSING DATE."

(b) TRANSFERS. Subject to the conditions set forth in this Agreement, at the Closing Date the Company shall issue and deliver (i) to UBS, stock certificates for 150,000 shares of Preferred Stock duly registered in the name of UBS or one or more of its nominee(s) against payment by UBS of $15,000,000 as the purchase price therefor, (ii) to ACP, the Warrants duly registered in the name of ACP or one or more of its nominee(s), against payment by ACP of $100,000 and (iii) to UBS, the Contingent Warrants duly registered in the name of UBS or one or more of its nominee(s), against payment by UBS of $1.00 (each of the foregoing are collectively referred to herein as the "CLOSING TRANSACTIONS").

ARTICLE II

CONDITIONS TO CLOSING

2.1 CONDITIONS TO EACH PURCHASER'S OBLIGATIONS. The obligation of each of the Purchasers to consummate the transactions contemplated by this Agreement is subject to the satisfaction of the following conditions on or before the Closing Date:

(a) the representations and warranties set forth in Article IV hereof and in any writing delivered pursuant hereto will

be true and correct at and as of the Closing Date as though then made and as though references to the Closing Date were substituted for references to the date of this Agreement throughout such representations and warranties;

(b) the Company will have performed and complied with each of the covenants and agreements required to be performed by it under this Agreement and the agreements and documents attached hereto as Exhibits prior to the Closing

(except for any breaches which, individually or collectively with any and all other breaches by the Company of this Agreement, would not, and could not reasonably be expected to, have a Material Adverse Effect or be materially adverse to the interests of the Purchasers);

(c) since March 31, 1995, except as set forth on Schedule 4.8 and except for the Refinancing (as defined herein), there will have been no change, circumstance or event which, individually or collectively with each other such change, circumstance or event, has had or which could be expected to have a Material Adverse Effect;

(d) all consents and waivers by third parties that are required for the consummation of the transactions contemplated hereby including, without limitation, any consents required pursuant to any leases or subleases and any consents or waevers that are required in order that the transactions contemplated hereby do not constitute a breach of or a default under or a termination or modification of any agreement or instrument set forth on Schedule 4.4 or any other material agreement to which the Company or any of its Subsidiaries is a party or to which any material property of the Company or any of its Subsidiaries is subject, will have been obtained on terms reasonably satisfactory to the Purchasers;

(e) all governmental filings, authorizations and approvals that are required for the consummation of the transactions contemplated hereby (including, without limitation, any FCC filings, authorizations and approvals), if any, will have been duly made and obtained and all waiting periods will have expired on terms reasonably satisfactory to the Purchasers other than those filings, authorizations or approvals the absence of which would not, individually or in the aggregate, have a Material Adverse Effect;

(f) the Company shall have duly adopted, executed and filed with the Secretary of State of New York a Certificate of Amendment of Rights and Preferences establishing the terms and the rights and preferences of the Preferred Stock in the form set forth in Exhibit A hereto (the "CERTIFICATE OF AMENDMENT"), and the

Company shall not have adopted or filed any other document designating terms, rights or preferences of its preferred stock. The Certificate of Amendment shall be in full force and effect as of the Closing under the laws of New York and shall not have been amended or modified;

(g) the Company and the Purchasers shall have entered into a registration rights agreement with respect to the Preferred Stock, the Warrants and the Underlying Common Stock (the "REGISTRATION RIGHTS AGREEMENT") including provisions to the effect of those set forth on Exhibit C attached hereto, as

well as other provisions reasonably required by the Purchasers, and the Registration Rights Agreement shall be in form reasonably satisfactory to the Purchasers and in full force and effect as of the Closing;

(h) the Company's board of directors (the "BOARD OF DIRECTORS") shall have taken all such action as is necessary and sufficient to ensure that, effective as of the Closing, the Board of Directors shall be comprised of six members, including the Chief Executive Officer of the Company, the President of the Company, two directors designated by UBS, and two individuals who are currently serving as directors of the Company;

(i) the senior note financing (the "SENIOR NOTE FINANCING") placed by Merrill Lynch & Co. shall have been consummated on the terms set forth in the form of Indenture previously delivered to UBS and its counsel, as amended to reflect the terms set forth in the Preliminary Offering Memorandum dated as of July 3, 1995 relating to the Senior Note Financing (the "Preliminary Memorandum") and such other amendments thereto reasonably acceptable to the Purchasers and the Company shall have received not less than $75,000,000 of gross proceeds therefrom;

(j) the Company shall be simultaneously consummating the sale of Securities contemplated hereby to the other Purchaser;

(k) the Purchasers will have received (addressed to each Purchaser) an opinion, dated the Closing Date, of New York counsel to the Company, which counsel is experienced in transactions of the type contemplated hereby and is reasonably satisfactory to the Purchasers, in the form attached hereto as Exhibit D and otherwise in form and substance reasonably satisfactory to the Purchasers and their counsel;

(l) the Second Amended and Restated Warrant Agreement dated as of February 17, 1994 between the Company and Creditanstalt American Corporation shall have been amended, in a manner reasonably satisfactory to the Purchasers, to clarify that there

shall be no increase in the amount of Stock issuable, or decrease in the price payable to the Company, upon exercise of the warrants issued thereunder upon (i) consummation of the transactions contemplated hereby or upon issuance of any Stock upon conversion of the Convertible Preferred Stock or upon exercise of the Warrants, or (ii) issuance of any Common Stock upon exercise or conversion of, or in exchange for, any option, right, warrant or convertible security (other than options, warrants, rights or convertible securities issued to officers or employees of the Company or any of its Subsidiaries) if no such increase in such amount of stock or decrease in price payable to the Company was required pursuant to the terms thereof upon issuance of any such option, right,

warrant or convertible security;

(m) The Company shall have delivered to each Purchaser all of the following:

(i) an Officer's Certificate of the Company, dated the Closing Date, stating that the conditions specified in Sections 2.1(a)-(j) above, inclusive, have been satisfied;

(ii) certified copies of the resolutions of the Board of Directors approving the transactions contemplated by this Agreement;

(iii) certified copies of the certificate of incorporation (the "CERTIFICATE OF INCORPORATION") and bylaws (the "BYLAWS") of the Company as in effect as of the Closing Date;

(iv) copies of all third party and governmental consents, approvals and filings required in connection with the consummation of the transactions contemplated herein; and

(v) such other documents or instruments as the Purchasers may reasonably request to effect the transactions contemplated hereby;

(n) the Company shall have delivered to UBS the following:

(i) duly completed and executed SBA (as defined in Section 8.14) Forms 480, 652 and 1031 (Part A);

(ii) a business plan reasonably satisfactory to UBS relating to its SBA regulatory requirements, showing the Company's financial projections;

(iii) a written statement from the Company regarding its intended use of proceeds from the financing under this Agreement; and

(iv) a list, after giving effect to the transactions contemplated by this Agreement, of (x) the name of each of the Company's directors, (y) the name and title of each of the Company's officers and (z) the name of each of the Company's stockholders (as set

forth in the Section of the Preliminary Memorandum and any amendment thereto, including the final memorandum, entitled "Principal Shareholders") setting forth the number and class of shares held; and

(o) all proceedings to be taken by the Company in connection with the consummation of the Closing Transactions and the other transactions contemplated hereby and all certificates, opinions, instruments and other documents, including customary representations, warranties, covenants, conditions and remedies for breach, required to be delivered by the Company to effect the transactions contemplated hereby will be reasonably satisfactory in form and substance to the Purchasers.

Any condition to the obligations of the Purchasers specified in this Section 2.1 may be waived by the Purchasers in their sole discretion.

2.2 CONDITIONS TO THE COMPANY'S OBLIGATIONS. The obligation of the Company to consummate the transactions contemplated by this Agreement is subject to the satisfaction of the following conditions on or before the Closing Date:

(a) the representations and warranties set forth in Article V hereof and in any writing delivered pursuant hereto will be true and correct at and as of the Closing Date as though then made and as though the Closing Date were substituted for the date of this Agreement throughout such representations and warranties;

(b)the Purchasers will have performed and complied in all material respects with all of the covenants and agreements required to be performed by them under this Agreement prior to the Closing;

(c) all consents and waivers by third parties that are required for the consummation of the transactions contemplated hereby including, without limitation, any consents required pursuant to any leases or subleases or that are required in order that the transactions contemplated hereby do not constitute a breach of or a default under or a termination or modification of any material agreement to which the Company or any of its

Subsidiaries is a party or to which any material property of the Company or any of its Subsidiaries is subject, will have been obtained on terms reasonably satisfactory to the Company; and

(d) all governmental filings, authorizations and approvals that are required for the consummation of the transactions contemplated hereby (including, without limitation, any FCC filings, authorizations and approvals),

if any, will have been duly made and obtained and all waiting periods will have expired on terms reasonably satisfactory to the Company other than those filings, authorizations or approvals the absence of which would not, individually or in the aggregate, have a Material Adverse Effect.

The conditions specified in this Section 2.2 may be waived by the Company, in its sole discretion.

ARTICLE III

COVENANTS

3.1 AFFIRMATIVE COVENANTS OF THE COMPANY. From the date hereof through the Closing and thereafter (unless otherwise indicated) so long as the number of shares of Underlying Common Stock in existence equals or exceeds 25% of the number in existence immediately after the Closing (as adjusted for stock splits, stock dividends, combinations of shares and similar recapitalizations), the Company covenants and agrees that it will and will cause each of its Subsidiaries to:

(a) prior to the Closing, conduct the business and operations of the Company and its Subsidiaries only in accordance with applicable laws in the ordinary course of business and in accordance with the Company's past custom and practice;

(b) prior to the Closing, cooperate with the Purchasers and use its best efforts to make all registrations, filings and applications, to give all notices and to obtain all governmental (including, without limitation, FCC), third party or other consents, transfers, approvals, orders, qualifications and waivers necessary or desirable for the consummation of the transactions contemplated hereby and to cause the other conditions to the Purchasers' or the Company's obligation to close to be satisfied (including, without limitation, the execution and delivery of all agreements contemplated hereunder to be so executed and delivered);

(c) prior to the Closing, promptly inform the Purchasers (i) if any of the representations and warranties contained in Article IV was not true and correct when made or would not be true and correct if restated on any day following the date hereof through the Closing Date and describing each variance therefrom, (ii) of each breach of any covenant hereunder by the Company and (iii) of any other development, circumstance or event which, individually or in the aggregate with other developments, circumstances or events, has, or could reasonably be expected to have a Material Adverse Effect. No disclosure pursuant to this Section 3.1(c) shall be deemed to amend or supplement this Agreement or any

Schedule hereto or to prevent or cure any breach of warranty, breach of covenant or misrepresentation;

(d) cause all properties owned by the Company or any of its Subsidiaries or used or held for use in the conduct of its business or the business of any of its Subsidiaries to be maintained and kept in good condition, repair and working order (reasonable wear and tear excepted) and supplied with all necessary equipment and will cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as in the judgment of the Board of Directors may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted at all times; PROVIDED, HOWEVER, that the foregoing shall not prevent the Company from discontinuing the maintenance of any of such properties if such discontinuance is, in the judgment of the Board of Directors, desirable in the conduct of its business or the business of any of its Subsidiaries and is not disadvantageous in any material respect to the holders of Preferred Stock or other Underlying Common Stock;

(e) preserve and keep in full force and effect the corporate existence, rights (charter and statutory), licenses and franchises of the Company and each of its Subsidiaries; PROVIDED, HOWEVER, that the Company shall not be required to preserve any such right, license or franchise if the Board of Directors shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Company and its Subsidiaries as a whole and that the loss thereof is not disadvantageous in any material respect to the holders of Preferred Stock and other Underlying Stock; and PROVIDED, FURTHER, that the foregoing shall not prohibit a sale, transfer or conveyance of a Subsidiary of the Company or any of its assets which is not otherwise prohibited by the terms of this Agreement and is in accordance with the Company's Certificate of Incorporation, as amended by the Certificate of Amendment;

(f) maintain the books, accounts and records of the Company and its Subsidiaries in accordance with past custom and

practice as used in the preparation of the Financial Statements (as defined in Section 4.5) except to the extent permitted or required by GAAP;

(g) keep all of its and its Subsidiaries' properties which are of an insurable nature insured with insurers, believed by the Company in good faith to be financially sound and responsible, against loss or damage to the extent that property of similar character is usually so insured by corporations similarly situated and owning like properties (which may include self-insurance, if reasonable and in comparable form to that maintained by companies similarly

situated);

(h) comply with all material legal requirements and material contractual obligations applicable to the operations and business of the Company and its Subsidiaries and pay all applicable Taxes as they become due and payable;

(i) permit representatives of the Purchasers and their agents (including their counsel, accountants and consultants) to have reasonable access during business hours to the Company's books, records, facilities, key personnel, officers, directors, customers, independent accountants and legal counsel;

(j) assert and enforce all, and shall not (except with Super Majority Board Vote) amend or waive any of the Company's rights under, all agreements between the Company and any of its directors, executive officers and other Affiliates, and shall pursue all remedies available to it with diligence and in good faith in connection with the enforcement of any such rights;

(k) at all times file all reports (including annual reports, quarterly reports and the information, documentation and other reports) required to be filed by the Company under the Exchange Act and Sections 13 and 15 of the rules and regulations adopted by the SEC thereunder, and the Company shall use its best efforts to file each of such reports on a timely basis, and take such further action as any holder or holders of Securities may reasonably request, all to the extent required to enable such holders to sell Securities pursuant to Rule 144 adopted by the SEC under the Securities Act (as such rule may be amended from time to time) or any similar rule or regulation hereafter adopted by the SEC and to enable the Company to register securities with the SEC on Form S-3 or any similar short-form registration statement;

(l) permit UBS, so long as holders of shares of the Preferred Stock have the right, voting as a separate class, to elect one or more directors to the Board of Directors, to designate one observer to attend each meeting of the Board of Directors and

each committee thereof, including each telephonic meeting thereof; and

(m) if the Company ceases to be a reporting Company under the Exchange Act or to comply with its reporting obligations thereunder, make available, upon request, to any holder of the Securities, so long as the Securities remain outstanding, the information set forth on Exhibit E attached hereto.

3.2 NEGATIVE COVENANTS OF THE COMPANY. From the date hereof through the Closing and thereafter (unless otherwise indicated) so long as the number of

shares of Underlying Common Stock in existence equals or exceeds 25% of the number in existence immediately after the Closing (as adjusted for stock splits, stock dividends, combinations of shares and similar recapitalizations), the Company agrees that it will not, and will cause each of its Subsidiaries not to:

(a) prior to the Closing, (i) take any action that would require disclosure pursuant to Section 3.1(c) of this Agreement, (ii) operate the business of the Company and its Subsidiaries other than in the ordinary course of business, or (iii) take any action which, or omit to take any action the omission of which, could reasonably be expected to have a Material Adverse Effect;

(b) prior to the Closing, enter into any material contract, lease, agreement or transaction or any renewal, modification or extension thereof out of the ordinary course of the business of the Company and its Subsidiaries or restricting in any material way the conduct of the business of the Company and its Subsidiaries;

(c) amend the Certificate of Incorporation or Bylaws if such amendment would adversely affect any rights of the holders of Preferred Stock or other Underlying Common Stock or subordinate any rights of holders of Preferred Stock to the rights of any other holders of Stock of the Company;

(d) except for a sale of Common Stock pursuant to an underwritten public offering registered pursuant to the Securities Act, issue or sell or otherwise transfer for consideration (an "ISSUANCE") Stock of the Company unless, at least 20 days and not more than 60 days prior to such Issuance, the Company notifies each holder of Securities in writing of the Issuance (including the price, the purchaser(s) thereof and the other terms thereof) and grants to each holder of Securities the right (the "RIGHT") to subscribe for and purchase such additional shares or other securities so issued at the same price and on the same terms as issued in the Issuance such that, after giving effect to the

Issuance and exercise of the Right, the Securities owned by such holder shall represent the same percentage of the outstanding Common Stock (including, for purposes of this calculation, all Common Stock and assuming the issuance of Common Stock upon conversion, exchange or exercise of any security so convertible, exchangeable or exercisable issued in the Issuance or subject to the Right) as was owned by such holder prior to the Issuance, or such lesser amount designated by such holder. The Right may be exercised by such holder or its nominee at any time by written notice to the Company received by the Company within 15 days after receipt of notice by such holder from the Company of the Issuance. The closing of the purchase and sale pursuant to the exercise of the

Right shall occur at least 5 days after the Company receives notice of the exercise of the Right and concurrently with the closing of the Issuance. Notwithstanding the foregoing, the Right shall not apply to (i) issuances of Common Stock (or securities convertible into or exchangeable for, or options to purchase, Common Stock), pro rata to all holders of Common Stock, as a dividend on, subdivision of, or other distribution in respect of, the Common Stock, (ii) issuances of Common Stock upon exercise or conversion of options, warrants and other rights to acquire Common Stock outstanding on the date hereof as reflected in Schedule 4.3, in each case issued in accordance with the terms thereof as in effect on the date hereof or as such terms may thereafter be adjusted as described in Schedule 4.3, (iii) issuances of Common Stock upon exercise of stock options granted to employees pursuant to employee stock option and stock ownership plans approved by the Board of Directors and (iv) issuances of Common Stock pursuant to the terms approved by the Board of Directors in connection with the acquisition of interests in another company or business as contemplated by paragraph (g) or (j);

(e) without a Super Majority Board Vote, enter into any transaction or series of transactions with any stockholder, director, officer, employee or Affiliate which would require disclosure pursuant to Rule 404 of Regulation S-K under the Securities Act.

(f) without a Super Majority Board Vote, except as expressly contemplated by this Agreement, authorize, issue or enter into any agreement providing for the issuance (contingent or otherwise) of, (a) any notes or debt securities containing equity features or issued with capital stock (including, without limitation, any notes or debt securities convertible into or exchangeable for capital stock or other equity securities, issued in connection with the issuance of capital stock or other equity securities or containing profit participation features) other than Permitted Equity Kickers, (b) any capital stock or other equity securities (or any securities convertible into or exchangeable for

any capital stock or other equity securities) which are senior to or on a parity with the Preferred Stock with respect to the payment of dividends, redemptions or distributions upon liquidation or otherwise or issue any Stock which votes generally in the election of the Company's directors, except stock which at no time receives more than one vote per share of Common Stock which is then issuable upon conversion thereof or (c) stock appreciation rights or phantom stock rights other than pursuant to employee benefit plans approved by the Board of Directors.

(g) without a Super Majority Board Vote, merge or consolidate with any

Person or, except as permitted by subparagraph (h), (i) or (j) below, permit any Subsidiary to merge or consolidate with any Person (other than a Wholly-Owned Subsidiary);

(h) without a Super Majority Board Vote, sell, lease or otherwise dispose of, or permit any Subsidiary to sell, lease or otherwise dispose of, assets of the Company and its Subsidiaries, in one transaction or series of related transactions involving aggregate value (computed on the basis of book value, determined in accordance with GAAP consistently applied, or fair market value, determined by the Board of Directors in its reasonable good faith judgment) or consideration in excess of $5,000,000 in any transaction or series of related transactions (other than sales of inventory in the ordinary course of business);

(i) without a Super Majority Board Vote, liquidate, dissolve or effect a recapitalization or reorganization of the Company in any form of transaction (including, without limitation, any reorganization into a limited liability company, a partnership or any other non-corporate entity which is treated as a partnership for federal income tax purposes);

(j) without a Super Majority Board Vote, acquire, or permit any Subsidiary to acquire, any interest in any company or business (whether by a purchase of assets, purchase of stock, merger or otherwise), or enter into any joint venture, involving an aggregate consideration (including, without limitation, the assumption of liabilities whether direct or indirect and valuing any Common Stock issued as consideration at the Market Price thereof determined on the date of issuance thereof) exceeding $5,000,000 in any one transaction or series of related transactions or exceeding $5,000,000 in any twelve-month period;

(k) without a Super Majority Board Vote, enter into, or permit any Subsidiary to enter into, the ownership, active management or operation of any business other than the domestic pay telephone business;

(l) without a Super Majority Board Vote, hire or elect any substitute or replacement for the Chief Executive Officer, President, Chief Financial Officer or Chief Operating Officer of the Company or change (whether by amendment, waiver or extension of any existing arrangement or, upon termination of any existing arrangement, through any future arrangement) the terms of employment of any of such Persons, including the terms of any executive employment agreement, any compensation, incentive stock or option or loan arrangement; or

(m) effect, permit or suffer to occur or take any steps to cause a Fundamental Change unless, upon the consummation thereof, the Company shall be required to purchase, and shall have purchased all shares of the Preferred Stock

tendered to the Company for purchase at a price per share equal to the Liquidation Value (as defined in the Certificate of Amendment) plus accrued and unpaid dividends thereon pursuant to an offer to purchase given to the holders of the Convertible Preferred Stock not less than 15 days prior to the date such Fundamental Change is to be consummated. For purposes hereof "FUNDAMENTAL CHANGE" means (i) any sale or transfer of more than 40% of the assets of the Company and its Subsidiaries on a consolidated basis (measured either by book value in accordance with GAAP consistently applied or by fair market value determined in the reasonable good faith judgment of the Board of Directors) in any transaction or series of transactions (other than sales in the ordinary course of business and the sale of the Company's inmate telephone and cellular telephone businesses) and (ii) any merger or consolidation to which the Company is a party, except for a merger in which the Company is the surviving Company, the terms of the Preferred Stock are not changed and the Preferred Stock is not exchanged for cash, securities or other property, and after giving effect to such merger, the holders of the Company's outstanding capital stock possessing a majority of the voting power (under ordinary circumstances) to elect a majority of the Board of Directors immediately prior to the merger shall continue to own the Company's outstanding capital stock possessing the voting power (under ordinary circumstances) to elect a majority of the Board of Directors.

Notwithstanding the foregoing provisions of this Section 3.2, the Company may (i) negotiate and consummate the sale of its inmate telephone and cellular telephone rental operations, (ii) consummate the Senior Note Financing and repay amounts outstanding under the Company's existing bank credit agreement, and (iii) enter into and borrow under a new bank credit agreement (the transactions described in clauses (ii) and (iii) foregoing, the "REFINANCING").

For purposes hereof, a "SUPER MAJORITY BOARD VOTE" means approval at a meeting of the Board of Directors by a vote of at least 75% of each of the directors then serving on the Board of Directors excluding for purposes of subparagraph (e) a director interested in the subject matter of such approval.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

As a material inducement to the Purchasers to enter into this Agreement, the Company hereby represents and warrants to each of the Purchasers that:

4.1 ORGANIZATION AND CORPORATE POWER. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of New York and is qualified to do business in every jurisdiction in which the ownership of its property or conduct of its business requires such qualification

except where the failure to be qualified, individually or in the aggregate, would not have a Material Adverse Effect. The Company has full corporate power and authority and has all licenses, permits and authorizations necessary to own and operate its properties and to carry on its business as now conducted and presently proposed to be conducted, except where the failure to have such licenses, permits and authorizations would not, individually or collectively, have a Material Adverse Effect. The copies of the Certificate of Incorporation and Bylaws furnished to the Purchasers pursuant to Section 2.1(l) reflect all amendments made thereto at any time prior to the date of this Agreement and are correct and complete. Except as described on Schedule 4.1, the minute books containing the records of meetings of the stockholders and board of directors, the stock certificate books and the stock record books of the Company are correct and complete. The Company is not in default under or in violation of any provision of its certificate of incorporation or bylaws. Schedule 4.1 attached hereto correctly sets forth the name of each Subsidiary and each other entity in which the Company or any of its Subsidiaries has an equity investment, the jurisdiction of its incorporation or formation and each of the Persons owning any of the outstanding equity of such Subsidiary and the number of shares or units of such equity of each Subsidiary owned by each such Person. Except as set forth on Schedule 4.1, the Company owns no stock or equity interest in any other entity. Each Subsidiary is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or formation, has full corporate power and authority necessary to own its properties and to carry on its

businesses as now being conducted and as presently proposed to be conducted and is qualified to do business in every jurisdiction in which its ownership of property or the conduct of business requires such qualification except where the failure to be so qualified, individually or collectively, would not have a Material Adverse Effect.

4.2 AUTHORIZATION OF TRANSACTIONS. The Company has full corporate power and authority to execute and deliver this Agreement, the agreements and documents attached hereto as Exhibits and the other agreements and documents contemplated hereby. The Board of Directors has duly approved this Agreement and has duly authorized the execution and delivery of this Agreement, the agreements and documents attached hereto as Exhibits and the other agreements and documents contemplated hereby and the consummation of the transactions contemplated hereby and thereby. No other corporate proceedings on the part of the Company are necessary to approve and authorize the execution and delivery of this Agreement, the agreements and documents attached hereto as Exhibits and the other agreements and documents contemplated hereby and the consummation of the transactions contemplated hereby and thereby. This Agreement, the agreements and

documents attached hereto as Exhibits and the other agreements and documents contemplated hereby have been duly executed and delivered by the Company and constitute valid and binding agreements of the Company, enforceable against the Company in accordance with their terms, except (i) as limited by the effect of bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect of relating to or affecting the rights and remedies of creditors, and (ii) as limited by the effect of general principles of equity, whether enforcement is considered in a proceeding in equity or at law.

4.3 CAPITALIZATION. (a) The authorized, issued and outstanding capital stock of the Company is as set forth on Schedule 4.3. All of the issued and outstanding shares of capital stock of the Company have been duly authorized, are validly issued, fully paid and nonassessable, are not subject to, nor were they issued in violation of, any preemptive rights. Except as set forth on Schedule 4.3, there are no outstanding or authorized securities with profit participating features or profit interests, or options, warrants, rights or other agreements or commitments to which the Company is a party or which are binding upon the Company providing for the issuance, disposition or acquisition of any of its capital stock or any such securities or interests (collectively "Options")(other than this Agreement). Except as set forth on Schedule 4.3, there are no outstanding or authorized stock appreciation, phantom stock or similar rights with respect to the Company. Except as set forth on Schedule 4.3, there are no voting

trusts, proxies or any other agreements or understandings with respect to the voting of the capital stock of the Company. Except as set forth on Schedule 4.3, the Company is not subject to any obligation (contingent or otherwise) to repurchase or otherwise acquire or retire any shares of its capital stock or any Options.

(b) The authorized, issued and outstanding capital stock of each Subsidiary is as set forth on Schedule 4.1. All of the issued and outstanding shares of capital stock of each Subsidiary are validly issued, fully paid and nonassessable and are not subject to, nor were they issued in violation of, any preemptive rights. Except as set forth on Schedule 4.3, there are no Options to which any Subsidiary is a party or which are binding upon any Subsidiary providing for the issuance, disposition or acquisition of any of its capital stock. Except as set forth on Schedule 4.3, there are no outstanding or authorized stock appreciation, phantom stock or similar rights with respect to any of the Subsidiaries. Except as set forth on Schedule 4.3, there are no voting trusts, proxies or any other agreements or understandings with respect to the voting of the capital stock of any of the Subsidiaries. Except as set forth on Schedule 4.3, no Subsidiary is subject to any obligation (contingent or otherwise) to repurchase or otherwise acquire or retire any of its Stock.

4.4 ABSENCE OF CONFLICTS. Except as set forth on Schedule 4.4, the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby do not and will not (a) conflict with or result in a breach of any of the provisions of, (b) constitute a default under, (c) result in a violation of, (d) give any third party the right to terminate or to accelerate any obligation under, (e) result in the creation of any lien, security interest, charge or encumbrance upon the Common Stock or (f) require any authorization, consent, approval, exemption or other action by or notice to any court or other governmental body, under the provisions of the certificate of incorporation or bylaws of the Company or any of the Subsidiaries or any material indenture, mortgage, lease, license, loan agreement or other agreement or instrument to which the Company or any of the Subsidiaries is bound or affected, or any law, statute, rule or regulation or any judgment, order or decree to which the Company or any of the Subsidiaries is subject except for those with which the failure to comply, individually or collectively, would not have a Material Adverse Effect.

4.5 FINANCIAL STATEMENTS. The Company has furnished the Purchaser with copies of its (a) restated unaudited consolidated balance sheet as of March 31, 1995 (the "LATEST BALANCE SHEET") and the related consolidated statements of income

and cash flow for the 3-month period ended March 31, 1995 and (b) audited balance sheets and statements of income and cash flow for the fiscal years ended December 31, 1993 and 1994. Each of the foregoing financial statements (including in all cases the notes thereto, if any) (the "FINANCIAL STATEMENTS") is accurate and complete in all material respects, is consistent with the Company's books and records (which, in turn, are accurate and complete in all material respects), presents fairly the Company's consolidated financial condition, consolidated results of operations and consolidated cash flows as of the dates and for the periods referred to therein, and has been prepared in accordance with GAAP consistently applied, subject in the case of unaudited financial statements to changes, which are immaterial in the aggregate, resulting from normal year-end adjustments and to the absence of footnote disclosure.

(b) Except as set forth on Schedule 4.5, the restated audited consolidated financial statements and related schedules and notes included in the SEC Documents comply in all material respects with requirements of the Exchange Act and the Securities Act and the rules and regulations of the SEC thereunder. Except as set forth on Schedule 4.5, the Financial Statements which are not audited comply in all material respects with the requirements of the Exchange Act and the Securities Act and the rules and regulations of the SEC thereunder (assuming for such purposes that such requirements are applicable thereto).

4.6 ABSENCE OF UNDISCLOSED LIABILITIES. Except as set forth on Schedule 4.6 and except for obligations or liabilities with respect to expenses arising from, and indebtedness incurred in, the Refinancing, neither the Company nor any of the Subsidiaries have any obligations or liabilities (whether accrued, absolute, contingent, unliquidated or otherwise, whether or not known, whether due or to become due and regardless of when asserted) except (a) obligations under contracts and commitments, (b) liabilities reflected on the Latest Balance Sheet and (c) liabilities which have arisen after the date of the Latest Balance Sheet in the ordinary course of business (which liabilities in the aggregate could not reasonably be expected to have a Material Adverse Effect).

4.7 ABSENCE OF MATERIAL ADVERSE CHANGE. Except as set forth on Schedule 4.8 and except for the Refinancing, since March 31, 1995, or except for obligations or liabilities with respect to indebtedness incurred in the Refinancing, there has been no change or event resulting in or which could reasonably be expected to have a Material Adverse Effect, whether individually or collectively with any other change or event since such date (it

being understood that no representation or warranty is made with respect to conditions affecting the Company's industry in general).

4.8 ABSENCE OF CERTAIN DEVELOPMENTS. Since March 31, 1995, except as set forth on Schedule 4.8 or as specifically contemplated by this Agreement neither the Company nor any of the Subsidiaries has:

(a) issued, sold or transferred any notes, bonds or other debt securities (except, in the case of the Company, the issuance of the notes and bank borrowings pursuant to the Refinancing) or any equity securities, securities convertible, exchangeable or exercisable into equity securities, or warrants, options or other rights to acquire equity securities, of the Company or any of the Subsidiaries;

(b) borrowed any amount or incurred or become subject to any liabilities, except liabilities incurred in the ordinary course of business (except, in the case of the Company, the issuance of the notes and bank borrowings and the incurrence of expenses pursuant to the Refinancing);

(c) other than the repayment of bank borrowings pursuant to the Refinancing, discharged or satisfied any lien or encumbrance or paid any obligation or liability, other than liabilities paid in the ordinary course of business, or prepaid any amount of indebtedness for borrowed money;

(d) mortgaged, pledged or subjected to any lien, charge or any other

encumbrance, any portion of its properties or assets other than in the ordinary course of business or other than liens pursuant to the bank credit agreement entered into pursuant to the Refinancing;

(e) sold, leased, assigned or transferred any portion of its tangible assets or cancelled any debts or claims owing to or held by it in any such case without fair consideration;

(f) sold, assigned or transferred any Proprietary Rights or disclosed any proprietary confidential information to any Person, other than (i) to representatives of the Company acting on behalf of the Company and subject to obligations to hold such information confidential, and (ii) to certain prospective lenders, investors and financial advisors in connection with the Refinancing, in each case subject to obligations to hold such information confidential, or granted any license or sublicense of any rights under or with respect to any Proprietary Rights;

(g) suffered any extraordinary losses or waived any single right of value which has a value in excess of $500,000 or any rights of value which have an aggregate value of $1,000,000 whether or not in the ordinary course of business or consistent with past custom and practice;

(h) suffered any theft, taking by power of eminent domain, damage, destruction or casualty loss in excess of $500,000 to its tangible assets, whether or not covered by insurance or suffered any substantial destruction of the Company's books and records;

(i) other than in the ordinary course of business or as required to effect the Refinancing, entered into, amended or terminated any material lease, license, contract, agreement or commitment, or taken any other action or entered into any other transaction, or changed any material business practice or manner of dealing with any customer, supplier, subcontractor, insider, sales representative, or other person or entity with whom the Company or any of the Subsidiaries engage in any business activity, or entered into any other transaction;

(j) entered into any employment contract or collective bargaining agreement, written or oral, or changed in any other material respect employment terms for, or made or granted any bonus or any wage, salary or compensation increase to any director or executive officer or, except in the ordinary course of business, to any other employee, agent or sales representative, group of employees or consultant or made or granted any increase in any employee benefit plan or arrangement, or amended or terminated any existing employee benefit plan or arrangement or adopted any new employee benefit plan or arrangement;

(k) incurred intercompany charges or conducted its cash management customs

and practices (including the collection of receivables, inventory control and payment of payables) other than in the usual and ordinary course of business in accordance with past custom and practice;

(l) made any capital expenditures or commitments therefor that aggregate in excess of $1,000,000;

(m) made any loans or advances to, or guarantees for the benefit of, any Person;

(n) delayed or postponed (beyond its normal custom and practice) the payment of accounts payable and other liabilities;

(o) made any charitable contributions or pledges in excess of $250,000; or

(p) except for the authorization of the Certificate of Amendment, changed or authorized any change in its certificate of incorporation or bylaws.

4.9 TITLE TO PROPERTIES. The buildings, machinery, equipment, vehicles and other tangible assets of the Company and the Subsidiaries are in good operating condition and repair and are usable in the ordinary course of business. The Company and the Subsidiaries own or lease under valid leases all buildings, machinery, equipment and other tangible assets necessary for the conduct of their business or used in the conduct of their business.

4.10 ENVIRONMENTAL AND SAFETY MATTERS. Except as set forth on Schedule 4.10 attached hereto (the "ENVIRONMENTAL SCHEDULE"):

(a) the Company has complied and is in compliance with all Environmental and Safety Requirements, except where the failure so to comply would not, individually or in the aggregate, result in a Material Adverse Effect;

(b) the Company has obtained and complied with, and is in compliance with, all permits, licenses and other authorizations that may be required pursuant to Environmental and Safety Requirements for the occupation of its facilities and the operation of its business and such permits, licenses and other authorizations may be relied upon for continued lawful operation of the business of the Company on and after the Closing Date without transfer, reissuance, or other governmental approval or action, except where the failure so to comply with would not, individually or in the aggregate, result in a Material Adverse Effect;

(c) the Company has not received any claim, complaint, citation, report or other written or oral notice regarding any material liabilities or potential

material liabilities (whether accrued, absolute, contingent, unliquidated or otherwise), including any investigatory, remedial or corrective obligations, arising under Environmental and Safety Requirements;

(d) no underground storage tanks or surface impoundments exist on any property owned by the Company; and

(e) the Company has not, either expressly or by operation of law, assumed or undertaken any liability or corrective or remedial obligation of any other person relating to

Environmental and Safety Requirements, except liabilities of businesses assumed in connection with the acquisition thereof.

4.11 TAX MATTERS. Except as set forth on Schedule 4.11 attached hereto:

(a) Each of the Company and its Subsidiaries has filed all Tax Returns that it was required to file on or before the date hereof other than those returns which if not filed would not, individually or in the aggregate, have a Material Adverse Effect. All such Tax Returns were correct and complete in all material respects. As of the time of filing, all Taxes owed by any of the Company and its Subsidiaries (whether or not shown on any Tax Return), with respect to the taxable periods ending on or before the Closing Date, have been paid, except where the failure to withhold, pay or deposit (individually or collectively) would not have a Material Adverse Effect and except with respect to taxes which are being contested in good faith and by appropriate proceedings and with respect to which adequate reserves have been established on the Company's books. None of the Company and its Subsidiaries currently is the beneficiary of any extension of time within which to file any Tax Return. No claim in writing has been received by the Company from an authority in a jurisdiction where any of the Company and its Subsidiaries does not file Tax Returns that it is or may be subject to taxation by that jurisdiction. There are no security interests on any of the assets of the Company or any of the Subsidiaries that arose, other than for current taxes not yet due and payable in connection with any failure (or alleged failure) to pay any Tax.

(b) Each of the Company and its Subsidiaries has withheld and paid all Taxes required to have been withheld and paid in connection with amounts paid or owing to any employee, creditor, independent contractor or other third party.

(c) Except as set forth on Schedule 4.11, neither the Company nor any director or executive officer of the Company expects any taxing authority to assess any material additional Taxes for any period for which Tax Returns have been filed. There is no dispute or claim concerning any Tax liability of any of the Company and its Subsidiaries either (i) claimed or raised by any authority

in writing or (ii) as to which any of the directors and officers (and employees responsible for Tax matters) of the Company and its Subsidiaries has knowledge based upon personal contact with any agent of such authority which dispute or claim if resolved adversely to the Company would result in a Material Adverse Effect. Schedule 4.11 lists all federal, state, local and foreign income Tax Returns filed with respect to any of the Company or the Subsidiaries for taxable periods ended on or after December 31,

1991, indicates those Tax Returns that have been audited, and indicates those Tax Returns that currently are the subject of an Audit. The Company has made available to the Purchasers correct and complete copies of all federal income Tax Returns, examination reports, and statements of deficiencies assessed against or agreed to by any of the Company or the Subsidiaries since December 31, 1991.

(d) Except as set forth on Schedule 4.11, neither the Company nor any of the Subsidiaries has waived any statute of limitations in respect of Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency.

(e) Neither the Company nor any of the Subsidiaries has filed a consent under Section 341(f) of the Code concerning collapsible corporations. None of the Company or any of the Subsidiaries has made any payments, is obligated to make any payments, or is a party to any agreement that under certain circumstances could obligate it to make any payments that will not be deductible under Section 280G of the Code. None of the Company or any of the Subsidiaries has been a United States real property holding corporation within the meaning of Section 897(c)(2) of the Code during the applicable period specified in Section 897(c)(1)(A)(ii) of the Code. None of the Company or any of the Subsidiaries is a party to any Tax allocation or sharing agreement. Except as set forth on Schedule 4.11, neither the Company nor any of the Subsidiaries has been a member of an Affiliated Group filing a consolidated federal income Tax Return (other than a group the common parent of which was the Company) or has any Liability for the Taxes of any Person (other than any of the Company and its Subsidiaries) under Treas. Reg. Section 1.1502-6 (or any similar provision of state, local or foreign law), as a transferee or successor, by contract or otherwise.

(f) Except as set forth on Schedule 4.11, the unpaid Taxes of the Company and the Subsidiaries did not, as of December 31, 1994, exceed in any material amount the reserve for Tax Liability (rather than any reserve for deferred Taxes established to reflect timing differences between book and Tax income) set forth on the face of the Latest Balance Sheet (rather than in any notes thereto) and do not exceed that reserve in any material amount as adjusted for the passage of time through the Closing Date in accordance with the past custom and practice of the Company and its Subsidiaries in filing their Tax Returns.

4.12 LITIGATION; PROCEEDINGS. Except as set forth in Schedule 4.12 attached hereto (the "LITIGATION SCHEDULE"), to the Company's knowledge there are no actions, suits, proceedings, orders or investigations pending or threatened against the Company

or the Subsidiaries at law or in equity, or before or by any federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign which, individually or collectively, if determined adversely to the Company and its Subsidiaries would have a Material Adverse Effect, and there is no basis for any of the foregoing.

4.13 BROKERAGE. Except for arrangement between the Company and ACP and except as set forth in Schedule 4.13 attached hereto, there are no claims for brokerage commissions, finders' fees or similar compensation in connection with the transactions contemplated by this Agreement based on any arrangement or agreement made by or on behalf of the Company or the Subsidiaries.

4.14 GOVERNMENTAL LICENSES AND PERMITS.

(a) Except as set forth on Schedule 4.14, the Company and its Subsidiaries hold all permits, licenses, certificates of occupancy, franchises, certificates, approvals and other authorizations of foreign, federal, state and local governments or other similar rights including all necessary permits, authorizations and licenses issued to the Company by the FCC and all state commissions regulating the communications industry ("REGULATORY AGENCIES") (collectively, the "LICENSES") and necessary in and for the conduct of their respective businesses, and such Licenses are in full force and effect except where the failure to hold such License or for such License to be valid and in full force and effect, would not have a Material Adverse Effect and to the Company's knowledge would not adversely effect any contracts or arrangements of the Company involving 250 or more telephones or the operation thereof. The Company has paid all taxes with respect to and filed all statements, reports and information required by the Regulatory Agencies and duly performed in all respects all of its obligations under, and is in full compliance with, the Licenses, the FCC's Rules, the Communications Act of 1934 (the "COMMUNICATIONS ACT"), all State statutes and regulations, the Telephone Operator Consumer Services Improvement Act of 1990 and any other statutes or regulations governing the communications services operated by the Company (collectively referred to as the "COMMUNICATIONS STATUTES AND REGULATIONS")except for the failure of which would not have a Material Adverse Effect and to the Company's knowledge would not adversely effect any contracts or arrangements of the Company involving 250 or more telephones or the operation thereof. Except as set forth in Schedule 4.14, there is not now pending or to the Company's knowledge threatened any

litigation, proceeding or investigation which reasonably might result in a termination of any of the Licenses except for litigation, proceedings or investigations which would not individually or in

the aggregate have a Material Adverse Effect and to the Company's knowledge would not adversely effect any contracts or arrangements of the Company involving 250 or more telephones or the operation thereof.

(b) Except as set forth in Schedule 4.14, no event has occurred (including any notice issued by the Regulatory Agencies) and no agreement has been entered into by the Company, which now, or after notice or lapse of time or both, might reasonably be expected to cause or permit cancellation, revocation or termination of the Licenses, or would result in any actions, which individually or in the aggregate could reasonably be expected to have a Material Adverse Effect, and there is no pending or to the Company's knowledge threatened action or matters that would suggest that any of the Licenses could reasonably be expected not to be renewed in the ordinary course.

(c) There is not pending any application, petition, objection or other pleading filed with the Regulatory Agencies, or any entity with jurisdiction to review administrative orders of the Regulatory Agencies, which questions the validity of or contests any of the Licenses except for those that could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(d) The consummation of the transactions contemplated by this Agreement will not cause any forfeiture or impairment of the Licenses except for those that could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

4.15 EMPLOYEES. Except as set forth on Schedule 4.15, to the best knowledge of the Company, neither Jeffrey Hanft nor Robert Rubin has any plan to terminate employment with the Company or any of the Subsidiaries. Except as set forth on Schedule 4.15, to the best knowledge of the Company, neither the Company, nor any of the Subsidiaries is subject to any noncompete, nondisclosure, confidentiality, employment, consulting or similar agreements, except (a) confidentiality agreements entered into by the Company with respect to information obtained in connection with evaluating possible acquisitions or dispositions of businesses, (b) agreements binding on the Company or any of the Subsidiaries, the breach of which would not, individually or in the aggregate, have a Material Adverse Effect and (c) agreements binding on Jeffrey Hanft or Robert Rubin solely on account of agreements described in clause (a) foregoing.

4.16 EMPLOYEE Benefit Plans. (a) Schedule 4.16 attached hereto (the "EMPLOYEE BENEFIT PLANS SCHEDULE") contains an accurate and complete list of all Plans, as defined below, contributed to, maintained or sponsored by the Company and/or any of its Subsidiaries, to which the Company or any of its Subsidiaries is obligated to contribute or with respect to which the Company or any of its Subsidiaries has any liability or potential liability, whether direct or indirect, including all Plans contributed to, maintained or sponsored by each member of the controlled group of companies (within the meaning of Section 414 of the Code) of which the Company or any of its Subsidiaries is a member, to the extent the Company or any of its Subsidiaries has any potential liability with respect to such Plans. For purposes of this Agreement, the term "Plans" shall mean: (i) employee benefit plans as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), whether or not funded and whether or not terminated, (ii) employment agreements, and (iii) personnel policies or fringe benefit plans, policies, programs and arrangements, whether or not subject to ERISA, whether or not funded, and whether or not terminated, including without limitation, stock bonus, deferred compensation, pension, severance, bonus, vacation, travel, incentive, and health, disability and welfare plans.

(b) Except as disclosed on Schedule 4.16, neither the Company nor any of its Subsidiaries contributes to, has any obligation to contribute to or otherwise has any liability or potential liability with respect to (i) any Multiemployer Plan (as such term is defined in Section 3(37) of ERISA), (ii) any Plan of the type described in Sections 4063 and 4064 of ERISA or in Section 413(c) of the Code (and regulations promulgated thereunder), (iii) any Plan that is subject to the minimum funding requirements of Section 412 of the Code or Section 302 of ERISA, or (iv) any plan which provides health, life insurance, accident or other "welfare-type" benefits to current or future retirees or current or future former employees, their spouses or dependents, other than in accordance with Section 4980B of the Code or applicable state continuation coverage law.

(c) Except as disclosed on Schedule 4.16, none of the Plans obligates the Company or any of its Subsidiaries to pay separation, severance, termination or similar-type benefits solely as a result of any transaction contemplated by this Agreement or solely as a result of a "change in control," as such term is used in Section 280G of the Code (and regulations promulgated thereunder).

(d) Each Plan and all related trusts, insurance contracts, and funds have been maintained, funded and administered

in compliance in all material respects with all applicable laws and regulations, including but not limited to ERISA and the Code. No Plan has any material unfunded liabilities. None of the Company, any Subsidiary, any trustee or administrator of any Plan, or any other person has engaged in any transaction with respect to any Plan which could reasonably be expected to subject the Company, any Subsidiary, or any trustee or administrator of any Plan, or any party dealing with any Plan, or Purchasers to any material tax or penalty imposed by ERISA or the Code. Except as disclosed on Schedule 4.16, no actions, suits, claims, complaints, charges, proceedings, hearings, investigations, or demands with respect to the Plans (other than routine claims for benefits) are pending or threatened, and neither the Company nor of any of its Subsidiaries has knowledge of any facts which could give rise to or reasonably be expected to give rise to any actions, suits, claims, complaints, charges, proceedings, hearings, investigations, or demands. None of the assets of the Company nor any of its Subsidiaries is the subject of any lien arising under Section 302(f) of ERISA or Section 412(n) of the Code, neither the Company nor any of its Subsidiaries has been required to post any security pursuant to Section 307 of ERISA or Section 401(a)(29) of the Code, and neither the Company nor any of its Subsidiaries has knowledge of any facts which could reasonably be expected to give rise to such lien or such posting of security.

(e) Each Plan that is intended to be qualified under Section 401(a) of the Code, and each trust (if any) forming a part thereof, has received a favorable determination letter from the Internal Revenue Service as to the qualification under the Code of such Plan and the tax exempt status of such related trust, and nothing has occurred since the date of such determination letter that could adversely affect the qualification of such Plan or the tax exempt status of such related trust.

(f) No underfunded "defined benefit plan" (as such term is defined in Section 3(35) of ERISA) has been, during the five years preceding the Closing, transferred out of the controlled group of companies (within the meaning of Section 414 of the Code) of which the Company or any of its Subsidiaries is a member or was a member during such five-year period.

(g) With respect to each Plan, the Company has made available Purchasers with true, complete and correct copies, to the extent applicable, of (i) all documents pursuant to which such Plan is maintained, funded and administered, (ii) the two most recent annual reports (Form 5500 series) filed with the Internal Revenue Service (with attachments), (iii) the two most recent actuarial reports, (iv) the two most recent financial statements, and (v) all

governmental rulings, determinations, and opinions (and pending requests for governmental rulings, determinations, and opinions).

4.17 INSURANCE. The insurance coverage of the Company and the Subsidiaries is adequate and is customary for corporations of similar size engaged in similar lines of business.

4.18 AFFILIATE TRANSACTIONS. Except as disclosed in any SEC Document, the Company and its Subsidiaries have not entered into any transaction or series of transactions with any stockholder, director, officer, employee or Affiliate of the Company which would require disclosure pursuant to Rule 404 of Regulation S-K under the Securities Act.

4.19 COMPLIANCE WITH LAWS. The Company, the Subsidiaries and their officers, directors, agents and employees have complied with all applicable laws and regulations of foreign, federal, state and local governments and all agencies thereof (including, without limitation, the Communications Act, the Securities Act and the Exchange Act) which affect the business, business practices (including, but not limited to, any of the Company's and the Subsidiaries' marketing, sales and distribution of its products and services), the business operations or any leased properties of any of the Company and the Subsidiaries and to which the Company and the Subsidiaries may be subject, and no claims have been filed against any of the Company and its Subsidiaries alleging a violation of any such laws or regulations except for those the failure to comply with would not, individually or in the aggregate, have a Material Adverse Effect.

4.20 GOVERNMENTAL CONSENT, ETC. No permit, consent, approval or authorization of, or declaration to or filing with, any governmental or regulatory authority or any other party or person (including, without limitation, the FCC) is required to be obtained by the Company in connection with its execution, delivery and performance of this Agreement or the consummation of any other transaction contemplated hereby except for those which could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

4.21 CUSTOMERS. Except as described on Schedule 4.21 hereto (the "MATERIAL CUSTOMER DISPUTE SCHEDULE"), neither the Company nor any of its Subsidiaries has any reason to believe that any Person who, collectively with its Affiliates, is party to any contract or arrangement with the Company or any of its Subsidiaries relating to the operation of an aggregate of 250 or more telephones (a "MATERIAL CUSTOMER") has any dispute with the Company or any of its Subsidiaries with respect to any term or condition of such arrangement or has indicated that it shall terminate or seek to amend or revise such arrangement in any material respect.

4.22 DISCLOSURE. (a) Neither this Agreement, the offering memorandum with respect to the Senior Note Offering (in the form previously delivered to the Purchasers (except to the extent such form does not contemplate this Agreement and the transactions contemplated hereby)) nor any of the schedules, attachments, exhibits, written statements or certificates supplied to the Purchasers by or on behalf of the Company with respect to the transactions contemplated hereby contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained herein or therein, in light of the circumstances in which they were made, not misleading. There is no fact which has not been disclosed to the Purchasers in writing and of which any of the Company's executive officers and directors is aware or any of the executive officers and directors of any of its Subsidiaries is aware, and which has had or would reasonably be anticipated to have a Material Adverse Effect (it being understood that no representation or warranty is made with respect to conditions affecting the Company's industry in general). The Offering Memorandum prepared pursuant to the Senior Note Financing does not contain an untrue statement of material fact or omit to state any fact necessary to make the statements therein, in light of the circumstances in which they were made, not misleading.

(b) Except as set forth on Schedule 4.22, as of its filing date, each SEC Document filed, and each SEC Document that will be filed by the Company prior to the Closing Date, as amended or supplemented prior to the Closing Date, if applicable, pursuant to the Securities Act and/or the Exchange Act (i) complied in all material respects with the applicable requirements of the Securities Act and/or Exchange Act and (ii) did not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading. Each final registration statement filed with the SEC by the Company pursuant to the Securities Act, as of the date such statement or amendment became effective (i) complied in all material respects with the applicable requirements of the Securities Act and (ii) did not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading (in the case of any prospectus, in light of the circumstances under which they were made). The Sections in the Preliminary Memorandum ,as the same may be amended or supplemented, and in any final offering memorandum, entitled "Risk Factors," "The Company," "Capitalization," "Selected Financial Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business," "Management," "Certain Transactions," "Principal Shareholders," "Description of the Credit Agreement," "Description of the Notes" and "Consolidated Financial

Statements", if included in a prospectus as part of a registration statement with respect to the exchange offer of notes contemplated thereby and filed on a Form S-4 with the SEC on the date thereof, (i) were prepared in material accordance with Regulations S-K and S-X of the Rules of the SEC, (ii) include all material disclosure that would be required therein (other than as to matters related to an exchange offer or the securities to be offered in exchange for the notes issued pursuant to the Senior Note Financing) by Items 100, 200, 300 and 400 of Regulation S-K and Articles 1, 2, 3, 4, 6, 10, 11 and 12 of Regulation S-X, in each case to the extent such regulations would be applicable to such a registration statement if such an exchange offer were contemplated at such time, and (iii) do not or will not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in light of the circumstances in which they were made, not misleading.

4.23 CONTRACTS. Except as set forth on Schedule 4.23, all of the contracts of the Company or any of its Subsidiaries that were required to be described in the SEC Documents or to be filed as exhibits thereto are described in the SEC Documents or filed as exhibits thereto and are in full force and effect, other than those which have expired or terminated prior to January 1, 1995 in accordance with their terms and those which have been terminated or modified in connection with the Refinancing. Neither the Company nor any of its Subsidiaries nor, to the knowledge of the Company, any other party is in breach of or in default under any such contract except for such breaches and defaults as in the aggregate have not had, and would not reasonably be expected to, have a Material Adverse Effect.

4.24 INVESTMENT COMPANY. The Company is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

4.25 EXEMPTION FROM REGISTRATION; RESTRICTIONS ON OFFER AND SALE OF SAME OR SIMILAR SECURITIES. Assuming the representations and warranties of the Purchasers set forth in Article V hereof are true and correct in all material respects, the offer and sale of the Securities made pursuant to this Agreement will be exempt from the registration requirements of the Securities Act. Neither the Company nor any Person acting on its behalf has, in connection with the offering of the Securities, engaged in (A) any form of general solicitation or general advertising (as those terms are used within the meaning of Rule 502(c) under the Securities Act), (B) any action involving a public offering within the meaning of Section 4(2) of the Securities Act, or (C) any action that would require the registration under the Securities Act

of the offering and sale of the Securities pursuant to this Agreement or that would violate applicable state securities or "blue sky" laws. The Company has not made and will not prior to the Closing make, directly or indirectly, any offer or sale of the Securities or of securities of the same or a similar class as the Securities if as a result the offer and sale of the Securities contemplated hereby could fail to be entitled to exemption from the registration requirements of the Securities Act. As used herein, the terms "offer" and "sale" have the meanings specified in Section 2(c) of the Securities Act.

4.26 SMALL BUSINESS MATTERS. The Company, together with its "affiliates" (as that term is defined in Title 13, Code of Federal Regulations, Section 121.401), is a "small business concern" within the meaning of the Small Business Investment Act of 1958 and the regulations thereunder, including Title 13, Code of Federal Regulations, Section 121.802. The information regarding the Company and its affiliates set forth in the SBA Form 480, Form 652 and Part A of Form 1031 delivered at the Closing is accurate and complete. Neither the Company nor any Subsidiary presently engages in any activities, nor shall the Company or any Subsidiary use directly or indirectly the proceeds from the sale of the Preferred Stock hereunder for any purpose for which a SBIC is prohibited from providing funds by the Small Business Investment Act of 1958 and the regulations thereunder (including Title 13, Code of Federal Regulations, Section 107.804 and Section 107.901).

4.27 CLOSING DATE. All of the representations and warranties contained in this Article and made by or on behalf of the Company elsewhere in this Agreement and all information delivered in any schedule, attachment or exhibit hereto or in any writing delivered to the Purchasers by or on behalf of the Company are true and correct in all respects on the date of this Agreement and will be true and correct in all respects on the Closing Date, unless waived by each of the Purchasers.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF THE PURCHASERS

As a material inducement to the Company to enter into this Agreement, each Purchaser hereby represents and warrants, severally and not jointly, to the Company that:

5.1 ORGANIZATION AND POWER. Such Purchaser is a corporation, limited partnership or limited liability company duly organized, validly existing and in good standing under the laws of

the state of its jurisdiction of incorporation or formation, with full corporate or partnership (as applicable) power and authority to enter into this Agreement and perform its obligations hereunder.

5.2 AUTHORIZATION. The execution, delivery and performance of this Agreement by such Purchaser and the consummation of the transactions contemplated hereby have been duly and validly authorized by all requisite corporate or partnership (as applicable) action on the part of such Purchaser, and no other corporate or partnership (as applicable) proceedings on its part are necessary to authorize the execution, delivery or performance of this Agreement. This Agreement constitutes a valid and binding obligation of such Purchaser, enforceable against such Purchaser in accordance with its terms.

5.3 NO VIOLATION. Such Purchaser is not subject to or obligated under its certificate of incorporation, its bylaws, certificate of partnership, certificate of formation, any applicable law, or rule or regulation of any governmental authority, or any agreement or instrument, or any license, franchise or permit, or subject to any order, writ, injunction or decree, which would be breached or violated by its execution, delivery or performance of this Agreement.

5.4 BROKERAGE. Except for an agreement between the Company and ACP, there are no claims for brokerage commissions, finders' fees or similar compensation in connection with the transactions contemplated by this Agreement based on any arrangement or agreement made by such Purchaser.

5.5 CLOSING DATE. The representations and warranties contained in this Article and made by such Purchaser elsewhere in this Agreement are true and correct in all respects on the date of this Agreement and will be true and correct in all respects on the Closing Date, unless waived by the Company.

ARTICLE VI

TERMINATION

6.1 TERMINATION. This Agreement may be terminated at any time prior to the Closing:

(a) by mutual written consent each of the Purchasers and the Company;

(b) by either the Purchasers or the Company if there has been a material misrepresentation or breach on the part of the other party or parties in the representations and warranties set forth in this Agreement if such breach is not cured within 10 days after the Company first becomes aware of such breach, or if events have occurred which have made it impossible to satisfy a condition precedent to the terminating party's or parties' obligations to consummate the

transactions contemplated hereby, unless such terminating party's or parties' willful breach of this Agreement has caused the condition to be unsatisfied; or

(c) by either of the Purchasers or by the Company if the Closing has not occurred on or prior to August 15, 1995; and PROVIDED that neither the Purchasers nor the Company may terminate this Agreement pursuant to this Section 6.1(c) if such person's willful breach of this Agreement has prevented the consummation of the transactions contemplated hereby at or prior to such time.

6.2 EFFECT OF TERMINATION. In the event of termination of this Agreement by either the Purchasers or the Company as provided above, this Agreement will forthwith become void and there will be no liability on the part of any party hereto to any other party hereto or its shareholders or directors or officers in respect thereof, except for the obligations of the parties pursuant to Sections 8.7 and 8.8 and except that nothing herein will relieve any party from liability resulting from any breach of this Agreement prior to such termination, including, without limitation, any breach of Section 8.9.

ARTICLE VII

DEFINITIONS

"AFFILIATE" means with respect to any Person, any other Person (i) directly or indirectly controlling or controlled by or under direct or indirect control with such specified Person, (ii) related by blood or marriage to any such specified Person or any Affiliate of such specified Person, (iii) controlled by any Person described in clause (ii) foregoing or (iv) in the case of any limited liability company, each member.

"AFFILIATED GROUP" shall mean an affiliated group as defined in Section 1504 of the Code (or any analogous combined, consolidated or unitary group defined under state, local or foreign Tax law) of which any of the Company or the Subsidiaries is or has been a member.

"ANNUAL REPORTS" means the Company's Annual Reports on Form 10-K for the years ended December 31, 1993 and 1994 as filed with the SEC.

"AUDIT" means any audit, assessment of Taxes, or other examination by any taxing authority, proceedings, or appeal of such proceedings relating to Taxes.

"CODE" shall mean the Internal Revenue Code of 1986, as amended.

"ENVIRONMENTAL AND SAFETY REQUIREMENTS" means all federal, state, local and foreign statutes, regulations, ordinances and similar provisions having the force or effect of law, all judicial and administrative orders and determinations, all contractual obligations and all common law concerning public health and safety, worker health and safety, and pollution or protection of the environment, including without limitation all those relating to the presence, use, production, generation, handling, transport, treatment, storage, disposal, distribution, labeling, testing, processing, discharge, release, threatened release, control, or cleanup of any hazardous or otherwise regulated materials, substances or wastes, chemical substances or mixtures, pesticides, pollutants, contaminants, toxic chemicals, petroleum products or byproducts, asbestos, polychlorinated biphenyls, noise or radiation.

"ENVIRONMENTAL LIEN" means a lien, either recorded or unrecorded, in favor of any governmental entity, relating to any liability of the Company arising under Environmental and Safety Requirements.

"EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

"FCC" means the Federal Communications Commission.

"GAAP" means United States generally accepted accounting principles as in effect from time to time.

"MARKET PRICE" of any security means the average of the closing prices of such security's sales on all securities exchanges on which such security may at the time be listed or as reported on the NASDAQ National Market, or, if there has been no sales on any such exchange or reported on the NASDAQ National Market on any day, the average of the highest bid and lowest asked prices on all such exchanges or reported at the end of such day, or, if on any day such security is not so listed or included in the NASDAQ National Market, the average of the representative bid and asked prices

quoted in the NASDAQ Stock Market as of 4:00 P.M., New York time, or, if on any day such security is not quoted in the NASDAQ Stock Market, the average of the highest bid and lowest asked prices on such day in the domestic over-the-counter market as reported by the National Quotation Bureau, Incorporated, or any similar successor organization, in each such case averaged over a period of 21 days consisting of the day as of which "Market Price" is being determined and the 20 consecutive business days prior to such day. If at any time such security is not listed on any securities exchange or quoted in the NASDAQ National Market, the NASDAQ Stock Market or the over-the-counter market, the "Market Price" shall be the fair value thereof determined jointly by the Company and the holders of a majority of the Preferred Stock. If such parties

are unable to reach agreement within a reasonable period of time, such fair value shall be determined by an independent appraiser experienced in valuing securities jointly selected by the Company and the holders of a majority of the Preferred Stock. The determination of such appraiser shall be final and binding upon the parties, and the Company shall pay the fees and expenses of such appraiser.

"MATERIAL ADVERSE EFFECT" means (i) a material adverse change in the assets, earnings, financial condition, operating results, customer, supplier, employee or sales representative relations or business prospects of the Company and the Subsidiaries taken as a whole, (ii) material casualty loss, destruction or damage to the assets or properties of the Company and the Subsidiaries taken as a whole, whether or not covered by insurance or (iii) any action or proceeding before any court or government body wherein an unfavorable judgment, decree, injunction or order would prevent the carrying out of this Agreement or any of the transactions contemplated hereby, declare unlawful the transactions contemplated by this Agreement or cause such transactions to be rescinded, or might adversely affect the right of the Purchasers to purchase, own or control the Securities.

"PERMITTED EQUITY KICKERS" means issuance by the Company of notes or debt securities which do not contain any equity features and are not issued in connection with the issuance of any Stock of the Company, except for warrants to purchase Common Stock (i) with an exercise price per share not less than the Market Price of the Common Stock , and (ii) the aggregate exercise price of which does not exceed 10% of the gross cash proceeds received by the Company from such debt issuance, in each case determined as of the date of issuance thereof.

"OFFICER'S CERTIFICATE" of any Person means a certificate signed by the chief executive officer, vice president, secretary or Chief Financial Officer of such Person stating that (i) the officer

signing such certificate has made or has caused to be made such investigations as are necessary in order to permit such person to verify the accuracy of the information set forth in such cer- tificate, and (ii) to the best of such officer's knowledge, such certificate does not misstate any material fact and does not omit to state any fact necessary to make the certificate not misleading.

"PERSON" means an individual, a partnership (including a limited partnership), a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization and a governmental entity or any department, agency or political subdivision

thereof.

"PROPRIETARY RIGHTS" means all patents, patent applications, patent disclosures and inventions (whether or not patentable and whether or not reduced to practice); all trademarks, service marks, trade dress, trade names and corporate names; all registered and unregistered statutory and common law copyrights; all registrations, applications and renewals for any of the foregoing; all trade secrets, confidential information, ideas, formulae, compositions, know-how, manufacturing and production processes and techniques, research and development information, drawings, specifications, designs, plans, improvements, proposals, technical and computer data, documentation and software, financial business and marketing plans, customer and supplier lists and related information and all other proprietary rights.

"REGULATORY VIOLATION" means, with respect to any SBIC Holder providing financing under this Agreement, (i) a diversion of the proceeds of the financing under this Agreement from the reported use thereof on SBA Form 1031 delivered at Closing, if such diversion was effected without obtaining the prior written consent of the SBIC Holders (which may be withheld in their sole discretion) or (ii) a change in the principal business activity of the Company and its Subsidiaries to an ineligible business activity (within the meaning of the SBIC Regulations) if such change occurs within one year after the date of the initial financing under this Agreement.

"SBIC" means a Small Business Investment Company licensed by an SBA under the Small Business Investment Act of 1958, as amended.

"SBIC REGULATIONS" means the Small Business Investment Act of 1958 and the regulations issued thereunder as set forth in 13 CFR 107 and 121, as amended.

"SEC" means the United States Securities and Exchange Commission and any successor to the functions thereof.

"SEC DOCUMENTS" means all documents (including any annual reports) filed by the Company with the SEC (including all exhibits and schedules thereto and documents incorporated by reference therein) since December 31, 1991 but shall not include any portion of any document which is not deemed to be filed under applicable SEC rules and regulations.

"SECURITIES ACT" means the Securities Act of 1933, as amended.

"STOCK" of any Person means any shares, equity or profits interests, participations or other equivalents (however designated) of capital stock,

whether voting or nonvoting, including any securities with profit participation features, and any rights, warrants, options or other securities convertible into or exercisable or exchangeable for any such shares, equity or profits interests, participations or other equivalents, or such other securities, directly or indirectly (or any equivalent ownership interests, in the case of a Person which is not a corporation).

"SUBSIDIARY" means, with respect to any Person, any corporation, limited liability company, partnership, association or other business entity of which (i) if a corporation, a majority of the total voting power of shares of stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person or a combination thereof, or (ii) if a limited liability company, partnership, association or other business entity, a majority of the partnership or other similar ownership interest thereof is at the time owned or controlled, directly or indirectly, by any Person or one or more Subsidiaries of that Person or a combination thereof. For purposes hereof, a Person or Persons shall be deemed to have a majority ownership interest in a limited liability company, partnership, association or other business entity if such Person or Persons shall be allocated a majority of limited liability company, part- nership, association or other business entity gains or losses or shall be or control any managing director or general partner of such limited liability company, partnership, association or other business entity.

"TAX" or "TAXES" shall mean any federal, state, local or foreign income, estimated, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental (including without limitation taxes under Section 59A of the Code), customs duties, capital stock, franchise, employees' income withholding, social security (or similar), unemployment, disability, real property, personal property, sales,

use, transfer, registration, value added, alternative or add-on minimum or other tax, of any kind whatsoever, including any interest, penalties or additions to tax or additional amounts in respect of the foregoing.

"TAX RETURNS" shall mean returns, declarations, reports, claims for refund and information returns or statements relating to Taxes, including any schedules or attachments thereto.

"TRANSACTION DOCUMENTS" means this Agreement, the Warrants, the Registration Agreement, each of the other agreements contemplated hereby, and the Company's Certificate of Incorporation (as amended by the Certificate of Amendment).

"UNDERLYING COMMON STOCK" means (i) the Common Stock issued or issuable upon conversion of the Preferred Stock or exercise of the Warrants, and (ii) any Common Stock issued or issuable with respect to the securities referred to above by way of stock dividend or stock split or in connection with a combination of shares, recapitalization, merger, consolidation or other reorganization. Any Person who holds Preferred Stock or Warrants shall be deemed to be the holder of the Underlying Common Stock obtainable upon exercise of such Preferred Stock or Warrants. As to any particular shares of Underlying Common Stock, such shares shall cease to be Underlying Common Stock when they have been (a) effectively registered under the Securities Act and disposed of in accordance with the registration statement covering them or (b) distributed to the public through a broker, dealer or market maker pursuant to Rule 144 under the Securities Act (or any similar provision then in force).

"WHOLLY OWNED SUBSIDIARY" means a Subsidiary of such Person all of the outstanding capital stock or other ownership interests of which shall at the time be owned by such Person or one or more Wholly Owned Subsidiaries of such Person.

ARTICLE VIII

ADDITIONAL AGREEMENTS

8.1 SURVIVAL. Notwithstanding any examination made for or on behalf of the Purchasers, the knowledge of any of its officers, directors, stockholders, employees or agents, or the acceptance of any certificate or opinion, all representations, warranties, covenants and agreements set forth in this Agreement or in any writing delivered in connection with this Agreement shall survive the Closing and, subject to the provisions of the following

sentence, shall be fully effective and enforceable, subject to the limitations set forth in Section 8.3(b) below. Notwithstanding the foregoing, the representations and warranties set forth in Sections 4.1, 4.2, 4.3 and 4.4 shall survive indefinitely and the representations and warranties set forth in Sections 4.10, 4.11 and 4.16 shall survive until the termination of their respective statute of limitations applicable thereto.

8.2 INDEMNIF(a) The Company agrees to indemnify and hold harmless each of the Purchasers, including each of its affiliates, and the respective partners, directors, officers, agents and employees thereof (each Purchaser and each such other Person, an "INDEMNIFIED PARTY") from and against any losses, claims, damages, judgments, assessments, costs and other liabilities (collectively "LIABILITIES"), and will reimburse each Indemnified Party for all fees and expenses (including the reasonable fees and expenses of counsel) (collectively,

"EXPENSES") as they are incurred in investigating, preparing or defending any claim, action, proceeding or investigation, whether or not in connection with pending or threatened litigation or arbitration and whether or not any Indemnified Party is a party thereto (collectively, "ACTIONS"), arising out of (i) any breach of any of the representations or warranties made by the Company in this Agreement or any of the agreements or certificates, documents or other writings contemplated hereby or delivered in connection herewith, (ii) any breach or violation of or failure to fully perform any covenant, agreement or obligation of the Company in this Agreement or any of the agreements contemplated hereby, or (iii) any Action by any third party arising out of or in connection with the transactions contemplated by this Agreement or any Indemnified Party's actions or inactions in connection with any such transactions; provided that the Company will not be responsible for any Liabilities or Expenses of an Indemnified Party pursuant to clause (iii) immediately foregoing to the extent that such Liabilities and Expenses are determined by a judgment of a court of competent jurisdiction which is no longer subject to appeal or further review to have resulted solely from such Indemnified Party's gross negligence or willful misconduct in connection with the transactions referred to above. If multiple claims are brought against an Indemnified Party (including in an arbitration), with respect to at least one of which indemnification is permitted under applicable law and provided for under this Agreement, the Company agrees that any award shall be conclusively deemed to be based on claims as to which indemnification is permitted and provided for, except to the extent the award expressly states that the award, or any portion thereof, is based solely on a claim as to which indemnification is not available. In the event the Company becomes liable to an Indemnified Party pursuant to this Section 8.2, the amount of such liability shall be

reduced by the amount of dividends paid in cash to the holders of Preferred Stock to the extent such dividends are paid pursuant to Section L2(a) of the Certificate of Amendment.

(b) Each Purchaser agrees to indemnify and hold harmless the Company from and against any Liabilities, and will reimburse the Company and its Affiliates for all Expenses as they are incurred in investigating, preparing, pursuing or defending any claim, action, proceeding or investigation, to the extent that such Liabilities and Expenses arise out of the breach by such Purchaser of any representation or warranty made by such Purchaser; provided that no Purchaser will be responsible for any Liabilities or Expenses of the Company that are determined by a judgment of a court of competent jurisdiction which is no longer subject to appeal or further review to have resulted solely from the Company's or any Affiliate's gross negligence or willful misconduct in connection with the transactions referred to above. The obligations of the Purchasers pursuant to this Section 8.2(b) are several and not joint.

8.3 INDEMNIFICATION PROCEDURE.

(a) If an Indemnified Party seeks indemnification pursuant to Section 8.2, such party shall give prompt written notice to the Company of the facts and circumstances giving rise to the claim. Any Indemnified Party asserting a right of indemnification provided for under this Agreement in respect of, arising out of or involving a claim or demand made by any person, firm, governmental authority or corporation against the Indemnified Party (a "THIRD PARTY CLAIM") shall notify the Indemnifying Party (the "INDEMNIFYING PARTY") in writing of the Third Party Claim. As part of such notice, the Indemnified Party shall furnish the Indemnifying Party with copies of any pleadings, correspondence or other documents relating thereto that are in the Indemnified Party's possession. The Indemnified Party's failure to notify the Indemnifying Party of any such claim shall not release the Indemnifying Party, in whole or in part, from its obligations under Section 8.2 except to the extent that the Indemnified Party's ability to defend against such claim is actually materially prejudiced thereby. The Indemnifying Party shall have the right to elect to assume and control the defense of any such Third party Claims so long as (i) the counsel employed by the Indemnifying Party is reasonably satisfactory to the Indemnified Party, (ii) before undertaking such defense the Indemnifying Party acknowledges in writing that the Indemnifying Party will be solely responsible for all Liabilities and Expenses arising from such Third Party Claim, and (iii) the Indemnified Party is reasonably satisfied that the Indemnifying Party will have financial resources, or valid insurance, available to satisfy such Liabilities. If the

Indemnifying Party elects to assume and control the defense of the Third Party Claim, the Indemnified Party shall have the right to employ counsel separate from counsel employed by such Indemnifying Party in any such action and to participate in the defense thereof. The fees and expenses of such counsel employed by the Indemnified Party shall be at the expense of the Indemnified Party unless the employment thereof has been specifically authorized by such Indemnifying Party in writing, the Indemnifying Party has failed to promptly assume the defense and employ counsel or the Indemnifying Party or its counsel has failed to provide an adequate defense to such claim in a timely manner or the Indemnifying Party is a party to such claim and the Indemnified Party has been advised by counsel that there are additional or separate defenses, or there is otherwise a conflict of interest, between the Indemnified Party and the Indemnifying Party. In any such case the fees and expenses of the Indemnified Party's counsel shall be paid by the Indemnifying Party, provided that the Indemnifying Party shall not in such event be responsible hereunder for the fees and expenses of more than one firm or separate counsel in connection with any such action in the same jurisdiction, in addition to any local counsel. The Indemnifying Party shall not be liable for any settlement of any claims effected without its written consent (which shall not be unreasonably withheld). In addition, the Indemnifying Party will not, without prior written consent of the Purchasers, settle, compromise or consent to the entry of any judgment or

otherwise seek to terminate any pending or threatened claims in respect of which indemnification or contribution may be sought hereunder (whether or not any Indemnified Party is a party thereto) unless such settlement, compromise, consent or termination includes an unconditional release of each Indemnified Party from all liabilities arising out of such claim.

(b) No claim for indemnification pursuant to Section 8.2 or 8.3 with respect to a breach of any of the representations or warranties included in this Agreement may be made subsequent to the lapse of the 90-day period commencing upon delivery to the Purchasers of the final audit report of the Company's independent certified public accountant accompanying the financial statements for the year ended December 31, 1995. The indemnification provisions of this Article VIII are in addition to, and not in derogation of, any statutory or common law remedy any party may have for misrepresentation, breach of warranty or breach of covenant.

8.4 PRESS RELEASES AND ANNOUNCEMENTS. Except to the extent otherwise agreed by the Purchasers, prior to the Closing Date, the Company will not disclose the transactions contemplated hereby, including by making any press release related to this Agreement or the transactions contemplated herein, or other

announcement to the employees, customers or suppliers of the Company and the Subsidiaries, without the prior written approval of the Purchasers (which shall not be unreasonably withheld), and the Company will not disclose the name of any Purchaser participating therein without the prior written consent of such Purchaser, except where the Company has been advised by its counsel that such disclosure is required by law, in which event the Company shall take all reasonable steps to consult with each of the Purchasers prior to making such disclosure and to agree with each of the Purchasers regarding the form and content of such disclosure.

8.5 FURTHER TRANSFERS. The Company (at its own expense) will execute and deliver such further instruments of conveyance and transfer and take such additional action as any Purchaser may reasonably request to effect, consummate, confirm or evidence the transfer to such Purchaser of the Securities and any other transactions contemplated hereby. The Company will execute such documents as may be necessary to assist each of the Purchasers in preserving or perfecting its rights in the Securities and will also do such acts as are necessary to perform its representations, warranties and agreements herein, including by, after the Closing, making all registrations, filings and applications, giving all notices and obtaining all governmental (including, without limitation, FCC), third party or other consents, transfers, approvals, orders, qualifications and waivers desirable for the consummation of the transactions contemplated hereby which, for any reason, had not been made, given or obtained prior to the Closing.

8.6 SPECIFIC PERFORMANCE. The Company acknowledges that the business of the Company and the Subsidiaries and the Securities are unique and recognize and affirm that in the event of a breach of this Agreement by the Company, money damages may be inadequate and the Purchaser may have no adequate remedy at law. Accordingly, the Company agrees that the Purchasers shall have the right, in addition to any other rights and remedies existing in its favor at law or in equity, to enforce its rights and the Company's obligations hereunder not only by an action or actions for damages but also by an action or actions for specific performance, injunctive and/or other equitable relief (without posting of bond or other security).

8.7 INVESTIGATION. Prior to the Closing Date, the Purchasers and their representatives may make or cause to be made such investigation of the business and properties of the Company and the Subsidiaries as each deems necessary or advisable and the Company shall (and cause each of its Subsidiaries to) furnish and disclose promptly to the Purchasers all information concerning its business, properties and personnel as the Purchasers or their

representatives reasonably request. The Company agrees to permit each of the Purchasers and its authorized representatives to have access during business hours to the Company's and each of its Subsidiaries' books, records, facilities, key personnel, officers, directors, customers, independent accountants and legal counsel of the Company and its Subsidiaries.

8.8 EXPENSES. The Company shall pay and hold UBS and all holders of Underlying Common Stock harmless against liability for the payment of, and reimburse each such Person for, (i) all reasonable out-of pocket expenses incurred in connection with the transactions contemplated by this Agreement, including those relating to the due diligence review of the Company and including all reasonable fees and expenses of their special counsel, all of which shall be payable at the Closing or, if the Closing does not occur, payable upon demand, (ii) the reasonable fees and expenses incurred with respect to any amendments or waivers (whether or not the same become effective) under or in respect of the Transaction Documents (except that each holder shall pay its own fees and expenses for any amendment or waiver initially requested by such holder), and (iii) stamp and other taxes which may be payable in respect of the execution and delivery of this Agreement or the issuance, delivery or acquisition of any shares of any Securities, including upon conversion or exercise but excluding transfer taxes that may be payable upon transfer of the Securities by any holder thereof to any third party; provided, however, that the Company's aggregate liability under clause (i) of this Section 8.8 shall not exceed $300,000.

8.9 EXCLUSIVITY. Until the consummation of the transactions contemplated hereby or termination of this Agreement in accordance with Section 6.1, neither

the Company, nor any of its representatives, officers, employees, directors, or agents, will directly or indirectly (a) submit, solicit, initiate or encourage any proposal or offer from any person or enter into any agreement or accept any offer relating to any issuance or sale of any of its capital stock or of any rights or securities convertible into or exercisable or exchangeable for any of its capital stock except for the issuance of capital stock upon exercise or conversion of warrants, options and other rights to acquire Common Stock outstanding as reflected on Schedule 4.3 hereto, in each case in accordance with the terms of such warrants, options and other rights as previously disclosed to the Purchasers, or (b) furnish any information with respect to, assist or participate in or facilitate in any other manner any effort or attempt by any person to do or seek to do any of the foregoing. The Company represents and warrants that it is not engaged in any discussions with third-parties regarding the foregoing and shall notify each of the

Purchasers immediately if any person makes any proposal, offer, inquiry or contact with respect to any of the foregoing.

8.10 TRANSFER OF SECURITIES.

(a) GENERAL PROVISIONS. The Securities are transferable only pursuant to (i) public offerings registered under the Securities Act, (ii) Rule 144 or Rule 144A of the Securities Act (or any similar rule or rules then in force) if such rule is available or (iii) subject to the conditions specified in Section 8.11 below, any other legally available means of transfer.

(b) OPINION DELIVERY. In connection with the transfer of any Securities (other than a transfer described in subsection 8.10(a)(i) or (ii) above and other than a transfer to a partner or other Affiliate of a Purchaser), the holder thereof shall deliver written notice to the Company describing in reasonable detail the transfer or proposed transfer, together with an opinion, in form and substance reasonably satisfactory to the Company and its counsel, of Kirkland & Ellis or other counsel which is knowledgeable in securities law matters to the effect that such transfer of Securities may be effected without registration of such Securities under the Securities Act. In addition, if the holder of the Securities delivers to the Company an opinion of Kirkland & Ellis or such other counsel that, in form and substance reasonably satisfactory to the Company and its counsel, no subsequent transfer of such Securities shall require registration under the Securities Act, the Company shall promptly upon such contemplated transfer deliver new certificates for such Securities which do not bear the Securities Act legend set forth in Section 8.11. If the Company is not required to deliver new certificates for such Securities not bearing such legend, the holder thereof shall not transfer the same until the prospective transferee has confirmed to the Company in writing its agreement to be bound by the conditions contained in this Section and Section 8.11.

(c) RULE 144A. Upon the request of the Purchaser, the Company shall promptly supply to the Purchaser or its prospective transferees all information regarding the Company required to be delivered in connection with a transfer pursuant to Rule 144A of the Securities Act.

(d) REMOVAL OF LEGEND. If any Securities are eligible for sale pursuant to Rule 144(k), the Company shall, upon the request of the holder of such Securities, remove the legend set forth in Section 8.11 from the certificates for such Securities.

8.11 PURCHASERS' REPRESENTATIONS. Each Purchaser represents that it is an "Accredited Investor" within the meaning of the Securities Act. Each Purchaser understands that the Securities constitute "RESTRICTED SECURITIES" within the meaning of Rule 144 under the Securities Act. Each Purchaser hereby represents that it is acquiring the restricted securities purchased hereunder or acquired pursuant hereto for its own account with the present intention of holding such securities for purposes of investment, and that it has no intention of selling such securities in a public distribution in violation of the federal securities laws or any applicable state securities Laws; PROVIDED that nothing contained herein shall prevent such Purchaser and subsequent holders of restricted securities from transferring such securities in compliance with the provisions of Section 8.10. Each Purchaser understands that the restricted securities are being offered and sold in reliance on exemptions from the registration requirements of federal and state securities laws and that the Company is relying upon the truth and accuracy of such Purchaser's representations, warranties, agreements, acknowledgments and understandings set forth herein to determine its suitability to acquire the restricted securities. Each instrument or certificate for restricted securities shall be imprinted with a legend in substantially the following form:

> "THE SECURITIES REPRESENTED BY THIS CERTIFICATE WERE ORIGINALLY ISSUED ON JULY __, 1995, AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THE TRANSFER OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE IS SUBJECT TO THE CONDITIONS SPECIFIED IN THE SECURITIES PURCHASE AGREEMENT, DATED AS OF JULY 19, 1995, BETWEEN THE ISSUER (THE "COMPANY") AND CERTAIN INVESTORS, AND THE COMPANY RESERVES THE RIGHT TO REFUSE THE TRANSFER OF SUCH SECURITIES UNTIL SUCH CONDITIONS HAVE BEEN FULFILLED WITH RESPECT TO SUCH TRANSFER. A COPY OF SUCH CONDITIONS SHALL BE FURNISHED BY THE COMPANY TO THE HOLDER HEREOF UPON WRITTEN REQUEST AND WITHOUT CHARGE."

8.12 STANDSTILL.

(a) UBS agrees that, without the prior consent of the Board of Directors specifically expressed in a resolution adopted by a majority of the members of the Board of Directors (excluding members elected by UBS and its Affiliates), during the Standstill Period (as defined below) it will not, nor will it permit any of its Affiliates to, directly or indirectly:

(i) acquire, offer to acquire, or agree to acquire, any Voting Securities (as defined below) or securities

convertible into Voting Securities; PROVIDED, HOWEVER, that nothing contained herein shall prohibit UBS or any of its Affiliates from acquiring any Voting Securities (A) as result of a stock split, stock dividend or similar recapitalization by the Company, (B) upon conversion or exercise of or exchange for any other Voting Securities, or (C) so long as UBS and its Affiliates beneficially own (within the meaning of Rule 13d-3 of the Exchange Act), in the aggregate, no more than 25% of the Voting Securities outstanding immediately following such acquisition of Voting Securities; PROVIDED FURTHER, that the foregoing prohibition will not apply to the acquisition by any Affiliate of UBS of any Voting Securities, directly or indirectly, and for purposes of clause (C) above UBS and its Affiliates will not be deemed to hold Voting Securities if and to the extent such Voting Securities are acquired or held (x) for the benefit of one or more third parties in one or more customer or fiduciary accounts (or in the case of an employee benefit plan or pension fund which is subject to the provisions of ERISA, have been allocated to plan participants), or (y) in the ordinary course of business and not as a means of circumventing the foregoing, by or in a capacity as (1) a broker or dealer registered under Section 15 of the Exchange Act, (2) a bank, as defined in Section 3(a)(6) of the Exchange Act, (3) an investment company registered under Section 8 of the Investment Company Act of 1940 (4) an investment adviser registered under Section 203 of the Investment Advisers Act of 1940, or (5) an employee benefit plan or a pension fund which is subject to the provisions of ERISA, or an endowment fund;

(ii) make or solicit any other person to make an offer or proposal to the Board of Directors or the shareholders to acquire the Company or substantially all of the assets or the Common Stock of the Company or any of its Subsidiaries; or

(iii) initiate or conduct, directly or indirectly, any "solicitation" of "proxies" (as such terms are used in the rules of the SEC) to vote, or seek to advise or influence any person or entity with respect to the voting of, any Voting Securities.

Notwithstanding the foregoing, if any breach of this Section 8.12 caused by an acquisition of a non-material amount of Voting Securities shall have been cured by disposition of Voting Securities within 30 days after UBS becomes aware of such breach, then no breach of this Section 8.12 shall be deemed to have

occurred;

(b) As used herein, the term "Standstill Period" shall mean the period from the date that the Closing occurs until the earliest to occur of:

(i) the date that is the tenth anniversary of the Closing Date;

(ii) the date on which UBS and its affiliates cease to beneficially own (within the meaning of Rule 13d-3 of the Exchange Act), in the aggregate, at least 5% of the outstanding Voting Securities;

(iii) a Change of Control (as defined in the Certificate of Amendment);

(iv) the sale of substantially all of the Common Stock of the Company or substantially all of the assets of the Company and its Subsidiaries, taken as a whole, through a purchase agreement, merger or other business combination;

(v) a tender offer is made to all holders of the Common Stock as to which the Board of Directors has not publicly announced its opposition within 10 business days (or the then required period under the federal securities laws) after the commencement of such tender offer or with respect to which the Board of Directors has announced its approval;

(vi) a Bankruptcy Event; or

(vii) default in the payment of principal or interest when due (whether at maturity, upon acceleration or otherwise) after the expiration of any grace periods applicable thereto with respect to indebtedness of the Company or any of its Subsidiaries for money borrowed having an aggregate outstanding principal amount in excess of $2,500,000 or more (unless at the time thereof the Company shall have unrestricted cash, cash equivalents or commitments under existing debt instruments available to make such payment).

For purposes of this Section 8.12, "VOTING SECURITIES" means Common Stock, the Preferred Stock, the Warrants, and any other securities of the Company entitled to vote in the election of directors of the Company. In determining the number of outstanding Voting Securities, neither Voting Securities nor securities convertible into Voting Securities held in the treasury of the Company shall be deemed to be outstanding, and outstanding shares of Preferred

Stock, Warrants and other Voting Securities which are convertible into or exercisable or exchangeable for Common Stock will be counted as the number of shares of Common Stock obtainable

upon conversion or exercise thereof or in exchange therefor. Whenever the phrase "securities convertible into Voting Securities" is used herein, such phrase shall mean securities convertible into, exchangeable for, or which represent a right to acquire, Voting Securities; and "BANKRUPTCY EVENT" means any of the following events: the Company or any of its Subsidiaries shall commence a voluntary case concerning itself under Title 11 of the United States Code entitled "Bankruptcy" as now or hereafter in effect, or any successor thereto (the "BANKRUPTCY CODE"); an involuntary case is commenced against the Company or any of its Subsidiaries and is not dismissed within 60 days after commencement of the case; a custodian (as defined in the Bankruptcy Code) is appointed for, or takes charge of, all or any substantial part of the property of the Company of any of its Subsidiaries; the Company or any of its Subsidiaries commences any other proceeding under any reorganization, arrangement, adjustment of debt, relief of debtors, rehabilitation, dissolution, insolvency or liquidation or similar law of any jurisdiction, whether now or hereafter in effect, relating to the Company or such Subsidiary, or there is commenced against the Company or such Subsidiary, or there is commenced against the Company or any of its Subsidiaries any such proceeding which remains undismissed for a period of 60 days; the Company or any of its Subsidiaries is adjudicated insolvent or bankrupt; any order of relief or other order approving any such case or proceeding is entered; the Company or any of its Subsidiaries suffers any appointment of any custodian or the like for it or any substantial part of its property to continue undischarged or unstayed for a period of 60 days; the Company or any of its Subsidiaries makes a general assignment for the benefit of creditors; the Company or any of its Subsidiaries shall fail to pay, or shall state in writing that it is unable to pay, or shall be unable to pay, its debts, generally as they become due; the Company or any of its Subsidiaries shall call a general meeting of its creditors with a view to arranging a composition or adjustment of its debts; or any corporate action is taken by the Company or any of its Subsidiaries for the purpose of effecting any of the foregoing.

8.13 CONTINGENT WARRANTS.

(a) At the Closing, the Company shall issue to UBS Contingent Warrants substantially in the form of Exhibit F hereto for the consideration set forth in Section 1.1 hereof. The Contingent Warrants shall provide that upon any Optional Redemption of shares of Preferred Stock pursuant to the terms of the Certificate of Incorporation, as amended by the Certificate of Amendment, the holder of the Contingent Warrants shall have the right to acquire initially the same number of

shares of Common Stock into which such holder's shares of Preferred Stock being

redeemed (the REDEEMED SHARES") are convertible as of the Redemption Date thereof. The initial exercise price for each share of Common Stock under the Contingent Warrants shall be equal to the Conversion Price of the Redeemed Shares as of the Redemption Date thereof, and the Contingent Warrants shall be exercisable at any time after the Redemption Date of the Redeemed Shares and shall expire (unless previously exercised) on the Scheduled Redemption Date of the Redeemed Shares corresponding to the shares of Common Stock covered by the Contingent Warrants; but in no event shall the Contingent Warrants be exercisable after the sixth anniversary of the redemption of all of the shares of Preferred Stock.

(b) The terms "Conversion Price," "Optional Redemption," "Redemption Date" and "Scheduled Redemption Date" have the meanings set forth in the Certificate of Amendment.

8.14 REGULATORY COMPLIANCE COOPERATION.

(a) Within 75 days after the Closing and at the end of each month thereafter until all of the proceeds of the financing under this Agreement have been used by the Company and its Subsidiaries, the Company shall deliver to each holder of Preferred Stock or Underlying Common Stock which is an SBIC (an "SBIC HOLDER"), a written statement certified by the Company's president or chief financial officer describing in reasonable detail the use of the proceeds of the financing under this Agreement by the Company and its Subsidiaries. In addition to any other rights granted hereunder, the Company shall grant each SBIC Holder and the United States Small Business Administration (the "SBA") access to the Company's records to the extent necessary and solely for the purpose of verifying the use of such proceeds.

(b) Upon the occurrence of a Regulatory Violation or in the event that any SBIC Holder determines in its reasonable good faith judgment that a Regulatory Violation has occurred, in addition to any other rights and remedies to which it may be entitled as a holder of Preferred Stock or Underlying Stock (whether under this Agreement, the Certificate of Amendment or otherwise), each SBIC Holder shall have the right to demand the immediate repurchase of all of the outstanding shares of Preferred Stock and Underlying Common Stock owned by such SBIC Holder at a price per share equal to the purchase price paid for such stock hereunder, plus, if applicable, all accrued or declared and unpaid dividends thereon, by delivering written notice of such demand to the Company. The Company shall pay the purchase price for such stock by a cashier's or certified check or

by wire transfer of immediately available funds to each SBIC Holder demanding repurchase within 30 days after the Company's receipt of the demand notice, and upon such payment, each such SBIC Holder shall deliver

the certificates evidencing the Preferred Stock and Underlying Common Stock to be repurchased duly endorsed for transfer or accompanied by duly executed forms of assignment.

(c) Promptly after the end of each calendar year (but in any event prior to February 28 of each year), the Company shall deliver to the SBIC Holder a written assessment of the economic impact of the SBIC Holder's investment in the Company, specifying the full-time equivalent jobs created or retained in connection with the investment, the impact of the investment on the businesses of the Company in terms of expanded revenue and taxes and other economic benefits resulting from the investment (including, but not limited to, technology development or commercialization, minority business development, urban or rural business development and expansion of exports).

ARTICLE IX

MISCELLANEOUS

9.1 AMENDMENT AND WAIVER. This Agreement may be amended and any provision of this Agreement may be waived, provided that, subject to the last sentence of Section 2.1 and the last sentence of Section 2.2, any such amendment or waiver will be binding upon a party only if such amendment or waiver is set forth in a writing executed by each of the Company and holders of two-thirds of the Underlying Common Stock and which would not disproportionately and adversely affect the holders of a majority of the Warrants without the consent of the holders of the majority of the Warrants. No course of dealing between or among any persons having any interest in this Agreement will be deemed effective to modify, amend or discharge any part of this Agreement or any rights or obligations of any party under or by reason of this Agreement.

9.2 NOTICES. All notices, demands and other communications given or delivered under this Agreement will be in writing and will be deemed to have been given when personally delivered, three days after being mailed by first class mail, return receipt requested, or delivered by express courier service or telecopied (subject to receipt of written confirmation). Notices, demands and communications to the Company and the Purchasers will, unless another address is specified in writing, be sent to the address indicated below:

NOTICES TO THE COMPANY:

Peoples Telephone Company, Inc.
2300 N.W. 89th Place
Miami, Florida 33172
Attention: Robert D. Rubin
Telecopy: (305) 477-9890

WITH A COPY TO:

Steel Hector & Davis
200 S. Biscayne Boulevard
Suite 4000
Miami, Florida 33131-2398
Attention: Richard J. Lampen, Esq.
Telecopy: (305) 577-7001

NOTICES TO THE PURCHASERS:

Appian Capital Partners, L.L.C.
c/o Archon Capital Partners, L.P.
11111 Santa Monica Boulevard
Suite 1100
Los Angeles, California 90025
Attention: Ronald N. Beck
Telecopy: (310) 914-0470

UBS Capital Corporation
299 Park Avenue
New York, New York 10171
Attention: Justin S. Maccarone
Telecopy: (212) 821-6333

WITH A COPY TO:

Kirkland & Ellis
200 East Randolph Drive
Suite 5700
Chicago, Illinois 60601
Attention: John A. Weissenbach, Esq.
Telecopy: (312) 861-2200

9.3 BINDING AGREEMENT; ASSIGNMENT.

(a) This Agreement and all of the provisions hereof will be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns, but neither this Agreement nor any of the rights, interests or obligations

hereunder may be assigned by the Company without the prior written consent of each of the Purchasers.

(b) Each Purchaser may (at any time prior to the Closing), at its sole discretion, assign, in whole or in part, its rights and obligations pursuant to this Agreement to one or more of its respective Affiliates.

9.4 SEVERABILITY. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be prohibited by or invalid under applicable law, such provision will be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provisions or the remaining provisions of this Agreement.

9.5 NO STRICT CONSTRUCTION. The language used in this Agreement will be deemed to be the language chosen by the parties hereto to express their mutual intent, and no rule of strict construction will be applied against any person.

9.6 HEADINGS; INTERPRETATION. The headings used in this Agreement are for convenience of reference only and do not constitute a part of this Agreement and will not be deemed to limit, characterize or in any way affect any provision of this Agreement, and all provisions of this Agreement will be enforced and construed as if no caption had been used in this Agreement. Whenever the term "including" is used in this Agreement (whether or not that term is followed by the phrase "but not limited to" or "without limitation" or words of similar effect) in connection with a listing of one or more items or matters, that listing will be interpreted to be illustrative only and will not be interpreted as a limitation on, or an exclusive listing of, such items or matters.

9.7 ENTIRE AGREEMENT. This Agreement and the documents referred to herein contain the entire agreement between the parties and supersede any prior understandings, agreements or representations by or between the parties, written or oral, which may have related to the subject matter hereof in any way.

9.8 COUNTERPARTS. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which taken together will constitute one and the same instrument.

9.9 GOVERNING LAW. THIS AGREEMENT AND THE EXHIBITS AND SCHEDULES HERETO SHALL BE GOVERNED BY THE INTERNAL LAW OF THE

STATE OF NEW YORK, WITHOUT GIVING EFFECT TO ANY CHOICE OF LAW OR CONFLICT OF LAW PROVISION OR RULE (WHETHER OF THE STATE OF NEW YORK OR ANY OTHER JURISDICTION) THAT WOULD CAUSE THE APPLICATION OF THE LAWS OF ANY JURISDICTION OTHER THAN THE STATE OF NEW YORK.

9.10 PARTIES IN INTEREST. Nothing in this Agree- ment, express or implied, is intended to confer on any person other than the parties and their respective successors and assigns any rights or remedies under or by virtue of this Agreement.

* * * * *

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

PEOPLES TELEPHONE COMPANY, INC.

By: /s/ ROBERT D. RUBIN

Name: Robert D. Rubin
Title: President

UBS CAPITAL CORPORATION

By:

Name:
Title:

By:

Name:
Title:

APPIAN CAPITAL PARTNERS, L.L.C

By:

Name:
Title:

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

PEOPLES TELEPHONE COMPANY, INC.

By:

Name:
Title:

UBS CAPITAL CORPORATION

By: /s/ JEFFREY J. KEENAN

Name: Jeffrey J. Keenan
Title: Managing Director

By:

Name:
Title:

APPIAN CAPITAL PARTNERS, L.L.C

By:

Name:
Title:

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

PEOPLES TELEPHONE COMPANY, INC.

By:

Name:
Title:

UBS CAPITAL CORPORATION

By:

Name:
Title:

By: /s/ JOHN E. DUNCAN

Name: John E. Duncan
Title: Vice President

APPIAN CAPITAL PARTNERS, L.L.C

By:

Name:
Title:

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

PEOPLES TELEPHONE COMPANY, INC.

By:

Name:
Title:

UBS CAPITAL CORPORATION

By:

Name:
Title:

By:

Name:
Title:

APPIAN CAPITAL PARTNERS, L.L.C

By: /s/ RONALD BECK

Name: Ronald Beck
Title: Co-Chairman

July 18, 1995

Appian Capital Partners, L.L.C.
c/o Archon Capital Partners, L.P.
11111 Santa Monica Boulevard
Suite 1100
Los Angeles, California 90025
Attention: Ronald N. Beck

UBS Capital Corporation
299 Park Avenue
New York, New York 10171
Attention: Justin S. Maccarone

UBS Partners, Inc.
299 Park Avenue
New York, New York 10171
Attention: Justin S. Maccarone

Re: Securities Purchase Agreement, dated as of July 3, 1995 (the "Securities Purchase Agreement"), among Peoples Telephone Company, Inc. ("PTC"), UBS Capital Corporation ("UBS Capital") and Appian Capital Partners, L.L.C. ("ACP"),as amended.

Gentlemen:

Unless otherwise defined herein, each capitalized term used herein has the meaning given such term in the Securities Purchase Agreement.

We understand that UBS Capital desires to assign to UBS Partners, Inc. ("UBS Partners") all of its rights under the Securities Purchase Agreement and that, to induce UBS Capital to assign such rights to UBS Partners, UBS Partners will assume the obligations of UBS Capital to purchase the Preferred Stock thereunder. By executing this letter agreement in the spaces provided below, UBS Capital hereby assigns to UBS Partners all of its rights under the Securities Purchase Agreement, including without limitation the right to purchase the

Preferred Stock at the Closing on the terms specified therein, and UBS Capital delegates and UBS Partners hereby agrees to assume all of UBS Capital's obligations under the Securities Purchase Agreement, subject to the terms and conditions set forth therein, including to purchase and pay for the Preferred Stock thereunder at the Closing. PTC hereby acknowledges and consent to such assignment and assumption and, effective upon such assignment and assumption, releases UBS Capital of all liability under the Securities Purchase Agreement and UBS Capital releases PTC of all liabilities under the Securities Purchase Agreement.

This letter agreement also sets forth our mutual understanding that the conditions precedent to the respective obligations of UBS Partners and ACP to consummate the transactions contemplated by the Securities Purchase Agreement set forth in (a) Section 2.1(h) thereof shall be deemed to have been satisfied if, effective as of the Closing, the Board of Directors shall be comprised of six members, including the Chief Executive Officer of the Company, the President of the Company, one director designated by UBS Partners and three other persons who are currently serving as directors of the Company; and (b) Section 2.1(k) thereof shall be deemed to have been satisfied if the opinion of New York counsel delivered at the Closing is in substantially the form attached hereto as Exhibit A. The parties hereto acknowledge that the foregoing shall not constitute a waiver by UBS Partners or the holders of a majority of the shares of Preferred Stock of any rights pursuant to PTC's certificate of incorporation, the Certificate of Amendment or otherwise.

In addition, UBS Partners and ACP hereby waive any breach of PTC's representations and warranties set forth in Sections 4.1, 4.3 and 4.4 of the Securities Purchase Agreement as a result of the failure to set forth in Schedules 4.1,4.3 and 4.4 attached thereto the information set forth in the addenda to such Schedules attached to this letter, and UBS Partners and ACP further agree and acknowledge that they shall not have any basis to refuse to perform their respective obligations to consummate the transactions contemplated by the Securities Purchase Agreement as a result of such failure, nor shall any such failure constitute an Event of Noncompliance (as defined in the Certificate of Amendment) or be a basis for a claim for damages pursuant to Section 8.2 of the Securities Purchase Agreement or otherwise.

In consideration of your agreements and waivers set forth above, PTC hereby agrees with UBS Partners and ACP that the Securities Purchase Agreement shall be hereby amended as follows:

1. Section 3.1 is amended by deleting the word "and" following the semi-colon at the end of paragraph (l) thereof, by adding ";" in lieu of the period after the word "hereto" at the end of paragraph (m) thereof, and by adding two new paragraphs thereafter to read as follows:

"(n) the Company shall take all steps necessary to cause paragraph

EIGHTH of its Amended and Restated Certificate of Incorporation (the "Charter") to be amended so that such paragraph shall not conflict with the terms of Section 3.2(d) of this Agreement, Section 4 of the Warrants, Section 4 of the Contingent Warrants and SECTION I of the Certificate of Amendment and shall cause such amendment to be voted upon by the holders of the Company's Stock entitled to vote thereon at the Company's second annual meeting of shareholders succeeding the Closing (disregarding for such purposes the clause (A) "to the extent not prohibited by paragraph EIGHTH of the Company's certificate of incorporation" in (i) Section 3.2(d) hereof, (ii) SECTION 4 of the Warrants, and (iii) SECTION 4 of the Contingent Warrants and (B) "to the extent not prohibited by paragraph EIGHTH of the Corporation's Certificate of Incorporation" in SECTION I of the Certificate of Amendment. In the event that such amendment shall not be approved at such annual meeting, then such Section 3.2(d) hereof, Section 4 of the Warrants, Section 4 of the Contingent Warrants and SECTION I shall be amended in a manner mutually and reasonably satisfactory to the Company and the Purchasers, in the case of such Section 3.2(d), the Company and UBS, in the case of such SECTION I and Section 4 of the Contingent Warrants, and the Company

and ACP in the case of such Section 4 of the Warrants, so that the intent and purpose of each thereof shall be preserved and further effectuated to the fullest extent possible without conflicting with such paragraph EIGHTH of the Charter. Until such amendment to the Charter is effective, the Company shall not take the action specified in the clauses preceding the second comma of SECTION I of the Certificate of Amendment, SECTION 4 of the Warrants and SECTION 4 of the Contingent Warrants without the prior written consent of UBS Partners in the case of the Certificate of Amendment and the Contingent Warrants or ACP in the case of the Warrants; and

(o) the Company shall take all steps necessary to ensure that (i) any vacancy on the Board of Directors shall be filled by a person designated by the holders of a majority of the shares of the Preferred Stock at any time the number of directors elected by such holders is less than the number of directors which the Preferred Stock has the right to elect pursuant to the terms thereof and (ii) from and after the Closing until such time as two directors elected by the holders of a majority of the Preferred Stock have first been elected to the Board of Directors and are serving thereon (to the extent that pursuant to the Certificate of Amendment, the Preferred Stock is entitled to elect two directors), the Company shall not take any of the actions described in paragraphs (e) through (1) of Section 3.2 of this Agreement without the prior written consent of UBS Partners.";

2. Section 3.2(c) is amended to include the following prior to the semi-colon at the end thereof: "(including rights of such holders pursuant

to this Agreement)";

3. Section 3.2(d) is amended by adding thereto", to the extent not prohibited by paragraph EIGHTH of the Company's certificate of incorporation," after the word "and" and prior to the word "grants" appearing in the 7th and 8th lines thereof, respectively;

4. SECTION G of Exhibit A attached to the Securities Purchase Agreement is hereby amended by deleting from the fourth line thereof "except in the election of directors and as otherwise provided herein";

5. SECTION I of Exhibit A attached to the Securities Purchase Agreement is hereby amended by striking the word "If" at the beginning of the first sentence thereof and adding in its place, "To the extent not prohibited by paragraph EIGHTH of the Corporation's Certificate of Incorporation, if";

6. SECTION 4 of Exhibit B attached to the Securities Purchase Agreement is hereby amended by striking the word "If" at the beginning of the first sentence thereof and adding in its place, "To the extent not prohibited by paragraph EIGHTH of the Corporation's Certificate of Incorporation, if";

7. SECTION 4 of Exhibit F attached to the Securities Purchase Agreement is hereby amended by striking the word "If" at the beginning of the first sentence thereof and adding in its place, "To the extent not prohibited by paragraph EIGHTH of the Corporation's Certificate of Incorporation, if";

8. Section 8.8 is amended by substituting "$400,000" for "$300,000" at the end thereof;

9. Section 1.1(b) is amended by substituting "$1.00" for "$100,000" at the end thereof and Section 1.2(b) is amended by substituting "$1.00" for $100,000 in clause (ii) thereof;

The Company and ACP agree that the certain engagement letter dated July 3, 1995 between them shall be amended to reduce the fee payable to ACP pursuant to clause (i) of the second paragraph thereof to $350,000.

This letter agreement may be executed in two or more counterparts which together shall constitute a single instrument. Whenever possible, each provision of this letter agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this letter agreement is held to be prohibited by or invalid under applicable law, such provision will be

ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of this agreement.

* * * * *

Please acknowledge your agreement with the provisions of this letter by executing in places provided below.

Very truly yours,

PEOPLES TELEPHONE COMPANY, INC.

By: /s/ ROBERT D. RUBIN

Robert D. Rubin
President

Agreed and accepted as of the date first written above:

UBS PARTNERS, INC.

By: /s/ JEFFREY J. KEENAN /s/ JOHN E. DUNCAN

By:_____

APPIAN CAPITAL PARTNERS, L.L.C.

By: /s/ RONALD BECK

Its: Co-Chairman

UBS CAPITAL CORPORATION

By: /s/ JEFFREY J. KEENAN /s/ JOHN E. DUNCAN

By:_____

AGREEMENT AND PLAN OF MERGER

AGREEMENT AND PLAN OF MERGER (the "Agreement") dated October 21, 1994, among PEOPLES TELEPHONE COMPANY, INC., a New York corporation ("Peoples"), PEOPLES ACQUISITION CORPORATION, a Pennsylvania corporation ("PAC"), TELECOIN COMMUNICATIONS, LTD., a Pennsylvania corporation ("Telecoin"), and GILBERT A. MENDELSON, DAVID T. MAGRISH, LOUIS SWARTZ, HOWARD SIEGEL AND HARVEY OSTROW (collectively, the "Shareholders")(Mr. Mendelson and Mr. Magrish may be referred to collectively herein as the "Executive Officers").

RECITALS

1. The Shareholders are the record and beneficial owners of all of the issued and outstanding shares of Telecoin's capital stock.

2. The Shareholders have duly authorized the merger of Telecoin with PAC on the terms and subject to the conditions set forth in this Agreement.

AGREEMENT

In consideration of the mutual representations, warranties and covenants and subject to the conditions contained in this Agreement, the parties agree:

ARTICLE I

MERGER

Subject to the terms and conditions of this Agreement, on the date of this Agreement (the "Effective Time"):

(i) Upon the filing of Articles of Merger, Telecoin is hereby merged with and into PAC (the "Merger") in accordance with the applicable provisions of the Pennsylvania Business Corporation Law ("PBCL"). PAC shall be the surviving corporation (the "Surviving Corporation") and the separate existence of Telecoin shall cease.

(ii) The Merger shall in all respects have the effect provided for in Section 1921 of the PBCL. Telecoin and PAC shall file Articles of Merger, substantially in the form attached to this Agreement as Exhibit A, with the Pennsylvania Secretary of State.

(iii) The Articles of Incorporation of the Surviving Corporation shall be the Articles of Incorporation of PAC in effect

at the Effective Time.

(iv) The Bylaws of the Surviving Corporation shall be the By-Laws of PAC in effect at the Effective Time.

(v) From and after the Effective Time, the members of the Board of Directors of the Surviving Corporation shall consist of the members of the Board of Directors of PAC immediately prior to the Effective Time, each of such persons to serve until his successor is elected and qualified or until his earlier death, resignation or removal.

(vi) From and after the Effective Time, the officers of the Surviving Corporation shall consist of the officers of PAC immediately prior to the Effective Time, in the same capacity or capacities and each such officer shall serve until his successor is elected and qualified or until his earlier death, resignation or removal.

ARTICLE II

CONSIDERATION

Section 2.1 Consideration. By virtue of the Merger and without any action on the part of any Shareholder of Telecoin:

(a) Each share of common stock, par value $1.00 per share, of Telecoin ("Telecoin Common Stock"), that is held by Telecoin as treasury stock shall be canceled.

(b) Each share of capital stock of PAC that is issued and outstanding immediately prior to the Merger shall remain outstanding, and each certificate evidencing ownership of any such shares shall evidence ownership of the same number of shares of the Surviving Corporation.

(c) Upon surrender of all the certificates by the Shareholders of Telecoin representing all the Telecoin Common Stock, Peoples shall pay to the Shareholders the aggregate consideration (the "Total Consideration") of seven million and four thousand dollars ($7,004,000) (the "Base Price") plus X in the following formula if X is a positive number or minus X in the following formula if X is a negative number (the "Adjustment"):

X = Y - Z

X = The dollar amount of the increase or decrease in

the Base Price;

Y = The total of all Telecoin's cash on hand, current accounts receivable, less those accounts receivable deemed uncollectible by Peoples (in accordance with Section 7.6 of this Agreement) plus all prepaid

charges or advances as of the Closing, (except line deposits held by a local exchange company for the benefit of Telecoin). In the event a current account receivable is not deemed uncollectible by Peoples as provided above and that current account receivable is not collected within 90 days after the date of this Agreement, (i) the current account receivable shall be deemed a non-current account receivable for purposes of the Adjustment, (ii) the account receivable shall not be utilized in calculating the Adjustment and (iii) the Surviving Corporation shall assign the account receivable to the Telecoin Liquidating Trust ("TLT");

Z = The total of all of Telecoin's liabilities as of the Closing as ultimately determined or settled as mutually agreed upon by the parties, including but not limited to, any liability to Intellicall, Inc. ("Intellicall") arising out of Telecoin's utilization of the Intellicall I*Star technology prior to the Closing; provided, however, to the extent any such liabilities are covered by insurance, the difference between (i) the actual liability and (ii) the amount Peoples and/or PAC receives from the insurance carrier in connection with that liability, shall be utilized in calculating the total liabilities as set forth above.

The Adjustment shall be determined on or before 90 days after the Closing Date. Peoples and the Shareholders will cooperate in good faith to prepare the Adjustment. If the parties are unable to reach a mutual agreement on the Adjustment within 120 days after the Closing, the disputed items shall be referred within 7 days to a firm of independent certified public accountants mutually agreed upon by the parties (which accountants are not currently retained and have not been retained by any of the parties for a period of three years immediately prior to the date of this Agreement). The certified public accountants so selected shall determine that portion of the Adjustment which is in dispute within 60 days

following selection, and its determination shall be final and binding on the parties. All costs and fees shall be paid by the parties equally.

(d) Peoples shall pay an additional amount (the "Additional Amount") to the Shareholders as set forth in this paragraph. Telecoin has secured pay telephone placement agreements with the third party property owners, lessees and lessors listed on Schedule 2.1(d) which grant Telecoin the exclusive right to provide pay telephone service at those third party locations but Telecoin has not installed pay telephones at those third party locations (collectively, the "Third Party Locations"). For each pay telephone

installed by the Surviving Corporation at a Third Party Location which is the subject of at least a three-year telephone placement agreement on terms and conditions reasonably acceptable to Peoples in its sole discretion, Peoples will pay the Shareholders an amount, in cash or cash equivalent, within 150 days after installation, based on the average net revenue (as defined below) generated by each installed pay telephone during the first full three months immediately after installation as follows:

Net Revenue Per Telephone per month	Additional Amount
$131 or more	$1,400
$121 - $130	$1,200
$111 - $120	$1,000
$101 - $110	$ 800
$85 - $100	$ 600
Less than $85	0

Net revenue shall be defined as the sum of (i) the gross coin collected by or on behalf of the Surviving Corporation, (ii) the non-coin commission, including surcharges, collected by or on behalf of the Surviving Corporation, (iii) in the event Peoples serves as its own operator services provider the gross revenue generated by operator assisted calls, less all line charges, billing, collection and validation charges, bad debt and other costs directly attributable to the carrying of the calls, and (iv) all dial around compensation collected by the Surviving Corporation, reduced by the sum of (a) local exchange company and long distance telephone charges, (b) commissions paid to Property Owners, (c) any signing bonus paid to the Property Owner amortized over the initial term of the Placement Agreement and (d) a $40 per month service and collection charge per installed telephone.

Section 2.2 Payment of the Total Consideration.

(a) Peoples shall deliver to each Shareholder a wire transfer or check equal to his pro rata allocation of $572,948.35 in the aggregate, which pro rata allocation shall be determined in accordance with Schedule 2.2 (the "Initial Cash Payment").

(b) Peoples agrees to deliver to each Shareholder his pro rata allocation of $742,636.65 in the aggregate (the "Stock Payment") in shares of Peoples common stock, par value $.01 per share (the "Peoples Common Stock"), which pro rata allocation shall be determined in accordance with Schedule 2.2, upon the earlier of: (i)January 31, 1995, or (ii) the date a registration statement including the Peoples Common Stock is declared effective by the United States Securities and Exchange Commission (the "SEC"), but in no event prior to January 2, 1995. For purposes of this Section, the aggregate number of shares to be delivered to the

Shareholders shall be determined by dividing $742,636.65 by the average closing price of one share of Peoples Common Stock for the five days immediately preceding the Closing Date, as reported on the National Market System of the National Association of Securities Dealers Automated Quotation System ("NASDAQ") (the "Average Closing Price"). The Peoples Common Stock, upon issuance, shall be subject to the restrictions of Rule 144 promulgated by the SEC under the Securities Act of 1933, as amended (the "Act"), until properly disposed of in accordance with the terms of Rule 144 or another exemption from the registration requirements of the Act or until the Common Stock is registered by Peoples pursuant to Section 7.3 of this Agreement. In the event the price of one share of Peoples' common stock is less than the Average Closing Price on the day immediately preceding the date the Peoples Common Stock representing the Stock Payment is registered in accordance with Section 7.3 (the "Registration Date"), the aggregate number of shares to be delivered to the Shareholders shall be determined by dividing $742,636.65 by the average closing price of one share of Peoples Common Stock for the five days immediately preceding the Registration Date, as reported on NASDAQ.

(c) Peoples shall deliver to the Executive Officers a 30 day promissory note in the form of Exhibit D attached hereto in the amount of $200,000 (the "Principal") which Principal shall bear simple interest at the rate of 7.75% annually.

(d) Subject to adjustment and Peoples' right of set-off as provided in this Agreement, 90 days after the Closing Peoples shall deliver to each Shareholder a check or wire transfer equal to his pro rata allocation of the difference between (i) the Total

Consideration, and (ii) the sum of (a) the Initial Cash Payment and (b) the Stock Payment.

(e) Not less than twenty (20) days prior to the 365th day following the Closing Date, Peoples shall provide the Executive Officers with a written notice containing (i) a summary of the liabilities which were used in determining any Adjustment (the "Adjustment Liabilities") and evidence reasonably satisfactory to the Executive Officers that Peoples has actually paid such Adjustment Liabilities, and (ii) a description of the nature and amount of any other liabilities which it believes, in good faith, are in existence and were not taken into account in determining the amount of the Adjustment which should be expressly assumed by the Shareholders (the "Additional Liabilities"). With respect to the Additional Liabilities, such notice shall include a reasonably detailed description of such Additional Liabilities, and any other information reasonably necessary to adequately advise the Executive Officers concerning such Additional Liabilities. To the extent that any such Additional Liabilities are covered by insurance, the Shareholders shall be responsible for the difference between (i) the actual liability and (ii) the amount Peoples and/or PAC receives from the insurance carrier in connection with that

Additional Liability.

If Peoples and the Executive Officers are unable to reach a mutual agreement of the appropriateness of the assumption by the Shareholders of any Additional Liabilities within thirty (30) days following the first anniversary of the Closing Date, the disputed items shall be referred within seven (7) days thereafter to a firm of independent certified public accountants mutually agreed upon by the parties (which accountants are not currently retained and have not been retained by any of parties for a period of three years immediately prior to the date of this Agreement) to determine the appropriateness of assumption by the Shareholders of any disputed items. The independent certified public accountants so selected shall make a determination with respect to such disputed items within sixty (60) days following its selection and its determination shall be final and binding. All costs and fees of such accountants shall be paid by the parties equally.

If Peoples and the Executive Officers (or the firm of independent certified public accountants) establish that there are Additional Liabilities in existence which the Shareholders are obligated to assume and pay, the parties shall cooperate in good faith to arrange a method to satisfy such Additional Liabilities. The Executive Officers shall be entitled, at their cost and

expense, to contest and defend by all appropriate legal proceedings any Additional Liabilities or unpaid Adjustment Liabilities which are determined to be the obligation of the Shareholders. If requested by the Executive Officers, Peoples and/or PAC agree to cooperate with the Executive Officers in reasonably contesting any Additional Liabilities or Adjustment Liabilities and to take such action as reasonably may be requested to reduce or eliminate any loss in respect of such liabilities. In such event, the Executive Officers shall reimburse Peoples and/or PAC for any reasonable expenses incurred in so cooperating or acting at the request of the Executive Officers.

The Executive Officers shall pay or cause the payment of any Additional Liabilities or Adjustment Liabilities which are determined to be the obligation of the Shareholders within fifteen (15) business days after the amount of any such liabilities is finally determined either mutual agreement of the parties to this Agreement or pursuant to the final unappealable judgment of a court of competent jurisdiction.

To the extent that any of the Adjustment Liabilities consist of contingent or contested liabilities, which contingent or contested liabilities were declared contingent or contested liabilities by the Shareholders in writing during the determination of the Adjustment (the "Contingent/Contested Liabilities") and which Contingent/Contested Liabilities are determined not to be owing, Peoples shall pay each Shareholder his pro rata allocation

of an amount equal to the difference between (i) the Contingent/Contested Liability, and (ii) the amount which Peoples was required to pay in connection with the Contingent/Contested Liability, together with interest at the rate of 7.75% (for those Adjusted Liabilities declared Contingent only), within 15 business days after such Contingent/Contested Liability is determined not to be due and owing by mutual agreement of the Executive Officers and Peoples or pursuant to a final unappealable judgment of a court of competent jurisdiction.

ARTICLE III

CLOSING

Section 3.1 Time and Place of the Closing. The closing of the transactions contemplated by this Agreement (the "Closing") shall be held at the offices of Peoples, 2300 N.W. 89th Place, Miami, Florida 33172, on October 21, 1994, or at such other time as

mutually agreed upon by the parties (the "Closing Date").

Section 3.2 Procedure at the Closing. At the Closing, the parties agree to take the following steps in the order listed below (provided, however, that upon their completion all of these steps shall be deemed to have occurred simultaneously):

(a) Telecoin and PAC shall cause the Articles of Merger to be executed and filed with the office of the Pennsylvania Secretary of State as provided in Section 1926 of the PBCL;

(b) Each Shareholder shall deliver certificates representing his shares of Telecoin Common Stock, duly endorsed or accompanied by duly executed stock powers and with all requisite transfer tax stamps attached;

(c) Legal Counsel for Telecoin shall deliver a legal opinion to Peoples in substantially the form of Exhibit C to this Agreement;

(d) Telecoin shall deliver to Peoples resolutions adopted by Telecoin's board of directors approving the transactions contemplated by this Agreement, certified by Telecoin's corporate secretary;

(e) Telecoin shall deliver to Peoples the unanimous written consent of Telecoin's shareholders approving the transactions contemplated by this Agreement, certified by Telecoin's corporate secretary;

(f) Peoples shall deliver to Telecoin resolutions adopted by

Peoples' board of directors approving the transactions contemplated by this Agreement, certified by Peoples' corporate secretary;

(g) PAC shall deliver to Telecoin resolutions adopted by PAC's board of directors approving the transactions contemplated by this Agreement, certified by PAC's corporate secretary;

(h) Peoples and Partacol Partners, Ltd. ("Partacol") shall cause the consulting agreement substantially in the form of Exhibit D hereto (the "Consulting Agreement") to be duly executed and delivered;

(i) Peoples shall deliver to each Shareholder his pro rata allocation of the Initial Cash Payment; and

(j) Peoples shall deliver to each Shareholder his pro rata allocation of the Stock Payment.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF TELECOIN AND THE EXECUTIVE OFFICERS

In order to induce Peoples and PAC to enter into this Agreement and to consummate the transactions contemplated under this Agreement, Telecoin and the Executive Officers hereby make the following representations and warranties each of which is relied upon by Peoples and PAC regardless of any other investigation made or information obtained by Peoples or PAC:

Section 4.1 Organization, Power and Authority of the Company. Telecoin is a corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Pennsylvania and has the requisite corporate power and authority to own or lease its properties and to carry on its business as it is now being conducted. Schedule 4.1 contains a true and complete copy of the Articles of Incorporation and By-laws of Telecoin, as amended to the date of this Agreement. A true and complete copy of Telecoin's minute book has been provided to Peoples.

Section 4.2 Capitalization. The authorized capital stock of Telecoin consists of 100,000 shares of Telecoin Common Stock. Except for the Telecoin Common Stock, there are no other authorized classes of capital stock of Telecoin. There are issued and outstanding 19,000 shares of Telecoin Common Stock. All issued and outstanding shares of Telecoin Common Stock are validly issued, fully paid and non-assessable and are not subject to any restriction on transfer under the Articles of Incorporation or By-laws of Telecoin. Two thousand Seven hundred (2,700) shares of Telecoin Common Stock are held in the treasury of Telecoin. There are no

outstanding (i) securities convertible into or exchangeable for any capital stock of Telecoin; (ii) options, warrants or other rights to purchase or subscribe to capital stock of Telecoin or securities convertible into or exchangeable for capital stock of Telecoin; or (iii) commitments, agreements or understandings of any kind relating to the issuance of any capital stock of Telecoin, and such convertible or exchangeable securities or any such options, warrants or rights.

Section 4.3 Due Authorization; Binding Obligation. Telecoin

has the requisite corporate power and authority to enter into this Agreement and to consummate the transactions contemplated by this Agreement. This Agreement has been duly and validly executed and delivered by Telecoin and is the legal, valid and binding obligation of Telecoin, enforceable in accordance with its terms. Except for any corporate action required by the Shareholders, and any consents contemplated herein, no other action on the part of any individual or other person or entity is necessary to authorize this Agreement or for the consummation of the transactions contemplated by this Agreement. Telecoin, the Executive Officers and the Shareholders have duly executed this Agreement and authorized the execution of this Agreement and the consummation of the transactions contemplated by this Agreement as required under the PBCL. The Shareholders have duly authorized the execution of this Agreement and the consummation of the transactions contemplated by this Agreement as required under the PBCL. Upon obtaining all consents required by this Agreement, neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated by this Agreement will: (i) conflict with or violate any provision of Telecoin's Articles of Incorporation or by-laws, or any law, ordinance or regulation or any decree or order of any court or administrative or other governmental body which is either applicable to, binding upon or enforceable against Telecoin; (ii) except as set forth on Schedule 4.3(ii), to the best of the Executive Officers' knowledge result in any breach of or default under any contract with any of Telecoin's customers or any location owner and/or lessor where Telecoin's assets are installed (collectively, the "Property Owners") or any material mortgage, other contract, agreement, indenture, will, trust or other instrument which is either binding upon or enforceable against Telecoin or its assets; (iii) to the best of Telecoin and the Executive Officers' knowledge, violate any legally protected right of any individual or entity or give to any individual or entity a right or claim against Peoples or PAC; or (iv) materially impair any governmental or official license, approval, permit or authorization of Telecoin to conduct its business.

Section 4.4 Financial Statements. Attached to this Agreement as Schedule 4.4 are (i) the audited financial statements of Telecoin for the period from January 1, 1992 through December 31, 1993 (collectively, the "Audited Financial Statements"), and (ii) the unaudited financial statements of Telecoin for the period from January 1, 1994 through August 31, 1994 (the "Unaudited Financial Statements"). The Audited Financial Statements were prepared in accordance with generally accepted accounting principles consistently applied and are true, complete and correct and fairly

present the financial condition of Telecoin at such dates and results of its operations for the periods ending on such dates and do not include or omit to state any fact which renders those statements misleading. The Unaudited Financial Statements (i) were prepared in accordance with generally accepted accounting principles consistently applied, except (a) the Unaudited Financial Statements are subject to year end adjustments and (b)the unaudited financial statements do not include footnotes, and (ii) are true, complete and correct, except year end adjustments, and fairly present the financial condition of Telecoin at such dates and results of its operations for the periods ending on such dates and do not include or omit to state any fact which renders those statements misleading.

Section 4.5 No Undisclosed Liabilities. Except as set forth on (i) the Audited Financial Statements, (ii) the Unaudited Financial Statements, (iii) Schedule 4.5 or (iv) incurred in the ordinary course of business since August 31, 1994, Telecoin has no material liabilities or obligations (secured, unsecured, absolute, accrued, asserted or unasserted) of any nature, whether as principal, agent, partner, co-venturer, guarantor or in any other capacity, or unrealized or anticipated losses; provided, however, all undisclosed liabilities, whether material or otherwise, shall be utilized in calculating the Adjustment as provided in Section 2.1.

Section 4.6 Licenses; Compliance. To the best of Telecoin's and the Executive Officers' knowledge, Telecoin possesses all licenses and other required governmental or official approvals, permits, consents and authorizations, the failure of which to possess would have a material adverse effect on the business, financial condition, operations or results of operations of Telecoin. Schedule 4.6 contains a complete list of all those licenses, approvals, permits, consents and authorizations. Telecoin is in compliance with (i) the terms of all such licenses, approvals, permits, consents and authorizations, (ii) all laws, ordinances, statutes and regulations where noncompliance would have a material adverse effect on Telecoin and its business or assets, and (iii) all judgments, orders, rulings or other decisions of any governmental or other regulatory authority, court or arbitrator having jurisdiction over Telecoin. Neither the execution, delivery

or performance of this Agreement nor the performance of the transactions contemplated by this Agreement will affect the validity of any such licenses, approvals, permits and consents and the same shall remain in full force and effect upon the consummation of the transactions contemplated by this Agreement.

No approval, consent or authorization of or filing or registration with any governmental or other regulatory authority, other than those described on Schedule 4.6, is required by Telecoin for the execution, delivery or performance of this Agreement or for the consummation of the transactions contemplated by this Agreement.

Section 4.7 Relationships with Property Owners. Except as set forth on Schedule 4.7, no written or oral communication from any of Telecoin's customers which have entered into Telephone Placement Agreements granting Telecoin the right to provide pay telephone service (the "Property Owners") exists or has occurred prior to the date of this Agreement and has been communicated to the Executive Officers or any officer, manager or customer relations personnel of Telecoin, which may indicate that any Property Owner is reasonably likely to terminate its agreement with Telecoin for any reason. Except as set forth on Schedule 4.7, none of the Shareholders has any direct or indirect material interest in any of the Property Owners.

Section 4.8 Placement Agreements and Expirations. Telecoin has fully executed and delivered agreements with Property Owners granting Telecoin the exclusive right to provide pay telephone service (the "Placement Agreements")covering all of the locations where Telecoin has pay telephones installed . Except as set forth in Schedule 4.8(a), Telecoin has performed all of the obligations required to be performed by it to date under the Placement Agreements, and is not in default (with notice or lapse of time or both) under any of the Placement Agreements. Telecoin has obtained all necessary consents with respect to any Placement Agreement containing a change in control provision or otherwise requiring consent prior to the consummation of the transactions contemplated by this Agreement prior to the date of this Agreement. Except as otherwise provided in this Agreement, the consummation of the transactions contemplated by this Agreement will in no way affect the continuation, validity or effectiveness of any of the Placement Agreements. Schedule 4.8(b) contains a true, correct and complete list of the number of Placement Agreements which will expire in each of the next ten (10) years.

Section 4.9 Termination of Placement Agreements. If any one or more of the Property Owners which have entered into a Placement Agreement gives notice to Peoples or PAC indicating its desire to

terminate its respective Placement Agreement within 90 days after the date of this Agreement and such Placement Agreement is terminated (whether or not such termination occurs 90 days after the Closing Date), then Peoples shall immediately offset the sum of

$2,800 from any amount which Peoples may owe the Shareholders pursuant to this Agreement for each pay telephone which is removed as a result of such termination; provided, however, in the event the termination is a result of Peoples' or PAC's breach of the terms and/or conditions of any Placement Agreement after the Closing of the transactions contemplated by this Agreement, Peoples shall not have the right of set-off as provided above. Peoples agrees to use its reasonable efforts to enforce the Placement Agreements after the date of this Agreement.

Section 4.10 Subsidiaries. Telecoin does not own, directly or indirectly, any capital stock or equity securities of any corporation or have any direct or indirect equity or ownership interest in any business other than the business conducted by Telecoin.

Section 4.11 Litigation Involving Telecoin. Except as set forth on Schedule 4.11, there are no actions, suits, claims, arbitration proceedings, or to the best of Telecoin's and the Executive Officers' knowledge governmental investigations pending or, to the best of Telecoin's and the Executive Officers' knowledge, threatened against or affecting Telecoin or the business, assets, or financial condition of Telecoin that may have a material adverse effect on Telecoin and, to the best of Telecoin's and the Executive Officers' knowledge, there are no facts or circumstances which are reasonably likely to create a basis for any of the foregoing. Telecoin and the Executive Officers are not aware of any outstanding orders, decrees or stipulations issued by any local, state or federal judicial authority in any proceeding to which Telecoin is or was a party.

Section 4.12 Taxes. Telecoin has filed, caused to be filed or has obtained extensions to file all federal, state and local tax returns which are required to be filed by it, and has paid or caused to be paid, or has made adequate provision on its books in accordance with GAAP amounts sufficient for the payment of, all taxes as shown on said returns or on any assessment received by it, to the extent that the taxes have become due, and has made all estimated tax payments required to be made by it to avoid the imposition of penalties, interest and other additions to tax. No tax liens have been filed against Telecoin or its assets and Telecoin has not been notified of, and Telecoin does not have knowledge of, any claim being asserted with respect to any such taxes. There is no action, suit, proceeding, investigation or audit now pending or, to the best of Telecoin's and the Executive Officers' knowledge, threatened against Telecoin in respect to any

tax or assessment, nor is any claim for additional tax or assessment being asserted by any tax authority. All taxes which Telecoin is required by law to withhold or collect have been duly withheld or collected and, to the extent required, have been paid over to the proper governmental authorities on a timely basis. All ad valorem taxes which have been assessed against Telecoin or its assets which are due and owing have been paid. None of the prior tax returns of Telecoin has been audited and none of the officers of Telecoin has been contacted that such an audit may occur. True, complete and correct copies of the Telecoin's tax returns for the years 1991, 1992 and 1993 have been furnished to Peoples.

Section 4.13 Bank Accounts. Attached to this Agreement as Schedule 4.13 is a true and complete list of the names and addresses of all banks or other financial institutions in which Telecoin has any accounts, deposits or safe-deposit boxes, and the names of all persons authorized to draw on such accounts or deposits or who have access to such safe-deposit boxes. As of the Closing Date, no person will hold a power of attorney on behalf of Telecoin. The books of account of Telecoin show all checks, notes and drafts outstanding, and there are sufficient funds in the accounts listed on Schedule 4.13 to pay any and all checks, notes or drafts outstanding on the Closing Date but not yet presented on said accounts.

Section 4.14 Real Property Owned or Leased. Telecoin does not own any real property. Telecoin has provided true and complete copies of all leases of real property (the "Leased Property") to which Telecoin is a party, including all amendments and modifications thereto (the "Leases"). Telecoin enjoys peaceful and undisturbed possession of the Leased Property, and the Leases are the valid and legally binding obligations of Telecoin, enforceable against Telecoin in accordance with their respective terms, and are in full force and effect. Telecoin has not received written notice of default under any of the Leases, and Telecoin is not in material default of any Leases, and no event has occurred which, with the passage of time or the giving of notice or both, would constitute a material default thereunder.

Section 4.15 Title to Assets. Schedule 4.15(a) sets forth a list of all equipment, supplies, parts, computer equipment, furniture and fixtures owned by Telecoin having an individual value in excess of $100 (the "Assets"). Telecoin has valid leasehold interests in all Leased Property and good and marketable title to all of its other property, tangible or intangible, reflected in the Audited Financial Statements and the Unaudited Financial Statements, subject to liens for current taxes and assessments not yet due and payable. Except as set forth on Schedule 4.15(b), all

of the Assets are free and clear of restrictions on or conditions to transfer or assignment, and are free and clear of any mortgage, lien, charge, encumbrance, security interest or other restrictions. All of the tangible Assets of Telecoin are in good condition, in good operating order and are fit for the purposes for which such Assets are used or intended to be used, subject to normal wear and tear, normal maintenance and obsolescence. All of Telecoin's Assets have been maintained, repaired and/or replaced in a manner consistent with industry practice.

Section 4.16 Material Contracts. Schedule 4.16(a) sets forth a complete and correct list of each of the following types of contracts or commitments (whether oral or written) to which Telecoin is a party (collectively the "Contracts"): (i) Contracts for the employment of any officer or employee and all bonus, incentive compensation, profit-sharing, retirement, pension, group insurance, death benefit or other fringe benefit plans, deferred compensation or post-termination obligations; (ii) Contracts for the future purchase of materials, inventory, supplies, services or equipment; (iii) distributor agreements and contracts for the purchase or sale of inventory or supplies; (iv) agreements or arrangements for the purchase, sale or lease of any other assets; (v) pledges, sales contracts, leases, security agreements or other similar agreements with respect to Telecoin's properties; (vi) leases of machinery or equipment not terminable without penalty by Telecoin within 30 days notice; (vii) loan agreements, promissory notes, guarantees, subordination or similar type agreements; (viii) consulting agreements; (ix) any contract not otherwise covered by clauses (i) through (viii) above which involves annual or aggregate payments in excess of $100 and is not terminable without penalty within 30 days notice. Telecoin has furnished to Peoples true, complete and accurate copies of all Contracts. Except as set forth in Schedule 4.16(b), Telecoin has performed all of the obligations required to be performed by it to date under the Contracts, and is not in default (with notice or lapse of time or both) under any of the Contracts. Telecoin shall obtain all necessary consents with respect to any Contract containing a change in control provision on or prior to the Closing Date. The consummation of the transactions contemplated by this Agreement will in no way affect the continuation, validity or effectiveness of any of the Contracts.

Section 4.17 Insurance Policies. Schedule 4.17 sets forth a list of all policies of insurance which Telecoin maintains in full force and effect, all of which policies are in good standing. Telecoin maintains such other insurance as may be required by law. All premiums due on such policies have been paid and the aggregate amount of all claims under such policies do not exceed policy

limits. There are no pending or, to the best knowledge of Telecoin, threatened terminations, cancellations or premium increases with respect to any such policies.

Section 4.18 ERISA. Set forth on Schedule 4.18 is a list and brief description of each "employee pension benefit plan," as such term is defined in Section 3(2) of ERISA maintained by Telecoin or to which Telecoin contributes (the "Plan"). Telecoin does not maintain or contribute to a defined benefit pension plan or a "multiemployer plan" as such term is defined in Section 3(37) of ERISA. Each Plan has substantially complied with the material requirements of ERISA and other laws relating to employee pension benefit plans. Telecoin has delivered to Peoples true and complete copies of, with respect to each Plan, (i) the current Plan document, (ii) the names and addresses of all trustees, (iii) the most recent Annual Report Form 5500 or Form 5500-CR, and (iv) the most recent Internal Revenue Service determination letter. Telecoin has made all contributions required to be made to each Plan under the terms of the Plan or applicable Law. No prohibited transaction (as defined in Section 4975 of the Code) for which there is no administrative, statutory or judicial exemption has occurred with respect to a Plan.

Section 4.19 Labor Matters. Telecoin is not a party to any collective bargaining agreements with its employees. Except as set forth on Schedule 4.19, (i) Telecoin is in material compliance with all federal, state and local laws regarding employment and employment practices, conditions of employment, wages and hours and occupational laws, (ii) Telecoin is not engaged in unfair labor practices, and there are no unfair labor practice complaints pending or, to the best of Telecoin's and the Executive Officers' knowledge, threatened against Telecoin before the National Labor Relations Board or any other governmental or regulatory board or agency performing similar functions, (iii) there is no labor strike, slowdown, work stoppage or dispute pending or, to the best of Telecoin's and the Executive Officers' knowledge, threatened against or involving Telecoin, and (iv) to the best of Telecoin's and the Executive Officers' knowledge, none of the employees not presently subject to collective bargaining agreements are engaged in organizing or are members of any union or other employee group that is seeking recognition as a bargaining unit.

Section 4.20 Absence of Changes. Except as set forth in Schedule 4.20 or as otherwise disclosed in or contemplated by this Agreement, since June 30, 1994, there has not been (i) any material adverse change in the financial condition, assets, liabilities, business or operations of Telecoin; (ii) any damage, destruction or

loss, whether or not covered by insurance, materially and adversely affecting the properties, financial condition or business of Telecoin; (iii) any change in the outstanding capital stock of Telecoin; (iv) declared, paid or set aside for payment any dividend or other distribution (whether in cash, stock, property or any combination thereof) in respect of Telecoin Common Stock or any cancellation, exercise or redemption or other acquisition by

Telecoin of any shares of the Telecoin Common Stock; (v) any increase in the rate or terms of compensation payable or to become payable by Telecoin to any of its officers, directors or key employees or any increase in the rate or terms of contribution to any Plans, except as required by law; (vi) incurred or agreed to incur any liabilities or obligations (whether absolute, accrued, contingent or otherwise), except as incurred in the ordinary course of business consistent with past practices; (vii) made any material capital expenditure or commitment for replacements or additions or improvements; (viii) any change by Telecoin in accounting methods, principles or practices; (ix) any disposal, mortgage, pledge or other disposition of any of its assets other than in the ordinary course of business; or (x) any other event, condition or arrangement of any nature whatsoever which might have a material adverse effect on the condition, business or operations of Telecoin, excluding any such event, condition or arrangement affecting the economy or business conditions generally.

Section 4.21 Accuracy of Information. No representation, statement or information contained in this Agreement and the various Schedules attached to this Agreement, contains or shall contain any untrue statement of a material fact or omit or shall omit any material fact necessary to make the information contained in this Agreement and the Schedules not misleading.

Section 4.22 Accuracy of Documents. All contracts, instruments, agreements and other documents delivered by Telecoin to Peoples for Peoples' review in connection with this Agreement and the transactions contemplated hereby, including all articles of incorporation, by-laws, corporate minutes, stock record books and tax returns are true, correct and complete copies of all such contracts, instruments, agreements and other documents.

Section 4.23 Proprietary Rights.

(a) Except as set forth on Schedule 4.23(c), there are no trademarks, trademark applications, trade names, assumed names, service marks, logos, patents, patent applications, copyrights and copyright registrations, owned or licensed by Telecoin and used in

or necessary for the conduct of the business and operation of Telecoin. (The foregoing together with all inventions, trade secrets, customer lists and confidential processes, and all other similar rights presently owned or licensed by Telecoin are the "Proprietary Rights"). Except those proprietary rights currently licensed by Telecoin and set forth on Schedule 4.23, no other proprietary rights are used in or are necessary for the conduct of the business and operation of Telecoin as presently conducted.

(b) To the best of Telecoin's and the Executive Officers'

knowledge, no Proprietary Rights or know-how used in or necessary for the conduct of the business and operation of Telecoin conflict with or infringe any similar rights or services of any other person. No claims have been asserted by any person with respect to the ownership, validity, license or use of the Proprietary Rights or the production, provision of any services by Telecoin and there is no basis for any such claim. Telecoin has taken all reasonable measures to enforce, maintain and protect its interests and, to the extent applicable, those of any third party, in the Proprietary Rights.

(c) Schedule 4.23(c) accurately identifies all databases and computer software owned, licensed or otherwise used in connection with Telecoin's business.

Section 4.24 Investment Representation. The Shareholders acknowledge that they are acquiring the Peoples Common Stock solely for investment and not with a view to, or for resale in connection with, any distribution thereof, except pursuant to an effective registration statement under the Act, or pursuant to and in compliance with an exemption from registration afforded by the Act or the rules and regulations promulgated thereunder. The Shareholders acknowledge that they have such knowledge and experience in financial and business matters that they are capable of evaluating the merits and risks of their investment hereunder. Each of the Shareholders has received copies of Peoples' Annual Reports on Form 10-K for the years ended December 31, 1992 and December 31, 1993, Quarterly Report on Form 10-Q for the 3 months ended March 31, 1994, proxy statement for the 1994 annual meeting of shareholders and all other financial information they deem necessary. The Shareholders have had an opportunity to ask questions, receive answers concerning this Agreement and Peoples and to obtain any additional information which they have requested.

Section 4.25 Compliance with Applicable Regulations. All of Telecoin's Installed Pay Telephones are in material compliance with

all local, state and federal laws, ordinances, statutes, regulations, orders, licenses, approvals, permits, certificates and consents which are applicable to and binding on the operation of the Telecoin's installed pay telephones, including, but not limited to, the regulations promulgated by any applicable State Public Service and/or Utilities Commission and the Federal Communications Commission (the "Applicable Regulations"). In the event any of Telecoin's installed pay telephones are not in material compliance with the Applicable Regulations, Peoples shall bring each such installed pay telephone into full compliance with the Applicable Regulations and Peoples shall have the unilateral right to reduce any amount it may owe to the Shareholders by any and all reasonable costs it incurs to bring each such installed pay telephone into full compliance with the Applicable Regulations; provided, however,

the definition of Applicable Regulations shall not include the Americans with Disabilities Act of 1990.

Section 4.26 Subchapter S Status. Telecoin's election to be treated as an S corporation under Section 1362 of the Internal Revenue Code (i) is valid and in full force and effect on the date of this Agreement, (ii) has at all times since the filing of such election been valid (iii) since filing the S corporation election with the Internal Revenue Service, Telecoin's S corporation status has continued uninterrupted, and (iv) to the best of Telecoin's and the Executive Officers' knowledge, none of the Shareholders has taken any action which would invalidate or void, in any manner, Telecoin's S corporation status.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF PEOPLES AND PAC

In order to induce Telecoin, the Executive Officers and the Shareholders to enter into this Agreement and to consummate the transactions contemplated under this Agreement, Peoples and PAC hereby make the following representations and warranties each of which is relied upon by Telecoin and the Executive Officers regardless of any other investigation made or information obtained by Peoples or PAC:

Section 5.1 Organization, Power and Authority. PAC is a corporation duly organized and validly existing under the laws of the Commonwealth of Pennsylvania, with full corporate power and authority to own or lease its properties and carry on its business as it is now being conducted. Peoples is a corporation duly

organized and validly existing under the laws of the State of New York, with full corporate power and authority to own or lease its properties and carry on its business as it is now being conducted.

Section 5.2 Due Authorization; Binding Obligation. The execution, delivery and performance of this Agreement and all other agreements contemplated by this Agreement and the consummation of the transactions contemplated by this Agreement have been duly authorized by all necessary corporate action of Peoples and PAC, respectively. This Agreement has been duly executed and delivered by Peoples and PAC and is the valid and binding obligation of Peoples and PAC enforceable in accordance with its terms. Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated by this Agreement will: (i) conflict with or violate any provision of the articles of incorporation or by-laws of Peoples or PAC, or of any law, ordinance or regulation or any decree or order of any court or

administrative or other governmental body which is either applicable to, binding upon or enforceable against Peoples or PAC; (ii) result in any breach of or default under an material mortgage, contract, agreement, indenture, will, trust or other instrument which is either binding upon or enforceable against Peoples or PAC or their assets; (iii) violate any legally protected right of any individual or entity or give to any individual or entity a right or claim against Peoples or PAC; or (iv) impair or in any way limit any governmental or official license, approval, permit or authorization of Peoples or PAC.

Section 5.3 Litigation. Except as set forth on Schedule 5.3, there are no actions, suits, claims, governmental investigations or arbitration proceedings pending or threatened against or affecting Peoples or the business, assets, or financial condition of Peoples which could have a material adverse affect on Peoples or the business, assets, or financial condition of Peoples and there are no facts or circumstances which are reasonably likely to create a basis for any of the foregoing. There are no outstanding orders, decrees or stipulations issued by any local, state or federal judicial authority in any proceeding to which Peoples is or was a party.

Section 5.4 Accuracy of Information. No representation, statement or information contained in this Agreement and the various Schedules attached to this Agreement, contains or shall contain any untrue statement of a material fact or omit or shall omit any material fact necessary to make the information contained in this Agreement and the Schedules not misleading.

Section 5.5 Absence of Changes. Except as set forth in Schedule 5.5, since March 31, 1994, there has not been (i) any material adverse change in the financial condition, assets, liabilities, business or operations of Peoples; (ii) any damage, destruction or loss, whether or not covered by insurance, materially and adversely affecting the properties, financial condition or business of Peoples; (iii) any declared, paid or set aside for payment of any dividend or other distribution (whether in cash, stock, property or any combination thereof) in respect of the Peoples' common stock or any cancellation, exercise or redemption or other acquisition by Peoples of any shares of the its common stock; (iv) any change by Peoples in accounting methods, principles or practices, except as set forth in Peoples Form 10-K for the year ended December 31, 1993 and the financial statements contained therein and the notes thereto; or (v) any other event, condition or arrangement of any nature whatsoever which has had a material adverse effect on the condition, business or operations of Peoples, excluding any such event, condition or arrangement affecting the economy or business conditions generally.

Section 5.6 Due Diligence. As of the Closing Date, Peoples has no actual knowledge of any breach of the representations and warranties made by Telecoin and the Executive Officers in this Agreement. In the event it is subsequently discovered that Peoples had actual knowledge of a breach of any representation or warranty made by Telecoin or the Executive Officers in this Agreement on the Closing Date, Peoples hereby waives its right to complain of such breach or to assert any claim with regard thereto.

Section 5.7 Peoples' Common Stock. When issued in accordance with Section 2.2(b) of this Agreement, the Common Stock to be issued to the Shareholders shall be validly issued, fully paid and non-assessable and shall be free and clear of any liens or encumbrances whatsoever.

ARTICLE VI

COVENANTS OF TELECOIN, THE EXECUTIVE OFFICERS AND THE SHAREHOLDERS

Section 6.1 No Disclosure. Without the prior written consent of Peoples, neither Telecoin, the Executive Officers nor the Shareholders will disclose the existence of any term or condition of this Agreement to any person or entity except that disclosure may be made (a) to Telecoin's and the Shareholders' attorneys or

accountants and any lender or other person in a business relationship with Telecoin to whom disclosure is necessary in order to satisfy any of the conditions to the consummation of the transactions contemplated by this Agreement, and (b) to the extent the party making such disclosure believes in good faith that such disclosure is required by law (in which case that party will consult with Peoples prior to making such disclosure).

Section 6.2 Further Assurances. From time to time after the date of this Agreement, the Executive Officers and the Shareholders shall execute and deliver such other instruments and shall take such other actions as Peoples may reasonably request to effectuate the transactions contemplated by this Agreement.

Section 6.3 Restrictive Covenant

(a) To assure that Peoples will realize the value inherent in the transactions contemplated by this Agreement, except as otherwise specifically set forth in this Agreement, each Shareholder, except Harvey Ostrow, on his own behalf, agrees with Peoples that neither he, nor any of his affiliates (as such term is defined in Rule 405 promulgated by the Securities and Exchange Commission under the Securities Act of 1933, as amended) (the "Affiliate") shall, directly or indirectly, (as an individual,

partner, shareholder, director, officer, principal, agent, employee, trustee, creditor, representative or in any relation or capacity whatsoever), for a period of five years following the date of this Agreement:

(i) compete with Peoples, PAC or any Affiliate of Peoples in the business of installing, owning, operating, servicing or maintaining pay telephones in the states in which Telecoin operates on the Closing Date, except as specifically provided in the Consulting Agreement; or

(ii) attempt to solicit or solicit the customers or facilities serviced by Peoples, PAC or any of their Affiliates, including, but not limited to, any Property Owner where Telecoin's pay telephones are installed, to terminate, curtail or restrict their relationship with Peoples, PAC or any of their Affiliates.

(b) The parties acknowledge that Gilbert A. Mendelson, David T. Magrish and Howard Siegel are parties to that certain agreement between Telnet and Intellicall, Inc. ("Intellicall") in connection with the marketing of pre-paid long distance telephone calling cards ("Debit Cards"). The parties agree that Mr. Mendelson's, Mr.

Magrish's and Mr. Siegel's marketing of Debit Cards supported by Intellicall's Debit Card system shall not constitute a violation of Section 6.3(a).

(c) If Section 6.3(a) of this Agreement, as applied to the Executive Officers and the Shareholders or their respective Affiliates or any other person is adjudged by a court to be invalid or unenforceable, the same will in no way affect any other provision of that Section or any other part of this Agreement, the application of that provision in any other circumstances or the validity or enforceability of this Agreement. If any provision, or any part of any provision, is held to be unenforceable because of the duration of the provision or the area covered by the provision, the parties agree that the court making such determination will have the power to reduce the duration and/or area of the provision, and/or to delete specific words or phrases, and in its reduced form Section 6.3(a) will then be enforceable.

(d) The Shareholders and Peoples each acknowledge that a breach by the Shareholders or an Affiliate of any of them of the provisions of Section 6.3(a) will cause Peoples irreparable harm and monetary damages in an action at law would not provide an adequate remedy. Accordingly, the Shareholders each agree that, in addition to any other remedies (legal, equitable or otherwise) available to Peoples, Peoples may seek and obtain injunctive relief against the breach or threatened breach of the provisions of Section 6.3(a) as well as all other rights and remedies available at law and equity including, without limitation, the right to be

indemnified by the Shareholder committing such breach for all claims, damages, actions and suits whatsoever for his breach of Section 6.3(a) and Peoples' reasonable attorneys' fees, expenses and costs incurred in enforcing any provisions of Section 6.3(a), whether or not litigation is instituted, and if instituted, at pre-trial, trial and appellate levels. Nothing contained in this Section shall be construed as prohibiting Peoples and its Affiliates from pursuing all other remedies available to them for a breach or threatened breach of the provisions of Section 6.3(a), including the recovery of compensatory and punitive damages from the Shareholder commiting such breach. Each Shareholder further acknowledges and agrees that the covenants contained in Section 6.3(a) are necessary for the protection of Telecoin's legitimate business and professional duties, ethical obligations and interests, and are reasonable in scope and content.

Section 6.4 Lock-Up Agreements. Simultaneous with the execution of this Agreement, each of the Executive Officers and the

Shareholders which receive more than 15,000 shares of Peoples Common Stock shall execute a lock-up agreement substantially in the form attached to this Agreement as Exhibit B (the "Lock-Up Agreement") whereby each such Executive Officer and Shareholder shall agree not to sell more than 15,000 shares of the Peoples Common Stock acquired pursuant to this Agreement in any calendar month without the prior written consent of Peoples.

Section 6.5 Consulting Agreement. The Executive Officers shall execute the Consulting Agreement simultaneous with the Closing of the transactions contemplated by this Agreement.

ARTICLE VII

COVENANTS OF PEOPLES AND PAC

Section 7.1 Further Assurances. From time to time after the date of this Agreement, Peoples and PAC shall execute and deliver such other instruments and shall take such other actions as the Shareholders may reasonably request to effectuate the transactions contemplated by this Agreement.

Section 7.2 No Disclosure. Without the prior written consent of the Shareholders, Peoples will not disclose the existence of any term or condition of this Agreement to any person or entity except that disclosure may be made to the extent the party making such disclosure believes in good faith that such disclosure is required by law (in which case that party will consult with the shareholders prior to making such disclosure). Telecoin and the Shareholders hereby acknowledge that Peoples may be required to disclose certain information concerning the transactions contemplated by this

Agreement under the securities laws of the United States. Telecoin and the Shareholders agree that Peoples will not be required to obtain the prior written consent of the Shareholders to disclose the existence of any term or condition of this Agreement if Peoples believes such disclosure is required under the securities laws of the United States.

Section 7.3 Registration of Common Stock. Peoples agrees to use its reasonable efforts to cause the registration statement to be declared effective by the SEC once Peoples commences such registration. Peoples shall maintain the registration statement in effect for a period of not less than three years after the date the registration statement is declared effective by the SEC. Peoples shall also take any action required to be taken under any

applicable state blue sky or securities laws in connection with the resale of the shares of the Common Stock. The Shareholders shall furnish all information to Peoples which may reasonably requested by Peoples in connection with the preparation of any such registration statement or any action as set forth above. Additionally, Peoples agrees to cause each of the obligations set forth on Schedule 7.4 to be paid as they become due and payable.

Section 7.4 Satisfaction of Telecoin's Long-Term Debt. Peoples agrees to satisfy Telecoin's long term debt with the Pennsylvania Capital Bank within 270 days after the Closing. Additionally, Peoples agrees to execute and deliver to Berthel Fisher, Pennsylvania Capital Bank and ITT Capital Finance (the "Lenders") such assumption documents and corporate guarantees as may be reasonably requested by the Lenders. Additionally, Peoples agrees (i) to cause each of the obligations set forth on Schedule 7.4 (the "Personal Guaranteed Obligations") to be paid as they become due and payable and (ii) to use its reasonable efforts to remove the personal guarantees of the Executive Officers to the Personal Guaranteed Obligations as soon as reasonably practicable.

Section 7.5 Consulting Agreement. Peoples shall execute the Consulting Agreement simultaneous with the Effective Time.

Section 7.6 Telecoin Receivables. In the event Peoples, in its sole discretion, deems any accounts receivable of Telecoin to be uncollectible (the "Uncollectible Receivables"), those Uncollectible Receivables shall not be utilized in calculating the Adjustment and Peoples shall convey those Uncollectible Receivables to TLT. At the Closing, Peoples shall provide TLT with a list of each of the Uncollectible Receivables and a brief explanation why Peoples has deemed such receivable uncollectible. After the Closing, Peoples shall use its reasonable efforts to assist TLT in collecting all amounts due to Telecoin in connection with the Uncollectible Receivables. In the event the Surviving Corporation or any of its Affiliates collects any monies due to Telecoin in

connection with the Uncollectible Receivables, Peoples shall deliver those monies to TLT within 7 days after receipt.

Section 7.7 Telecoin Employee Benefit Plans. Telecoin presently maintains the Telecoin Communications, Ltd. 401(k) Plan (the "Plan"). Within thirty (30) days following the Closing Date, PAC shall amend the Plan to the extent necessary to fully vest all of the Plan participants who are or were active employees of Telecoin on the Closing Date, and to permit those participants who terminate employment on or immediately prior to the Closing Date to

receive a lump sum distribution of their account balances under the Plan on or before March 31, 1995. PAC further agrees to terminate the Plan as soon as possible following the Closing Date. So long as the Plan is in effect, the Executive Officers shall remain Trustees of the Plan, and PAC agrees to indemnify, defend and hold harmless the Executive Officers from any and all liability arising directly as a result of serving as Trustees, except for any liability arising as a result of the Trustee's gross negligence or willful misconduct.

Section 7.8 Retention of Records. Peoples agrees that it shall retain all of Telecoin's corporate records for at least three years after the Closing Date and that Peoples will provide the Executive Officers with access to those corporate records during Peoples' normal business hours for any reasonable purpose, including the copying of those corporate records as necessary.

Section 7.9 Payment of Telecoin Payables. Peoples agrees to pay, or cause PAC to pay, (i) all delinquent commissions as listed on Schedule 4.16 (b) on or before October 24, 1994, (ii) all other commissions listed on Schedule 7.9 and not listed on Schedule 4.16(b) on or before October 31, 1994, (iii) $26,701 to Alpern, Rosenthal & Company on or before October 31, 1994, (iv) $26,701 to Alpern, Rosenthal & Company on or before November 30, 1994, and (v) all other Telecoin payables for which PAC is obligated to pay on or before December 31, 1994.

ARTICLE VIII

INDEMNIFICATION

Section 8.1 Agreement by the Executive Officers to Indemnify. The Executive Officers, jointly and severally, agree that they will indemnify and hold Peoples and PAC harmless of all indemnifiable damages of Peoples and PAC. For this purpose, "indemnifiable damages" of Peoples and PAC means all expenses, losses, costs, deficiencies, penalties, interest, liabilities and damages

(including related counsel fees and expenses) incurred or suffered by Peoples or PAC (whether suit is instituted or not and, if instituted, at any trial or appellate level) from: (a) any breach or violation of any of the representations, warranties, covenants or agreements made by Telecoin and/or the Executive Officers in this Agreement or in any document or certificate delivered by Telecoin and/or the Executive Officers pursuant to the provisions of this Agreement, including any Schedule to this Agreement; (b)

any action, suit, claim or litigation involving Telecoin, the Shareholders and/or the Executive Officers existing on the Closing Date or arising after the Closing Date which is related to events occurring prior to the Closing Date; provided, however, if an action, suit, claim or litigation involving Telecoin, the Shareholders and/or the Executive Officers arises after the Closing and is related to events which occurred prior to and after the Closing, the Executive Officers shall not be liable for damages relating to the period after Peoples obtained actual knowledge of the facts and circumstance which are the subject of the action, suit, claim or litigation; (c) any occurrence, act or omission of any director, officer, employee, consultant, or agent of Telecoin which occurrence, act or omission occurred prior to the Closing Date and which adversely affects Peoples' interest in the business or operations of Telecoin; (d) from the failure of Telecoin to pay any taxes which may be due and owing to any applicable taxing authority for Telecoin's business operations prior to the Closing Date; and (e) any liabilities or obligations of Telecoin, whether absolute, accrued contingent or otherwise, arising out of Telecoin's business or operations prior to the Closing Date, whether existing as of the Closing Date or arising out of facts or circumstances existing at or prior to the Closing Date and whether or not these liabilities or obligations were known by Peoples on the Closing Date. Without limiting the foregoing, with respect to the measurement of "indemnifiable damages," Peoples and PAC shall have the right to be put in the same financial position as they would have been in had the representations and warranties of Telecoin and/or the Executive Officers been true and correct and had each of the covenants of Telecoin and the Executive Officers been performed in full.

Section 8.2 Agreement by Peoples to Indemnify. Peoples agrees that it will indemnify and hold the Executive Officers harmless of all indemnifiable damages of the Executive Officers. For this purpose, "indemnifiable damages" of the Executive Officers means all expenses, losses, costs, deficiencies, penalties, interest, liabilities and damages (including related counsel fees and expenses) incurred or suffered by the Executive Officers (whether suit is instituted or not and, if instituted, at any trial or appellate level) from: (a) any breach or violation of any of the representations, warranties, covenants or agreements made by Peoples and/or PAC in this Agreement or in any document or

certificate delivered by Peoples and/or PAC pursuant to the provisions of this Agreement, including any Schedule to this Agreement, (b) any litigation involving Telecoin or the business and operations of Telecoin related to events after the Closing Date

and (c) any liability incurred by Gilbert A. Mendelson or David T. Magrish directly as a result of Peoples' failure to comply with its obligations under Section 7.4 of this Agreement. Without limiting the foregoing, with respect to the measurement of "indemnifiable damages," the Executive Officers shall have the right to be put in the same financial position as they would have been in had the representations and warranties of Peoples and PAC been true and correct and had each of the covenants of Peoples and PAC been performed in full.

Section 8.3 Mitigation. Every person seeking indemnification under this Agreement (the "Indemnified Party") shall correct or mitigate, to the extent practicable, any Loss suffered by that person for which indemnification is claimed and the indemnifying party (the "Indemnifying Party") shall be liable only for the amount thereof which is net of any insurance proceeds and other amounts paid by, or offset against any amount owed to, any person not a party to this Agreement (including any costs or expenses incurred to so correct or mitigate). If a person which has a right of indemnification under this Article VIII reasonably can, by expenditure of money, mitigate or otherwise reduce or eliminate any Loss for which indemnification would otherwise be claimed, that person shall take that action and shall be entitled to reimbursement for those expenditures and all related expenses.

Section 8.4 Procedure for Claims. The following procedures shall be applicable with respect to indemnification for claims arising in connection with any provision of this Agreement:

(a) Each Indemnified Party agrees that upon its obtaining knowledge of facts indicating that there may be a basis for a claim for indemnity under the provisions of this Agreement, including receipt by it of notice of any demand, assertion, claim, action or proceeding, judicial or otherwise, (these actions are collectively, the "Claim"), with respect to any matter as to which it may be entitled to indemnity under the provisions of the Agreement, it will give prompt notice thereof in writing to the Indemnifying Party together with a statement of all information respecting any of the foregoing as it shall then have. The Indemnifying Party shall not be obligated to indemnify the Indemnified Party for the increased amount of any Claim which would otherwise have been payable to the extent that the increase in the amount of the Claim resulted from the lack of notice required by this provision.

(b) The Indemnifying Party is entitled at its cost and expense to contest and defend by all appropriate legal proceedings

any Claim with respect to which it is called upon to indemnify the Indemnified Party under the provisions of this Agreement; provided, however, that notice of the intention so to contest shall be delivered by the Indemnifying Party to the Indemnified Party within a reasonable time in light of the circumstances then and there existing. Any contest may be conducted in the name and on behalf of the Indemnifying Party or the Indemnified Party as may be appropriate. The contest shall be conducted by attorneys engaged by the Indemnifying Party, but the Indemnified Party shall have the right to participate in those proceedings and to be represented by attorneys of its own choosing at its cost and expense. If the Indemnified Party joins in any such contest, the Indemnifying Party shall have full authority to determine all action to be taken. If after that opportunity, the Indemnifying Party does not elect to contest that Claim, the Indemnifying Party shall be bound by the result obtained by the Indemnified Party. At any time after the commencement of defense of any Claim, the Indemnifying Party may request the Indemnified Party to agree in writing to the abandonment of the contest or to the payment or compromise by the Indemnifying Party of the asserted Claim, whereupon that action shall be taken unless the Indemnified Party so determines that the contest should be continued, and so notifies the Indemnifying Party in writing within 15 days of the request from the Indemnifying Party. In the event that the Indemnified Party determines that the contest should be continued, the Indemnifying Party shall be liable only to the extent of the lesser of: (i) the amount the other party to the contested Claim has agreed to accept in payment or compromise as of the time the Indemnifying Party made its request therefor to the Indemnified Party; or, (ii) the amount for which the Indemnifying Party may be liable with respect to that Claim by reason of the provisions of this Agreement. All of the foregoing is subject to the rights of any Indemnifying Party's insurance carrier which is defending any of the above proceedings.

(c) If requested by the Indemnifying Party, the Indemnified Party agrees to cooperate with the Indemnifying Party and its counsel in reasonably contesting any Claim which the Indemnifying Party elects to contest or, if appropriate, in making any counterclaim against the person asserting the Claim, or any cross-complaint against any person and further agrees to take such other action as reasonably may be requested by an Indemnifying Party to reduce or eliminate any Loss for which the Indemnifying Party would have responsibility, but the Indemnifying Party will reimburse the Indemnified Party for any reasonable expenses incurred by it in so cooperating or acting at the request of the Indemnifying Party.

(d) The Indemnified Party agrees to afford the Indemnifying Party and its counsel the opportunity to be present at, and to participate in, conferences with all persons, including

governmental authorities asserting any Claim against the Indemnified Party or conferences with representatives of or counsel for those persons.

(e) The Indemnifying Party shall pay to the Indemnified Party the amount to which the Indemnified Party may become entitled by reason of the provisions of Article X of this Agreement within 15 business days after any the amount owed is finally determined either by mutual agreement of the parties to this Agreement or pursuant to the final unappealable judgment of a court of competent jurisdiction and the Indemnifying Party agrees to pay all costs in connection with obtaining any bond required to appeal any judgment.

Section 8.5 Right of Set-Off. In addition to any other rights or remedies Peoples may have, it shall be entitled to withhold from any amounts which Peoples may owe to the Shareholders under this Agreement, the amount of any and all liabilities, losses, damages, injuries, costs, expenses and reasonable counsel fees which: (i) are sought by any party in any claims against Peoples which Peoples is indemnified pursuant to Section 8.1; or (ii) which Peoples has sustained arising from any breach of any covenant of the Shareholders contained in this Agreement. Peoples shall have the right to offset from such withheld amounts, as a post-closing adjustment, any amount ultimately determined to be due and owing to Peoples by way of indemnification or otherwise pursuant to this Section, and Peoples shall not be liable for any amounts so set off.

Section 8.6 Limitations on Indemnity. Notwithstanding any provision contained in this Agreement to the Contrary: (a) the Indemnifying Party shall have no obligations under the indemnification provisions of Sections 8.1 and 8.2 unless the indemnified party provides written notice of a claim for indemnification under Sections 8.1 or 8.2 within one year after the Closing; and (b) in no event shall the aggregate indemnifiable amount of the Executive Officers exceed the Total Consideration.

ARTICLE IX

MISCELLANEOUS

Section 9.1 Survival of Representations and Warranties. All of the respective representations and warranties of the parties to this Agreement shall survive the consummation of the transactions contemplated by this Agreement for twelve months after the Closing.

All covenants of the parties to this Agreement shall survive the consummation of the transactions contemplated by this Agreement.

Section 9.2 Brokers' Commission. Peoples will indemnify and hold harmless Telecoin, the Executive Officers and the Shareholders from the commission, fee or claim of any person, firm or corporation employed or retained or claiming to be employed or retained by Peoples or PAC to bring about, or to represent it in, the transactions contemplated by this Agreement. The Shareholders and the Executive Officers will indemnify and hold harmless Peoples from the commission, fee or claim of any person, firm or corporation employed or retained or claiming to be employed or retained by any of the Shareholders or Telecoin to bring about, or to represent them in, the transactions contemplated by this Agreement.

Section 9.3 Amendment and Modification. The parties to this Agreement may amend, modify and supplement this Agreement but only in writing and such writing must be signed by all the parties.

Section 9.4 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors, assigns, heirs, estates, beneficiaries, executors and legal and personal representatives.

Section 9.5 Entire Agreement. This instrument and the Exhibit and Schedules attached to this Agreement contain the entire agreement of the parties with respect to the Merger and the other transactions contemplated in this Agreement, and supersede all prior understandings and agreements of the parties with respect to the subject matter of this Agreement. Any reference in this Agreement shall be deemed to include the Exhibits and the Schedules.

Section 9.6 Headings. The descriptive headings in this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

Section 9.7 Execution in Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original.

Section 9.8 Notices. Any notice, request, information or other document to be given hereunder to any of the parties by any other party shall be in writing and delivered personally, sent by certified mail, postage prepaid, overnight courier delivery or by fax transmission as follows:

Pittsburgh, Pennsylvania 15219
Facsimile: (412)392-0306
Attention:

with a copy to:

If to the Executive Officers:

Gilbert A. Mendelson
One Mellon Bank Center
500 Grant Street, Suite 2828
Pittsburgh, Pennsylvania 15219
Facsimile: (412)392-0306

David T. Magrish
One Mellon Bank Center
500 Grant Street, Suite 2828
Pittsburgh, Pennsylvania 15219
Facsimile: (412)392-0306

If to the Shareholders:

Louis Swartz
212 Briar Ridge Road
Turtle Creek, Pennsylvania 15145

Howard Siegel
2808 Fernwald Road
Pittsburgh, Pennsylvania 15217

Harvey Ostrow
5525 Bartlett Street
Pittsburgh, Pennsylvania 15217

If to Peoples: Peoples Telephone Company, Inc.
2300 N.W. 89th Place
Miami, Florida 33172
Attention: Robert D. Rubin,
President
Facsimile: (305) 477-9890

Any party may change the address to which notices under this

Agreement are to be sent to it by giving written notice of a change of address in the manner provided in this Agreement for giving notice. Any notice delivered personally shall be deemed to have been given on the date it is so delivered, and any notice delivered by registered or certified mail, overnight courier delivery or by fax shall be deemed to have been given on the date it is received.

Section 9.9 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Florida applicable to contracts made and to be performed in Florida without reference to the choice of law principles.

Section 9.10 Expenses. Except as specifically provided in this Agreement, all accounting, legal and other costs and expenses incurred in connection with this Agreement and the transactions contemplated by this Agreement shall be paid by the party incurring those fees, costs and expenses.

Section 9.11 Waiver. Any party to this Agreement may extend the time for or waive the performance of any of the obligations of the other, waive any inaccuracies in the representations or warranties by the other, or waive compliance by the other with any of the covenants or conditions contained in this Agreement. Any such extension or waiver shall be in writing and signed by the parties. No such waiver shall operate or be construed as a waiver of any subsequent act or omission of the parties.

Section 9.12 Severability. If at any time subsequent to the date of this Agreement, any provision of this Agreement shall be held by any court of competent jurisdiction to be illegal, void or unenforceable, such provision shall be of no force and effect, but the illegality or unenforceability of such provision shall have no effect upon and shall not impair the enforceability of any other provision of this Agreement.

Section 9.13 Attorney's Fees. If any legal action is commenced to enforce the decision of the arbitration panel procured in accordance with Section 9.15, or if any equitable proceeding is brought for the enforcement of this Agreement, the successful or prevailing party or parties shall be entitled to recover reasonable attorneys' fees and other costs incurred in that action or proceeding, in addition to any other relief to which it or they may be entitled.

Section 9.14 Construction. This Agreement shall be construed without regard to any presumption or other rule requiring construction against the party causing this Agreement to be drafted.

If any words in this Agreement have been stricken out or otherwise eliminated (whether or not any other words or phrases have been added) and the stricken words initialed by the party against whom the

words are construed, this Agreement shall be construed as if the words so stricken out or otherwise eliminated were never included in this Agreement and no implication or inference shall be drawn from the fact that those words were stricken out or otherwise eliminated.

Section 9.15 Arbitration. Except for an action seking equitable relief as contemplated by this Agreement, any dispute or claim arising under or with respect to this Agreement or the breach thereof shall be resolved by arbitration in Dade County, Florida under the Florida Arbitration Code, Chapter 682, Florida Statutes, before a panel of three arbitrators, one appointed by the Executive Officers, one appointed by Peoples. The two arbitrators so named shall appoint a third arbitrator within 30 days after the first party receives notice of the appointment of the second arbitrator. The decision or the award of a majority of the arbitrators shall be final and binding upon the parties. Any arbitral award may be entered as a judgment or order in any court of competent jurisdiction. The successful or prevailing party or parties (as determined by the arbitration panel) shall be entitled to recover reasonable attorneys' fees and other costs incurred in the arbitration proceeding, in addition to any other relief to which it or they may be entitled

[intentionally left blank]

IN WITNESS WHEREOF, the parties to this Agreement have caused this Agreement to be duly executed as of the day and year first above written.

PEOPLES TELEPHONE COMPANY, INC.

By:_____
Jeffrey Hanft,
Chief Executive Officer

PEOPLES ACQUISITION CORPORATION

By:_____
Jeffrey Hanft,
President

TELECOIN COMMUNICATIONS, LTD.

By:_____
Gilbert A. Mendelson,
Chairman of the Board and Chief
Executive Officer

ATTEST:

By:_____
Printed name:

Secretary

THE EXECUTIVE OFFICERS

By:_____
Gilbert A. Mendelson

By:_____
David T. Magrish

THE SHAREHOLDERS

By:_____
Louis Swartz

By:_____
Howard Siegel

By:_____
Harvey Ostrow

EMPLOYMENT AGREEMENT

Agreement (the "Agreement") dated as of June 22, 1994 (the "Execution Date") between PEOPLES TELEPHONE COMPANY, INC., a New York corporation (the "Company"), and LARRY ELLMAN (the "Employee").

RECITALS

WHEREAS, the Company is presently engaged in the business of owning and operating telephone and wire communication systems and other businesses (the "Business"); and

WHEREAS, the Employee has many years of business experience and the Employee and the Company desire to enter into this Agreement, subject to the terms and conditions contained herein.

NOW, THEREFORE, in consideration of the promises and of the mutual covenants set forth in this Agreement:

1. Employment and Term.

a. During the term of this Agreement, the Company agrees to employ the Employee and the Employee agrees to serve as an employee of the Company as hereinafter provided. The term (the "Term of Employment") shall begin on June 22, 1994 and shall end on June 22, 1997.

2. Duties.

a. The Employee agrees during the Term of Employment to perform the duties of the President of the Pay Telephone Division and to perform such other duties and assignments of an executive nature relating to the business of the Company as the board of directors of the Company directs. During the Term of Employment the Employee shall, except during customary vacation periods and periods of illness, devote all of his business time and attention to the performance of the duties under this Agreement and to promote the best interests of the Company. The Employee shall report to and shall be subject to the supervision of the Chief Executive Officer, the Executive Vice President and the Chief Operating Officer only. The Employee shall not, either during or outside of normal business hours, directly or indirectly, engage in any aspect of the telecommunications business

for or on behalf of any entity other than the Company, nor engage in any activity inimical to the best interests of the Company.

3. Compensation and Related Matters.

a. Base Salary. The Employee shall receive an annual base salary as follows: (i) during the first year of this Agreement, the Employee shall receive a salary in the amount of $150,000 (the "Base Salary"); (ii) during the second year of this Agreement, the Employee shall receive a salary in an amount equal to the Base Salary plus 10% (the "Adjusted Base Salary), if such Adjusted Base salary is approved by the Company's Board of Directors; and (iii) during the third year of this Agreement, the Employee shall receive a salary in an amount equal to the Adjusted Base Salary plus 10% (the "Second Adjusted Base Salary"), if such Second Adjusted Base salary is approved by the Company's Board of Directors. The Employee shall receive the Base Salary, the Adjusted Base Salary and the Second Adjusted Base Salary during the term of this Agreement in substantially equal monthly or bi-weekly installments in accordance with the normal practice of the Company.

b. The Annual Bonus. The Employee shall receive an annual bonus (the "Bonus") equal to not less than $25,000. The Bonus shall be payable no later than the 31st day after the end of each year during the term of this Agreement. The Bonus shall not exceed 100% of the Employee's annual salary as provided in Section 3(a) above for any year during the term of this Agreement.

c. Stock Options. The Company shall grant the Employee a right to purchase 45,000 shares of common stock of the Company effective as of the Execution Date of this Agreement at a price per share of $5.6875.

Unless otherwise agreed, the foregoing options shall vest one third (1/3) upon execution of the Employment Agreement, one third (1/3) after twelve (12) months following that date and one third (1/3) after twenty-four (24) months following that date. In addition, the Employee may receive additional stock option grants subject to approval of the Board of Directors and on the terms approved by the Board of Directors.

d. Car Allowance. The Company shall pay the Employee a car allowance during the term of this Agreement in an amount up to $500 per month to reimburse the Employee for his automobile expenses, including car/lease payments, insurance costs and related automobile expenses.

e. Fringe Benefits. During the Term of Employment, the Company shall provide Employee with individual medical insurance at the Company's expense, through a major medical/group hospitalization insurance provider determined by the Company, in its sole and absolute discretion. Additionally, the Employee shall enjoy the customary benefits afforded to its employees. The Employee also shall be entitled to participate in employee benefit plans now or hereafter provided or made available to the Company's employees generally, such as life insurance, and pension, retirement and stock option plans. Nothing in this Agreement shall require the Company to establish, maintain or continue any of the fringe benefits already in existence for employees of the Company and

nothing in this Agreement shall restrict the right of the Company to amend, modify or terminate such fringe benefit programs.

f. Vacations. During the Term of Employment, the Employee shall be entitled each year to vacations as are customarily taken by the Company's executive officers. The Company shall not pay the Employee any additional compensation for any vacation time not used by the Employee.

g. Relocation costs. The Company shall pay the cost of moving the Employee's household furnishings and personal property and insuring same against loss from Baltimore, Maryland to Miami, Florida. Such cost shall be approved by the Company prior to the Employee's incurrence of same. Additionally, the Company agrees to provide Employee with the use of a furnished apartment in Dade County, Florida through August 1994. No other relocation costs of any type will be borne by the Company.

4. Termination.

This Agreement may be terminated prior to the expiration of the term set forth in Section 1 above as follows:

a. Death. This Agreement shall terminate upon the death of the Employee, and the Company shall have no further obligation under this Agreement to make any payments to, or bestow any benefits on, his beneficiary or beneficiaries from and after the date of the Employee's death, other than payments or benefits accrued and due and payable to him prior to the date of death pursuant to this Agreement.

b. Disability. The Company may terminate the Employee's employment under this Agreement if as a result of his incapacity due to accident or illness, the Employee shall have been unable to satisfactorily perform his normal duties under this Agreement for a period of six months. Except as specifically provided in this Section 4, the Company shall have no further obligation under this Agreement to make any payments to, or bestow any benefits on, the Employee from and after the date of the termination.

c. Cause. The Company may terminate the Employee's employment under this Agreement for Cause at any time. For purposes of this Agreement, the Company shall have "Cause" to terminate the Employee's employment if he (1) engages in one or more acts constituting a felony or involving fraud or serious moral turpitude; (2) refuses (except by reason of incapacity due to accident or illness) to perform his duties; or (3) engages in misconduct injurious to the Company. In the event of a termination for Cause, the Company shall have no further obligation under this Agreement to make any payments to, or bestow any benefits on, the Employee from and after the date of the termination, other than payments or benefits accrued and due and payable to him prior to the date of termination.

5. Non-Competition.

a. The Employee hereby covenants and agrees that, except with the written consent of the Company, the Employee will not, during the Term of Employment and for one year after the end of the Term of Employment, alone or in association with others as principal, officer, agent, employee, director or stockholder of any corporation, partnership, association or other entity, or through the lending of capital, lending of money or property, or rendering of services or otherwise, (i) engage in any business all or part of which is, at the time, competitive with the business then conducted by the Company, directly or indirectly, in any state in which the Company then operates (ii) solicit or attempt to solicit any person (natural or otherwise) who had entered into an agreement with the Company to conduct its business; and (iii) solicit or attempt to solicit any person employed by the Company to leave their employment or not fulfill their contractual responsibility, whether or not the employment or contracting is full-time or temporary, pursuant to a written or oral agreement, or for a determined period or at will.

6. Company's Right to Injunctive Relief; Attorneys' Fees.

a. The Employee acknowledges that the Employee's services to the Company are of a unique character which gives them a special value to the Company, the loss of which cannot reasonably or adequately be compensated in damages in an action at law, and that a breach of this Agreement will result in irreparable and continuing harm to the Company, and that therefore, in addition to any other remedy which the Company may have at law or in equity, the Company shall be entitled to injunctive relief for a breach of this Agreement by the Employee. The Employee and the Company agree that the prevailing party in any action to enforce any breach of any covenant in this Agreement shall be reimbursed by the other party for all expenses and reasonable attorneys' fees incurred by that party to enforce this Agreement.

7. Trade Secrets and Confidential Information.

a. The Employee acknowledges that the Company's business depends to a significant degree upon the possession of information which is not generally known to others, and that the profitability of the Company's business requires that this information remain proprietary to the Company.

b. The Employee shall not except as required in the course of employment by the Company, disclose or use during or subsequent to the Term of Employment, any confidential information relating to the Company's business of which Employee becomes aware by reason of being employed by the Company or to which Employee gains access. Such information includes, but is not limited to, lists of property owners, data, records, computer programs, manuals, processes, methods and intangible rights which are either developed by the Employee during the Term of Employment or to which the Employee has access. All records and equipment and other materials relating in any

way to any confidential information relating to property owners or to the Company's business shall be and remain the Company's sole property during and after the Term of Employment.

c. Upon termination of employment, the Employee shall promptly return to the Company all materials and all copies of materials involving any confidential information in the Employee's possession or control. The Employee agrees to represent to the Company that he has complied with the provisions of this Section 7 upon termination of employment.

d. The Employee acknowledges that he is not a party to any agreement which may restrict his employment with the Company.

8. Miscellaneous.

a. The captions in this Agreement are not part of its provisions, are merely for reference and have no force or effect. If any caption is inconsistent with any provision of this Agreement, such provision shall govern.

b. This Agreement is made in and shall be governed by and construed in accordance with the laws of the State of Florida, without giving effect to conflict of law principles.

c. To the extent that the terms set forth in this Agreement or any word, phrase, clause or sentence is found to be illegal or unenforceable for any reason, such word, phrase, clause or sentence shall be modified or deleted in such manner so as to afford the Company the fullest protection commensurate with making this Agreement, as modified, legal and enforceable under applicable laws, and the balance of this Agreement shall not be affected thereby, the balance being construed as severable and independent.

d. All notices given under this Agreement shall be in writing and shall be sent by registered or certified mail or delivered by hand and, if intended for the Company, shall be addressed to it or delivered to it at 2300 N.W 89th Place, Miami, Florida 33172 to the attention of Robert D. Rubin, Executive Vice President. If intended for the Employee, notices shall be delivered personally or shall be addressed (if sent by mail) to the Employee's then current residence address as shown on the Company's records, or to such other address as the Employee directs in a notice to the Company. All notices shall be deemed to be given on the date received at the address of the addressee or, if delivered personally, on the date delivered.

e. As used in this Agreement where appropriate, the masculine shall include the feminine; where appropriate, the singular shall include the plural and the plural shall include the singular.

f. This Agreement contains all obligations and understandings

between the parties relating to the subject of this Agreement and merges all prior discussions, negotiations and

agreements, if any, between them, and none of the parties shall be bound by any conditions, definitions, understandings, warranties or representations other than as expressly provided or referred to in this Agreement. This Agreement is intended to cancel and supersede all existing agreements between the Employee and the Company.

g. This Agreement may be modified only by a written instrument properly executed by the parties to this Agreement.

h. No waiver by any party to this Agreement, whether expressed or implied, of its rights under any provision of this Agreement shall constitute a waiver of the party's rights under the provisions at any other time or a waiver of the party's rights under any other provision of this Agreement.

i. The Employee and the Company agree that the prevailing party in any action to enforce any breach of any covenant in this Agreement shall be reimbursed by the other party for all expenses and reasonable attorneys' fees incurred by that party to enforce this Agreement.

IN WITNESS WHEREOF, the parties to this Agreement have executed this Agreement as of the day and year first above written.

PEOPLES TELEPHONE COMPANY, INC.

By: _____
Robert D. Rubin
Executive Vice President

THE EMPLOYEE

By: _____
Larry Ellman

PEOPLES TELEPHONE COMPANY

1987 NON-QUALIFIED STOCK OPTION PLAN

1. Purpose. The purpose of this Non-Qualified Stock Option Plan (the "Plan") is to further the best interests of PEOPLES TELEPHONE COMPANY and its subsidiaries (the "Company") by encouraging directors, officers and employees of the Company to acquire a proprietary stake in the Company and its future growth. It is the view of the Company that it may achieve this goal by granting stock options.

2. Option Shares. 150,000 shares of the Common Stock of the Company, par value $.01 per share (the "Stock"), are hereby reserved for issuance upon the exercise of the stock options granted under the Plan (the "Options"). The Stock may be issued pursuant to such Options either from the Company's authorized but unissued Stock or from the Company's issued but not outstanding Stock (treasury stock). Should any Options granted hereunder not be exercised in the time allowed for such exercise, the shares of Stock relating to such lapsed Options shall be available for issuance pursuant to Options subsequently granted under the Plan.

3. Administration of this Plan. This Plan shall be administered by a committee of the Board of Directors of the Company (the "Committee"). The Committee may exercise any and all of the powers and functions of the Company's Board of Directors pursuant to this Plan as described herein.

Subject to the provisions of the Plan, the Committee shall have authority to (i) adopt, amend and rescind its rules, regulations and procedures as it deems advisable in the administration of the Plan, (ii) construe and interpret the Plan and (iii) the administration of the Plan. All decisions, determinations and interpretations of the Committee shall be final, conclusive and binding on all persons holding an Option granted pursuant to the Plan ("Optionees").

Neither the Committee nor any member thereof shall be liable for any action or determination take or made in good faith with respect to the Plan or any Option granted thereunder.

4. Eligibility. All directors, officers and employees of the Company designated by the Committee shall be eligible to receive Options under the Plan.

5. Grant of Options. In making its selection of those eligible to receive Options and determining the number of shares to be granted pursuant to each Option, the Committee may consider any factors that it may, in its sole discretion, deem relevant. Each grant of an Option pursuant to this Plan shall be made within ten (10) years from the date of adoption of this Plan by the Company's Board of Directors (the "Adoption Date"). Each grant of an Option pursuant to this Plan shall be made upon such terms and conditions as may be determined by the Committee at the time of grant, subject to the terms,

conditions and limitation set forth in this Plan.

6. Option Price. The purchase price per share of Stock placed under an Option pursuant to this Plan (the "Option Price") shall be determined by the Committee, but in no event may such price be below the fair market value of such Stock on the business day immediately preceding the date of the grant. The Committee shall determine or adopt rules to determine such fair market value.

7. Duration of Option. An Option granted hereunder shall be effective (hereinafter called the "Option Period") upon the date it is granted, and shall continue until the later of (i) a date set by the Committee at the time of grant or (ii) ten years after the date of grant. In addition, and in limitation of the above, the Option Period of any Option shall terminate 30 days after the termination of the Optionee's employment by the Company for any reason, except the death or disability of the Optionee. In the event of the termination of employment due to the death or disability o the Optionee, the Option Period of the Option held by him upon the date of such termination shall terminate upon the earlier of (a) six months after the date of the Optionee's death or termination due to disability, as the case may be, or (b) the date of termination of such Option determined by the first sentence of this Section. In the event of termination of an Optionee's employment due to the death of the Optionee, such Optionee's Options may be exercised during such six month period by his estate or by the person who acquired the right to exercise such Options through bequest or inheritance.

8. Nontransferability of Options. No Option granted pursuant to this Plan may be transferred by any Optionee otherwise than by will or by the laws of descent and distribution; further, during the lifetime of any Optionee, Options granted hereunder may be exercised only by such Optionee.

9. Termination of the Plan. This Plan shall terminate upon the close of business ten (10) years from the Adoption Date unless it shall gave been sooner terminated by reason of there having been granted and fully exercised Options covering the entire 150,000 shares of Stock subject to this Plan. Upon such termination, no further Options may be granted hereunder. If, after termination of this Plan as provided above, there are outstanding Options which have not been fully exercised, such Options shall remain in effect in accordance with their terms and shall remain subject to the terms of this Plan.

10. Exercise of Options. An Option granted pursuant to this Plan shall be exercisable at any time within the Option Period, subject to the terms and conditions of such Option. Exercise of any Option shall be made by the delivery, during the period that such Option shall be made by the delivery, during the period that such Option is exercisable, to the Company, in person or by mail, of (i) written notice from the Optionee and (ii) the payment of the aggregate purchase price of all shares as to which such Option is then exercised and the payment of any required federal income tax withholding. Such aggregate purchase price shall be paid to the Company in cash, Stock or any other class of

equity securities of the Company (such Stock and other class of equity securities of the Company are hereinafter collectively referred to as the "Company Stock"), or in a combination of cash or Company Stock at the time of exercise.

There may not, however, be any payment by an Optionee of the exercise price in

whole or in part with shares of Company Stock at a time when the Company is Insolvent (as hereinafter defined) or when such payment would make the Company Insolvent, or as such payment may otherwise be prohibited by any applicable state or Federal statute, rule or regulation, or any rule or regulation of any stock exchange upon which Company Stock is traded, or if Company Stock is traded on a recognized stock quotation service, which may be the National Association of Securities Dealers Automated Quotations System ("NASDAQ"), any rule or regulation of NASDAQ. For purposes of this Plan, "Insolvent" shall mean the inability of the Company to pay it debts as they become due in the usual course of its business. Company Stock utilized in full or partial payment of the exercise price shall be valued at fair market value on the date of exercise of the Option. The Committee shall determine or enact rules to determine the fair market value of any Company Stock.

Notwithstanding anything to the contrary contained herein, no written notice shall be effective under this Section 10 unless it requests the exercise of Options for one hundred (100) shares or an integral multiple thereof; except to the extent necessary to make full exercise of the Options in the event that only an odd lot remains. Upon the exercise of an Option in compliance with the provisions of this Section, and upon the receipt by the Company of the payment for the Stock so taken up, the Company shall (i) deliver or cause to be delivered to the Optionee so exercising his Option a certificate or certificates for the number of shares of Stock with respect to which the Option is so exercised any payment is so made, and (ii(register or cause such shares to be registered in the name of the exercising Optionee.

The Committee may impose additional conditions upon the right of an Optionee to exercise an Option granted hereunder if such conditions are not inconsistent with the terms of this Plan.

Upon exercise of an Option, the Committee may permit the issuance of Stock prior to its full payment if satisfactory arrangements are made for its prompt sale and for an escrow or similar arrangement with a financial institution or brokerage house for payment to the Company of the full purchase price of the Option.

11. Stock Appreciation Rights.

(a) The Committee, in its discretion, may at the time of exercise of

an Option, in conjunction with all or part of any Option granted under the Plan, permit an Optionee to exercise the Option in an alternative manner based on the appreciated value of the common stock subject to the Option (hereinafter referred to as a "Stock Appreciation Right"); provided, however, that the final Committee approval is needed in order to exercise a Stock Appreciation Right.

(b) Upon the exercise of a Stock Appreciation Right, an Optionee shall be entitled to receive, at the option of the Committee, either (i) cash equal to the "current value of the option" or (ii) the number of shares equal to the "current value of the option" divided by the fair market value of one share of stock on the date of exercise over the option price per share specified in the related option, multiplied by the number of shares with respect to which the Stock Appreciation Rights are

being exercised. The fair market value of the stock shall be deemed to be the closing price of the Company's common stock reported in the Over-the-Counter market or, in the event no sale of the Company's stock shall have been reported on that day, the closing price for the Company's stock on the next preceding day when such stock as determined by the Committee in its discretion. The date of exercise shall be deemed to be the day the Secretary of the Company receives written notice to exercise the Option.

(c) The Optionee may express his desire to exercise his Option in the form of Stock Appreciation Rights by his delivering written notice of exercise to the Secretary of the Company stating such desire. Upon the Secretary's receipt of the notice of exercise, the Committee shall have thirty (30) days to mail to the Optionee its written approval or disapproval of the exercise of the Stock Appreciation Right. The Committee's decision to approve or disapprove the exercise shall be final and binding upon all concerned. In the event the Committee's written decision on the exercise if not mailed to the Optionee within thirty (30) days after delivery to the Secretary of the notice of exercise, the Optionee shall be entitled to receive the number of shares determined pursuant to Section 11(b) hereof. In the event the Committee disapproves the exercise of the Stock Appreciation Right, the Optionee shall have all rights pursuant to this Plan with respect to the exercisable shares as if the Optionee had not exercised the Stock Appreciation Right.

In the event the term of the Option has lapsed during the Committee's thirty (30) day review period described in this Section 11(c) and the Committee disapproves the exercise of the Stock Appreciation Right, the Optionee shall be entitled to an additional thirty (30) day period, beginning from the date he receives notice of the Committee's disapproval, within which to purchase the shares related to the disapproved Stock Appreciation Right by paying the Option Price of such shares to the Company; provided, however, the thirty (30) day period shall not extend beyond the period specified in Section 7 hereof.

(d) Upon the exercise and Committee approval of Stock Appreciation

Rights, the Option or part thereof to which such Stock Appreciation Rights is related shall be deemed to have been exercised for the purpose of the limitation of the number of shares of common stock to be issued under the Plan as set forth in Section 2 hereof and for purposes of the limitation of the number of shares of common stock to be issued under the Plan as set forth in Section 2 hereof and for purposes of the limitation of the number of shares of common stock to be issued pursuant to that Option.

12. Controlling Terms. Options granted pursuant hereto may include conditions that are more (but not less) restrictive to the Optionee than the conditions contained herein and, in such event, the more restrictive conditions shall apply.

13. Purchase of Stock for Investment. Unless the Options and shares covered by the Plan have been registered under the Securities Act 1933, as amended (the "Securities Act"), pursuant to a registration statement filed with the Securities and Exchange Commission and any other applicable regulatory agency, or the Company has determined that such registration is unnecessary, each Optionee exercising an Option under the Plan may be required by the Company (i) to give a

representation in writing that such shares are being acquired for the Optionee's own account and not for the account or beneficial interest of any other person or entity, and that such shares of Stock shall be acquired for the Optionee's own investment and not with a view to or for resale in connection with the distribution of al or any part thereof; (ii) to represent and acknowledge that he is a sophisticated investor by virtue of his education, learning and other investments and that he is knowledgeable and experienced in business and financial matters and with respect to the business of the Company, in particular; (iii) to represent and acknowledge that he has been furnished or has otherwise obtained all information necessary to enable him to evaluate the merits and risks of an investment in the shares of Stock and that he has had access to any and all information he desires to enable him to evaluate the risks and merits of an investment in the shares of Stock; and (iv) to covenant and agree to restrictions governing the time and circumstances of disposition of the shares of Stock being acquired by such exercise. In the event that the Company requires any such representation or covenant, any shares of Stock so acquired will bear an appropriate legend to signify the restrictions on such shares under the applicable securities laws and that "stop-transfer" instructions will be given to eh Company's registrar and transfer agent. To the extent necessary to comply with the securities laws, regulations or orders of the Untied States or any state, the Committee may, as a condition precedent to the exercise of an Option, require the Optionee (or the legal representatives, legatees or distributees, in the event of the Optionee's death or disability) to covenant and agree to any other restrictions which the Committee believes to be necessary or advisable to comply with any such laws, regulations or orders, including but not limited to restrictions governing the time and circumstances of disposition

of the shares being acquired by exercise of such Option.

14. Requirements of Law. If any law, regulation or order of the Untied States Securities and Exchange Commission, or of any other commission or agency having jurisdiction, shall require the Company or the exercising Optionee to take any action with respect to the shares of Stock acquired by the exercise of an Option, then the date upon which the Company shall deliver or cause to be delivered the certificate or certificates for the shares of Stock shall be postponed until full compliance has been made with all such requirements of law or regulation. Further, in the event that the Company shall determine that, in compliance with the Securities Act or any other applicable statute or regulation, it is necessary to register any of the shares of Stock with respect to which an exercise of an Option has been made, or to qualify any such shares for exemption from any of the requirements of the Securities Act or such other applicable statute or regulations, then the Company shall take such action at its own expense, but not until such an action has been completed shall the Option shares be delivered to the exercising Optionee. Further, in the event that the time of exercise of the Option the shares of Stock shall be listed on any stock exchange, then if required by law or the exchange to do so, the Company shall register the Option shares of Stock with respect to which exercise is so made in accordance with the provisions of the Securities Act, any other applicable law or regulation or any rules or regulations of any such exchange, and the Company shall make prompt application for the listing of Option shares on such exchange at the expense of the Company.

15. No Exchange Act Registration Obligation. Notwithstanding any other provision contained herein, the Company shall have no obligation to be registered under the Securities and Exchange Act of 1934 (the "Exchange Act"), to continue any such registration or to be current in this reporting obligations under the Exchange Act.

16. No Rights Conferred upon Granting of Options. The Optionee shall not have any rights as a shareholder of the Company with respect to any shares of Stock prior to the date of issuance to the Optionee of the certificate or certificates for such shares. Neither the Plan nor the Option confer on the Optionee any right to be employed by the Company.

17. Adjustments. In the event of any reorganization, merger, consolidation, acquisition, separation, recapitalization, split-up, combination, exchange of shares or stock dividend of the Stock or shares convertible into the Stock or similar corporate action, the number and class of shares of Stock available pursuant to this Plan and any Options granted pursuant to this Plan, together with the Option Prices, shall be adjusted by appropriate modifications in this Plan and in any Options outstanding pursuant to this Plan. Any such adjustment to the Plan or to Options or Option Prices shall be made by notice of the Company's Board of Directors, whose determination shall be conclusive.

18. Amendment or Discontinuance of this Plan. The Company's Board of Directors may amend, suspend or discontinue that Plan at any time without restriction; provided, however, that such Board may not alter or amend or discontinue or revoke or otherwise impair any outstanding Options that have been granted pursuant tot this Plan and remain unexercised, except as provided in Section 16 above, or except in the event that there is secured the written consent of the holder of the outstanding Option proposed to be so altered or amended. Nothing contained in this Section, however, shall in any way extend the Option Period of any outstanding Option by an amendment, suspension or discontinuance of the Plan.

In addition, notwithstanding any other provision in the Plan, in the event of a change in any Federal or state law or regulation which would make the exercise of all or part of an existing Option unlawful or subject the Company to a penalty, the Company's Board of Directors may restrict such exercise without the consent of the Optionee or other holder thereof in order to comply with such law or regulation or to avoid such penalty.

19. Liquidation of the Company. In the event of the complete liquidation or dissolution of the Company, other than as an incident to a merger, reorganization or other adjustment referred to in Section 16 above, any Options granted pursuant to this Plan and remaining unexercised shall be deemed cancelled without regard to or without being limited by any other provisions of this Plan.

20. Unsecured Obligation. Optionees shall not have any interest in any fund or special asset of the Company by reason of the Plan. No trust fund shall be created in connection with the Plan or any award thereunder, and there shall be no required funding of amounts which may become payable to any Optionee.

21. Governing Law. The Plan shall be governed by, construed and enforced in accordance with the laws of the State of Florida.

22. Compliance with Rule 16b-3. It is the intent of the Committee that all Options granted hereunder comply with the applicable provision of Rule 16b-3 of the Securities and Exchange Commission as presently in effect and as amended from time to time. Therefore, this Plan may be amended in any manner deemed by the Committee necessary or desirable to meet any provision or condition of Rule 16-3. Additionally, the Committee shall grant all Options in such a manner as to comply with the applicable requirements of Rule 16b-3.

23. Approval. This Plan shall be adopted by the Company's Board of Directors and approved by a majority of the shareholders of the Company.

PEOPLES TELEPHONE COMPANY, INC.

1987 NON-QUALIFIED STOCK OPTION PLAN

FIRST AMENDMENT TO PLAN

The Peoples Telephone Company, Inc. 1987 Non-Qualified Stock Option Plan (the "Plan") is hereby amended as follows:

1. The first sentence of Section 2 of the Plan is amended to read:

"350,000 shares of the Common Stock of the Company, par value $.01 per share (the "Stock"), are hereby reserved for issuance upon the exercise of stock options granted under the Plan (the "Options")."

PEOPLES TELEPHONE COMPANY, INC.

1987 NON-QUALIFIED STOCK OPTION PLAN

SECOND AMENDMENT TO PLAN

The Peoples Telephone Company, Inc. 1987 Non-Qualified Stock Option Plan (the "Plan") is hereby amended as follows:

1. The first sentence of Section 2 of the Plan is amended to read:

"700,000 shares of the Common Stock of the Company, par value $.01 per share (the "Stock"), are hereby reserved for issuance upon the exercise of stock options granted under the Plan (the "Options")."

PROPOSED

PEOPLES TELEPHONE COMPANY, INC.

1987 NON-QUALIFIED STOCK OPTION PLAN

THIRD AMENDMENT TO PLAN

The Peoples Telephone Company, Inc. 1987 Non-Qualified Stock Option Plan (the "Plan") is hereby amended as follows:

1. The first sentence of Section 2 of the Plan is amended to read:

"1,200,000 shares of the Common Stock of the Company, par value $.01 per share (the "Stock"), are hereby reserved for issuance upon

the exercise of stock options granted under the Plan (the "Options")."

PROPOSED

PEOPLES TELEPHONE COMPANY, INC.

1987 NON-QUALIFIED STOCK OPTION PLAN

FOURTH AMENDMENT TO PLAN

The Peoples Telephone Company, Inc. 1987 Non-Qualified Stock Option Plan (the "Plan") is hereby proposed as follows:

1. The first sentence of Section 2 of the Plan is proposed to read:

"1,400,000 shares of the Common Stock of the Company, par value $.01 per share (the "Stock"), are hereby reserved for issuance upon the exercise of stock options granted under the Plan (the "Options")."

PEOPLES TELEPHONE COMPANY

1987 NON-QUALIFIED STOCK OPTION PLAN
FOR NON-EMPLOYEE DIRECTORS

1. PURPOSE. The purpose of this Non-Qualified Stock Option Plan for Non-Employee Directors (the "Plan") is to improve the ability of PEOPLES TELEPHONE COMPANY (the "Company") to attract and retain highly-qualified non-employee directors by encouraging such directors of the Company to acquire a proprietary stake in the Company and its future growth. It is the view of the Company that is may achieve its goal by granting stock options under the Plan.

2. OPTION SHARES. 75,000 shares of the Common Stock of the Company, par value $.01 per share (the "Stock"), are hereby reserved for issuance upon the exercise of the stock options granted under the Plan (the "Options"). The Stock may be issued pursuant to such options either from the Company's authorized but unissued Stock or from the Company's issued but not outstanding Stock (treasury stock). Should any Options granted hereunder not be exercised in the time allowed for such exercise, the shares of Stock relating to such lapsed Options shall be available for issuance pursuant to Options subsequently granted under the Plan.

3. ADMINISTRATION OF THIS PLAN. This Plan shall be administered by a committee of three employees of the Company, none of whom are eligible for the grant of options under the Plan (the"Committee").

Subject to the provisions of the Plan, the Committee shall have authority to (i) adopt, amend and rescind the rules, regulations and procedures as it deems advisable in the administration of the Plan, (ii) construe and interpret the Plan and (iii) make all other determinations deemed necessary or advisable for the administration of the Plan. All decisions, determinations and interpretations of the Committee shall be final, conclusive and binding on all persons holding an Option granted pursuant to the Plan ("Optionees").

Neither the Committee nor any member thereof shall be liable for any action or determination taken or made in good faith with respect to the Plan or any Option granted thereunder.

4. ELIGIBILITY. All non-employee directors of the Company designated by the Committee shall be eligible to receive Options under the Plan.

5. GRANT OF OPTIONS. In making its selection of those eligible to receive Options and determining the number of shares to be granted pursuant to each Option, the Committee may consider any factors that it may, in its sole discretion, deem relevant. Each grant of an Option pursuant to this Plan shall be made within ten (10) years from the date of adoption of this Plan by the Company's Board of Directors (the "Adoption Date"). Each grant shall be made upon such terms and conditions as may determined by the Committee at the time of grant, subject to the terms, conditions and limitations set forth in this Plan.

6. OPTION PRICE. The purchase price per share of Stock placed under an Option pursuant to this Plan (the "Option Price") shall be determined by the Committee, but in no event may such price be below the fair market value of such Stock on the business day immediately preceding the date of the grant. The Committee shall determine or adopt rules to determine such fair market value.

7. DURATION OF OPTION. An Option granted hereunder shall be effective (hereinafter called the "Option Period") upon the date it is granted, and shall continue until the later of (i) a date set by the Committee at the time of grant or (ii) ten years after the date of the grant. In addition, and in limitation of the above, the Option Period of any Option shall terminate 30 days after the Optionee voluntarily resigns as a director of the Company.

8. NONTRANSFERABILITY OF OPTIONS. No Option granted pursuant to this Plan may be transferred by any Optionee otherwise than by will or by the laws of descent and distribution; further, during the lifetime of the Optionee, options granted hereunder may be exercised only by such Optionee.

9. TERMINATION OF THE PLAN. This Plan shall terminate upon the close of business the (10) years from the Adoption Date unless it shall have been sooner terminated by reason of there having been granted and fully exercised Options covering the entire 75,000 shares of Stock subject to this Plan. Upon such termination, no further Options may be granted hereunder. If, after termination of this Plan as provided above, there are outstanding Options which have not been fully exercised, such Options shall remain in effect in accordance with their terms and shall remain subject to the terms of this Plan.

10. EXERCISE OF OPTIONS. An Option granted pursuant to this Plan shall be exercisable at any time within the Option Period, subject to the terms and conditions of such Option. Exercise of any Option shall be made by the delivery' during the period that such Option is exercisable, to the Company, in person or by mail, of (i) written notice from the Optionee stating that the Optionee is exercising such Option and (ii) the payment of the aggregate purchase price of all shares as to which such Option is then exercised and the payment of any required federal income tax withholding. Such aggregate purchase price shall be paid to the Company in cash, Stock or any other class of equity securities of the Company (such Stock and other class of equity securities are hereinafter collectively referred to as the "Company Stock")' or in a combination of cash or Company Stock at the time of exercise.

There may not, however, be any payment by an Optionee of the exercise price in whole or in part with shares of Company Stock at a time when the Company is Insolvent (as hereafter defined) or when such payment would make the Company Insolvent, or as such payment may otherwise be prohibited by any applicable state or Federal statute, rule or regulation, or any rule or regulation of any stock exchange upon which Company Stock is traded, or if Company Stock is traded on a recognized stock quotation service, which may be the National Association

of Securities Dealers Automated Quotations System ("NASDAQ"), any rule or regulation of NASDAQ. For the purposes of this Plan, "Insolvent" shall mean the inability of the Company to pay its debts as they become due in the usual course of its business. Company Stock utilized in full or partial payment of the exercise

price shall be valued at the fair market value on the date of exercise of the Option. The Committee shall determine or enact rules to determine the fair market value of any Company Stock.

Notwithstanding anything to the contrary contained herein, no written notice shall be effective under this Section 10 unless it requests the exercise of Options for one hundred (100) shares or an integral multiple thereof; except to the extent necessary to make full exercise of the Options in the event that only an odd lot remains. Upon the exercise of an Option in compliance with the provisions of this Section, and upon receipt by the Company of the payment for the Stock so taken up, the Company shall (i) deliver or cause to be delivered to the Optionee so exercising the Option a certificate or certificates for the number of shares of Stock with respect to which the Option is so exercised and payment is so made, and (ii) register or cause such shares to be registered in the name of the exercising Optionee.

The Committee may impose additional conditions upon the right of an Optionee to exercise an Option granted hereunder if such conditions are not inconsistent with the terms of this Plan.

Upon exercise of an Option, the Committee may permit the issuance of Stock prior to its full payment if satisfactory arrangements are made for its prompt sale and for an escrow or similar arrangement with a financial institution or brokerage house for payment to the Company of the full purchase price of the Option.

11. STOCK APPRECIATION RIGHTS.

(a) The Committee, in its discretion, may at the time of exercise of an Option, in conjunction with all or part of any Option granted under the Plan, permit an Optionee to exercise the Option in an alternative manner based on the appreciated value of common stock subject to the Option (hereinafter referred to as a "Stock Appreciation Right"); provided, however, that the final Committee approval is needed in order to exercise a Stock Appreciation Right.

(b) Upon the exercise of a Stock Appreciation Right, an Optionee shall be entitled to receive, at the option of the Committee, either (i) cash equal to the "current value of the option" or (ii) the number of shares equal to the "current value of the option" divided by the fair market value of one share of stock on the date of exercise. The 'current value of the option" shall be equal to the excess of the fair market value of one share of common stock on the date

of exercise over the option price per share specified in the relation option, multiplied by the number of shares with respect to which the Stock Appreciation Rights are being exercised. The fair market value of the stock shall be deemed to be the closing price of the Company's common stock reported in the Over-the-Counter market or, in the event no sale of the Company's stock shall have been reported on that day, the closing price fro the Company's stock on the next preceding day when such price was reported, or, if the Company's stock is not actively traded on an organized market, the fair market value of such stock as determined by the Committee in its discretion. The date of exercise shall be deemed to be the day the Secretary of the Company receives written notice to exercise the Option.

(c) The Optionee may express his desire to exercise his Option in the form of Stock Appreciation Rights by his delivering written notice of exercise to the Secretary of the Company stating such desire. Upon the Secretary's receipt of the notice of exercise, the Committee shall have thirty (30) days to mail the Optionee its written approval or disapproval of the exercise of the Stock Appreciation Right. The Committee's decision to approve or disapprove the exercise shall be binding upon all concerned. In the event the Committee's written decision on the exercise is not mailed to the Optionee within thirty (30) days after delivery to the Secretary of the notice exercise, the Optionee shall be entitled to receive the number of shares determined pursuant to Section 11(b) hereof. In the event the Committee disapproves the exercise of the Stock Appreciation Right, the Optionee shall have all rights pursuant to this Plan with respect to the exercisable shares as if the Optionee had not exercised the Stock Appreciation Right.

In the event the term of the Option has lapsed during the Committee's thirty (30) day review period describe in this Section 11(c) and the Committee disapproves the exercise of the Stock Appreciation Right, the Optionee shall be entitled to an additional thirty (30) day period, beginning fro the date he receives notice of the Committee's disapproval, within which to purchase the shares related to the disapproved Stock Appreciation Right by paying the Option Price of such shares to the Company; provided, however, the thirty (30) day period shall no extend beyond the period specified in Section 7 hereof.

(d) Upon the exercise and Committee approval of Stock Appreciation Rights, the Option or part thereof to which such Stock Appreciation Rights is related shall be deemed to have been exercised for the purpose of the limitation of the number of shares of common stock to be issued under the Plan as set forth in Section 2 hereof and for purposes of the limitation of the number of shares of common stock to be issued pursuant to that Option.

12. CONTROLLING TERMS. Options granted pursuant hereto may include conditions that are more (but not less) restrictive to the Optionee than the conditions contained herein and, in such event, the more restrictive conditions shall apply.

13. PURCHASE OF STOCK FOR INVESTMENT. Unless the Options and shared covered by the Plan have been registered under the Securities as of 1933, as amended (the "Securities Act"), pursuant to a registration statement filed with the Securities and Exchange Commission and any other applicable regulatory agency, or the Company has determined that such registration is unnecessary, each Optionee exercising an Option under the Plan may be required by the Company (i) to give a representation in writing that such shares are being acquired for the Optionee's own account and not for the account or beneficial interest of any other person or entity, and that such shares of Stock shall be acquired for the Optionee's own investment and not with a view to or resale in connection with the distribution of all or any part thereof; (ii) to represent and acknowledge that he is a sophisticated investor by virtue of his education, learning and other investments and that he is knowledgeable and experienced in business and financial matters and with respect to the business of the Company; in particular; (iii) to represent and acknowledge that he has been furnished or has otherwise obtained all information necessary to enable him to evaluate the merits and risks of an investment in the shares

of Stock and that he has had access to any and all information he desires to enable him to evaluate the risks and merits of and investment in the shares of Stock; and (iv) to covenant and agree to restrictions governing the time and circumstances of disposition of the shares of Stock being acquired by such exercise. In the event that the Company requires any such representation or covenant, any shares of Stock so acquired will bear an appropriate legend to signify the restrictions on such shares under the applicable securities laws and that "stop-transfer" instructions will be given to the Company's registrar and transfer agent. To the extent necessary to comply with the securities laws, regulations or orders of the United States or any state, the Committee may, as a condition precedent to the exercise of an Option, require the Optionee (or the legal representatives, legatees or distributees, in the event of the Optionee's death or disability) to covenant and agree to any other restrictions which the Committee believes to be necessary or advisable to comply with such laws, regulations or orders, including but not limited to restrictions governing the time and circumstances of disposition of the shares being acquired by exercise of such Option.

14. REQUIREMENTS OF LAW. If any law, regulation or order of the United States Securities and Exchange Commission, or if any other commission or agency having jurisdiction, shall require the Company or the exercising Optionee to take any action with respect to the shares of Stock acquired by the exercise of an Option, then the date upon which the Company shall deliver or cause to be deliver the certificate or certificates for the shares of Stock shall be postponed until full compliance has been made with all such requirements of law or regulation. Further, in the event that the Company shall determine that, in compliance with the Securities Act or any other applicable statute or regulation, it is necessary to register any of the shares of Stock with respect

to which an exercise of an Option has been made, or to qualify any such shares for any exemption from any of the requirements of the Securities Act or such other applicable statue or regulations, then the Company shall take such action at its own expense, but not until such an action has been completed shall the Option shares be delivered to the exercising Optionee. Further, in the event that at the time of exercise of the Option the shares of Stock shall be listed on any stock exchange, then if required by law or the exchange to do so, the Company shall register the Option shares of Stock with respect to which exercise is so made in accordance with the provisions of the Securities Act, any other applicable law or regulation or any rules or regulations of any such exchange, and the Company shall make prompt application for the listing of Option shares on such exchange at the expense of the Company.

15. NO EXCHANGE ACT REGISTRATION OBLIGATION. Notwithstanding any other provision contained herein, the Company shall have no obligation to be registered under the Securities and Exchange Act of 1934 (the "Exchange Act"),to continue any such registration or to be current in its reporting obligations under the Exchange Act.

16. NO RIGHTS CONFERRED UPON GRANTING OF OPTIONS. The Optionee shall not have any rights as a shareholder of the Company with respect to any shares of Stock prior to the date of issuance to the Optionee of the certificate or certificates for such shares. Neither the Plan nor the Option confer on the Optionee any right to be employed by the Company.

17. ADJUSTMENTS. In the event of any reorganization, merger, consolidation, acquisition, separation, recapitalization, split-up, combination, exchange of shares or stock dividend of the Stock or shares convertible into the Stock or similar corporate action, the number and class of shares of Stock available pursuant to this Plan and any Options granted pursuant to this Plan, together with the Option Prices, shall be adjusted by appropriate modifications in this Plan and in any Options outstanding pursuant to this Plan. Any such adjustment to the Plan or to Options or Options Prices shall be made by notice of the Company's Board of Directors, whose determination shall be conclusive.

18. AMENDMENT OR DISCONTINUANCE OF THIS PLAN. The Company's Board of Directors may amend, suspend or discontinue this Plan at any time without restriction; provided, however, that such Board may not alter or amend or discontinue or revoke or otherwise impair any outstanding Options that have been granted pursuant to this Plan and remain unexercised, except as provided in Section 16 above, or except in the event that there is secured the written consent of the holder of the outstanding Option proposed to be so altered or amended. Nothing contained in this Section, however, shall in any way extend the Option Period of any outstanding Option by an amendment, suspension or discontinuance of the Plan.

In addition, notwithstanding any other provision in the Plan, in the event

of a change in any Federal or state law or regulation which would make the exercise of all or part of an existing Option unlawful or subject the Company to a penalty, the Company's Board of Directors may restrict such exercise without the consent of the Optionee or other holder thereof in order to comply with such law or regulation or to avoid such penalty.

19. LIQUIDATION OF THE COMPANY. In the event of the complete liquidation or dissolution of the Company, other than as an incident to a merger, reorganization or other adjustment referred to in Section 16 above, any Options granted pursuant to this Plan and remaining unexercised shall be deemed cancelled without regard to or without being limited by any other provisions of this Plan.

20. UNSECURED OBLIGATION. Optionees shall no have any interest in any fund or special asset of the Company by reason of the Plan. No trust fund shall be created in connection with the Plan or any award thereunder, and there shall be no required funding of amounts which may become payable to any Optionee.

21. GOVERNING LAW. The Plan shall be governed by, construed and enforced in accordance with the laws of the State of Florida.

22. COMPLIANCE WITH RULE 16B-3. It is the intent of the Committee that all Options granted hereunder comply with the applicable provisions of Rule 16b-3 of the Securities and Exchange Commission as presently in effect and as amended from time to time. Therefore, this Plan may be amended in any manner deemed by the Committee necessary or desirable to meet any provision or condition of Rule 16b-3. Additionally, the Committee shall grant all Options in such a

manner as to comply with the applicable requirements of Rule 16b-3.

23. APPROVAL. This Plan shall be adopted by the Company's Board of Directors and approved by a majority of the shareholders of the Company.

EXHIBIT 11.1

PEOPLES TELEPHONE COMPANY, INC.
COMPUTATION OF EARNINGS (LOSS) PER COMMON SHARE (RESTATED)
(UNAUDITED, IN THOUSANDS, EXCEPT PER SHARE DATA)

<TABLE>
<CAPTION>

	THREE MONTHS ENDED MARCH 31,	
	1995	1994
<S>	<C>	<C>
Loss from continuing operations	$ (361)	$(1,009)
Loss from discontinued operations	--	(1,048)
Extraordinary loss from extinguishment of debt, net	(2,894)	--
Net loss	$(3,255)	$(2,057)
Number of shares:		
Weighted average shares used in the per share computation	15,829	15,611
Earnings per common and common equivalent share:		
Loss from continuing operations	$ (.02)	$ (.06)
Loss from discontinued operations	--	(.07)
Extraordinary loss from extinguishment of debt, net	(.18)	--
Net loss	$ (.20)	$ (.13)

</TABLE>

EXHIBIT 12.1

PEOPLES TELEPHONE COMPANY, INC.
RATIO OF EARNINGS TO FIXED CHARGES
(IN THOUSANDS)

<TABLE>
<CAPTION>

	FOR THE YEARS ENDED DECEMBER 31,						FOR THE QUARTERS ENDED MARCH 31,		
	HISTORICAL					PRO FORMA	HISTORICAL		PRO FORMA
	1990	1991	1992	1993	1994	1994(1)	1994	1995	1995(1)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Fixed charges:									
Interest expense (gross).....	$1,978	$2,533	$2,923	$ 3,433	$ 8,197	$ 13,548	$ 1,525	$2,169	$ 2,961
Amortization of debt expenses....	97	200	199	208	848	521	170	--	139
Portion of rent expense representative of the interest factor.....	126	158	169	139	195	195	47	56	56
Total fixed charges.....	$2,201	$2,891	$3,291	$ 3,780	$ 9,240	$ 14,264	$ 1,742	$2,225	$ 3,156
Earnings:									
Net (loss) income from continuing operations before taxes.....	$ 588	$3,122	$4,919	$ 6,865	$(12,362)	$ (14,990)	$(1,474)	$ (577)	$ (1,197)
Plus: fixed charges.....	2,201	2,891	3,291	3,780	9,240	14,264	1,742	2,225	3,156
Earnings.....	$2,789	$6,013	$8,210	$10,645	$ (3,122)	$ (726)	$ 268	$1,648	$ 1,959
Ratio of earnings to fixed charges	1.3x	2.1x	2.5x	2.8x	-- (2)	-- (3)	-- (4)	-- (5)	-- (6)

<FN>
- ------------------------

(1) Interest expense has been adjusted for the year ended December 31, 1994 and the quarter ended March 31, 1995, on a pro forma basis, to reflect the Refinancing.

(2) For the year 1994, earnings were not sufficient to cover fixed charges by approximately $12,362.

(3) On a pro forma basis 1994 earnings were not sufficient to cover fixed charges by approximately $14,990.

(4) For the quarter ended March 31, 1994, earnings were not sufficient to cover fixed charges by approximately $1,474.

(5) For the quarter ended March 31, 1995, earnings were not sufficient to cover fixed charges by approximately $577.

(6) On a pro forma basis earnings for the quarter ended March 31, 1995 were not sufficient to cover fixed charges by approximately $1,197.

</FN>
</TABLE>

EXHIBIT 21.1

PEOPLES TELEPHONE COMPANY, INC.
SUBSIDIARIES

<TABLE>
<CAPTION>

NAME	STATE OF INCORPORATION
<S>	<C>
Campus Telephone Services, Inc. (DBA Telink, Inc.)	Texas
PTC Cellular, Inc.	Delaware
Silverado Communications, Inc.	Colorado
Southwest Inmate Pay Telephone Systems, Inc.	Texas
PTC Global Link, Inc.	Florida
Global Access, Ltd.	Delaware
Telink, Inc.	Texas
Telink Telephone System, Inc.	Georgia
Peoples Acquisition Corporation	Pennsylvania
Peoples Telephone Company, Inc. (New Hampshire)	New Hampshire
PTC Security Systems, Inc.	Florida

</TABLE>

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

We hereby consent to the use in the Prospectus constituting part of this Registration Statement on Form S-4 of Peoples Telephone Company, Inc. of our report dated March 28, 1995, except as to the second paragraph of Note 17 and as to Note 18, which are as of May 31, 1995, relating to the financial statements of Peoples Telephone Company, Inc., which appears in such Prospectus. We also consent to the application of such report to the Financial Statement Schedule for the three years ended December 31, 1994 listed under Item 21(b) of this Registration Statement when such schedule is read in conjunction with the financial statements referred to in our report. The audits referred to in such report also include this schedule. We also consent to the references to us under the headings "Independent Certified Public Accountants" and "Selected Financial Information" in such Prospectus. However, it should be noted that Price Waterhouse LLP has not prepared or certified such "Selected Financial Information."

/s/ PRICE WATERHOUSE LLP

Miami, Florida
July 26, 1995

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM T-1

STATEMENT OF ELIGIBILITY AND QUALIFICATION
UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED,
OF A CORPORATION DESIGNATED TO ACT AS TRUSTEE

FIRST UNION NATIONAL BANK OF NORTH CAROLINA
(Exact name of Trustee as specified in its charter)

TWO FIRST UNION CENTER CHARLOTTE, NORTH CAROLINA (Address of principal executive office)	28288-1179 (Zip Code)	56-0900030 (I.R.S. Employer Identification No.)

PEOPLES TELEPHONE COMPANY, INC.
(Exact name of obligor as specified in its charter)

New York (State or other jurisdiction of incorporation or organization)	13-2626435 (I.R.S. Employer Identification No.)
2300 N W 89 Place Miami, FL (Address of principal executive offices)	33172 (Zip Code)

12.25% SENIOR NOTES DUE JULY 15, 2002

(Title of the indenture securities)

1. General information.

(a) The following are the names and addresses of each examining

or supervising authority to which the Trustee is subject:

The Comptroller of the Currency, Washington, D.C.
Federal Reserve Bank of Richmond, Virginia.
Federal Deposit Insurance Corporation, Washington, D.C.
Securities and Exchange Commission, Division of Market Regulation, Washington, D.C.

(b) The Trustee is authorized to exercise corporate trust powers.

2. Affiliations with obligor.

The obligor is not an affiliate of the Trustee. (See Note 2 on Page 5)

3. Voting Securities of the Trustee.

The following information is furnished as to each class of voting securities of the Trustee:

As of June 30, 1995

Column A	Column B
Title of Class	Amount Outstanding
Common Stock, par value $3.33-1/3 a share	171,837,122 shares

4. Trusteeships under other indentures.

First Union National Bank of North Carolina is Trustee under Indenture dated July 15, 1995 between Peoples Telephone Company, Inc., and First Union National Bank of North Carolina for the 12.25% Senior Notes due 2002.

5. Interlocking directorates and similar relationships with the obligor or underwriters.

Neither the Trustee nor any of the directors or executive officers of the Trustee is a director, officer, partner, employee, appointee or representative of the obligor or of any underwriter for the obligor.

(See Note 2 on Page 5)

6. Voting securities of the Trustee owned by the obligor or its officials.

Voting securities of the Trustee owned by the obligor and its directors, partners, executive officers, taken as a group, do not exceed one percent of the outstanding voting securities of the Trustee.

(See Notes 1 and 2 on Page 5)

7. Voting securities of the Trustee owned by underwriters or their officials.

Voting securities of the Trustee owned by any underwriter and its directors, partners, and executive officers, taken as a group, do not exceed one percent of the outstanding voting securities of the Trustee.

(See Note 2 on Page 5)

8. Securities of the obligor owned or held by the Trustee.

The amount of securities of the obligor which the Trustee owns beneficially or holds as collateral security for obligations in default does not exceed one percent of the outstanding securities of the obligor.

(See Note 2 on Page 5)

9. Securities of underwriters owned or held by the Trustee.

The Trustee does not own beneficially or hold as collateral security for obligations in default any securities of an underwriter for the obligor.

(See Note 2 on Page 5)

10. Ownership or holdings by the Trustee of voting securities of certain affiliates or security holders of the obligor.

The Trustee does not own beneficially or hold as collateral security for obligations in default voting securities of a person, who, to the knowledge of the Trustee (1) holds 10% or more of the voting securities of the obligor or (2) is an affiliate, other than a subsidiary, of the obligor.

(See Note 2 on Page 5)

11. Ownership of holders by the Trustee of any securities of a person

owning 50 percent or more of the voting securities of the obligor.

The Trustee does not own beneficially or hold as collateral security for obligations in default any securities of a person who, to the knowledge of Trustee, owns 50 percent or more of the voting securities of the obligor. (See Note 2 on Page 5)

12. Indebtedness of the obligor to the Trustee.

The obligor is not indebted to the Trustee.

13. Defaults by the obligor.

Not applicable.

14. Affiliations with the underwriters.

No underwriter is an affiliate of the Trustee.

15. Foreign trustee.

Not applicable.

16. List of Exhibits.

(1) Articles of Association of the Trustee as now in effect. Incorporated to Exhibit (1) filed with Form T-1 Statement included in Registration Statement No. 33-45946.

(2) Certificate of Authority of the Trustee to commence business. Incorporated by reference to Exhibit (2) filed with Form T-1 Statement included in Registration Statement No. 33-45946.

(3) Authorization of the Trustee to exercise corporate trust powers, if such authorization is not contained in the documents specified in exhibits (1) and (2) above.

(4) By-Laws of the Trustee. Incorporated by reference to Exhibit (4) filed with Form T-1 Statement included in Registration Statement No. 33-45946.

(5) Inapplicable.

(6) Consent by the Trustee required by Section 321(b) of the Trust Indenture Act of 1939. Included at Page 6 of this Form T-1 Statement.

(7) Report of condition of Trustee.

(8) Inapplicable.

(9) Inapplicable.

NOTES

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1. Since the Trustee is a member of First Union Corporation, a bank holding company, all of the voting securities of the Trustee are held by First Union Corporation. The securities of First Union Corporation are described in Item 3.

2. Inasmuch as this Form T-1 is filed prior to the ascertainment by the Trustee of all facts on which to base responsive answers to Items 2, 5, 6, 7, 8, 9, 10 and 11, the answers to said Items are based on incomplete information. Items 2, 5, 6, 7, 8, 9, 10 and 11 may, however be considered as correct unless amended by an amendment to this Form T-1.

SIGNATURE

Pursuant to the requirements of the Trust Indenture Act of 1939, as amended, the Trustee, FIRST UNION NATIONAL BANK OF NORTH CAROLINA, a national association organized and existing under the laws of the United States of America, has duly caused this statement of eligibility and qualification to be signed on its behalf by the undersigned, thereunto duly authorized, all in the City of Charlotte, and State of North Carolina on the 26th day of July, 1995.

FIRST UNION NATIONAL BANK OF NORTH CAROLINA
(Trustee)

BY: /s/ EDMUND M. WIENER

Edmund M. Wiener, Trust Officer

EXHIBIT T-1 (6)

CONSENTS OF TRUSTEE

Under section 321(b) of the Trust Indenture Act of 1939 and in connection with the proposed issuance by Peoples Telephone Company, Inc. 12.25% Senior Notes due July 15, 2002, First Union National Bank of North Carolina, as the Trustee herein named, hereby consents that reports of examinations of said Trustee by Federal, State, Territorial or District authorities may be furnished by such authorities to the Securities and Exchange Commission upon requests therefor.

FIRST UNION NATIONAL BANK OF NORTH CAROLINA

BY: /s/ DANIEL J. OBER

Daniel J. Ober, Vice President

Dated: JULY 26, 1995

PEOPLES TELEPHONE COMPANY, INC.
LETTER OF TRANSMITTAL
TO TENDER FOR EXCHANGE
12 1/4% SENIOR NOTES DUE 2002

OF

PEOPLES TELEPHONE COMPANY, INC.

PURSUANT TO THE PROSPECTUS DATED JULY , 1995

PEOPLES TELEPHONE COMPANY, INC. WILL ACCEPT ALL OLD NOTES (AS HEREINAFTER DEFINED) TENDERED AND NOT WITHDRAWN PRIOR TO 4:00 P.M., NEW YORK CITY TIME, ON AUGUST , 1995, UNLESS EXTENDED (THE 'EXPIRATION DATE'). TENDERS MAY BE WITHDRAWN AT ANY TIME PRIOR TO 4:00 P.M., NEW YORK CITY TIME, ON THE EXPIRATION DATE.

<TABLE>
<CAPTION>
The Exchange Agent is:

FIRST UNION NATIONAL BANK OF NORTH CAROLINA

<S>	<C>	<C>
By Facsimile:	By Registered/Certified mail, Overnight Courier or Hand:	Confirm by Telephone:
(803) -	First Union National Bank of North Carolina	
Attention:	230 South Tryon Street, 8th Floor	
Corporate Trust Division	Charlotte, North Carolina 28288-1179	(803) -
	Attention: Corporate Trust Division	

</TABLE>

DELIVERY OF THIS INSTRUMENT TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE OR TRANSMISSION OF INSTRUCTIONS VIA A FACSIMILE NUMBER OTHER THAN THE ONE LISTED ABOVE WILL NOT CONSTITUTE A VALID DELIVERY. THE INSTRUCTIONS SET FORTH IN THIS LETTER OF TRANSMITTAL SHOULD BE READ CAREFULLY BEFORE THIS LETTER OF TRANSMITTAL IS COMPLETED.

The undersigned acknowledges receipt of the Prospectus dated July , 1995 (the 'Prospectus'), of PEOPLES TELEPHONE COMPANY, INC. (the 'Company'), and this Letter of Transmittal (the 'Letter of Transmittal'), which together with the Prospectus constitutes the Company's offer (the 'Exchange Offer') to exchange $1,000 principal amount of its 12 1/4% Senior Notes Due 2002 to be issued under CUSIP No. (the 'Exchange Notes') for each $1,000 principal amount of its outstanding 12 1/4% Senior Notes Due 2002 issued under CUSIP No. (the 'Old Notes'). Recipients of the Prospectus should read the requirements described in such Prospectus with respect to eligibility to participate in the Exchange Offer. Capitalized terms used but not defined herein have the meaning given to them in the Prospectus.

This Letter of Transmittal is to be used only by a Holder of Old Notes (i) if certificates representing Old Notes are to be forwarded herewith or (ii) if delivery of Old Notes is to be made by book-entry transfer to the Exchange Agent's account at The Depository Trust Company ('DTC' or the 'Book-Entry Transfer Facility') pursuant to the procedures set forth in the section of the Prospectus entitled 'The Exchange Offer--Procedures for Tendering Old Notes.'

Any beneficial owner whose Old Notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and who

wishes to tender should contact such registered Holder of Old Notes promptly and instruct such registered Holder of Old Notes to tender on behalf of the beneficial owner. If such beneficial owner wishes to tender on his own behalf, such beneficial owner must, prior to completing and executing this Letter of Transmittal and delivering his Old Notes, either make appropriate arrangements to register ownership of the Old Notes in such beneficial owner's name or obtain a properly completed bond power from the registered Holder of Old Notes. The transfer of record ownership may take considerable time.

In order to properly complete this Letter of Transmittal, a Holder of Old Notes must (i) complete the box entitled 'Description of Old Notes,' (ii) if appropriate, check and complete the boxes relating to book-entry transfer, guaranteed delivery, Special Issuance Instructions and Special Delivery Instructions, (iii) sign the Letter of Transmittal by completing the box entitled 'Sign Here' and (iv) complete the Substitute Form W-9. Each Holder of Old Notes should carefully read the detailed instructions below prior to completing the Letter of Transmittal.

Holders of Old Notes who desire to tender their Old Notes for exchange and (i) whose Old Notes are not immediately available, (ii) who cannot deliver their Old Notes and all other documents required hereby to the Exchange Agent on or prior to the Expiration Date, or (iii) who are unable to complete the procedure for book-entry transfer on a timely basis, must tender the Old Notes pursuant to the guaranteed delivery procedures set forth in the section of the Prospectus entitled 'The Exchange Offer--Guaranteed Delivery Procedures.' See Instruction 2.

Holders of Old Notes who wish to tender their Old Notes for exchange must, at a minimum, complete columns (1) through (3) in the box below entitled 'Description of Old Notes' and sign the box below entitled 'Sign Here.' If only those columns are completed, such Holder of Old Notes will have tendered for exchange all Old Notes listed in column (3) below. If the Holder of Old Notes wishes to tender for exchange less than all of such Old Notes, column (4) must be completed in full. In such case, such Holder of Old Notes should refer to Instruction 5.

<TABLE>
<CAPTION>

DESCRIPTION OF OLD NOTES

<S> (1)	<C> (2)	<C> (3)	<C> (4)
NAME(S) AND ADDRESS(ES) OF REGISTERED HOLDER OF OLD NOTE(S) (PLEASE FILL IN, IF BLANK)	OLD NOTE NUMBER(S)1 (ATTACH SIGNED LIST IF NECESSARY)	AGGREGATE PRINCIPAL AMOUNT	PRINCIPAL AMOUNT TENDERED FOR EXCHANGE (ONLY IF DIFFERENT AMOUNT FROM COLUMN (3)) (MUST BE IN INTEGRAL MULTIPLES OF $1,000)2

</TABLE>

1 Column (2) need not be completed by Holders of Old Notes tendering Old Notes for exchange by book-entry transfer. Please check the appropriate box below and provide the requested information.

2 Column (4) need not be completed by Holders of Old Notes who wish to tender for exchange the principal amount of Old Notes listed in Column (3). Completion of column (4) will indicate that the Holder of Old Notes wishes to tender for exchange only the principal amount of Old Notes indicated in column (4).

[ ] CHECK HERE IF TENDERED OLD NOTES ARE ENCLOSED HEREWITH.

[ ] CHECK HERE IF TENDERED OLD NOTES ARE BEING DELIVERED BY BOOK-ENTRY TRANSFER MADE TO THE ACCOUNT MAINTAINED BY THE EXCHANGE AGENT WITH DTC AND COMPLETE THE FOLLOWING (FOR USE BY ELIGIBLE INSTITUTIONS (AS HEREINAFTER DEFINED) ONLY):

Name of Tendering Institution_____

Account Number_____

Transaction Code Number _____

[ ] CHECK HERE IF TENDERED OLD NOTES ARE BEING DELIVERED PURSUANT TO A NOTICE OF GUARANTEED DELIVERY ENCLOSED HEREWITH AND COMPLETE THE FOLLOWING (FOR USE BY ELIGIBLE INSTITUTIONS ONLY):

Name of Registered Holder of Old Note(s)_____

Date of Execution of Notice of Guaranteed Delivery_____

Window Ticket Number (if available)_____

Name of Institution which Guaranteed Delivery_____

Account Number (if delivered by book-entry transfer)_____

[ ] CHECK HERE IF YOU ARE A BROKER-DEALER AND WISH TO RECEIVE 10 ADDITIONAL COPIES OF THE PROSPECTUS AND 10 COPIES OF ANY AMENDMENTS OR SUPPLEMENTS THERETO.

Name_____

Address_____

_____

_____

SPECIAL ISSUANCE INSTRUCTIONS
(SEE INSTRUCTIONS 1, 6, 7 AND 8)

To be completed ONLY (i) if (a) Exchange Notes issued in exchange for Old Notes, (b) certificates for Old Notes in a principal amount not exchanged for Exchange Notes, or (c) Old Notes (if any) not tendered for exchange, are to be issued in the name of someone other than the undersigned, or (ii) if Old Notes tendered by book-entry transfer which are not exchanged are to be returned by credit to an account maintained at the Book Entry Transfer Facility.

Issue to:

Name_____
(Please Print)

Address_____

_____

_____

(Include Zip Code)

_____

(Tax Identification or Social Security No.)

Credit Old Notes not exchanged and delivered by book-entry transfer to the DTC Book Entry Transfer Facility account set forth below:

_____

(Book Entry Transfer Facility Account Number)

SPECIAL DELIVERY INSTRUCTIONS
(SEE INSTRUCTION 1, 6, 7 AND 8)

To be completed ONLY if (a) Exchange Notes issued in exchange for Old Notes, (b) certificates for Old Notes in a principal amount not exchanged for Exchange Notes, or (c) Old Notes (if any) not tendered for exchange, are to be mailed or delivered to someone other than the undersigned, or to the undersigned at an address other than the address shown below the undersigned's signature.

Mail or deliver to:

Name_____

(Please Print)

Address_____

_____

_____

(Include Zip Code)

_____

(Tax Identification or Social Security No.)

SIGNATURES MUST BE PROVIDED BELOW
PLEASE READ THE ACCOMPANYING INSTRUSTIONS CAREFULLY

LADIES AND GENTLEMEN:

Pursuant to the order by PEOPLES TELEPHONE COMPANY, INC. (the 'Company'), upon the terms and subject to the conditions set forth in the Company's Prospectus dated July , 1995 (the 'Prospectus') and this Letter of Transmittal (the 'Letter of Transmittal'), which together with the Prospectus constitutes the Company's offer (the 'Exchange Offer') to exchange $1,000 principal amount of its 12 1/4% Senior Notes Due 2002 to be issued under CUSIP No. (the 'Exchange Notes') for each $1,000 principal amount of its outstanding 12 1/4% Senior Notes Due 2002 issued under CUSIP No. (the 'Old Notes'). The undersigned hereby tenders to the Company for exchange the Old Notes indicated above.

By executing this Letter of Transmittal and subject to and effective upon acceptance for exchange of the Old Notes tendered for exchange herewith, the undersigned will have irrevocably sold, assigned, transferred and exchanged, to the Company, all right, title and interest in, to and under all of the Old Notes tendered for exchange hereby, and hereby appoints the Exchange Agent as the true and lawful agent and attorney-in-fact (with full knowledge that the Exchange Agent also acts as agent of the Company) of such Holder of Old Notes with respect to such Old Notes, with full power of substitution to (i) deliver certificates representing such Old Notes, or transfer ownership of such Old Notes on the account books

maintained by the Book-Entry Transfer Facility (together, in any such case, with all accompanying evidences of transfer and authenticity), to the Company, (ii) present and deliver such Old Notes for transfer on the books of the Company, and (iii) receive all benefits and otherwise exercise all rights and incidents of beneficial ownership with respect to such Old Notes, all in accordance with the terms of the Exchange Offer. The power of attorney granted in this paragraph shall be deemed to be irrevocable and coupled with an interest.

The undersigned hereby represents and warrants that the undersigned is the owner, and has a net long position within the meaning of Rule 14e-4 under the Securities Exchange Act as amended ('Rule 14e-4') equal to or greater than the principal amount of Old Notes tendered hereby, and that when such Old Notes are accepted for exchange by the Company, the Company will acquire good and marketable title thereto, free and clear of all liens, restrictions, charges and encumbrances and not subject to any adverse claims. The undersigned will, upon receipt, execute and deliver any additional documents deemed by the Exchange Agent or the Company to be necessary or desirable to complete the exchange, assignment and transfer of the Old Notes tendered for exchange hereby.

The undersigned hereby further represents to the Company that (i) the Exchange Notes to be acquired by the undersigned in exchange for the Old Notes tendered hereby and any beneficial owner(s) of such Old Notes ('Beneficial Owner(s)') in connection with the Exchange Offer will be acquired by the undersigned and such Beneficial Owner(s) in the ordinary course of business of the undersigned and such Beneficial Owner(s), (ii) the undersigned (if not a broker-dealer referred to in the last sentence of this paragraph) and each Beneficial Owner are not participating and do not intend to participate in the distribution of the Exchange Notes, (iii) the undersigned and each Beneficial Owner have no arrangement or understanding with any person to participate in the distribution of the Exchange Notes, (iv) the undersigned and each Beneficial Owner acknowledge and agree that any person participating in the Exchange Offer for the purpose of distributing the Exchange Notes must comply with the registration and

prospectus delivery requirements of the Securities Act in connection with a secondary resale transaction of the Exchange Notes acquired by such person and cannot rely on the position of the staff of the SEC set forth in no-action letters that are discussed in the Prospectus under 'The Exchange Offer--Purpose and Effect of the Exchange Offer,' (v) the undersigned and each Beneficial Owner understand that a secondary resale transaction described in clause (iv) above should be covered by an effective registration statement containing the selling security holder information required by Item 507 of Regulation S-K of the SEC, and (vi) neither the undersigned nor any Beneficial Owner is an 'affiliate' of the Company, as defined under Rule 405 of the Securities Act, except as otherwise disclosed to the Company, as the case may be, in writing. If the undersigned is a broker-dealer that will receive Exchange Notes for its own account in exchange for Old Notes that were acquired as a result of market-making activities or other trading activities, it acknowledges that it will deliver a prospectus in connection with any resale of such Exchange Notes; however, by so acknowledging and by delivering a prospectus, the undersigned will not be deemed to admit that it is an 'underwriter' within the meaning of the Securities Act.

For purposes of the Exchange Offer, the Company will be deemed to have accepted for exchange, and to have exchanged, validly tendered Old Notes, if, as and when the Company gives oral or written notice thereof to the Exchange Agent. Tenders of Old Notes that have not been accepted for exchange may be withdrawn at any time prior to 4:00 p.m., New York City

time, on the Expiration Date. See 'The Exchange Offer--Withdrawal Rights' in the Prospectus. Any Old Notes tendered by the undersigned and not accepted for exchange will be returned to the undersigned at the address set forth above unless otherwise indicated in the box above entitled 'Special Delivery Instructions.'

The undersigned acknowledges that the Company's acceptance of Old Notes validly tendered for exchange pursuant to any one of the procedures described in the section of the Prospectus entitled 'The Exchange Offer' and in the instructions hereto will constitute a binding agreement between the undersigned and the Company upon the terms and subject to the conditions of the Exchange Offer.

Unless otherwise indicated in the box entitled 'Special Issuance Instructions,' please return any Old Notes not tendered for exchange in the name(s) of the undersigned. Similarly, unless otherwise indicated in the box entitled 'Special Delivery Instructions,' please mail any certificates for Old Notes not tendered or exchanged (and accompanying documents, as appropriate) to the undersigned at the address shown below the undersigned's signature(s). In the event that both 'Special Issuance Instructions' and 'Special Delivery Instructions' are completed, please issue the certificates representing the Exchange Notes issued in exchange for the Old Notes accepted for exchange in the name(s) of, and return any Old Notes not tendered for exchange or not exchanged to, the person(s) so indicated. The undersigned recognizes that the Company has no obligation pursuant to the 'Special Issuance Instructions' and 'Special Delivery Instructions' to transfer any Old Notes from the name of the Holder of Old Note(s) thereof if the Company does not accept for exchange any of the Old Notes so tendered for exchange.

A tender for exchange of Old Notes pursuant to any one of the procedures set forth in the section of the Prospectus entitled 'The Exchange Offer' will constitute the tendering Holder of Old Note's acceptance of the terms and conditions of the Exchange Offer as well as the tendering Old Holder's representation and warranty that (i) such Holder of Old Notes has a net long position (within the meaning of Rule 14e-4) equal to or greater than the principal amount of the Old Notes being tendered hereby and (ii) the tender of such Old Notes complies with Rule 14e-4 (to the extent that Rule 14e-4 is applicable to such exchange).

IN ORDER TO VALIDLY TENDER OLD NOTES FOR EXCHANGE, HOLDERS OF OLD NOTES MUST COMPLETE, EXECUTE, AND DELIVER THIS LETTER OF TRANSMITTAL.

Except as stated in the Prospectus, all authority herein conferred or agreed to be conferred shall survive the death or incapacity of the undersigned, and any obligation of the undersigned hereunder shall be binding upon the heirs, personal representatives, successors and assigns of the undersigned. Except as otherwise stated in the Prospectus, this tender for exchange of Old Notes is irrevocable.

SIGN HERE

_____

(Signature(s) of Owner(s))

Date:_____, 1995

Must be signed by the registered Holder of Old Note(s) exactly as name(s) appear(s) on certificate(s) representing the Old Notes or on a security position listing or by person(s) authorized to become registered

Old Note Holder(s) by certificates and documents transmitted herewith. If signature is by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, please provide the following information. (See Instruction 6)

Name(s)_____

_____

_____
(Please Print)

Capacity (full title)_____

_____

_____
(Include Zip Code)

Area Code and Telephone No. (_____) _____

Tax Identification or Social Security Nos._____
Please complete Substitute Form W-9

GUARANTEE OF SIGNATURE(S)
(Signature(s) must be guaranteed if required by Instruction 1)

Authorized Signature_____

Dated_____

Name and Title_____
(Please Print)

Name of Firm_____

INSTRUCTIONS
FORMING PART OF THE TERMS AND CONDITIONS OF THE EXCHANGE OFFER

1. GUARANTEE OF SIGNATURES. Except as otherwise provided below, all signatures on this Letter of Transmittal must be guaranteed by an eligible guarantor institution which is a member of one of the following recognized signature Guarantee Programs:

1. The Securities Transfer Agents Medallion Program (STAMP)

2. The New York Stock Exchange Medallion Signature Program (MSP)

3. The Stock Exchange Medallion Program (SEMP)

Signatures on this Letter of Transmittal need not be guaranteed (i) if this Letter of Transmittal is signed by the registered holder(s) of the Old Notes tendered herewith and such registered holder(s) have not completed the box entitled 'Special Issuance Instructions' or the box entitled 'Special Delivery Instructions' on this Letter of Transmittal or (ii) if such Old Notes are tendered for the account of an Eligible Institution. IN ALL OTHER CASES, ALL SIGNATURES MUST BE GUARANTEED BY AN ELIGIBLE INSTITUTION.

2. DELIVERY OF THIS LETTER OF TRANSMITTAL AND OLD NOTES; GUARANTEED DELIVERY PROCEDURE. This Letter of Transmittal is to be completed by Holders of Old Notes (i) if certificates are to be forwarded herewith or (ii) if tenders are to be made pursuant to the procedures for tender by book-entry transfer or guaranteed delivery set forth in the section of the Prospectus entitled 'The Exchange Offer.' Certificates for all physically tendered Old Notes or any confirmation of a book-entry transfer (a 'Book-Entry Confirmation'), as well as a properly completed and duly executed copy of this Letter of Transmittal or facsimile hereof, and any other documents required by this Letter of Transmittal, must be received by the Exchange Agent at its address set forth on the cover of this Letter of Transmittal prior to 4:00 p.m., New York City time, on the Expiration Date. Holders of Old Notes who elect to tender Old Notes and (i) whose Old Notes are not immediately available, (ii) who cannot deliver the Old Notes or other required documents to the Exchange Agent prior to 4:00 p.m., New York City time on the Expiration Date or (iii) who are unable to complete the procedure for book-entry transfer on a timely basis, may have such tender effected if: (a) such tender is made by or through an Eligible Institution; (b) prior to 4:00 p.m., New York City time, on the Expiration Date, the Exchange Agent has received from such Eligible Institution a properly completed and duly executed Letter of Transmittal (or a facsimile hereof) and Notice of Guaranteed Delivery (by telegram, telex, facsimile transmission, mail or hand delivery) setting forth the name and address of the holder of such Old Notes, the certificate number(s) of such Old Notes and the principal amount of Old Notes tendered for exchange, stating that tender is being made thereby and guaranteeing that, within [five] New York Stock Exchange trading days after the Expiration Date, the certificates representing such Old Notes (or a Book- Entry Confirmation), in proper form for transfer, and any other documents required by this Letter of Transmittal, will be deposited by such Eligible Institution with the Exchange Agent; and (c) certificates for all tendered Old Notes, or a Book Entry Confirmation, together with a copy of the previously executed Letter of Transmittal (or facsimile thereof) and any other documents required by this Letter of Transmittal are received by the Exchange Agent within [five] New York Stock Exchange trading days after the Expiration Date.

THE METHOD OF DELIVERY OF OLD NOTES, THIS LETTER OF TRANSMITTAL AND ALL OTHER REQUIRED DOCUMENTS IS AT THE ELECTION AND RISK OF THE TENDERING HOLDER OF OLD NOTES. EXCEPT AS OTHERWISE PROVIDED BELOW, THE DELIVERY WILL BE DEEMED MADE ONLY WHEN ACTUALLY RECEIVED OR CONFIRMED BY THE EXCHANGE AGENT. IF DELIVERY IS BY MAIL, REGISTERED MAIL WITH RETURN RECEIPT REQUESTED, PROPERLY INSURED, IS RECOMMENDED. NEITHER THIS LETTER OR TRANSMITTAL NOR ANY OLD NOTES SHOULD BE SENT TO THE COMPANY.

No alternative, conditional or contingent tenders will be accepted. All tendering Holders of Old Notes, by execution of this Letter of Transmittal (or facsimile hereof, if applicable), waive any right to receive notice of the acceptance of their Old Notes for exchange.

3. INADEQUATE SPACE. If the space provided in the box entitled 'Description of Old Notes' above is inadequate, the certificate numbers and principal amounts of the Old Notes being tendered should be listed on a separate signed schedule affixed hereto.

4. WITHDRAWALS. A tender of Old Notes may be withdrawn at any time prior to 4:00 p.m., New York City time, on the Expiration Date by delivery of written notice of withdrawal to the Exchange Agent at the address set forth on the cover of this Letter of Transmittal. To be effective, a notice of withdrawal of Old Notes must (i) specify the name of the person who tendered the Old Notes to be withdrawn (the 'Depositor'), (ii) identify the Old Notes to be withdrawn (including the certificate number or numbers and aggregate principal amount of such Old Notes), (iii) be signed by the Holder of Old Notes in the same manner as the original signature on the Letter of Transmittal by which such Old Notes were tendered (including any

required signature guarantees) or be accompanied by documents of transfer sufficient to have the applicable transfer agent register the transfer of such Old Notes into the name of the person withdrawing the tender and (iv) specify the name in which any such Old Notes are to be registered, if different from that of the Depositor. Withdrawals of tenders of Old Notes may not be rescinded, and any Old Notes withdrawn will thereafter be deemed not validly tendered for purposes of the Exchange Offer and no Exchange Notes will be issued with respect thereto unless the Old Notes so withdrawn are validly retendered. Properly withdrawn Old Notes may be retendered by following one of the procedures described in the section of the Prospectus entitled 'The Exchange Offer--Procedures for Tendering Old Notes' at any time prior to 4:00 p.m., New York City time, on the Expiration Date.

5. PARTIAL TENDERS. (Not applicable to Holders of Old Notes who tender Old Notes by book-entry transfer). Tenders of Old Notes will be accepted only in integral multiples of $1,000 principal amount. If a tender for exchange is to be made with respect to less than the entire principal amount of any Old Notes, fill in the principal amount of Old Notes which are tendered for exchange in column (4) of the box entitled 'Description of Old Notes,' as more fully described in the footnotes thereto. In case of a partial tender for exchange, a new certificate, in fully registered form, for the remainder of the principal amount of the Old Notes, will be sent to the Holders of Old Notes unless otherwise indicated in the appropriate box on this Letter of Transmittal as promptly as practicable after the expiration or termination of the Exchange Offer.

6. SIGNATURES ON THIS LETTER OF TRANSMITTAL, POWERS OF ATTORNEY AND ENDORSEMENTS.

(a) The signature(s) of the Holder of Old Note(s) on this Letter of Transmittal must correspond with the name(s) as written on the face of the Old Notes without alteration, enlargement or any change whatsoever.

(b) If tendered Old Notes are owned of record by two or more joint owners, all such owners must sign this Letter of Transmittal.

(c) If any tendered Old Notes are registered in different names on several certificates, it will be necessary to complete, sign and submit as many separate copies of this Letter of Transmittal and any necessary or required documents as there are different registrations or certificates.

(d) When this Letter of Transmittal is signed by the Holder of the Old Notes listed and transmitted hereby, no endorsements of Old Notes or separate powers of attorney are required. If, however, Old Notes not tendered or not accepted, are to be issued or returned in the name of a person other than the Holder of such Old Note(s), then the Old Notes transmitted hereby must be endorsed or accompanied by appropriate powers of attorney in a form satisfactory to the Company, in either case signed exactly as the name(s) of the Holder of Old Note(s) appear(s) on the Old Notes. Signatures on such Old Notes or powers of attorney must be guaranteed by an Eligible Institution (unless signed by an Eligible Institution).

(e) If this Letter of Transmittal or Old Notes or powers of attorney are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing, and proper evidence satisfactory to the Company of their authority so to act must be submitted.

(f) If this Letter of Transmittal is signed by a person other than the registered Holder of Old Note(s) listed, the Old Notes must be endorsed or accompanied by appropriate powers of attorney, in either case signed exactly as the name(s) of the registered Holder of Old Note(s) appear(s) on the certificates. Signatures on such Old Notes or powers of attorney must be guaranteed by an Eligible Institution (unless signed by an Eligible Institution).

7. TRANSFER TAXES. Except as set forth in this Instruction 7, the Company will pay all transfer taxes, if any, applicable to the transfer and exchange of Old Notes pursuant to the Exchange Offer. If, however, issuance of Exchange Notes is to be made to, or Old Notes not tendered for exchange are to be issued or returned in the name of, any person other than the Holder of Old Notes, the amount of any transfer taxes payable on account of the transfer to such person will be imposed on and payable by the Holder of Old Note(s) tendering Old Notes for exchange prior to the issuance of the Exchange Notes.

8. SPECIAL ISSUANCE AND DELIVERY INSTRUCTIONS. If the Exchange Notes are to be issued, or if any Old Notes not tendered for exchange are to be issued or sent to someone other than the Holder of Old Notes or to an address other than that shown above, the appropriate boxes on this Letter of Transmittal should be completed. Holders of Old Notes tendering Old Notes by book-entry transfer may request that Old Notes not accepted be credited to such account maintained at the Book-Entry Transfer Facility as such Holder of Old Notes may designate.

9. IRREGULARITIES. All questions as to the form of documents and the validity, eligibility (including time or receipt), acceptance and withdrawal of Old Notes will be determined by the Company, in its sole discretion, whose determination shall be final and binding. The Company reserves the absolute right to reject any or all tenders for exchange of any particular Old Notes that are not in proper form, or the acceptance of which would, in the opinion of the Company or its counsel, be unlawful. The Company reserves the absolute right to waive any defect, irregularity or condition of tender for exchange with regard to any particular Old Notes. The Company's interpretation of the terms of, and conditions to, the Exchange Offer (including the instructions herein) will be final and binding. Unless waived, any defect or irregularities in connection with the Exchange Offer must be cured within such time as the Company shall determine. Neither the Company, the Exchange Agent nor any other person shall be under any duty to give notice of any defects or irregularities in Old Notes tendered for exchange, nor shall any of them incur any liability for failure to give such notice. A tender of Old Notes will not be deemed to have been made until all defects and irregularities with respect to such tender have been cured or waived. Any Old Notes received by the Exchange Agent that are not properly tendered and as to which the defects or irregularities have not been cured or waived will be returned by the Exchange Agent to the tendering holders, unless otherwise provided in this Letter of Transmittal, as soon as practicable following the Expiration Date.

10. WAIVER OF CONDITIONS. The Company reserves the absolute right to waive certain of the specified conditions as described under 'The Exchange Offer--Conditions of the Exchange Offer' in the Prospectus in the case of any Old Notes tendered (except as otherwise provided in the Prospectus).

11. MUTILATED, LOST, STOLEN OR DESTROYED OLD NOTES. If a Holder of Old Notes desires to tender an Old Note pursuant to the Exchange Offer, but the Old Note has been mutilated, lost, stolen or destroyed, such Holder of Old Notes should write to or telephone the Trustee, at the address listed below, concerning the procedures for obtaining replacement certificates for such Old Notes, arranging for indemnification or any other matter that requires handling by the Trustee:

First Union National Bank of North Carolina
230 South Tryon Street, 8th Floor
Charlotte, North Carolina 28288-1179
Attention: Corporate Trust Division
(803) -

12. REQUESTS FOR INFORMATION OR ADDITIONAL COPIES. Requests for information or for additional copies of the Prospectus and this Letter of Transmittal may be directed to the Exchange Agent at the address or telephone number set forth on the cover of this Letter of Transmittal.

IMPORTANT: THIS LETTER OF TRANSMITTAL (OR A FACSIMILE THEREOF, IF APPLICABLE) TOGETHER WITH OLD NOTE CERTIFICATES, OR CONFIRMATION OF BOOK-ENTRY OR THE NOTICE OF GUARANTEED DELIVERY, AND ALL OTHER REQUIRED DOCUMENTS MUST BE RECEIVED BY THE EXCHANGE AGENT PRIOR TO 4:00 P.M., NEW YORK CITY TIME, ON THE EXPIRATION DATE.

IMPORTANT TAX INFORMATION

Under current federal income tax law, a Holder of Old Notes whose tendered Old Notes are accepted for exchange is required to provide the Company (as payor), through the Exchange Agent, with such Holder's correct taxpayer identification number ('TIN') on Substitute Form W-9 or otherwise establish a basis for exemption from backup withholding. If such Holder of Old Notes is an individual, the TIN is such Holder's social security number. If the Exchange Agent is not provided with the correct taxpayer identification number, the Holder of Old Notes may be subject to a penalty imposed by the Internal Revenue Service. In addition, delivery of such Old Note Holder's Exchange Notes may be subject to backup withholding.

Certain Holders of Old Notes (including, among others, all corporations and certain foreign individuals) are not subject to these backup withholding and reporting requirements. Exempt Holders of Old Notes should indicate their exempt status on Substitute Form W-9. A foreign individual may qualify as an exempt recipient by submitting to the Exchange Agent a properly completed Internal Revenue Service Form W-8 (which the Exchange Agent will provide upon request) signed under penalty of perjury, attesting to the Holder's exempt status. See the enclosed Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 for additional instructions.

If backup withholding applies, the Company is required to withhold 31% of any payment made to the Holder of Old Notes or other payee. Backup withholding is not an additional federal income tax. Rather, the federal income tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, a refund may be obtained from the Internal Revenue Service.

SUBSTITUTE FORM W-9; TAXPAYER IDENTIFICATION NUMBER

To prevent backup withholding on payments that are made with respect to Old Notes exchanged in the Exchange Offer, each Holder of Old Notes is required to provide the Exchange Agent with either: (i) the Holder's correct TIN by completing the form below, certifying that the TIN provided on Substitute Form W-9 is correct (or that such Holder of Old Notes is awaiting a TIN) and that (A) the Holder of Old Notes has not been notified by the Internal Revenue Service that he or she is subject to backup withholding as a result of a failure to report all interest or dividends or

(B) the Internal Revenue Service has notified the Holder of Old Notes that he or she is no longer subject to backup withholding; or (ii) an adequate basis for exemption.

The Holder of Old Notes is required to give the Exchange Agent the TIN (e.g., social security number or employer identification number) of the record owner of the Old Notes. If the Old Notes are held in more than one name or are not held in the name of the actual owner, consult the enclosed Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 for additional guidance regarding which number to report.

PAYER'S NAME:_____

SUBSTITUTE
FORM W-9

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE

PAYER'S REQUEST FOR TAXPAYER[EL]
IDENTIFICATION NUMBER (TIN)

PART 1--PLEASE PROVIDE YOUR TIN IN THE BOX AT RIGHT AND CERTIFY BY SIGNING AND DATING BELOW

_____
Social Security Number
OR_____
Employer Identification Number

PART 2--Certification--Under Penalties of Perjury, I certify that:
(1) The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me) and
(2) I am not subject to backup withholding either because I have not been notified by the Internal Revenue Service (the 'IRS') that I am subject to backup withholding as a result of a failure to report all interest or dividends, or the IRS has notified me that I am no longer subject to backup withholding.

Certificate instructions--You must cross out item (2) in Part 2 above if you have been notified by the IRS that you are subject to backup withholding because of underreporting interest or dividends on your tax return. However, if after being notified by the IRS that you were subject to backup withholding you receive another notification from the IRS stating that you are no longer subject to backup withholding, do not cross out item (2).

SIGNATURE_____ DATE_____

PART 3--

Awaiting TIN [ ]

NOTE: FAILURE TO COMPLETE AND RETURN THIS FORM MAY RESULT IN BACKUP WITHHOLDING OF 31% OF ANY PAYMENT MADE TO YOU PURSUANT TO THE EXCHANGE OFFER. PLEASE REVIEW THE ENCLOSED GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9 FOR ADDITIONAL DETAILS.

YOU MUST COMPLETE THE FOLLOWING CERTIFICATE
IF YOU CHECKED THE BOX IN PART 3 OF SUBSTITUTE FORM W-9

CERTIFICATE OF AWAITING TAXPAYER IDENTIFICATION NUMBER

I certify under penalties of perjury that a taxpayer identification number has not been issued to me, and either (a) I have mailed or delivered an application to receive a taxpayer identification number to the appropriate Internal Revenue Service Center or Social Security Administration Office or (b) I intend to mail or deliver such an application in the near future. I understand that if I do not provide a taxpayer identification number within sixty (60) days, 31% of all reportable payments made to me thereafter will be withheld until I provide such a number.

SIGNATURE_____ DATE_____

NOTICE OF GUARANTEED DELIVERY
TO BE USED IN CONNECTION WITH

PEOPLES TELEPHONE COMPANY, INC.

OFFER TO EXCHANGE
$1,000 PRINCIPAL AMOUNT OF ITS
12 1/4% SENIOR NOTES DUE 2002
FOR EACH OUTSTANDING
$1,000 PRINCIPAL AMOUNT OF ITS
12 1/4% SENIOR NOTES DUE 2002

As set forth in the Prospectus dated July , 1995 (the 'Prospectus') of PEOPLES TELEPHONE COMPANY, INC. (the 'Company'), in the section entitled 'The Exchange Offer' and in the accompanying Letter of Transmittal, which together with the Prospectus constitutes the Company's offer (the 'Exchange Offer'), this form, or one substantially equivalent hereto, must be used by any holder of the Company's 12 1/4% Senior Notes Due 2002 issued under CUSIP No. (the 'Old Notes') who wishes to tender Old Notes pursuant to the Exchange Offer and (i) whose Old Notes are not immediately available, (ii) who cannot deliver the Old Notes or other required documents to the Exchange Agent prior to 4:00 p.m., New York City time, on the Expiration Date or (iii) who is unable to complete the book-entry transfer on a timely basis. Such form may be delivered by facsimile transmission, if applicable, mail or hand delivery to the Exchange Agent.

THE COMPANY WILL ACCEPT ALL OLD NOTES TENDERED PRIOR TO 4:00 P.M., NEW YORK CITY TIME, ON , 1995 UNLESS EXTENDED (THE 'EXPIRATION DATE'). TENDERS MAY BE WITHDRAWN AT ANY TIME PRIOR TO 4:00 P.M., NEW YORK CITY TIME, ON THE EXPIRATION DATE.

<TABLE>
<CAPTION>

The Exchange Agent is:
FIRST UNION NATIONAL BANK OF NORTH CAROLINA

<S>	<C>	<C>
By Facsimile:	By Registered/Certified mail, Overnight Courier or Hand:	Confirm by Telephone:
(803) -	First Union National Bank of North Carolina	
Attention:	230 South Tryon Street, 8th Floor	
Corporate Trust Division	Charlotte, North Carolina 28288-1179	(803) -
	Attention: Corporate Trust Division	

</TABLE>

DELIVERY OF THIS NOTICE OF GUARANTEED DELIVERY TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE OR TRANSMISSION VIA A FACSIMILE NUMBER OTHER THAN TO THE ONE LISTED ABOVE WILL NOT CONSTITUTE A VALID DELIVERY.

PLEASE READ THE ACCOMPANYING INSTRUCTIONS CAREFULLY

Ladies and Gentlemen:

The undersigned hereby represents that the undersigned owns, and has a net long position (within the meaning of Rule 14e-4 under the Securities Exchange Act of 1934, as amended ('Rule 14e-4')) equal to or greater than the principal amount of the Old Notes tendered hereby and hereby tenders to the Company in compliance with Rule 14e-4 and upon the terms and subject to the conditions set forth in the Prospectus and the related Letter of Transmittal, receipt of which is hereby acknowledged, the principal amount of Old Notes specified below pursuant to the guaranteed delivery procedures set forth under the section of the Prospectus entitled 'The Exchange Offer.' The undersigned hereby tenders the Old Notes listed below:

OLD NOTE CERTIFICATE NUMBERS (IF AVAILABLE)	PRINCIPAL AMOUNT TENDERED

If Old Notes will be tendered by book-entry transfer to the Depository Trust Company:

Name of Tendering Institution:

_____

Account No._____

SIGN HERE

_____
Signature(s)

_____

_____
Name(s) (Please Print)

_____
Address

_____
City State Zip Code

_____
Area Code and Telephone No.

Date:_____

GUARANTEE
(NOT TO BE USED FOR SIGNATURE GUARANTY)

The undersigned, an institution which is a member of a registered national securities exchange or a member of the National Association of Securities Dealers, Inc. or is a commercial bank or trust company having an office or correspondent in the United States (an 'Eligible Institution'), guarantees (a) that the above named person(s) has (have) a net long position (within the meaning of Rule 14e-4) equal to or greater than the principal amount of the Old Notes tendered hereby, (b) that such tender of Old Notes complies with Rule 14e-4 and (c) that delivery to the Exchange Agent of either the Old Notes tendered hereby in proper form for transfer, or confirmation of the book entry transfer of such Old Notes into the Exchange Agent's account at The Depository Trust Company, pursuant to the procedure for book-entry transfer set forth in the Prospectus, and any other documents required by the Letter of Transmittal, all by 4:00 p.m., New York City time, on the [fifth] New York Stock Exchange trading day following the Expiration Date.

SIGN HERE

_____

Eligible Institution (Please Print)

_____

_____

Signature(s)

_____

_____

Name(s) (Please Print)

_____

_____

Address

_____

City State Zip Code

_____

Area Code and Telephone No.

Date:_____

DO NOT SEND OLD NOTES WITH THIS FORM, ACTUAL TENDER OF OLD NOTES MUST BE MADE PURSUANT TO, AND BE ACCOMPANIED BY, A COPY OF THE PREVIOUSLY EXECUTED LETTER OF TRANSMITTAL.

INSTRUCTIONS

1. DELIVERY OF THIS NOTICE OF GUARANTEED DELIVERY. A properly completed and duly executed copy of this Notice of Guaranteed Delivery and any other documents required by this Notice of Guaranteed Delivery must be received by the Exchange Agent at its address set forth on the cover hereof prior to 4:00 p.m., New York City time, on the Expiration Date. The method of delivery of this Notice of Guaranteed Delivery and all other required documents to the Exchange Agent is at the election and risk of the Holder but, except as otherwise provided below, the delivery will be deemed made only when actually received by the Exchange Agent. If such delivery is by mail, it is recommended that the Holder use properly insured, registered mail with return receipt requested. For a full description of the guaranteed delivery procedures, see the section of the Prospectus entitled 'The Exchange Offer.' In all cases, sufficient time should be allowed to assure timely delivery. No Notice of Guaranteed Delivery should be sent to the Company.

2. SIGNATURE ON THIS NOTICE OF GUARANTEED DELIVERY; GUARANTEE OF SIGNATURES. If this Notice of Guaranteed Delivery is signed by the registered Holder(s) of the Old Notes referred to herein, the signature must correspond with the name(s) as written on the face of the Old Notes without alteration, enlargement or any change whatsoever.

If this Notice of Guaranteed Delivery is signed by a person other than the registered Holder(s) of any Old Notes listed, this Notice of Guaranteed Delivery must be accompanied by appropriate bond powers signed as the name(s) of the registered Holder(s) appear(s) on the face of the Old Notes without alteration, enlargement or any change whatsoever.

If this Notice of Guaranteed Delivery is signed by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation or other person acting in a fiduciary or representative capacity, such person should so indicate when signing, and, unless waived by the Company, evidence satisfactory to the Company of the authority so to act must be submitted with this Notice of Guaranteed Delivery.

3. REQUESTS FOR ASSISTANCE OR ADDITIONAL COPIES. Questions and

requests for assistance or for additional copies of the Prospectus and the Letter of Transmittal may be directed to the Exchange Agent at its address or telephone number set forth on the cover hereof.

CONSENT OF DIRECTOR DESIGNEE

The undersigned, who has been designated for election as a director of Peoples Telephone Company, Inc., a New York corporation (the "Company"), by UBS Capital Corporation, hereby (i) consents to being so designated for the position of director of the Company and to serve as such if elected, and (ii) consents to being named as a director designee in the Company's Registration Statement on Form S-4 relating to the proposed exchange offer for the Company's 12 1-4% Senior Notes due 2002, and all amendments thereto.

Executed this 24th day of July, 1995.

/s/ JEFFREY J. KEENAN

Jeffrey J. Keenan