KELLEY DRYE & WARREN LLP

A LIMITED LIABILITY PARTNERSHIP

333 WEST WACKER DRIVE

26TH FLOOR

CHICAGO, IL 60606

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HENRY T. KELLY
DIRECT LINE: (312) 857-2350
EMAIL: hkelly@kelleydrye.com

July 7, 2014

Ms. Mary Jo Kunkle
Executive Secretary
Michigan Public Service Commission
4300 West Saginaw, P.O. Box 30221
Lansing, Michigan 48909

Re: MPSC Case No. U-11756.

Dear Ms. Kunkle:

Enclosed for filing are **Kelley Drye & Warrren LLP and Clark Hill P.L.C.'s Motion To Withdraw As Counsel For Certain Complainants**.

Please let me know if you have any questions or concerns regarding these documents.

Sincerely,

Henry T. Kelly

Digitally signed by: Henry T. Kelly
DN: CN = Henry T. Kelly C = US OU = Kelley Drye and Warren LLP
Date: 2014.07.07 13:55:16 -05'00'

Henry T. Kelly

cc: Attached Service List

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * * *

In the matter of the complaint of	)	
MICHIGAN PAY TELEPHONE ASSOCIATION	)	
ET AL. against **AMERITECH MICHIGAN** and	)	Case No. U-11756
VERIZON NORTH INC. f/k/a GTE NORTH	)	
INCORPORATED	)	

To: All Parties of Record

CERTIFICATE OF SERVICE

STATE OF ILLINOIS)
) ss
COUNTY OF COOK)

I, Henry T. Kelly, an attorney, on oath state that I served a copy of the foregoing Motion to Withdraw as Counsel for Certain Complainants via electronic mail upon the parties listed on the attached service on July 7, 2014.

Henry T. Kelly

Digitally signed by: Henry T. Kelly
DN: CN = Henry T. Kelly C = US
OU = Kelley Drye and Warren LLP
Date: 2014.07.07 13:58:40 -05'00'

Henry T. Kelly

Leland R. Rosier
CLARK HILL PLC
212 East Grand River Avenue
Lansing, MI 48906

Henry T. Kelly
KELLEY DRYE & WARREN LLP
333 W. Wacker Drive, Suite 2600
Chicago, IL 60606

Counsel to the Complainants

SERVICE LIST – U-11756

Craig A. Anderson
AT&T
225 W. Randolph Street, 25D
Chicago, IL 60606
craig.anderson@att.com

Lauren Donofrio
MPSC
4300 W. Saginaw Highway
Lansing, MI 48917
donofriol@michigan.gov

J. Tyson Covey
MAYER BROWN
71 South Wacker Drive
Chicago, IL 60606
jcovey@mayerbrown.com

Complainants by certified mail:

Mr. Robert L. Miller
American Paytel Communications, Inc.
5116 S. M-106, Number D
Stockbridge, Michigan 49285

Tammy L. Martin
General Counsel and Chief Admin. Officer
MobilePro Corp.
3076 Fairmount Blvd.
Cleveland Heights, Ohio 44118

Tammy L. Martin
General Counsel and Chief Admin. Officer
Davel Communications
3076 Fairmount Blvd.
Cleveland Heights, Ohio 44118

Tammy L. Martin
General Counsel and Chief Admin. Officer
PhoneTel Technologies, Inc.
3076 Fairmount Blvd.
Cleveland Heights, Ohio 44118

PhoneTel Technologies, Inc.
North Point Tower
Cleveland, Ohio 44114

Tammy L. Martin
General Counsel and Chief Admin. Officer
Peoples Telephone Company
3076 Fairmount Blvd.
Cleveland Heights, Ohio 44118

Peoples Telephone Company
2300 NW 89th Place
Miami, Florida 33172

Sheffield Systems, Inc.
5601 W. 120th Street
Alsip, Illinois 60803

Sheffield Systems, Inc.
21421 Hilltop, Suite 17
Southfield, Michigan 48934

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * * *

The Michigan Pay Telephone Association, et al.,	)	
	)	
Complainants,	)	
	)	
v.	)	
	)	
Michigan Bell Telephone Company, and Verizon North Incorporated,	)	Case No. U-11756
	)	
Respondents.	)	
	)	
Complaint Pursuant to Sections 203, 204, and 318 of the Michigan Telecommunications Act to Compel Respondents To Comply with Section 276 of the Federal Communications Act.	)	

MOTION TO WITHDRAW AS COUNSEL FOR CERTAIN COMPLAINANTS

Kelley Drye & Warren LLP and Clark Hill P.L.C., hereby move the Commission for an order allowing them to withdraw as counsel for named Complainants American Paytel Communications, Inc., Sheffield Systems, Inc., and PhoneTel Technologies, Inc. and Peoples Telephone Company and their affiliates by merger Davel Communications, Inc. and Teleleasing Enterprises, Inc., and states as follows in support of this Motion.

1. The undersigned counsel represents numerous parties in these proceedings, on a complaint that was filed on August 10, 1998. Among the named Complainants are American Paytel Communications, Inc., Peoples Telephone Company, PhoneTel Technologies, Inc. and Sheffield Systems, Inc. In addition to the originally named Complainants, Davel Communications, Inc. and Teleleasing Enterprises, Inc., affiliates of Peoples Telephone and PhoneTel Technologies by merger, have operated telephones in Michigan Bell Telephone Company's territory.

2. Since the time of the filing of the Compliant, counsel for the companies identified in paragraph 1 has lost contact with these companies, and these companies or their successors have been dissolved.

American Paytel Communications, Inc.

3. American Paytel Corporation was a Michigan Corporation. (Complaint, para. 6.) The company requested that any contact with the company be provided to Mr. Robert L. Miller, American Paytel Communications, Inc., 5116 S. M-106, Number D, Stockbridge, Michigan 49285, telephone number (517) 851-4050, and email address Payphone@Prodigy.com. This is also the last known address that counsel has for American Paytel Corporation, and the address to which counsel's prior communications had been successful.

4. Since the Commission reinstated the case, counsel has tried various ways to contact the Company at the addresses provided. However, efforts to call the provided telephone number and the telephone number of the former registered agent, and to send correspondence via email, regular mail and UPS, have failed.

5. American Paytel Corporation was involuntarily dissolved as a corporation. Attachment 1.

Peoples Telephone – PhoneTel – Davel Communications - Teleleasing

6. At the time of the filing of the Complaint, Peoples Telephone Company was a New York Corporation. (Complaint, para. 38.) On December 23, 1998, Peoples Telephone Company merged with Davel Communications Group, Inc. As a result of this merger, Peoples Telephone Company became a wholly owned subsidiary of Davel Communications, Inc., a Delaware Corporation (excerpt of November 20, 1998, SEC Form S-4 at p. 4, Attachment 2.)

7. At the time of the filing of the Complaint, PhoneTel Communications, Inc. was an

Ohio corporation. (Complaint, para. 39.) On July 11, 2002, Davel Communications, Inc. acquired substantially all of the shares of PhoneTel Communications, Inc., and PhoneTel Communications, Inc. continued to operate as a separate wholly owned subsidiary. (July 11, 2002, SEC Form 425 filed by Davel Communications, Inc., Attachment 3).

8. At some point after the filing of the Complaint, Davel Communications, Inc. acquired Teleleasing Enterprises, Inc., an Illinois Corporation. (See excerpt of December 31, 2004 Form 10-K, Exhibit 2.1, Attachment 4.) Prior to this event, Teleleasing Enterprises was not a complainant, and counsel for the Complainants had no independent contact with this company. Counsel does not know the address of this company prior to the acquisition by Davel.

9. Upon information and belief, Davel and/or its subsidiaries operated telephones in Michigan Bell Telephone's operating territories under the names PhoneTel, Peoples, Davel and Teleleasing. (See AT&T Michigan Confidential Refund Report, Ex. 1, filed January 6, 2014.)

10. On September 3, 2004, the secured lenders of Davel entered into a Loan Purchase Agreement and Transfer and Assignment of Shares which resulted in a company MobilePro Corp. and its subsidiary Davel Acquisition Corp., both Delaware corporations, to acquire substantially all of the shares of Davel and its subsidiaries. (Excerpt of March 7, 2005, SEC Form DEF 14C, Definitive Statement, at p. 13, Attachment 5.) At the time of this transaction, Tammy L. Martin served as Chief Administrative Officer of the Company. Ms. Martin had served as General Counsel of the company since September 5, 2002, and as Secretary since June 9, 2003. For several years prior thereto, Ms. Martin also held several senior management positions with PhoneTel, including Chief Administrative Officer, General Counsel and Secretary. (*Id.* at p. 40.)

11. In 2009, MobilePro reported that "the operating losses incurred by Davel

adversely affected the consolidated operating results of MobilePro" and the company sold various payphones to a series of unaffiliated payphone operators in 2008, but retained its interests in Davel's legal proceedings. (March 31, 2009 Form 10K, MobilePro Corp., at 7, 22, Attachment 6.)

12. Since approximately 2002 up through the first quarter 2009, when the prior refunds ordered by the Commission were distributed, Ms. Martin was the undersigned counsel's exclusive contact on this case for Davel and its subsidiaries PhoneTel and Peoples.

13. The last known address for these companies was Tammy L. Martin, General Counsel and Chief Administrative Officer, MobilePro Corp., 3076 Fairmount Blvd., Cleveland Heights, Ohio 44118.

14. Since the Commission reinstated the case, counsel for these Complainant companies have tried various ways to contact representatives of the foregoing companies. However, efforts to call various telephone numbers available through Internet searches, and send correspondence via email, regular mail and UPS, have failed.

15. MobilePro Corp., Davel Acquisition Corp., Davel Holdings, Inc. and PhoneTel Technologies are all dissolved corporations. (Attachment 7.) Peoples Telephone Company has failed to file its biennial corporate report since 2008. Peoples Telephone has not yet been dissolved, but New York dissolves corporations by proclamation if they are delinquent in filing return or paying taxes or fees for two consecutive years. Counsel does not know the state of incorporation for Teleleasing Enterprises as counsel never independently represented Teleleasing.

Sheffield Systems, Inc.

16. Sheffield Systems was an Illinois Corporation. (Complaint, para. 49.) The

company requested that any contact with the company be provided to Mr. Joseph Amendala, Sheffield Systems, 5601 W. 120th St., Alsip, Illinois 60803, and 21421 Hilltop, Suite 17, Southfield, Michigan 48934, telephone number (248) 353-8210. These are also the last known addresses that counsel has for Sheffield Systems, and the address to which counsel's prior communications had been successful.

17. Since the Commission reinstated the case, counsel has tried various ways to contact the company at the addresses provided. However, efforts to call the provided telephone number and to send correspondence via regular mail and UPS, have failed.

18. Sheffield Systems was dissolved for failing to file an Annual Report. Attachment 8.

19. Michigan Rule of Professional Conduct 1.16(b)(4) provides that a lawyer may withdraw from representing a client if "good cause for withdrawal exists." MRPC 1.16(b)(5), and (6). Good cause in this case exists to permit Kelley Drye and Warren and Clark Hill to withdraw as counsel as the foregoing companies have been dissolved, and counsel are not able to contact the company's former representatives.

20. A copy of this motion is being served by counsel on the Complainants at the last known address.

WHEREFORE, the undersigned counsel respectfully requests that the Commission allow them to withdraw as counsel for American Paytel Communications, Inc., Sheffield Systems, Inc., Peoples Telephone Company, PhoneTel Technologies, Inc., Davel Communications, Inc. and Teleleasing Enterprises, Inc.

Respectfully submitted,

MICHIGAN PAY TELEPHONE ASSOCIATION AND THE COMPLAINANT INDEPENDENT PAYPHONE PROVIDERS.

Henry T. Kelly

Digitally signed by: Henry T. Kelly
DN: CN = Henry T. Kelly C = US OU = Kelley Drye and Warren LLP
Date: 2014.07.07 14:00:47 -05'00'

Dated: July 7, 2014

One of the attorneys for the Complainants.

Leland R. Rosier (P33827)
Clark Hill P.L.C.
212 East Grand River Avenue
Lansing, Michigan 48906
(517) 318-3021
LRRosier@clarkhill.com

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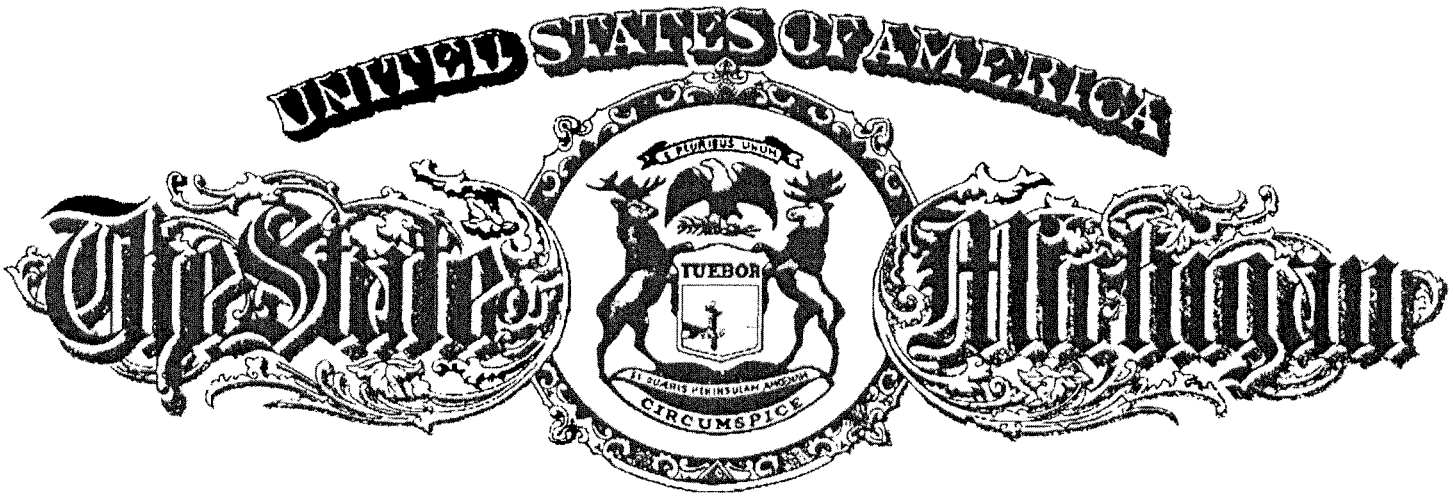
333 West Wacker Drive, Suite 2600
Chicago, Illinois 60606
(312) 857-7070
(312) 857-7095 facsimile
HKelly@kelleydrye.com
MDover@kelleydrye.com

ATTACHMENT

1



Department of Licensing and Regulatory Affairs

Lansing, Michigan

This is to Certify that

AMERICAN PAYTEL CORPORATION

was incorporated as a MICHIGAN profit corporation on March 25, 1993.

I FURTHER CERTIFY that this corporation was automatically dissolved on July 15, 2010, pursuant to the provisions of Section 922(1) of 1972 PA 284, as amended.

This certificate is in due form, made by me as the proper officer, and is entitled to have full faith and credit given it in every court and office within the United States.

In testimony whereof, I have hereunto set my hand, in the City of Lansing, this 1st day of July, 2014.

Alan J. Schefke, Director
Corporations, Securities & Commercial Licensing Bureau

GOLD SEAL APPEARS ONLY ON ORIGINAL

ATTACHMENT

2

>

-----BEGIN PRIVACY-ENHANCED MESSAGE-----
Proc-Type: 2001,MIC-CLEAR
Originator-Name: webmaster@www.sec.gov
Originator-Key-Asymmetric:
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ACCESSION NUMBER: 0000950131-98-006199
CONFORMED SUBMISSION TYPE: S-4
PUBLIC DOCUMENT COUNT: 13
FILED AS OF DATE: 19981120

FILER:

COMPANY DATA:
COMPANY CONFORMED NAME: DAVEL HOLDINGS INC
CENTRAL INDEX KEY: 0001072881
STANDARD INDUSTRIAL CLASSIFICATION: COMMUNICATION SERVICES, NEC [4899]
IRS NUMBER: 593538257
STATE OF INCORPORATION: IL
FISCAL YEAR END: 1231

FILING VALUES:
FORM TYPE: S-4
SEC ACT:
SEC FILE NUMBER: 333-67617
FILM NUMBER: 98755964

BUSINESS ADDRESS:
STREET 1: 1429 MASSARO BLVD
CITY: TAMPA
STATE: FL
ZIP: 33619
BUSINESS PHONE: 8136233545

MAIL ADDRESS:
STREET 1: 1429 MASSARO BOULEVARD
CITY: TAMPA
STATE: FL
ZIP: 33619
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<TEXT>

<PAGE>

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON NOVEMBER 20, 1998

REGISTRATION NO. 333-

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

DAVEL HOLDINGS, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	4899	59-3538257
(STATE OR OTHER JURISDICTION OF	(PRIMARY STANDARD INDUSTRIAL	(IRS EMPLOYER IDENTIFICATION NUMBER)

INCORPORATION OR ORGANIZATION) | CLASSIFICATION CODE NUMBER)

ROBERT D. HILL
PRESIDENT AND CHIEF EXECUTIVE OFFICER
DAVEL HOLDINGS, INC.
1429 MASSARO BOULEVARD
TAMPA, FL 33619
(813) 623-3545
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE OF REGISTRANT'S PRINCIPAL OFFICES)

COPIES TO:

THEODORE C. RAMMELKAMP, JR.	BRUCE W. RENARD	R. SCOTT FALK	IRA N. ROSNER, P.A.	JOHN J. MADDEN
DAVEL COMMUNICATIONS GROUP, INC.	PEOPLES TELEPHONE COMPANY, INC.	KIRKLAND & ELLIS	STEEL HECTOR & DAVIS LLP	SHEARMAN & STERLING
1429 MASSARO BOULEVARD	2300 N.W. 89TH PLACE	200 E. RANDOLPH DRIVE	200 SOUTH BISCAYNE BOULEVARD	599 LEXINGTON AVENUE
TAMPA, FL 33619	MIAMI, FL 33172	CHICAGO, IL 60601	MIAMI, FL 33131	NEW YORK, NY 10022

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after the effective date of this Registration Statement, but not earlier than the date of the meetings of the shareholders of Davel Communications Group, Inc., an Illinois corporation ("Old Davel"), and Peoples Telephone Company, Inc., a New York corporation ("Peoples"), referred to herein.

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

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [_]

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [_]

CALCULATION OF REGISTRATION FEE

<TABLE>
<CAPTION>

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED(1)	PROPOSED MAXIMUM OFFERING PRICE PER UNIT(2)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(2)	AMOUNT OF REGISTRATION FEE(3)
<S>	<C>	<C>	<C>	<C>
Common Stock, $.01 par value per share ("New Davel Common Stock") and associated preferred stock purchase rights of Davel Holdings, Inc. ("New Davel").....	11,193,972 shares	N.A.	$181,942,318	$50,580

</TABLE>

(1) Based upon the maximum number of shares of New Davel Common Stock issuable to holders of the common stocks of Old Davel and Peoples in connection with the proposed mergers of Old Davel and New Davel and of Peoples and New Davel.

(2) Estimated solely for purposes of calculating the registration fee in accordance with Rule 457(f)(1) and Rule 0-11, based on the sum of (A) the product of (i) $3.6875 (the average of the high and low prices of Peoples common stock on November 19, 1998 on the American Stock Exchange) times (ii) 19,987,886 (the number of shares of Peoples common stock outstanding on November 17, 1998 or issuable upon exercise of currently outstanding options) and (B) the product of (i) $16.66 (the average of the high and low prices of Old Davel common stock on November 18, 1998 on the Nasdaq National Market) times (ii) 6,496,818 (the number of shares of Old Davel

common stock outstanding on November 17, 1998 or issuable upon exercise of currently outstanding options).

(3) A registration fee of $23,907 was previously paid in connection with the filing by Old Davel (CIK #0000911016) and Peoples of a Schedule 14A (File No. 0-22610) on August 14, 1998. Accordingly, pursuant to Rule 457(b), an additional fee of $26,673 is being paid in connection with the filing of this Registration Statement.

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.

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DAVEL COMMUNICATIONS GROUP, INC.

NOTICE OF 1998 ANNUAL MEETING OF SHAREHOLDERS

DATE: DECEMBER 22, 1998

TIME: 9:00 A.M., LOCAL TIME

PLACE: ONE NORTH FRANKLIN STREET
THIRD FLOOR
CHICAGO, ILLINOIS 60606

To Our Shareholders:

We invite you to attend our 1998 Annual Meeting of Shareholders to consider and vote on the following:

PROPOSAL 1: To approve and adopt a merger agreement under which each of Davel and Peoples Telephone Company, Inc. will become an indirect, wholly owned subsidiary of a newly formed holding company (which we refer to as "New Davel"), with each share of Davel Common Stock being converted into the right to receive one share of New Davel Common Stock and each share of Peoples Common Stock being converted into the right to receive 0.235 of a share of New Davel Common Stock;

PROPOSAL 2: To elect seven members of the Board of Directors of Davel; and

To transact any other proper business.

YOUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE TO APPROVE EACH OF THESE PROPOSALS.

If you were a shareholder of record at the close of business on November 11, 1998, you may vote at the Annual Meeting. Approval of PROPOSAL 1 requires the affirmative vote of at least two-thirds of the outstanding shares of Davel Common Stock. Under PROPOSAL 2, the seven nominees receiving the highest number of votes in their favor will be elected directors of Davel. We urge you to read carefully the accompanying Joint Proxy Statement/Prospectus, which contains detailed information concerning each of the proposals. A copy of the merger agreement related to the transaction is attached as Appendix III to the accompanying Joint Proxy Statement/Prospectus.

You have the right under Illinois law to dissent from the merger transaction and to have the "fair value" of your shares paid to you in cash. For more information regarding these dissenters' rights and the procedures to be followed in exercising such rights, please read carefully the accompanying Joint Proxy Statement/Prospectus.

Whether or not you plan to attend the Annual Meeting in person, and regardless of the number of shares you own, please complete, sign, date and return the enclosed proxy card promptly in the enclosed envelope. This will ensure that your shares are voted as you wish and that a quorum will be present.

By order of the Board of Directors,

/s/ Theodore C. Rammelkamp, Jr.
Theodore C. Rammelkamp, Jr.
Secretary

November 20, 1998
Tampa, Florida

YOUR VOTE IS IMPORTANT!

TO VOTE YOUR SHARES, PLEASE COMPLETE, SIGN, DATE AND MAIL THE ENCLOSED PROXY CARD.

PLEASE DO NOT SEND IN ANY STOCK CERTIFICATES AT THIS TIME.

<PAGE>

PEOPLES TELEPHONE COMPANY, INC.

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

DATE:DECEMBER 22, 1998

TIME:10:00 A.M., LOCAL TIME

PLACE:PEOPLES TELEPHONE COMPANY, INC.
2300 N.W. 89TH PLACE
MIAMI, FL 33172

To Our Shareholders:

We invite you to attend a Special Meeting of Shareholders of Peoples Telephone Company, Inc. to consider and vote on a proposal to approve a merger agreement with Davel Communications Group, Inc. and a newly formed subsidiary of Davel, which we refer to as "New Davel." Under that agreement, each share of Peoples Common Stock will be converted into the right to receive 0.235 of a share of New Davel Common Stock, each share of Davel Common Stock will be converted into the right to receive one share of New Davel Common Stock and each of Peoples and Davel will become an indirect, wholly owned subsidiary of New Davel. THE BOARD OF DIRECTORS OF PEOPLES HAS UNANIMOUSLY APPROVED THE MERGER AGREEMENT AND RECOMMENDS THAT YOU VOTE FOR THE APPROVAL OF THE MERGER AGREEMENT.

If you were a shareholder of record at the close of business on November 11, 1998, you may vote at the Special Meeting. For further information regarding the transaction, we urge that you read carefully the accompanying Joint Proxy Statement/Prospectus. A copy of the merger agreement is attached as Appendix III to the accompanying Joint Proxy Statement/Prospectus.

The transaction between Peoples and Davel cannot be completed without:

- the approval of the holders of at least two-thirds of the voting power of the outstanding shares of Peoples Common Stock and Series C Cumulative Preferred Stock, voting together as a single class, and

- the approval of the holders of a majority of the outstanding shares of the Series C Cumulative Convertible Preferred Stock, voting as a separate class.

UBS Capital II LLC, the holder of all the shares of the Series C Cumulative Convertible Preferred Stock, has agreed to vote such shares FOR approval of the merger agreement.

Please take the time to vote by completing and signing the enclosed proxy card and mailing it to us in the enclosed postage-prepaid envelope. If you attend the Special Meeting, you may vote your shares in person even if you have previously submitted a proxy card. If your shares are held in "street name," you must instruct your broker in order to vote. YOUR VOTE IS VERY IMPORTANT. If you fail to vote or to instruct your broker to vote your shares, the effect will be the same as a vote against the merger agreement.

By order of the Board of Directors,

/s/ Bruce W. Renard

Bruce W. Renard
Secretary

November 20, 1998
Miami, Florida

YOUR VOTE IS IMPORTANT!

TO VOTE YOUR SHARES, PLEASE COMPLETE, SIGN, DATE
AND MAIL THE ENCLOSED PROXY CARD.

PLEASE DO NOT SEND IN ANY STOCK
CERTIFICATES AT THIS TIME.

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JOINT PROXY STATEMENT/PROSPECTUS

PROPOSED MERGERS--YOUR VOTE IS VERY IMPORTANT

The Board of Directors of Davel Communications Group, Inc. (which we refer to as "Old Davel") has approved a merger agreement that would have the effect of causing Old Davel and Peoples Telephone Company, Inc. to become indirect, wholly owned subsidiaries of a new company which we refer to as "New Davel." The Board of Directors of Peoples has likewise approved the merger agreement.

BE SURE TO READ THE "RISK FACTORS" BEGINNING ON PAGE 12.

Here is what you should expect to receive if the transaction is completed:

OLD DAVEL SHAREHOLDERS:

. One share of New Davel Common Stock for each share of Old Davel Common Stock that you own.

PEOPLES SHAREHOLDERS:

. 0.235 of a share of New Davel Common Stock for each share of Peoples Common Stock that you own.

We expect the New Davel Common Stock to trade on the Nasdaq National Market under the symbol "DAVL." Assuming that this transaction is completed, here is what the stock ownership percentages of New Davel would be:

<TABLE>
<CAPTION>

	OLD DAVEL SHAREHOLDERS	PEOPLES SHAREHOLDERS
<S>	<C>	<C>
Following completion of the transaction.....	55.7%	44.3%

</TABLE>

We based these percentages on the number of shares of each company outstanding on November 17, 1998.

WE ARE ASKING OLD DAVEL SHAREHOLDERS TO APPROVE:

. The merger agreement, approval of which is necessary to permit the transaction to occur.

. The election of seven nominees to the Old Davel Board of Directors.

WE ARE ASKING PEOPLES SHAREHOLDERS TO APPROVE:

. The merger agreement, approval of which is necessary to permit the transaction to occur.

YOUR VOTE IS IMPORTANT. Please vote on these proposals by completing and mailing the enclosed proxy card, even if you plan to attend a shareholders meeting. Also, you should read this document carefully before you vote. It provides detailed information about the proposed mergers and the other matters needing your approval. You may obtain more information about Old Davel and Peoples from documents that we have filed with the Securities and Exchange Commission.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES REGULATORS HAVE APPROVED THE NEW DAVEL COMMON STOCK TO BE ISSUED IN CONNECTION WITH THIS DOCUMENT OR DETERMINED IF THIS DOCUMENT IS ACCURATE OR ADEQUATE. ANY

REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

November 20, 1998

<PAGE>

QUESTIONS AND ANSWERS ABOUT THE TRANSACTION

Q: WHAT ARE THE BENEFITS OF THE TRANSACTION?

A: We believe that this transaction will allow New Davel to realize important benefits. Combining Old Davel and Peoples should enable us to achieve significant operating synergies and cost savings, including route efficiencies and reductions in overhead and carrier costs. In addition, we expect New Davel to be able to take advantage of enhanced marketing opportunities and capabilities due to its broader geographic presence and ability to better serve national accounts. As a result, we believe that this transaction should increase shareholder value for you.

Q: WHAT DO I NEED TO DO NOW?

A: After you read and consider carefully the information contained in this document, please fill out and sign your proxy card. Then mail your signed proxy card in the enclosed return envelope as soon as possible so that your shares may be represented at the Davel annual meeting or the Peoples special meeting, as applicable.

Q: IF MY SHARES ARE HELD IN "STREET NAME" BY MY BROKER, WILL MY BROKER VOTE MY SHARES FOR ME?

A: Your broker will vote your shares only if you provide instructions on how to vote. You should follow the directions provided by your broker regarding how to instruct your broker to vote your shares.

Q: CAN I CHANGE MY VOTE OR REVOKE MY PROXY AFTER I HAVE MAILED MY SIGNED PROXY CARD?

A: You can change your vote at any time before your proxy is voted at the Davel annual meeting or the Peoples special meeting. You can do this in one of three ways. First, you can send a written notice stating that you would like to revoke your proxy. Second, you can complete and submit a new proxy card. If you choose either of these methods, you must timely submit your notice of revocation or your new proxy card to the appropriate company at the address shown below. Third, you can attend the Davel annual meeting or the Peoples or PhoneTel special meeting and vote in person. Simply attending a meeting, however, will not revoke your proxy. If you have instructed a broker to vote your shares, you must follow directions received from your broker to change your vote.

Q: SHOULD I SEND IN MY STOCK CERTIFICATES NOW?

A: No. After we have completed the transaction, we will send you written instructions informing you how to exchange your stock certificates.

Q: WHEN DO YOU EXPECT THE TRANSACTION TO BE COMPLETED?

A: We are working towards completing the transaction as soon as possible. For the transaction to occur, it must be approved by the shareholders of both companies. If the shareholders of Peoples and Old Davel approve the transaction, we expect to complete the transaction on or about December 22, 1998.

Q: WHAT ARE THE TAX CONSIDERATIONS OF THE TRANSACTION?

A: The transaction generally will be tax-free to you for federal income tax purposes (other than with respect to cash you may receive instead of fractional shares). To review the tax considerations of the transaction in greater detail, see pages 43 to 45.

WHO CAN HELP ANSWER MY OTHER QUESTIONS

IF YOU HAVE MORE QUESTIONS ABOUT THE TRANSACTION, YOU SHOULD CONTACT THE SOLICITATION AGENT:

MACKENZIE PARTNERS, INC.
156 FIFTH AVENUE
NEW YORK, NEW YORK 10010
TELEPHONE NO.: (800) 322-2885

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SUMMARY

This summary highlights selected information from this Joint Proxy Statement/Prospectus and may not contain all of the information that is important to you. To understand the transaction and the shareholder proposals fully, you should read carefully this entire Joint Proxy Statement/Prospectus and the documents to which we have referred you. See "Where You Can Find Information" on page 153. You will find definitions for many of the capitalized terms used in this Joint Proxy Statement/Prospectus in the Glossary beginning on page 154.

GENERAL

Davel and Peoples are parties to a merger agreement that would result in their businesses being combined. The merger agreement must be approved by shareholders of each of Davel and Peoples in order for the combination to be completed. If the merger agreement is approved and the other conditions to completion of the transaction are satisfied, then the businesses will be combined. This Joint Proxy Statement/Prospectus is being sent to shareholders of both companies. It contains information about what you would receive in the proposed transaction and other information that you should consider in determining how you wish to vote at the shareholder meetings that Davel and Peoples will hold to consider and vote upon the transaction.

THE COMPANIES

Davel Communications Group, Inc.
1429 Massaro Boulevard
Tampa, Florida 33619

Davel Communications Group (which we refer to as "Old Davel") is one of the leading independent payphone service providers in the United States. Old Davel owns and operates a network of approximately 40,000 payphones in 36 states and the District of Columbia.

Peoples Telephone Company, Inc.
2300 Northwest 89th Place
Miami, Florida 33172

Peoples Telephone Company is one of the largest independent operators of public payphones in the United States with an installed base of approximately 43,000 payphones in service in 39 states and the District of Columbia.

Davel Holdings, Inc.
1429 Massaro Boulevard
Tampa, Florida 33619

Old Davel recently formed Davel Holdings (which we refer to as "New Davel") in connection with the transaction described in this Joint Proxy Statement/Prospectus.

Following completion of the transaction, the business of New Davel will consist of the businesses of Old Davel and Peoples. New Davel will be the largest independent payphone provider in the United States, with an installed base of approximately 83,000 payphones. The management of New Davel will consist of the management of Old Davel. Upon completion of the transaction, the board of directors of New Davel will consist of those directors elected pursuant to Proposal No. 2 as well as Mr. Justin S. Maccarone, currently a director of Peoples, who will be appointed to the board of New Davel as of the completion of the transaction. FOLLOWING COMPLETION OF THE TRANSACTION, NEW DAVEL WILL CHANGE ITS NAME TO "DAVEL COMMUNICATIONS, INC."

REASONS FOR THE TRANSACTION (PAGES 29 TO 33)

Completion of the transaction should enable New Davel--which will be the largest independent payphone provider in the United States--to compete more effectively in the U.S. payphone industry, where significant consolidation has been occurring. We believe that New Davel should be able to achieve various synergies, cost savings and other benefits, such as the following:

- enhanced marketing opportunities due to New Davel's broader geographic presence and ability to better serve national accounts;

<PAGE>

- reductions in overhead costs from the elimination of duplicative administrative and operational facilities;

- greater bargaining power to negotiate lower line and transmission costs; and

- increased route efficiencies due to higher concentrations of payphones in certain areas.

THE SHAREHOLDER MEETINGS

Old Davel (pages 21 to 22)

The Davel annual meeting of shareholders is scheduled to be held on Tuesday, December 22, 1998, at 9:00 a.m., local time, at One North Franklin Street, Third Floor, Chicago, Illinois. Shareholders of Old Davel will be asked to consider and vote upon the following proposals at the Davel annual meeting:

- the merger involving Old Davel and New Davel and the related merger agreement; and

- the election of directors.

Peoples (pages 22 to 23)

At the Peoples special meeting of shareholders, which is scheduled to be held at the principal executive offices of Peoples at 2300 Northwest 89th Place, Miami, Florida on Tuesday, December 22, 1998, at 10:00 a.m., local time, Peoples' shareholders will be asked to consider and vote upon a proposal to approve the merger involving Peoples and Old Davel and the related merger agreement.

TERMS OF THE TRANSACTION (PAGES 24 TO 46)

The Boards of Directors of Old Davel and Peoples have approved a merger agreement under which each of Old Davel and Peoples will merge with separate, newly formed indirect subsidiaries of New Davel. As a result of these mergers, Old Davel and Peoples will each become indirect, wholly owned subsidiaries of

New Davel. We refer to these mergers and the other transactions contemplated by the merger agreement as the "transaction."

What Old Davel Shareholders Will Receive (pages 46 to 47)

If you are a shareholder of Old Davel, you will receive one share of New Davel common stock for each share of Old Davel common stock that you own at the time of completion of the transaction.

What Peoples Shareholders Will Receive (pages 46 to 47)

If you are a Peoples shareholder, you will receive 0.235 of a share of New Davel common stock for each share of Peoples common stock that you own at the time of completion of the transaction.

The following table sets forth the stock ownership percentages for shareholders who are affiliates and for shareholders who are not affiliates of each of Old Davel and Peoples both before and immediately after completion of the transaction:

<TABLE>
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	OWNERSHIP OF OLD DAVEL PRIOR TO THE TRANSACTION	OWNERSHIP OF PEOPLES PRIOR TO THE TRANSACTION(1)	OWNERSHIP OF COMBINED COMPANY AFTER THE TRANSACTION(1)(2)
<S>	<C>	<C>	<C>
Old Davel			
Affiliates	62.3%	--	34.7%
Other Shareholders	37.7%	--	21.0%
Peoples			
Affiliates	--	17.3%	9.1%
Other Shareholders	--	82.7%	35.2%

</TABLE>

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(1) Assumes the conversion of all shares of Peoples Series C Preferred Stock into shares of Peoples common stock prior to the completion of the transaction and the conversion of these shares into New Davel common stock upon completion of the transaction. Also assumes the exercise of all currently exercisable options or warrants to acquire Old Davel common stock or Peoples common stock, the exercise prices of which are less than or equal to the closing sales price of Old Davel common stock or Peoples common stock, as the case may be, as of November 17, 1998.

(2) Assumes the receipt by the holder of the Peoples Series C Cumulative Convertible Preferred Stock of shares of New Davel common stock in consideration of accrued but unpaid dividends through the date of completion of the transaction and the estimated future fair value of such preferred stock had it not been converted.

<PAGE>

BOARD RECOMMENDATIONS TO SHAREHOLDERS

Old Davel (pages 29 to 31)

The Old Davel Board of Directors has reviewed carefully the transaction. It has received an opinion from ABN AMRO Incorporated as to the fairness, from a financial point of view, of the merger consideration to be paid to Peoples' shareholders. THE OLD DAVEL BOARD OF DIRECTORS HAS DETERMINED THAT THE TRANSACTION IS IN THE BEST INTERESTS OF OLD DAVEL AND ITS SHAREHOLDERS. THE OLD DAVEL BOARD OF DIRECTORS HAS UNANIMOUSLY APPROVED THE TRANSACTION AND RECOMMENDS THAT OLD DAVEL'S SHAREHOLDERS APPROVE THE TRANSACTION.

Peoples (pages 31 to 33)

The Peoples Board of Directors has reviewed carefully the transaction. It has received an opinion from Goldman, Sachs & Co. as to the fairness, from a financial point of view, of the merger consideration in the transaction to the holders of Peoples common stock. THE PEOPLES BOARD OF DIRECTORS HAS DETERMINED THAT THE TRANSACTION IS IN THE BEST INTERESTS OF PEOPLES AND ITS SHAREHOLDERS. IT HAS UNANIMOUSLY APPROVED THE TRANSACTION AND RECOMMENDS THAT PEOPLES' SHAREHOLDERS APPROVE THE TRANSACTION.)

Copies of the fairness opinions of ABN AMRO and Goldman Sachs are attached to this Joint Proxy Statement/Prospectus as Appendices I and II, respectively. WE URGE YOU TO READ THESE OPINIONS CAREFULLY.

Required Votes

To complete the transaction, the following shareholder approvals are required:

Old Davel Shareholders (page 21)

. the approval of the merger agreement by the holders of at least two-thirds of the outstanding shares of Old Davel common stock.

Peoples Shareholders (pages 22 to 23)

. the approval of the merger agreement by the holders of at least two-thirds of the outstanding shares of Peoples common stock and Peoples Series C Preferred Stock, voting together as a single class, and by the holders of a majority of the Peoples Series C Preferred Stock voting as a separate class.

Voting agreements have been entered into with holders of 3,467,433 shares of Old Davel's outstanding common stock (representing about 60% of all outstanding shares) who have agreed to vote in favor of the proposed transaction. A voting agreement has been entered into with the holder of all of the shares of Peoples outstanding Series C Preferred Stock (representing about 15% of all Peoples common stock on a combined, as converted basis) who has agreed to vote in favor of the proposed transaction.

Dissenters' Rights

Old Davel (pages 146 to 148)

All Old Davel shareholders have the opportunity under Illinois law to exercise dissenters' rights for the merger and have the "fair value" of their shares paid to them in cash.

The full text of the relevant sections of the Illinois law governing dissenters' rights are attached as Appendix VI to this document.

Peoples (page 148)

Dissenters' rights are not available to Peoples' shareholders.

EXCHANGE OF STOCK CERTIFICATES (PAGES 47 TO 48)

YOU SHOULD NOT SEND YOUR STOCK CERTIFICATES WITH THE PROXY CARD ENCLOSED WITH THIS DOCUMENT. YOU WILL RECEIVE FURTHER INSTRUCTIONS AFTER THE TRANSACTION IS COMPLETED.

After completion of the transaction, you will be asked to submit your stock certificates representing your shares and will receive in exchange new stock certificates representing shares in New Davel.

CONDITIONS TO THE TRANSACTION (PAGES 51 TO 52)

We are working towards completing the proposed transaction as soon as possible. We currently expect to complete the transaction on or about December 23, 1998. However, there are several conditions to the transaction that must be satisfied (or waived) before the transaction can be completed. In the event that any of these conditions is not satisfied, the transaction may not occur.

In particular, we will not waive the condition that the transaction receive, and will not complete the transaction without having obtained, the necessary approvals of the shareholders of Old Davel and Peoples.

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Completion of the transaction is also conditioned upon satisfaction or waiver of the other conditions to closing. These conditions include, among others, the following:

. the Securities and Exchange Commission having declared the registration statement effective for the shares to be issued as merger consideration and Nasdaq approving the listing of the shares on the Nasdaq National Market;

. Old Davel and Peoples receiving satisfactory letters regarding pooling-of-interests accounting treatment for the transaction;

. New Davel obtaining the financing necessary to complete the transaction;

. Peoples having successfully completed a tender offer for its 12 1/4% Senior Notes due 2002; and

. Old Davel and Peoples receiving satisfactory opinions of counsel about the tax-free nature of the transaction.

If either Old Davel or Peoples waives a material condition to the transaction, it will then consider resoliciting your approval of the transaction. Whether the boards of directors of Old Davel and Peoples decide to resolicit proxies from you will depend upon whether a shareholder could reasonably be expected to want to know, before signing a proxy, that the condition has been waived.

On August 27, 1998, early termination of the specified pre-merger waiting period under applicable antitrust law was obtained. In addition, Old Davel and Peoples are making certain filings and notifications in certain states and municipalities where New Davel will operate.

CONFLICTS OF INTEREST OF BOARDS AND MANAGEMENT (PAGES 42 TO 43)

Certain members of Peoples Board of Directors and Peoples management have interests in the transaction in addition to their interests as Peoples shareholders. In particular, certain Peoples executives will receive a total of about $2.6 million under change of control provisions in their employment agreements, a number of employees wlll receive management bonuses or retention payments and previously unvested options held by certain Peoples executives will vest, as a result of the transaction.

FEDERAL INCOME TAX CONSIDERATIONS (PAGES 43 TO 45)

Subject to the limitations and qualifications discussed under the heading "The Transaction--Federal Income Tax Considerations," (i) Shearman & Sterling, special counsel to Peoples, has rendered its tax opinion that the Peoples merger will be treated as a tax-free reorganization for U.S. Federal income tax purposes and (ii) Kirkland & Ellis, special counsel to Old Davel, has rendered its tax opinion that the Davel merger will be treated as a tax-free reorganization for U.S. federal income tax purposes. Accordingly, subject to such qualifications, you will not recognize gain or loss as a result of the exchange of your shares for shares in New Davel, except to the extent that you receive cash instead of a fractional share, and your tax basis in the new shares received in the merger will be the same as the total tax basis for the shares that you exchanged.

WE URGE YOU TO CONSULT WITH A TAX ADVISOR FOR A FULL UNDERSTANDING OF THE TAX CONSEQUENCES TO YOU OF THE PROPOSED TRANSACTION. CERTAIN SHAREHOLDERS MAY BE SUBJECT TO SPECIAL TREATMENT UNDER FEDERAL, STATE, LOCAL AND FOREIGN TAX LAWS THAT IS NOT EXPLAINED IN THIS JOINT PROXY STATEMENT/ PROSPECTUS.

ACCOUNTING TREATMENT (PAGE 45)

It is expected that, for accounting and financial reporting purposes, the transaction will be accounted for as a pooling-of-interests transaction, which means that the companies will be treated as though they had always been combined.

COMPARISON OF SHAREHOLDERS' RIGHTS (PAGES 136 TO 145)

New Davel, Old Davel and Peoples are incorporated in different states having differing corporation laws. In addition, the governing documents of each company vary. As a result, the rights, protections and duties that you have as a shareholder of the company in which you currently hold shares are different from those that
you will have after you receive shares of New Davel.

LISTING OF COMMON STOCK RECEIVED

Shares of New Davel common stock will be listed on the Nasdaq National Market.

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SUMMARY SELECTED FINANCIAL DATA

We are providing the following historical financial information to aid you in your analysis of the financial aspects of the proposed transaction. We derived this information from audited financial statements for 1993 through 1997 and unaudited financial statements for the nine months ended September 30, 1997 and

1998.

The information is only a summary and you should read it in conjunction with the historical financial statements and related notes on pages F-1 through F-81 of this Joint Proxy Statement/Prospectus and other information that has been filed with the Securities and Exchange Commission. See "Where You Can Find Information" on page 153.

DAVEL COMMUNICATIONS GROUP, INC.

SELECTED HISTORICAL FINANCIAL DATA
(IN THOUSANDS, EXCEPT PER SHARE DATA)

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	YEAR ENDED DECEMBER 31					NINE MONTHS ENDED SEPTEMBER 30	
	1993	1994	1995	1996	1997	1997	1998(1)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
OPERATING DATA:							
Operating revenues.....	$15,264	$22,598	$31,830	$36,973	$47,008	$34,457	$ 69,183
Expenses.....	11,792	17,754	25,684	31,721	40,309	29,747	67,219
Operating income.....	3,472	4,844	6,146	5,252	6,699	4,710	1,964
Income (loss) from continuing operations..	1,989	3,113	3,820	3,195	4,262	2,980	(2,724)
Net income (loss).....	1,858	3,753	1,312	3,805	4,262	2,980	(2,724)
Basic earnings (loss) per share:							
Income (loss) from continuing operations.....	$ .64	$ .70	$ .85	$ .70	$ .93	$ .65	$ (.54)
Net income (loss).....	.60	.84	.29	.84	.93	.65	(.54)
Diluted earnings (loss) per share:							
Income (loss) from continuing operations.....	$ .64	$ .70	$ .85	$ .70	$ .90	$ .63	$ (.54)
Net income (loss).....	.60	.84	.29	.83	.90	.63	(.54)
Weighted Average Common Shares (2).....	3,117	4,455	4,455	4,513	4,601	4,592	5,032
BALANCE SHEET DATA (END OF PERIOD):							
Total assets.....	$26,169	$33,035	$33,328	$43,862	$52,958	$51,125	$183,238
Long-term debt.....	266	85	209	5,726	6,801	7,180	74,927
Stockholders' equity....	22,918	26,678	27,990	32,935	37,970	36,597	63,955(3)

</TABLE>

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(1) The nine months ended September 30, 1998, includes results of CCI from the date of the acquisition of CCI, February 3, 1998.
(2) Diluted weighted average common shares for the years ended December 31, 1997 and 1996, and for the nine months ended September 30, 1997, were 4,727, 4,564 and 4,718, respectively.
(3) Stockholders' equity at September 30, 1998, includes the investment of $28,000 in Old Davel by EGI.

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PEOPLES TELEPHONE COMPANY

SELECTED HISTORICAL FINANCIAL DATA
(IN THOUSANDS, EXCEPT FOR PER SHARE DATA)

<TABLE>
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	YEAR ENDED DECEMBER 31					NINE MONTHS ENDED SEPTEMBER 30	
	1993	1994	1995	1996	1997	1997	1998
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
OPERATING DATA:							
Operating revenues.....	$ 81,717	$116,573	$112,362	$107,006	$112,235	$ 83,953	$ 86,265
Expenses.....	70,619	117,270	120,832	108,944	112,891	83,874	87,125
Operating income (loss).....	11,098	(697)	(8,470)	(1,938)	(656)	79	(860)
Income (loss) from							

ATTACHMENT

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PUBLIC DOCUMENT COUNT: 1
FILED AS OF DATE: 20020711

SUBJECT COMPANY:

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CENTRAL INDEX KEY: 0001072881
STANDARD INDUSTRIAL CLASSIFICATION: COMMUNICATION SERVICES, NEC [4899]
IRS NUMBER: 593538257
STATE OF INCORPORATION: IL
FISCAL YEAR END: 1231

FILING VALUES:
FORM TYPE: 425
SEC ACT: 1934 Act
SEC FILE NUMBER: 000-25207
FILM NUMBER: 02701363

BUSINESS ADDRESS:
STREET 1: 10120 WINDHORST ROAD
CITY: TAMPA
STATE: FL
ZIP: 33619
BUSINESS PHONE: 8136233545

MAIL ADDRESS:
STREET 1: 1429 MASSARO BOULEVARD
CITY: TAMPA
STATE: FL
ZIP: 33619

FORMER COMPANY:
FORMER CONFORMED NAME: DAVEL HOLDINGS INC
DATE OF NAME CHANGE: 19981103

FILED BY:

COMPANY DATA:
COMPANY CONFORMED NAME: DAVEL COMMUNICATIONS INC
CENTRAL INDEX KEY: 0001072881
STANDARD INDUSTRIAL CLASSIFICATION: COMMUNICATION SERVICES, NEC [4899]
IRS NUMBER: 593538257
STATE OF INCORPORATION: IL
FISCAL YEAR END: 1231

FILING VALUES:
FORM TYPE: 425

BUSINESS ADDRESS:
STREET 1: 10120 WINDHORST ROAD
CITY: TAMPA
STATE: FL
ZIP: 33619
BUSINESS PHONE: 8136233545

MAIL ADDRESS:
STREET 1: 1429 MASSARO BOULEVARD
CITY: TAMPA
STATE: FL
ZIP: 33619

FORMER COMPANY:
FORMER CONFORMED NAME: DAVEL HOLDINGS INC
DATE OF NAME CHANGE: 19981103

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July 11, 2002

FORM 425

Filed by: Davel Communications, Inc.
Commission File No. 000-25207
Pursuant to Rule 425 under the Securities Act of 1933
and deemed filed pursuant to Rule 14a-12
under the Securities Exchange Act of 1934

Subject Companies: Davel Communications, Inc.
PhoneTel Technologies, Inc.

* * * *

THE FOLLOWING IS A JOINT PRESS RELEASE ISSUED BY DAVEL COMMUNICATIONS, INC. AND PHONETEL TECHNOLOGIES, INC. ON JULY 11, 2002:

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PRESS RELEASE

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FOR IMMEDIATE RELEASE
- ----------
July 11, 2002

DAVEL COMMUNICATIONS, INC. AND PHONETEL TECHNOLOGIES INC.
MERGER TRANSACTION APPROVED AT STOCKHOLDERS MEETINGS

TAMPA, FLORIDA & CLEVELAND, OHIO - JULY 11, 2002 -- Davel Communications, Inc. (OTCBB: DAVL.OB) and PhoneTel Technologies, Inc. (OTCBB: PHTE.OB), the nation's two leading publicly traded independent payphone service providers with a combined installed base of approximately 76,000 payphones, announced today that the stockholders of each corporation have approved the proposed agreement and plan of reorganization and merger between the two companies previously announced on February 21, 2002.

At the Davel Annual Meeting of Stockholders held today in Tampa, Florida, Davel shareholders approved the agreement and plan of reorganization and merger with PhoneTel. Also approved was a proposed amendment to Davel's Certificate of Incorporation increasing the number of authorized shares of Davel common stock from 50 million to 1 billion in order to effectuate the equity restructuring contemplated by the agreement and plan of reorganization and merger.

At the PhoneTel Special Meeting of Shareholders held today in Cleveland, Ohio, PhoneTel shareholders approved the transaction with Davel and a proposed amendment to PhoneTel's Articles of Incorporation increasing the number of authorized shares of PhoneTel common stock from 45 million to 125 million in order to effectuate the agreement and plan of reorganization and merger.

Davel and PhoneTel expect to consummate the transaction within the next several business days. Pursuant to the agreement and plan of reorganization and merger, PhoneTel will become a wholly owned subsidiary of Davel. The business operations of the two companies will be consolidated upon the closing of the transaction.

PhoneTel Technologies, Inc. is a leading independent provider of pay telephones and related services in the United States. Headquartered in Cleveland, Ohio, PhoneTel operates approximately 29,000 payphones in 45 states and the District of Columbia.

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Founded in 1979, Davel Communications, Inc. is the largest independent payphone provider in the United States. Headquartered in Tampa, Florida, Davel operates approximately 47,000 payphones in 44 states and the District of Columbia.

In connection with the proposed transactions, Davel and PhoneTel have filed relevant materials with the Securities and Exchange Commission, including the Registration Statement on Form S-4 that contained a prospectus and joint proxy statement. Because those documents contained important information, holders of Davel's common stock and holders of PhoneTel's common stock are urged to read them. The Registration Statement is available for free at the SEC's website, www.sec.gov. Information on how to obtain transaction-related documents for free from Davel and PhoneTel is set forth in the Registration Statement.

Davel and its directors and executive officers and PhoneTel and its directors and executive officers may be deemed to be participants in the solicitation of proxies from the holders of Davel's common stock and PhoneTel's common stock in connection with the proposed transactions. On February 21, 2002, information regarding the participants and their interests in the solicitation was filed pursuant to Rule 425 with the SEC by each of Davel and PhoneTel. Investors may obtain additional information regarding the interests of the participants by

reading the final prospectus and joint proxy statement.

Materials included in this document contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause our actual results to be materially different from historical results or from any future results expressed or implied by such forward-looking statements. The factors that could cause actual results of Davel, PhoneTel, or a combined Davel and PhoneTel, to differ materially, many of which are beyond the control of Davel or PhoneTel include, but are not limited to, the following: (1) the businesses of Davel and PhoneTel may not be integrated successfully or such integration may be more difficult, time-consuming or costly than expected; (2) expected benefits and synergies from the combination may not be realized within the expected time frame or at all; (3) revenues following the transaction may be lower than expected; (4) operating costs, customer loss and business disruption, including, without limitation, difficulties in maintaining relationships with employees, customers, clients or suppliers may be greater than expected following the transaction; (5) generating incremental growth in the customer base of the combined company may be more costly or difficult than expected; (6) the effects of legislative and regulatory changes; (7) the tax treatment of the proposed transactions; (8) an inability to retain necessary authorizations from the FCC and state utility or telecommunications authorities; (9) an increase in competition from cellular phone and other wireless products and wireless service providers; (10) the introduction of new technologies and competitors into the telecommunications industry; (11) changes in labor, telephone line service, equipment and capital costs; (12) future acquisitions, strategic partnerships and divestitures; (13) general business and economic conditions; and (14) other risks described in the Annual Reports on Form 10-K for the year ended December 31, 2001 and other periodic reports filed by Davel and PhoneTel with the Securities and Exchange Commission. You are urged to consider statements that include the words "may," "will," "would," "could," "should," "believes," "estimates," "projects," "potential," "expects," "plans," "anticipates," "intends," "continues," "forecast," "designed," "goal," or the negative of those words or other comparable words, to be uncertain and forward-looking. This cautionary statement applies to all forward-looking statements included IN this document.

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Davel Communications Inc · 10-K · For 12/31/03 · EX-21.1

Filed On 3/30/04, 3:26pm ET · Accession Number 950152-4-2506 · SEC File 0-25207

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Help... *Wildcards:* ? (any letter), * (many). *Logic:* for Docs: & (and), | (or); for Text: | (anywhere), "(&)" (near).

As Of	Filer	Filing	For/On/As	Docs:Size	Issuer	Agent
3/30/04	Davel Communications Inc	10-K	12/31/03	12:411K		Bowne BCL/FA

Annual Report — Form 10-K
Filing Table of Contents

Document/Exhibit	Description	Pages	Size
1: 10-K	Davel Communications, Inc. 10-K/Fye 12-31-2003	73	505K
3: EX-10.10	Material Contract	8	29K
4: EX-10.11	Material Contract	15	48K
5: EX-10.12	Material Contract	8	25K
6: EX-10.13	Material Contract	8	25K
7: EX-10.14	Material Contract	8	25K
2: EX-10.9	Material Contract	12	45K
8: EX-14.1	Material Foreign Patent	4	22K
9: EX-21.1	Subsidiaries of the Registrant	2±	7K
10: EX-31.1	Certification per Sarbanes-Oxley Act (Section 302)	2±	10K
11: EX-31.2	Certification per Sarbanes-Oxley Act (Section 302)	2±	10K
12: EX-32.1	Certification per Sarbanes-Oxley Act (Section 906)	1	7K

EX-21.1 — Subsidiaries of the Registrant

EXHIBIT 21.1

SUBSIDIARIES OF DAVEL COMMUNICATIONS, INC.

Adtec Communications, Inc.

Central Payphone Services, Inc.

Communications Central, Inc.

Communications Central of Georgia, Inc.

Davel Communications Group, Inc.

Davel Financing Company, LLC

Davel Media, Inc.

Davel Mexico, Ltd.

DF Merger Corporation

Interstate Communications, Inc.

InVision Telecom, Inc.

Peoples Acquisition Corporation

Peoples Collector's, Inc.

Peoples Telephone Company, Inc. (New York)

Peoples Telephone Company, Inc. of New Hampshire

Peoples Telephone Company of South Carolina, Inc.

PhoneTel Technologies, Inc.

PT Merger Corporation

PTC Cellular, Inc.

PTC Security Systems, Inc.

Silverado Communications Corporation

Teleleasing Enterprises, Inc.

Telink, Inc.

T.R.C.A., Inc.

Mexico: Davel de Mexico, S. de R.L. de C.V.

Mexico: Telefonos Publicos de Mexico, S. de R.L. de C.V.

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

SCHEDULE 14C
(RULE 14C-101)

SCHEDULE 14C INFORMATION

Information Statement Pursuant to Section 14(c)
Of the Securities Exchange Act of 1934

Check the appropriate box:

☐ Preliminary information statement.
☐ Confidential, for use of the Commission only (as permitted by Rule 14c-5(d)(2)).
☒ Definitive information statement.

DAVEL COMMUNICATIONS, INC.

(Name of Registrant as Specified in Its Charter)

Payment of filing fee (check the appropriate box):

☒ No fee required.

☐ Fee computed on table below per Exchange Act Rules 14c-5(g) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

☐ Fee paid previously with preliminary materials.

☐ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration number, or the form or schedule and the date of its filing.

(1) Amount previously paid:

(2) Form, schedule or registration statement no.:

(3) Filing party:

(4) Date filed:

Davel Communications, Inc.
200 Public Square, Suite 700
Cleveland, Ohio 44114
(216) 241-2555

INFORMATION STATEMENT
WE ARE NOT ASKING YOU FOR A PROXY AND
YOU ARE REQUESTED NOT TO SEND US A PROXY

Our Board of Directors is furnishing this information statement to all holders of record of the issued and outstanding shares of our common stock, $0.01 par value per share ("Common Stock"), as of the close of business on March 7, 2005 (the "Record Date"), in connection with our proposed Amendment to our Certificate of Incorporation ("Amendment") to effectuate a 1-for-97,500,000 reverse stock split (the "Reverse Stock Split") and, in lieu of issuing fractional shares, to pay $0.015 per share to any holder of less than 97,500,000 shares. If consummated, the Reverse Stock Split would enable us to provide liquidity to our minority stockholders and terminate our periodic reporting obligations under Section 13 of the Securities Exchange Act of 1934, as amended ("Exchange Act"), and the registration of our Common Stock under Section 12(g) of the Exchange Act (collectively, "Registration and Periodic Reporting Obligations"). Following the Reverse Stock Split, we expect that shareholders who will be cashed out will receive payment for their shares 60 days after the date of this Information Statement.

Section 242 of the Delaware General Corporation Law requires us to obtain stockholder approval of the Amendment. We have one class of capital stock outstanding, our common stock (the "Common Stock"). Only stockholders of record at the close of business on the Record Date are entitled to approve and adopt the Amendment. As of the Record Date, 615,018,963 shares of Common Stock were issued and outstanding, held of record by approximately 1,615 stockholders. Each share of Common Stock issued and outstanding on the Record Date is entitled to one vote with regard to the approval and adoption of the Amendment. There are no dissenters' rights of appraisal with respect to the Amendment.

Under the Delaware General Corporation Law and our bylaws, our stockholders may approve the Amendment without a meeting, without prior notice and without a vote if a written consent to the Amendment is signed by the holders of outstanding shares having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote on the action were present and voted (here, a majority of the outstanding shares of Common Stock). Davel Acquisition Corp., a wholly-owned subsidiary of Mobilepro Corp. (together "Mobilepro") holds a majority of the outstanding shares of Common Stock. Mobilepro has approved the Amendment by written consent dated effective as of March 7, 2005. Accordingly, your consent is not required and is not being solicited in connection with the Amendment, and approval of the transaction is assured. See "The Reverse Stock Split- Approval of the Reverse Stock Split By Our Directors and Stockholders".

We will pay the expenses of furnishing this information statement, including the cost of preparing, assembling and mailing this information statement. We anticipate that this information statement will be sent or given on or about March 31, 2005 to the record holders of Common Stock as of close of business on the Record Date, and that the Amendment will be filed with the Delaware Secretary of State and become effective no earlier than the twentieth day after this information statement is sent or given to those holders of Common Stock.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the Reverse Stock Split, passed upon the merits or fairness of the Reverse Stock Split, or passed upon the adequacy or accuracy of the disclosure in this information statement. Any representation to the contrary is a criminal offense.

INFORMATION STATEMENT
Summary Term Sheet

This summary term sheet, highlights selected information from the information statement and addresses material terms of the transaction. You should carefully read this entire information statement and the other documents to which we refer you for a more complete understanding of the matters being described in this summary term sheet. In addition, we incorporate by reference important business and financial information into this information statement. You may obtain the information incorporated by reference into this information statement without charge by following the instructions in the section entitled "Where You Can Find More Information."

Reverse Stock Split

Purpose of the Reverse Stock Split

The purpose of the Reverse Stock Split is to make the Company a private company. The Reverse Stock Split is a means by which Mobilepro will be able to effectively purchase the 4.8% of shares of our outstanding Common Stock that it does not beneficially own (the "Minority Stockholders"). As a result, the Reverse Stock Split will enable us to terminate our Registration and Periodic Reporting Obligations so that we may continue future operations as a private company, relieving us of the costs, administrative burdens and competitive disadvantages associated with operating as a public company. We intend to accomplish this purpose by reducing the number of holders of record of our Common Stock to fewer than 300 by cashing out the fractional shares that would otherwise result from the Reverse Stock Split. See "Reasons for the Reverse Stock Split".

Independent Fairness Opinion

Our Board of Directors engaged Reznick Fedder & Silverman Financial Advisors Group, L.L.C. ("Reznick") to opine as to the fairness, from a financial point of view, of the consideration, in the amount of $0.015 per share, to be received by the Minority Stockholders set forth in the Loan Purchase Agreement and Transfer and Assignment of Shares and related agreements entered into between, among others, the former Lenders to the Company as Sellers, Mobilepro as Buyer, and the Company (the "Loan Purchase Agreement").

Findings of the Board of Directors

Our Board of Directors, Davel Acquisition, and Mobilepro believe that the Reverse Stock Split is in the best interest of, and substantively and procedurally fair to, all of our unaffiliated stockholders, who will be redeemed pursuant to the Reverse Stock Split. Our Board of Directors further concluded that the advantages of the Reverse Stock Split to the unaffiliated stockholders outweighed the disadvantages, and that it was substantively and procedurally fair to them, and, therefore, that the transaction was in all of our stockholders' best interests. See "Special Factors Considered in Approving the Reverse Stock Split".

Approval of Board of Directors

On February 17, 2005, our Board of Directors adopted resolutions authorizing and approving the Amendment and the implementation of the Reverse Stock Split. Our Board of Directors consists of three members, each of whom are executive officers and employees of Mobilepro. These members of the Board of Directors that approved the split in February 2005 are, therefore, affiliated with Mobilepro. The Board of Directors directed management to submit the Amendment to our stockholders for approval and reserved the right to abandon the Amendment and the Reverse Stock Split at any time prior to the Effective Time. See "The Reverse Stock Split - Approval of the Reverse Stock Split By Our Board of Directors and Stockholders" and "Substantive and Procedural Factors Considered by Our Board of Directors as to the Fairness of the Reverse Stock Split".

Approval of Stockholders

We had approximately 1,615 stockholders of record holding an aggregate of 615,018,963 shares of Common Stock outstanding as of the Record Date. Of those shares, approximately 95.2%, or 585,271,794 shares, were controlled by Mobilepro. Each stockholder is entitled to one vote per share. The proposed action to implement the Reverse Stock Split requires the affirmative vote or written consent of the holders of a majority of the outstanding shares of our common stock as of the Record Date. Mobilepro, holding a majority of our voting power, approved the Amendment by written consent effective as of March 7, 2005. See "The Reverse Stock Split - Approval of the Reverse Stock Split By Our Board of Directors and Stockholders".

Estimated Effective Time

We anticipate that the Amendment will be filed with the Delaware Secretary of State and the Reverse Stock Split will become effective on or about April 20, 2005 ("Effective Time"). However, in no event will the Reverse Stock Split be consummated earlier than that twentieth day after this information statement is sent or given to those persons or entities that held Common Stock as of the Record Date. See "The Reverse Stock Split - Effective Time of the Reverse Stock Split".

Implementation and Effects of Reverse Stock Split

Following the Reverse Stock Split, we anticipate that Mobilepro will be the sole stockholder of record holding all of the outstanding shares of our Common Stock.

Every holder of record of Common Stock at the Effective Time will be entitled to receive one share of our Common Stock in exchange for every 97,500,000 shares of Common Stock held by that holder immediately prior to the Effective Time. No fractional shares will be issued. Instead, in lieu of issuing fractional shares to holders who would otherwise be entitled to receive a fractional share of our Common Stock as a result of the Reverse Stock Split ("Cashed-Out Stockholders"), we will pay cash consideration at the rate of $0.015 for each share of Common Stock that was outstanding before the Effective Time but was not converted into a full share of post-split Common Stock (the "Cash Consideration").

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SPECIAL FACTORS

The Reverse Stock Split

Basic Terms

Under the terms of the Reverse Stock Split, every holder of record at the Effective Time will be entitled to receive one share of our Common Stock in exchange for every 97,500,000 shares held by such person immediately prior to the Effective Time. No fractional shares will be issued. Instead, in lieu of issuing fractional shares to Cashed-Out Stockholders who would otherwise be entitled to receive a fractional share of our Common Stock as a result of the Reverse Stock Split, we will pay Cash Consideration at the rate of $0.015 for each share of Common Stock that was outstanding immediately prior to the Effective Time but was not converted into a full share of post-split Common Stock.

Because of the limited trading market for our Common Stock and the number of shares held by Mobilepro, a stockholder is unable to purchase enough shares on the open market to avoid becoming a Cashed-Out Stockholder as a result of the Reverse Stock Split and will be unable to retain an equity interest in our Company.

For payment purposes, we intend for the Reverse Stock Split to treat stockholders holding Common Stock in a street name through a nominee, such as a bank or broker, in the same manner as stockholders whose shares are registered in their own names. Nominees will be instructed to effect the Reverse Stock Split for their beneficial holders. Accordingly, we also refer to those street name holders who receive a cash payment instead of fractional shares as Cashed-Out Stockholders. However, nominees may have different procedures, and stockholders holding shares in street name should contact their nominees.

The Reverse Stock Split is structured to be a Rule 13E-3 transaction under the Exchange Act because it is intended to, and if completed, will reduce the number of record holders of our Common Stock to fewer than 300, which will position us to terminate our Registration and Periodic Reporting Obligations. In connection with the Reverse Stock Split, we have filed a Rule 13E-3 Transaction Statement on Schedule 13E-3 with the Commission. We intend to apply for the termination of our Registration and Periodic Reporting Obligations as soon as practicable after the Effective Time.

Effective Time of the Reverse Stock Split

We anticipate that the Amendment will be filed with the Delaware Secretary of State and the Reverse Stock Split will become effective on or about April 20, 2005. However, in no event will the Effective Time of the Reverse Stock Split be earlier than the twentieth day after this information statement is sent or given to those persons or entities that held Common Stock as of the Record Date. The record date for determining the shares of our Common Stock that will be subject to the Reverse Stock Split will be the Effective Time.

Approval of the Reverse Stock Split By Our Board of Directors and Stockholders

As detailed below in "Approval of the Board of Directors," our Board of Directors has approved the Amendment and the implementation of the Reverse Stock Split and reserved the right to abandon the Amendment and the Reverse Stock Split at any time prior to the Effective Time. Under the Delaware General Corporation Law and our bylaws, our stockholders may approve the Amendment and Reverse Stock Split without a meeting, without prior notice and without a vote if a written consent to the Amendment is signed by the holders of outstanding shares having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote on the action were present and voted (here, a majority of the outstanding shares of Common Stock). Mobilepro, which holds a majority of the outstanding shares of our Common Stock, has approved the Amendment by written consent dated effective as March 7, 2005. Accordingly, no other stockholder approval is required and is not being solicited in connection with the Amendment.

No special compensation was paid to the Company's current Board of Directors in connection with evaluating this transaction. In connection with the negotiation, review and approval of the Loan Purchase Agreement, the Company appointed a special committee of two disinterested directors (the "Special Committee"). Messrs. James Chapman and Andrew Barrett served on the Special Committee, with Mr. Chapman serving as the Chairman. In connection with the services rendered each member of the Special Committee received a one-time payment of $35,000. Mr. Chapman received an additional payment of $15,000 as consideration for his services as Chairman.

Information about Mobilepro, the stockholder that consented to the Amendment and the number of shares of Common Stock owned as of the Record Date and included in the written consent approving the Reverse Stock Split is as follows:

Name of Stockholder	**Number of Shares**
Davel Acquisition Corp. c/o Mobilepro Corp. 6701 Democracy Blvd. Suite 300 Bethesda, MD 20817	585,271,794

Additional beneficial ownership information is contained below in "Interests of Certain Persons in or Opposition to the Reverse Stock Split - Security Ownership of Certain Beneficial Owners and Management".

Effects if Reverse Stock Split is Not Consummated

If the Reverse Stock Split is not consummated, our Registration and Periodic Reporting Obligations will continue, and we will not benefit from the substantial reduction in general and administrative costs associated with being a non-reporting company. In addition, our senior management will have to continue to devote significant time to our Registration and Reporting Obligations, which they will not be able to devote to other company operations. See "Reasons for the Reverse Stock Split - Cost Savings".

Stock Certificates

Our transfer agent, Mellon Investor Services, has been appointed as our exchange agent to carry out the exchange of existing Common Stock certificates for new Common Stock certificates and to send cash payments in lieu of issuing fractional shares. Promptly following the Effective Time, the transfer agent will send a letter of transmittal to each affected stockholder. The letter will describe the procedures for surrendering stock certificates in exchange for new Common Stock certificates and/or the Cash Consideration. Upon receipt of the stock certificates and properly completed letters of transmittal, the transfer agent will issue the appropriate new stock certificates and/or make the appropriate cash payment within approximately 20 business days.

No service charges will be payable by our stockholders in connection with the exchange of certificates or the payment of cash in lieu of issuing fractional shares because we will bear those expenses. We will not pay interest on cash sums due to any stockholder in connection with the Reverse Stock Split.

All stock certificates outstanding immediately prior to the Effective Time evidencing ownership of our Common Stock will be deemed cancelled without further action by their holders as of the Effective Time. Please do not send any stock certificates to our transfer agent or us in connection with the Reverse Stock Split until you receive and complete a letter of transmittal.

Provision for Unaffiliated Stockholders

Neither we, nor any executive officer or director of our Company nor any person controlling us has made any provision in connection with the Reverse Stock Split to grant unaffiliated stockholders access to our corporate files or to obtain counsel or appraisal services for such stockholders. The consent of a majority of the unaffiliated shareholders is not required, and a majority of directors who are not employees of Davel did not hire an unaffiliated representative for the unaffiliated shareholders.

Source of Funds and Financial Effect of the Reverse Stock Split

Given that the actual number of shares of Common Stock that we will purchase is unknown at this time, the total cash we will pay to stockholders is currently unknown, but is estimated to be approximately $450,000. We expect to pay the Cash Consideration in connection with the Reverse Stock Split and other expenses for the Reverse Stock Split through our available cash or advances from Mobilepro. The Reverse Stock Split and the use of approximately $600,000 in cash to complete the Reverse Stock Split, which includes professional fees and other expenses related to the transaction and cash payments to be made in lieu of issuing fractional shares, are not expected to adversely affect in any material respect our capitalization, liquidity, results of operations or cash flow.

We estimate that the fractional shares that would otherwise be issued in the Reverse Stock Split would aggregate to approximately 30,000,000 pre-split whole shares of Common Stock, resulting in cash payments to Cashed-Out Stockholders of approximately $450,000 (30,000,000 whole shares at $0.015).

Our Common Stock is traded over-the-counter on the OTC Bulletin Board under the symbol "DAVL.OB". On September 7, 2004, the last trading price for our Common Stock prior to the announcement of the Loan Purchase Agreement was $0.007. The Cash Consideration represents a premium [discount] of approximately 114%, 50%, and [11.8]% over the weighted average closing trading price of the Common Stock over the three-month, six-month, and one-year periods, respectively, prior to the announcement of the Reverse Stock Split. See "Market Prices of Our Common Stock and Dividend Policy".

Following the Reverse Stock Split, we plan to terminate our Registration and Periodic Reporting Obligations, which means that our Common Stock will not qualify to be traded on any automated quotation system operated by a national securities association and will no longer be traded on the OTC Bulletin Board. Our Common Stock may be eligible to trade in the "Pink Sheet"; however we have no present plans to apply for our Common Stock to be traded in the Pink Sheets.

Fees and Expenses

The following is a reasonably itemized statement of the fees and expenses that have been incurred or that are estimated to be incurred in connection with the Reverse Stock Split and the transactions related thereto: $450,000 in Cash Consideration to the Cashed-Out Stockholders; $35,000 to our legal counsel; $61,500 for printing and other costs in connection with the mailing of this information statement; $28,500 for the preparation and issuance of a fairness opinion by Reznick Fedder & Silverman Financial Advisors Group, L.L.C.; and $25,000 for exchange agent services.

Accounting Consequences

The Reverse Stock Split will not affect the par value of our Common Stock, which remains $0.01 per share. The Reverse Stock Split will result in an increase in per share net income or loss and net book value of our Common Stock because fewer shares of our Common Stock will be outstanding. Our financial statements, supplementary financial information and quantitative and qualitative disclosures about market risk, included in Appendices B and C of this information statement, do not reflect the Reverse Stock Split.

Certain Legal Matters

We are not aware of any license or regulatory permit that appears to be material to our business that might be adversely affected by the Reverse Stock Split, nor any approval or other action by any governmental, administrative or regulatory agency or authority, domestic or foreign, that would be required to consummate the Reverse Stock Split, other than approvals, filings or notices required under federal and state securities laws and the corporate laws of the State of Delaware.

Regulatory Filings and Approvals

We have filed a Schedule 13E-3 with the Securities and Exchange Commission ("Commission"), to notify the Commission of our intent to go private. We anticipate that following the completion of the Reverse Stock Split and the filing of a Form 15 with the Commission, our Registration and Periodic Reporting Obligations will immediately terminate. See "Other Information - Where You Can Find More Information".

We are not aware of any governmental or regulatory approval required for completion of the Reverse Stock Split, other than compliance with applicable federal and state securities laws and the corporate laws of the State of Delaware. See "Regulatory Approvals".

Following the Reverse Stock Split and the termination of our Registration and Periodic Reporting Obligations, we will no longer be a public-reporting company, but rather will operate as a private company. We expect our business and operations to continue as they are currently being conducted and, except as disclosed in this information statement, the Reverse Stock Split is not anticipated to materially affect the conduct of our business. We expect to be subject to substantially the same risks and uncertainties after the Reverse Stock Split. See "Conduct of our Business after the Reverse Stock Split - Future Company Plans".

We believe the Reverse Stock Split will be treated as a tax-free "recapitalization" for federal income tax purposes, which will result in no material federal income tax consequences to us. Depending on each stockholder's individual situation, the Reverse Stock Split may give rise to certain income tax consequences for stockholders. See "Certain Material Federal Income Tax Consequences".

Background of the Transaction

During the spring and summer of 2003, Davel Communications, Inc. ("Davel" or the "Company") had engaged in conversations with a third party (the "First Interested Party") that was interested in entering into a joint venture or similar arrangement in order to deploy a wireless technology on the Davel owned pay telephones. The deployment of the wireless technology on the Davel owned pay telephones would require a significant capital investment by the First Interested Party. In light of Davel's then current financial condition, the First Interested Party determined it was unwilling to make the necessary capital investment; however, determined that it would be interested in purchasing the Company. During the fall of 2003, due to a stock price that remained near historically low levels, the challenges faced by Davel in its business, including the Company's ability to satisfy its obligations under a Senior Credit Agreement (the "Senior Debt") (as further discussed below under "—Analysis of the Board; Fairness of the Merger"), the First Interested Party made an unsolicited offer regarding a possible sale, merger, consolidation or other business combination of Davel (the "First Offer").

The First Offer contemplated an asset purchase and required that the assets be transferred free of the liens and encumbrances associated with the Senior Debt. The First Offer required that the assets be purchased in a Federal Bankruptcy Court auction proceeding (the "363 Proceeding") to allow for the Senior Debt to be eliminated. In light of the structure contemplated by the First Offer, the transaction contemplated thereby could only be effectuated with the approval of the holders of the Senior Debt (the "Lenders"), since the Lenders would need to be willing to sell their interest in the Senior Debt at a substantial discount. At the time of the First Offer the carrying value of the Senior Debt was in excess of $120 million. The First Offer provided the Lenders with $17.5 million in cash at closing and provided the opportunity for deferred compensation equal to fifty percent of certain future regulatory receipts received by the Company, as well as fifteen percent of the future gross profits generated from the acquired assets up to an aggregate amount of $10 million. The First Offer also provided the Lenders with warrants to purchase in the aggregate five percent of the fully-diluted equity of the acquiring company. Since the First Offer contemplated the 363 Proceeding, it did not provide any consideration to the unsecured creditors or the shareholders of the Company. The First Offer was also subject to the First Interested Party obtaining a committed financing source. The Company continued to have ongoing conversations with the First Interested Party through the end of 2003 and into January of 2004.

During the summer of 2003 and unrelated to the foregoing conversations with the First Interested Party, the Company commenced conversations with another pay telephone provider (the "Second Interested Party") to determine whether there would be any opportunities to create a strategic alliance or other initiative beneficial to the respective companies and their shareholders. The discussions considered various concepts, including a merger of the companies. As a result of those conversations, on or about September 23, 2003 the Company received a letter of intent from the Second Interested Party (the "Second Offer"). The Second Offer contemplated cash consideration to the Lenders at closing of $18 million, in addition to deferred consideration of up to fifty percent of certain future regulatory receipts received by the Company. The Second Offer required that the assets be transferred free of the liens and encumbrances associated with the Senior Debt to be effectuated by virtue of a 363 Proceeding. As such, the Second Offer did not provide any consideration to the unsecured creditors or the shareholders of the Company. The Second Offer was also subject to the Second Interested Party obtaining a financing commitment. In light of the financing commitment contingency and the questionable financial condition of the Second Interested Party, the Company and the Lenders declined to proceed under the terms of the Second Offer.

In December 2003, Davel entered into discussions with another third party (the "Third Interested Party") concerning the purchase of the Company. The Third Interested Party displayed informal interest in pursuing a formal offer at a consideration price of between $5 million to $7 million. The expression of interest from the Third Interested Party was conveyed to the Lenders by the Company; however, in light of the low consideration price discussed, further discussions did not lead to an offer worthy of additional consideration.

After further negotiations with the Company and the Lenders on or around January 30, 2004 the First Interested Party revised its First Offer (the "Third Offer") which contemplated the same 363 Proceeding as required by the First Offer; however, modified certain economic terms contained in the First Offer. The cash consideration to be paid to the Lenders in connection with the First Offer was increased to $18 million in cash, with the deferred consideration and equity components remaining the same. The terms of the Third Offer were memorialized in a non-binding letter of intent and executed by the parties. The non-binding letter of intent provided a forty-five day period during which time the First Interested Party was required to obtain committed financing to consummate the transaction. In light of the 363 Proceeding required by the Third Offer and the potential negative impact to its business associated therewith, the Company and the Lenders were unwilling to execute a binding definitive agreement until such time as the First Interested Party could provide evidence that committed financing could be secured.

During the time period in which the First Interested Party attempted to obtain a financing commitment, the Company continued to operate its business and implement various cost savings strategies and initiatives implemented by its previously appointed Chief Executive Officer. After multiple extensions of the time period set forth in the letter of intent the First Interested Party was unable to secure a financing commitment. As a result the non-binding letter of intent was terminated by the Company on May 2, 2004. The reason that the committed financing was not secured by the First Interested Party is unknown to the Company.

On or about February 13, 2004, the Company received a non-binding letter of intent from an unrelated third party (the "Fourth Interested Party") that offered to purchase one hundred percent of the equity of the company, to be delivered free of the Senior Debt in consideration for $12 million in cash at closing, plus fifty percent of the first $20 million of certain future regulatory receipts to be received by the Company, plus deferred consideration in the form of an annual earnout payment equal to twenty percent of annual gross profit in excess of $9 million each year for five years, not to exceed $3 million in the aggregate (the "Fourth Offer"). The Fourth Offer did not specify the method by which the Senior Debt would be eliminated.

After receipt of the Fourth Offer, on or about February 24, 2004 the Company established the Special Committee of the Board of Directors. Two disinterested directors were appointed to serve on the Special Committee, Messrs. James Chapman and Andrew Barrett. Mr. Chapman served as the Chairman of the Special Committee. The Special Committee was organized in order to review, evaluate and consider the terms of the Fourth Offer and any future proposed transaction that it deemed to be in the best interests of the stakeholders of the Company. The Special Committee was authorized, if necessary, to engage legal counsel and a financial advisor as it deemed appropriate in order to evaluate the Fourth Offer and any future proposed transaction. In light of the pending non-binding letter of intent with the First Interested Party and given the low cash consideration contemplated by the Fourth Offer, the Special Committee and the Company did not accept the Fourth Offer. Further discussions did not result in any increase in the amounts contemplated by the Fourth Offer.

On or around April 28, 2004 the Company received a non-binding expression of intent from another third party (the "Fifth Interested Party") for the purchase of the Senior Debt and the common shares of equity held by the Lenders. The consideration offered to the Lenders in connection with the expression of intent was $18 million in cash at closing, plus fifty percent of certain future regulatory receipts received by the Company, net of collection expenses (the "Fifth Offer"). No consideration was to be provided for the minority shareholders as part of the Fifth Offer. In light of the pending non-binding letter of intent with the First Interested Party, and as a result of the operating improvements at the Company, the Special Committee recommended to the Company not to proceed with the Fifth Offer. The Company accepted the recommendation of the Special Committee and it, and its Lenders, did not proceed with the Fifth Offer.

In May 2004 the Company received a letter of interest from an unrelated third party (the "Sixth Interested Party") for the purchase of approximately 43,000 installed payphones and related assets and all uninstalled payphones and related equipment for consideration equal to $10 million in cash at closing (the "Sixth Offer"). The Chairman of the Special Committee commenced discussions with the Lenders, and accordingly, the Special Committee recommended to the Company that it not proceed with the Sixth Offer on the basis that the cash consideration amount was too low. The Company and the Lenders rejected the Sixth Offer. Further discussions with the Sixth Interested Party ensued but did not result in any increase of the consideration contemplated by the Sixth Offer.

On June 2, 2004 the Company received a non-binding letter of intent from a third party (the "Seventh Interested Party") to purchase approximately ninety percent of the Company's Common Stock. The non-binding letter of intent provided a cash consideration amount of $23 million to be paid over time, plus deferred consideration equal to $12 million to be paid from certain future regulatory receipts to be received by the Company (the "Seventh Offer"). The Seventh Offer was contingent on, among other things, the Company's long-term debt being reduced to a zero balance, current liabilities equaling less than $30 million and the absence of lease and other encumbrances against the current assets of the Company. The Seventh Offer was also subject to the Seventh Interested Party obtaining committed financing. The Special Committee reviewed the Seventh Offer and recommended to the Company that it be rejected since the Special Committee and the Company did not believe it could satisfy the conditions set forth therein, and because the Seventh Offer was subject to the Seventh Interested Party obtaining a financing commitment.

On or about May 29, 2004 the Company and the Lenders received a letter of intent from Mobilepro in which it detailed its interest in the Company. The terms of the letter of intent provided for a purchase price of up to $33 million to purchase the Senior Debt and the Common Stock held by the Lenders. The purchase price consisted of $15 million in cash at closing, together with one hundred percent of certain future regulatory receipts received by the Company up to $18 million. The letter of intent was conditioned on, among other things, completion of due diligence, the absence of pending or threatened litigation against the Company on the date of closing, the absence of payments of debt with regulatory receipts or otherwise, continued operations of the Company business in the ordinary course and documentation of the definitive agreement. The letter of intent contained a provision that prohibited the Company from soliciting or entering into any negotiations or agreements with another prospective purchaser of the Senior Debt. The letter of intent was also subject to Mobilepro obtaining final financing. The Special Committee reviewed the terms of the Mobilepro letter of intent.

From May 29, 2004 through June 1, 2004 the Special Committee directed the Company's Chief Executive Officer to engage in continuing negotiations with Mobilepro representatives. On or about June 2, 2004 Mobilepro presented the Company and Lenders with a letter, which confirmed and revised certain aspects of the May 29, 2004 letter of intent. The Special Committee reviewed the June 2, 2004 letter of intent which confirmed that Mobilepro had engaged a committed financing source, and therefore, the financing contingency in the previous letter of intent was eliminated. Furthermore, it provided a $500,000 deposit to secure the no shop provision through August 31, 2004 and requested that the Company and Lenders agree to a "topping fee" in the amount of $750,000 in the event a superior third party offer was received and accepted by the Company and Lenders prior to August 31, 2004.

The Special Committee reviewed the terms of the June 2, 2004 letter of intent with the Company and its Lenders. The Special Committee expressed its concern that the June 2, 2004 letter of intent did not make any provision for the treatment of the shareholders that were not the Lenders (the "Minority Stockholders"), which it believed to be of particular import since the proposed transaction would result in Mobilepro obtaining a controlling interest of the Company's Common Stock. After further negotiations directed by the Special Committee between the Company, the Lenders and Mobilepro, on or about June 14, 2004 Mobilepro presented the Company with a revised letter of intent. The terms of the letter of intent provided for a purchase price of up to $33 million to purchase the Senior Debt and the Common Stock retained by the Lenders. The purchase price consisted of $15 million in cash at closing, together with one hundred percent of certain future regulatory receipts to be received by the Company up to $18 million. As additional consideration, Mobilepro agreed to provide the Lenders with five million warrants to purchase Mobilepro common stock at an exercise price of $0.20 per share. The warrants were to have a five-year term and were to be exercisable on a cash basis. Mobilepro also agreed to provide the Lenders with piggy-back registration rights for the underlying shares to be issued in connection with the exercise of the warrants. Additionally, Mobilepro agreed to, within 120 days after closing date of the transaction, make a tender offer for the remaining shares of Common Stock not owned by the Lenders. The June 14, 2004 letter of intent was subject to due diligence and required that the parties execute definitive agreements on or before August 31, 2004. The June 14, 2004 letter of intent also provided that Mobilepro would advise the Company on or before July 23, 2004 whether it had completed its due diligence and whether it intended to proceed with the transaction as contemplated by the letter of intent. The Special Committee reviewed the terms of the June 14, 2004 letter of intent and recommended to the Company that it be accepted. The parties executed the letter of intent dated June 14, 2004.

Thereafter, Mobilepro commenced its financial and legal due diligence of the Company, and on or around July 23, 2004, confirmed that it intended to move forward with the transaction in accordance with the terms of the letter of intent. The parties commenced the negotiation and drafting of the definitive agreements. During this time period the parties negotiated the specific provisions of the definitive agreements, including the provisions relating to the buyout of the Minority Stockholders. The Special Committee reviewed the historical stock trading price and trading volumes of the Company's Common Stock and determined that the Minority Stockholders interests would be best served if the Company were able to negotiate a buyout of the Minority Stockholder's interests. After reviewing the Company's actual and projected financial results, including the Company's inability to meet its debt obligations to the Lenders and other liquidity concerns, together with the historical market prices and trading volumes of its publicly traded Common Stock, the Special Committee determined that a fair consideration price for each share of Common Stock held by the Minority Stockholders would be $0.015. Further negotiations resulted in a provision being included in the Loan Purchase Agreement requiring Mobilepro to purchase all of the approximately 4.8% of the shares of Common Stock of the Company held by the Minority Stockholders. The buyout of the Minority Stockholders was to be completed by Mobilepro within 180 days after the closing date of the Loan Purchase Agreement and could be conducted by Mobilepro, at its sole discretion, by tender offer, short-form merger or such other transaction deemed appropriate by Mobilepro. The purchase price offered to the Minority Stockholders was to be an amount per share of not less than $0.015, which amount could be paid in cash or securities of Mobilepro. Prior to conducting the Minority Stockholder buyout, Mobilepro was required to retain a reputable investment banker or other financial advisor to render an opinion as to the fairness, from a financial point of view, of the terms of the consideration paid to the Minority Stockholders.

On or about August 5, 2004 the Special Committee retained the services of Skyworks Capital, LLC in order to evaluate the transaction and issue an opinion as to the fairness, from a financial point of view, of the consideration to be received by the Minority Stockholders in connection with Mobilepro transaction. During the following weeks the parties completed the documentation surrounding the transaction, including but not limited to, the Loan Purchase Agreement and ancillary documentation. At a meeting of the Special Committee, on September 3, 2004 Skyworks Capital, LLC made a presentation and issued an opinion confirming that, from a financial point of view, the consideration to be received by the Minority Stockholders was fair. Immediately thereafter, the Company held a meeting of its Board of Directors during which the Special Committee recommended to the Board of Directors that the Company proceed with the Mobilepro transaction. The Board of Directors unanimously agreed to proceed with the Mobilepro transaction and to execute the definitive agreements. The definitive agreements were executed on September 3, 2004 and the transaction closed on November 15, 2004. Upon the closing of the transaction, Messrs. Chapman, Genda and Barrett resigned their positions as Directors of the Company, at which time Messrs. Jay Wright, Kurt Gordon, Kevin Kuykendall and Geoffrey Amend, each of whom were executive officers of Mobilepro, were appointed to the Board of Directors of the Company. Kevin Kuykendall later resigned his position from the Davel Board of Directors in January 2005. Mobilepro did not file a Schedule 13D or a Schedule 14f-1 at this time. While it does not believe that its purchase of certain debt from certain debtholders of Davel required it to file either such schedule, nevertheless, Mobilepro intends to file both disclosure documents on or about March 29, 2005.

In connection with the obligation of Mobilepro to buyout the Minority Stockholders, on January 6, 2005 the Company retained the services of Reznick Fedder & Silverman ("Reznick") to provide an opinion as to the fairness, from a financial point of view, of the terms of the consideration paid to the Minority Stockholders in order to fulfill its obligations under the terms of the Loan Purchase Agreement. On or about January 15, 2005 Reznick completed its preparation of a written presentation to the Board of Directors of the Company. Prior to a meeting of the Board of Directors scheduled for February 9, 2005 Reznick submitted the written presentation materials to the Board of Directors. On February 9, 2005 Reznick made an oral presentation to the Board of Directors of the Company and issued an opinion to the Company, from a financial perspective, that the consideration of $0.015 to be paid to the Minority Stockholders was fair. Upon a review of the opinion, the Board of Directors voted unanimously to approve the filing of the Amendment to effectuate the Reverse Stock Split.

Approval of the Reverse Stock Split

Purpose of the Reverse Stock Split

The purpose of the Reverse Stock Split is to enable Mobilepro to effectively purchase all of our outstanding Common Stock that it does not beneficially own. On November 15, 2004, Mobilepro acquired approximately 95.2% of our issued and outstanding Common Stock. As part of the Loan Purchase Agreement, Mobilepro agreed to purchase all of our remaining Common Stock by means of a tender offer, short-form merger or other similar transaction. Additionally, the acquisition of our Common Stock will enable us to terminate our Registration and Periodic Reporting Obligations and enable us to continue future operations as a private company, thereby relieving us of the costs, administrative burdens and competitive disadvantages associated with operating as a public company. We intend to accomplish this purpose by reducing the number of holders of record of our Common Stock to fewer than 300 by cashing out the fractional shares that would otherwise result from the Reverse Stock Split.

Alternatives Considered by the Board of Directors

Faced with the obligation to purchase all of our outstanding Common Stock that it did not already own, and its interest in increasing our working capital and reducing our administrative expenses, Mobilepro determined, along with us, that maintaining our public company status imposed a significant cost on us with no significant benefit. We determined that terminating our Registration and Periodic Reporting Obligations would result in substantial cost savings and better competitive positioning, which would help us maximize stockholder value. In order to terminate our Registration and Periodic Reporting Obligations, we must reduce the number of record holders of our Common Stock to fewer than 300.

Our Board of Directors reviewed several alternatives for purchasing the shares held by the Minority Stockholders. The first alternative involved a tender offer. In a tender offer, publicly held shares are purchased directly from a company's stockholders. The proponent of the transaction approaches the target company to consider the proposal. When the two sides reach an agreement, the acquiror sends the stockholders a written offering document, the "offer to purchase," which contains disclosures required by Commission rules, and a letter of transmittal, which stockholders may use to tender their shares. The target company issues a press release announcing, among other things, that the company recommends that stockholders accept the offer and tender their shares. Tender offers are commonly conditioned on the acquiror holding at least 90% of each class of stock of the company following the closing of the offer, which provides the acquiror with the ability to complete a short-form merger without holding a meeting of stockholders or soliciting proxies. In a short-form merger, the shares that were not tendered are typically converted into the right to receive the same consideration that was paid to the tendering stockholders or the right to assert appraisal rights. At the conclusion of the short-form merger, the target company (or merger sub) typically has one stockholder, a subsidiary of the acquiror.

The second alternative considered was a merger with a third party. A common form is a reverse triangular merger in which an entity formed by the acquirer merges with and into the target company, which survives the merger. As a result of the merger, the outstanding shares of the target company's stock, other than shares owned by the acquiror, are converted into the right to receive the merger consideration. The merger consideration is the cash paid to the stockholders of the target corporation. A merger typically leaves the surviving company with one stockholder, the parent.

The final alternative considered was the Reverse Stock Split. Because the results of a Reverse Stock Split are more predictable and automatic, our Board of Directors believes that the Reverse Stock Split is the most expeditious and economical way of effectively purchasing the shares of the Minority Stockholders and reducing the number of holders of record to fewer than 300 thereby positioning us to effect the termination of our Registration and Periodic Reporting Obligations. As a result, on February 17, 2005, our Board of Directors, approved a 1-for-97,500,000 Reverse Stock Split of our Common Stock, subject to stockholder approval. The selected split ratio was a result of calculations intended to determine how many record holders needed to be cashed out to achieve our goal of going private and reducing the number of stockholders to one.

Reasons for the Reverse Stock Split

Cost Savings

We incur direct and indirect costs associated with our status as a public company. Among the most significant are the costs associated with compliance with the Registration and Periodic Reporting Obligations imposed by the Commission. Direct costs associated with compliance with the Registration and Periodic Reporting Obligations include, but are not limited to auditing fees, legal fees, financial printer fees and miscellaneous clerical and other administrative expenses, such as word processing, conversion to EDGAR, telephone and fax charges associated with the preparation and filing of periodic reports, proxy materials and other reports and statements with the Commission.

Based on our experience in prior years, our direct costs of complying with the Registration and Periodic Reporting Obligations are estimated to be approximate $540,000 annually, based on estimated annual audit and accounting fees of $130,000, estimated annual legal fees of $50,000, estimated financial printer fees of $40,000, estimated transfer agent fees of $25,000, estimated costs associated with filing reports with the Commission (including internal administrative staff) of $50,000, estimated costs for directors' and officers' insurance of $155,000, estimated ongoing costs associated with Sarbanes-Oxley compliance of $40,000 (estimated at $50,000 in 2005) and estimated miscellaneous costs of $50,000. Indirect costs associated with compliance with the Registration and Periodic Reporting Obligations include, among other things, the time our executive officers expend to prepare and review our periodic reports. Because we have only a few executive personnel, these indirect costs are substantial. Due to additional regulations and compliance procedures required of public companies under the Sarbanes-Oxley Act of 2002, including our independent auditors' report on our management's assessment of our internal controls for financial reporting purposes under section 404 of that Act, we expect that the direct and indirect costs identified above will increase in the future.

The cost of administering each registered stockholder's account is the same regardless of the number of shares held in that account. As of the record date, our Common Stock was held of record by approximately 1,615 stockholders, and approximately 1,614 stockholders of record held fewer than 97,500,000 shares, representing approximately 99.9 percent of the total number of holders of record of our Common Stock. These accounts holding fewer than 97,500,000 shares represented less than 4.8% of the total number of outstanding shares of our Common Stock. Assuming that the Reverse Stock Split does not occur, the estimated cost relating to our Registration and Periodic Reporting Obligations for each stockholder account, will be approximately $334 in 2005.

Our Board of Directors considered the cost to us of continuing to file periodic reports with the Commission and complying with the proxy and annual report requirements under the Exchange Act compared to the benefits to us and our stockholders of continuing to operate as a public company. Under the circumstances, our Board of Directors determined that the benefits that we and our stockholders would typically expect to derive from our status as a public company are not being realized and are not likely to be realized in the foreseeable future. As a result, our Board of Directors concluded that the elimination of the costs of complying with our Registration and Periodic Reporting Obligations outweighed the benefits of continuing to incur such costs. We are, therefore, undertaking the Reverse Stock Split at this time to save us the substantial costs, which we expect to increase over time, and resources required to comply with the Registration and Periodic Reporting Obligations and other obligations associated with operating as a public reporting company. However, the actual savings to be realized from terminating our Registration and Periodic Reporting Obligations may be higher or lower than our estimates.

Financial Information

Our ratio of earnings to fixed charges for the year ended December 31, 2003 was less than one-to-one, and for the year ended December 31, 2002 was 11.05 to 1. The deficient amount of earnings that would have been required to attain one-to-one coverage for the year ended December 31, 2003 was $46,191,000. Our ratio of earnings to fixed charges for each of the nine-month periods ended September 30, 2004 and September 30, 2003 was less than one-to-one. The deficient amount of earnings that would have been required to attain one-to-one coverage for the nine-month periods ended September 30, 2004 and September 30, 2003 would have been $10,055,000 and $39,139,000, respectively. Net book value [deficit] per share of our Common Stock as of September 30, 2004 was [$0.183].

Competitive Disadvantage

As a public company, we are required to make certain disclosures in connection with our Registration and Periodic Reporting Obligations. Those public disclosures can place us at a competitive disadvantage by providing our non-public competitors with strategic information about our business, operations and results while not having access to similar information about those competitors. In light of our limited size and resources, competitive disadvantages related to our public reporting obligations and our lack of intent to raise capital through a public offering or effect acquisitions using our stock, our Board of Directors does not believe the costs associated with maintaining our Registration and Periodic Reporting Obligations and maintaining our stockholder accounts are justified. Our Board of Directors believes that it is in the best interests of us and our stockholders as a whole to eliminate the administrative burden and costs associated with maintaining our Registration and Periodic Reporting Obligations and maintaining stockholder accounts.

Procedural Factors Favoring the Reverse Stock Split

Our Board of Directors, Mobilepro and Davel Acquisition have analyzed the Reverse Stock Split and its anticipated effects on our stockholders and have deemed the Reverse Stock Split and related termination of our Registration and Periodic Reporting Obligations to be substantively and procedurally fair to, and in the best interests of, our affiliated and unaffiliated stockholders, whether they are cashed out or remain as stockholders following the Reverse Stock Split. In reaching this conclusion, our Board of Directors also considered, in no particular order and without preference, the factors described below.

The Reverse Stock Split Provides our Stockholders with Liquidity

The average daily trading volume for our Common Stock over the three months preceding the announcement date of the Reverse Stock Split on September 7, 2004 was approximately 140,000 shares, deeming it illiquid by most standards. The Reverse Stock Split will provide stockholders who hold fewer than 97,500,000 shares at the Effective Time the opportunity to liquidate their investment in us.

No Unusual Conditions to the Reverse Stock Split

Our Board of Directors also considered the likelihood that the Reverse Stock Split would be implemented. In this regard, it considered that there are no unusual requirements or conditions to the Reverse Stock Split, and that we have the financial resources to implement the Reverse Stock Split expeditiously.

The Reverse Stock Split Ratio was Calculated Without Bias Toward Any Particular Group of Stockholders and Will Apply Equally to All Shares of our Common Stock

The purpose of the Reverse Stock Split is to purchase the Common Stock held by the Minority Stockholders and reduce the number of record holders to fewer than 300 so that we can file to terminate our Registration and Periodic Reporting Obligations and continue future operations as a private company. The split ratio is a result of calculations that were intended to determine how many stockholders needed to be cashed out in order to reduce the number of record holders to one. Our Board of Directors feels the current ratio of 1-for-97,500,000 is fair because it was calculated without bias toward any one group of stockholders. The ratio will be applied equally to all shares of our Common Stock.

Procedural Factors Disfavoring the Reverse Stock Split; Interests of Mobilepro in the Reverse Stock Split

The Reverse Stock Split Will be Approved by Mobilepro, Without a Vote by Unaffiliated Stockholders

With respect to the fact that Mobilepro holds sufficient shares of our Common Stock to approve the Reverse Stock Split, our Board of Directors, Davel Acquisition Corp., and Mobilepro believe that this potential conflict is outweighed by the substantive features and procedural safeguards of the Reverse Stock Split, including the equal application of the Reverse Stock Split to all shares of our Common Stock and the fairness of the price offered to all stockholders.

The Board of Directors has adopted the analysis and conclusions of its financial advisor. It adopts each of the following of the advisor's analyses: comparable company, discounted cash flow, liquidation, public market pricing, minority stake transaction, comparable transaction, the valuation implied by the terms of the agreement with the former lenders, and other recent proposals made by third parties. The Board of Directors set the consideration being offered to stockholders.

The consideration was first derived by the Special Committee of the Board of Directors of the Company, prior to execution of the Loan Purchase Agreement. The cash amount was initially derived based primarily from an evaluation of the historical stock trading price and trading volumes, together with a premium thereto. The Board of Directors also considered the historical operating results of the Company, the projected operating results of the Company, and the Company's existing financial condition. Skyworks Capital, L.L.C. provided a opinion as to the fairness of the price to the Minority Shareholders of the Company. The fairness opinion was substantiated using a similar analysis to the one utilized by Reznick. The reverse split ratio was derived in order that Mobilepro would be the sole shareholder.

As a Result of the Reverse Stock Split, Mobilepro will own 100% of our Common Stock

Based on information and estimates of record ownership of shares of Common Stock as of the Record Date, the beneficial ownership percentage of Mobilepro will increase from 95.2% to 100% as a result of the Reverse Stock Split. This increase in ownership percentage is a result of the reduction by an estimated 30,000,000 pre-split whole shares in the number of shares of our Common Stock outstanding due to the payment of cash in lieu of issuance of fractional shares.

Substantive Factors Favoring the Reverse Stock Split

Agreement To Purchase Interests of Minority Stockholders

As discussed above under "Approval of the Reverse Stock Split - Reasons for the Reverse Stock Split " we agreed to purchase the Common Stock of the Minority Stockholders within six months of the closing of the Loan Purchase Agreement. The Reverse Stock Split accomplishes that covenant in a cost effective and expeditious manner.

Direct and Indirect Cost Savings

As discussed above under "Reasons for the Reverse Stock Split - Cost Savings," we incur direct and indirect costs associated with our status as a public company. Among the most significant are the costs associated with compliance with the Registration and Periodic Reporting Obligations imposed by the Commission. We estimate that we will save approximately $540,000 annually in direct general and administrative costs by being a private company. We also believe that because of the Sarbanes-Oxley Act, such direct costs would increase in the future. Additionally, the indirect cost to our company in terms of senior management time spent on complying with the Registration and Periodic Reporting Obligations will also be saved.

The Reverse Stock Split Offers Stockholders the Opportunity to Receive Cash at a Premium In Lieu of Fractional Shares

Our Board of Directors considered several methods for valuing our Common Stock to determine the $0.015 price per share to be paid to stockholders in lieu of issuing fractional shares of our Common Stock as a result of the Reverse Stock Split. The Cash Consideration to be paid to holders of fractional shares represents a premium of approximately 114 % and 50% over the weighted average closing trading price of the Common Stock over three-month and six-month periods, respectively, prior to the announcement of the Loan Purchase Agreement. The $0.015 price per share also represented an 11.8% discount, compared to the weighted average closing trading price of the Company's Common Stock over the one-year period prior to the announcement of the Loan Purchase Agreement. Although the Board of Directors considered this in their determination of the price per share, they placed greater emphasis on the more recent stock trading prices of the Company's Common Stock in establishing the price per share to be received by the Minority Shareholders.

Substantive Factors Disfavoring the Reverse Stock Split

Inability to Participate in Any Future Increase in the Value of Our Common Stock

All Minority Stockholders will be cashed-out and have no further equity interest in us with respect to their shares. Accordingly, they will no longer have the opportunity to participate in the potential increase in the value of our Common Stock. Our Board of Directors determined that this factor does not make the transaction unfair to unaffiliated stockholders because unaffiliated stockholders will receive a fair price for the shares of their Common Stock and may elect to use the proceeds to acquire shares of our parent company, Mobilepro, on the open market or invest in other financial alternatives providing potentially comparable returns on investment.

Analysis of Skyworks Securities

The Special Committee of the former Davel Board of Directors searched for a financial advisor that had the experience and qualifications necessary to provide an opinion regarding the fairness, from a financial point of view, of the consideration to be received by the Minority Stockholders of Davel. The Chairman of the Special Committee contacted financial advisors he had previously worked with and requested bids regarding the fee that would be charged for their services. The Special Committee received proposals to provide the requisite services from each of the financial advisors and evaluated the proposals and the merits of each. On the basis of the qualifications, experience and fees, the Special Committee awarded the engagement to Skyworks Capital, LLC ("Skyworks").

On behalf of Davel, the Special Committee signed an engagement letter with Skyworks to opine as to the fairness, from a financial point of view, of the $0.015 per share to be received by the Minority Stockholders of the Company (some 1,600 stockholders holding approximately 29.8 million shares of the Company's Common Stock representing in total 4.8% of the ownership of the Company) set forth in the Loan Purchase Agreement entered into between, among others, the former Lenders to the Company as Sellers, MobilePro Corp. as Buyer and the Company (the "Skyworks' Opinion"). On September 3, 2004, Skyworks delivered to the Board its oral opinion, noting that such Skyworks' Opinion would be delivered subsequently in writing to the effect that, based upon and subject to the assumptions and qualifications stated in its opinion, the $0.015 per share to be received by the Minority Stockholders of the Company was fair, from a financial point of view, to such stockholders. Prior to delivering its oral opinion, Skyworks delivered to the Board a Fairness Opinion Supplement dated September 3, 2004.

The full text of Skyworks' written opinion, dated September 3, 2004, is attached as Appendix F to this information statement and is incorporated by reference. You are urged to read the entire opinion carefully to learn about the assumptions made, procedures performed, matters considered and limits on the scope of the analysis undertaken by Skyworks in rendering the Skyworks' Opinion. Skyworks' Opinion relates only to the fairness, from a financial point of view, to the Minority Stockholders of the $0.015 per share to be received by such stockholders set forth in the Loan Purchase Agreement, does not address any other aspect of the proposed Reverse Stock Split or any related transaction and does not constitute a recommendation to any stockholder. Skyworks' Opinion was directed to the Board of Directors for its benefit and use in evaluating the fairness of the $0.015 per share to be received by the Minority Stockholders. We encourage you to carefully read the opinion in its entirety.

While Skyworks rendered the Skyworks' Opinion and provided certain financial analyses, the Skyworks' Opinion was only one of the factors taken into consideration by the Board of Directors in determining the price to be paid to the Minority Stockholders. Skyworks was not engaged to, and did not perform a valuation analysis or appraisal of Davel's Common Stock and, accordingly, did not render an opinion or conclusion as to the fair value of the Common Stock. Skyworks did not recommend to the Board of Directors the amount of consideration that should be paid in any proposed transaction. The Board of Directors determined the amount of consideration to be paid and the decision to recommend the proposed transaction was solely that of the Board of Directors.

In preparing the Skyworks' Opinion, Skyworks performed a variety of analyses, which are summarized below. In arriving at the Skyworks' Opinion, Skyworks considered the results of all such analysis as a whole and did not attribute any particular weight to any specific analysis or factor. As such, consideration of only a portion of the analyses could create an incomplete view of the process underlying Skyworks' Opinion.

In performing its analyses, Skyworks made assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of Davel. The analyses performed by Skyworks are not necessarily indicative of actual values or actual future results, which may be significantly different than suggested by such analyses. Such analyses were prepared solely as part of Skyworks' analysis of the fairness of the cash consideration to be paid to the Minority Stockholders and were delivered to the Board of Directors as part of the Skyworks' Opinion. The analyses do not purport to be appraisals of the business or assets of Davel or to reflect the price that might be obtained in an actual transaction. Skyworks utilized in their analysis various projections of operations prepared by the management of Davel. The projections are based on numerous variables and assumptions that are inherently unpredictable and may not occur as projected. Accordingly, actual results could vary significantly from those set forth in management's projections.

In rendering the Skyworks' Opinion, among other analyses, Skyworks performed the following procedures:

- Considered applicable valuation methodologies utilized for similar transactions;
- Reviewed Davel's Form 10-K for the years ended December 31, 1998 through 2003, and its Form 10-Q for the quarter ended June 30, 2004;
- Reviewed certain financial and operating information provided to Skyworks by management relating to Davel's business, including business plan projections for the fiscal years ending December 31, 2004 through December 31, 2008;
- Interviewed Davel's management to discuss Davel's operations, historical financial statements and future prospects;
- Reviewed Davel's historical market prices and trading volume of its publicly traded common stock, along with publicly available financial data on Davel;
- Reviewed publicly available financial data to identify public companies to compare to Davel;
- Reviewed the financial terms, including premiums paid in transactions in which a majority shareholder acquired the remaining minority shares of a public company;
- Considered other recent proposals and offers made to Davel by third parties interested in acquiring the Company or its assets;
- Considered the economic outlook and outlook of the payphone industry;
- Considered Davel's liquidity problems and difficulties it faces in funding its operations, to make capital expenditures and to meet its debt service and other obligations;
- Considered the going concern opinion made by Davel's auditor, Aidman Piser & Company, P.A., in its Report of Independent Certified Public Accountants for the fiscal year ended December 31, 2003; and
- Considered such other information, financial studies, analyses, and investigations of financial, economic and market criteria Skyworks deemed relevant.

Skyworks held discussions with members of the senior management regarding the foregoing. In addition, Skyworks considered other matters and performed such research, inquiries and analysis that it deemed relevant in rendering the Skyworks Opinion.

In rendering the Skyworks' Opinion, Skyworks assumed and relied upon, with the consent of the Board and without independent verification, the accuracy and completeness of all the information provided to it by Davel and other third parties, including, without limitation, the projections. Skyworks was advised by the senior management of Davel that the projections had been reasonably prepared on bases reflecting the best available estimates and judgments of the senior management of the Company at the time they were prepared. In that regard, Skyworks assumed, with the consent of the Board of Directors, that the projections will be achieved and that all material assets and liabilities (contingent or otherwise) of the Company are as set forth in the Company's financial statements or other information made available to Skyworks. Skyworks expressed no opinion or any form of assurance with respect to the projections or any of the underlying data utilized in its analyses.

Skyworks did not make or obtain an independent valuation or appraisal of the assets, liabilities or solvency of the Company. Furthermore, Skyworks' Opinion does not in any way address the Reverse Stock Split or its merits as compared to any alternative business strategies that might exist for the Company or the effect of any other transaction in which the Company might engage. Skyworks assumed without verification the accuracy and adequacy of the legal advice given by counsel to the Company and by counsel to the Board of Directors on all legal matters.

Skyworks did not express any opinion as to the price at which the Company's Common Stock would trade at any future time. Those trading prices could be affected by a number of factors, including but not limited to:

- changes in the prevailing interest rates and other factors that generally influence the price of securities;
- adverse changes in the current capital markets;
- the occurrence of adverse changes in the financial condition, business, assets, results of operations or prospects of the Company or in the product markets it serves;
- any necessary actions by or restrictions of federal, state or other governmental agencies or regulatory authorities; and
- timely completion of the Reverse Stock Split on the terms and conditions that are acceptable to all parties at interest.

Skyworks' Opinion was based upon economic, market, financial and other conditions existing on, and other information disclosed to Skyworks as of the date of the Skyworks' Opinion. Although subsequent developments may affect its opinion, Skyworks does not have any obligation to update, revise or reaffirm its opinion.

The following is a summary of the quantitative analyses performed and material factors considered by Skyworks to arrive at the Skyworks' Opinion. Skyworks performed procedures, including each of the financial analyses described below, and reviewed with the Board the assumptions upon which such analyses were based, as well as other factors. The summary below describes the material analyses performed or factors considered by Skyworks.

Comparable Public Company Analysis

A comparable public company analysis provides a method to estimate the value of a company based on the prices at which the common stock of other comparable companies trade in the market. Skyworks searched for companies that are publicly traded companies that engage in businesses reasonably comparable to the Company's business. However, the only publicly traded company identified by Skyworks that derives a significant portion of revenue from owning and operating payphones is Davel. Therefore, Skyworks concluded that there were no sufficiently comparable public companies from which a reasonable comparison to Davel could be made.

Comparable Transaction Analysis

Skyworks also performed a search for recent merger and acquisition transactions in the payphone industry based on publicly available information. A comparable transactions analysis is based on the premise that the prices paid in comparable transactions provide a basis from which to estimate the value of a similar company by analyzing valuation metrics or multiples from these transactions.

Skyworks determined that there were no appropriate transactions which had occurred in the payphone industry since 1998. Skyworks noted that the closest comparable transaction involved Davel's merger with PhoneTel in 2002. However, because both companies were effectively insolvent and the transaction was in effect a trouble debt restructuring, no meaningful valuation data could be derived from this transaction.

Discounted Cash Flow Analysis

A discounted cash flow analysis utilizes the premise that the value of a business is represented by the present value of the estimated cash flow it is expected to generate. In conducting a discounted cash flow analysis, the amounts of money that the company is projected to earn in the future (reflecting amounts in excess of projected future expenses) is discounted to present value to reflect the time value of money as well as the business and financial risks of the company.

Skyworks utilized the projections for 2004 through 2008 prepared by management to perform certain discounted cash flow analyses. Management's projections were based on assumptions considered reasonable. Skyworks estimated the value of the business at the end of 2008 (the terminal value) using expected cash flow after 2009 and a multiple applied to the expected number of payphones in service.

Skyworks determined the appropriate discount rates for Davel by computing the cost of equity, the cost of debt, and a weighted average cost of capital ("WACC"). The WACC reflects the cost of equity and cost of debt in their respective proportion to the capital structure of the business. Accordingly, the WACC represents the required return to the investors in the business and represents the return required by investors in a business with a similar level of risk.

Skyworks determined the cost of equity by starting with the risk free rate and adding premiums for business and financial risks based on data available for publicly traded securities, an industry analysis, and an analysis of risk factors specific to Davel. This analysis resulted in a cost of equity of 9.4 percent. The cost of debt of 8.0 percent was determined based on market factors and Davel's outstanding debt. Based on an analysis of Company debt to equity ratios, the WACC was estimated at 8.0 percent.

Skyworks utilized these discount rates and the projections to estimate value using sensitivity analysis. Based upon periodic noncompliance with the terms of the Company's debt obligations, Skyworks used a range of discount rates from 0 to 40 percent and calculated an implied enterprise value. After adding back the current cash balance and deducting the carrying value of the debt, the resulting implied equity value was negative for all values obtained using discount rates ranging from 0 to 40 percent. Since shareholders would not be personally liable for the debt, this method indicated a value per share of $0.00.

Liquidation Analysis

A liquidation analysis is a means of estimating the value of a company based on the value of the company's assets through a hypothetical orderly liquidation scenario. Skyworks prepared a liquidation analysis that was based upon liquidation projections provided by management as of June 30, 2004. Management projections were based on the following:

- Davel operates 43,000 payphones
- Payphones would be operated through liquidation, but only 27,500 would be liquidated at a net realizable value
- Phones would be liquidated at average prices declining from $400 to $75 per phone:

Skyworks' analysis also indicated that there was no publicly available information concerning recent payphone transactions from which a relevant comparison could be made, due in part to the rapidly deteriorating financial condition of the payphone industry. Skyworks' analysis estimated net proceeds from liquidation, before considering the outstanding debt, in the amount of $985,000. After deducting the outstanding liabilities and debt, the liquidation analysis resulted in a value of negative $119 million, and because shareholders are not personally liable for debt, indicates a per share value of $0.00.

Public Market Pricing Analysis and Transactions in Davel Stock

Skyworks analyzed the historical market prices and trading volume for Davel's public stock for the one-year, six-month and three-month periods prior to the announcement of the Loan Purchase Agreement. Skyworks observed that substantially all of the trading occurred at under $0.01 for the six-month and three-month periods leading up to the announcement.

Skyworks further analyzed the transactions in the stock for the 30 days leading up to the announcement. This analysis indicated that the mean and median prices during this period were $0.005. However, because the stock was so thinly traded during this period, this was not deemed to be a reliable indicator of value.

Remaining Minority Interest Stake Analysis

Skyworks analyzed the per share premiums offered to minority shareholders in transactions involving the buyout of a minority interest in a public company. Skyworks analyzed 36 public company transactions in which a majority shareholder acquired the remaining minority interest that occurred between January 1, 2001 and August 18, 2004 and had market capitalizations of less than $50 million. Skyworks' analysis indicated that these transactions occurred at premiums to the median market prices one-day, one-week and four-weeks prior to the announcement in the amount of 49 percent, 46 percent, and 49 percent, respectively.

Skyworks then analyzed the median trading value of Davel Common Stock for the one-day, one-week, and four-weeks periods prior to August 30, 2004 to determine the premium implied by the offer price of $0.015. Based on this analysis, the premium over the median price one-week prior to the announcement ($0.0035) was 329 percent and the premium over the median price four weeks prior to the announcement ($0.006) was 150 percent. There was no trading activity for the day prior to announcement, so a premium was not computed. The percentage premium implied by a price of $0.015 is substantially higher than the median premiums observed. Additionally, the one-week premium is higher that any one-week premium observed and the four-week premium is higher than all but two of the transactions analyzed.

Other Analysis

Skyworks also analyzed other recent third party buyout and restructuring offers for Davel and the value implied by Mobilepro's acquisition of Davel's debt and equity from the former debt holders. None of the other recent third party offers resulted in a transaction and did not indicate any meaningful value for equity. Skyworks estimated that the Mobilepro transaction indicated an enterprise value of Davel of $15 million, which is substantially less than the outstanding debt. Accordingly, Skyworks's analysis of these transactions also indicate a value of equity at or close to $0.00.

ATTACHMENT

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10-K 1 mobilepro_10k-033109.htm ANNUAL REPORT

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

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

For the year ended March 31, 2009

Commission File Number 000-51010

MOBILEPRO CORP.
(Name of Registrant in Its Charter)

DELAWARE	**87-0419571**
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification No.)
401 Professional Drive, Suite 128, Gaithersburg, Maryland	**20879**
(Address of Principal Executive Offices)	(Zip Code)

(301) 571-3476
(Registrant's Telephone Number, Including Area Code)

Securities registered under Section 12(b) of the Exchange Act:

None

Securities registered under Section 12(g) of the Exchange Act:

Common Stock, $0.001 par value per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes __ No X

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes __ No X

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

Indicate by check mark if disclosure of delinquent filers in response to Item 405 of Regulation S-K is not contained herein, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. X

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer __	Accelerated filer __	Non-accelerated filer __ (Do not check if a smaller reporting company)	Smaller reporting company X

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes __ No X

The aggregate market value of the voting and nonvoting common shares of our common stock held by non-affiliates as of September 30, 2008 (the last business day of the registrant's most recently completed second fiscal quarter): $341,106

As of March 31, 2009, the Company had 1,409,864,653 shares of its common stock, $0.001 par value per share, outstanding.

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PART I

SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements that involve risks and uncertainties. The statements contained in this document that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, or the Exchange Act, including without limitation statements regarding our expectations, beliefs, intentions or strategies regarding our business. This Annual Report on Form 10-K includes forward-looking statements about our business including, but not limited to, the level of our expenditures and savings for various expense items and our liquidity in future periods. We may identify these statements by the use of words such as "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "might," "plan," "potential," "predict," "project," "should," "will," "would" and other similar expressions. All forward-looking statements included in this document are based on information available to us on the date hereof, and we assume no obligation to update any such forward-looking statements, except as may otherwise be required by law. Our actual results could differ materially from those anticipated in these forward-looking statements.

Item 1. Business

The Company

We are a holding company with subsidiaries in the integrated telecommunications, pay telephone and mobile content industries and an affiliate in the software industry. The integrated telecommunications business was previously classified as discontinued operations; it has subsequently been reclassified due to our continued ownership of the business. We previously owned broadband wireless, telecommunications and integrated data communication services companies which delivered a comprehensive suite of voice and data communications services, including local exchange, long distance, enhanced data, Internet, wireless and broadband services to end user customers. At June 30, 2007, we marketed and sold our integrated telecommunications services through nine branch offices in seven states and we serviced over 123,000 billed accounts representing over 211,000 equivalent subscriber lines including approximately 110,000 local and long-distance telephone lines, approximately 38,000 dial-up lines, approximately 5,000 DSL lines, approximately 25,000 fixed and mobile wireless lines, approximately 6,000 cellular lines and the remaining are other Internet-related accounts. We owned and operated approximately 22,200 payphones located predominantly in 44 states and the District of Columbia through September of 2007. Most of our subscribers are residential customers.

Historically, our revenues have been generated through three of our four business reporting segments:

Wireless Networks	Our broadband wireless network deployment efforts had been conducted by our wholly owned subsidiary, NeoReach, Inc., ("NeoReach"), and its subsidiary, Kite Networks, Inc. ("Kite Networks," formerly, NeoReach Wireless, Inc.). This segment also included the operations of Kite Broadband, LLC ("Kite Broadband"), a wireless broadband Internet service provider located in Ridgeland, Mississippi. The business of Neoreach and Kite Broadband is referred to as the "Wireless Networks Business".

Voice Services

Our voice services segment has been led by CloseCall America, Inc. ("CloseCall"), a competitive local exchange carrier ("CLEC", which is a term applied under the Telecommunications Act of 1996 to local telephone companies which compete with incumbent local telephone companies) based in Stevensville, Maryland; American Fiber Network, Inc. ("AFN"), a CLEC based in Overland Park, Kansas; and Davel Communications, Inc. ("Davel"), an independent payphone provider based in Cleveland, Ohio. The business of CloseCall and AFN is referred to as the "Integrated Telecom Business". CloseCall offered its customers a full array of telecommunications products and services including local, long-distance, 1-800-CloseCall anytime/anywhere calling, digital wireless, high-speed telephone (voice over IP), and dial-up and DSL Internet services. AFN is licensed to provide local access, long distance and/or Internet services throughout the United States. Davel was previously one of the largest independent payphone operators in the United States.

Internet Services

Our Internet services segment included DFW Internet Services, Inc. ("DFW", doing business as Nationwide Internet), an Internet services provider ("ISP") based in Irving, Texas, its acquired Internet service provider subsidiaries and InReach Internet, Inc. ("InReach"), a full service ISP located in Stockton, California that we acquired on November 1, 2005. Our Internet services segment (the "ISP Business") provided dial-up and broadband Internet access, web-hosting services, and related Internet services to business and residential customers in many states.

Corporate

Our corporate reporting segment serves as the holding company of the operating subsidiaries that are divided among the other three business reporting segments, provides senior executive and financial management, and performs corporate-level accounting, financial reporting, and legal functions. Occasionally, its employees may provide services to customers resulting in the recognition of consulting service revenues. This segment also includes our Internet gaming and mobile content subsidiary, ProGames Network, Inc. ("ProGames") that we founded in December 2005.

Prior to January 2004, we were a development stage company. Although we were incorporated only nine years ago, we have undergone a number of changes in our business strategy and organization. In June 2001, we focused our business on the integration and marketing of complete mobile information solutions to meet the needs of mobile professionals. In April 2002, we acquired NeoReach and shifted our focus toward solutions supporting the third generation wireless market that provides broadband to allow faster wireless transmission of data, such as the viewing of streaming video in real time. We shifted our business strategy in December 2003 with a new management team, expanding significantly the scope of our business activity to include Internet access services, local and long distance telephone services and the ownership and operation of payphones. In 2005, we began to invest in the business of deploying broadband wireless networks and providing wireless network access services in wireless access zones to be primarily located in municipality-sponsored areas. As indicated above, we entered these businesses primarily through acquisitions. We completed twenty-two (22) acquisitions during this period. Accordingly, our experience in operating the acquired businesses was limited.

Mobilepro Corp. ("Mobilepro") was incorporated under the laws of Delaware in July 2000 and, at that time, was focused on the integration and marketing of complete mobile information solutions that satisfied the needs of mobile professionals. In June 2001, Mobilepro merged with and into CraftClick.com, Inc. ("CraftClick"), with CraftClick remaining as the surviving corporation. The name of the surviving corporation was subsequently changed to Mobilepro Corp. on July 9, 2001. CraftClick had begun to cease its business operations in October 2000, and ultimately disposed of substantially all of its assets in February 2001.

On March 21, 2002, Mobilepro entered into an Agreement and Plan of Merger with NeoReach, a private Delaware company, pursuant to which a newly formed, wholly owned subsidiary of Mobilepro merged into NeoReach in a tax-free transaction. The merger was consummated on April 23, 2002. As a result of the merger, NeoReach became a wholly owned subsidiary of Mobilepro.

DFW was the principal operating subsidiary within our Internet services division. On January 20, 2004, we acquired DFW. After that time we acquired nine additional Internet service businesses that operated as subsidiaries of DFW, and on November 1, 2005 we acquired the business of InReach.

On October 15, 2004, we closed our acquisition of CloseCall. One month later, we closed our acquisition of Davel. On June 30, 2005, we acquired AFN.

In June 2005, we participated in the formation of Kite Broadband, a wireless broadband Internet service provider, resulting in the 51% ownership of this venture. On January 31, 2006, we acquired the remaining 49% of Kite Broadband and 100% of the outstanding common stock of Kite Networks, Inc.

On March 31, 2006, we merged Kite Networks, Inc. with and into NeoReach Wireless, Inc. and changed the name of the combined entity to Kite Networks, Inc.

On July 8, 2007 we sold our interests in Kite Broadband, Kite Networks and Neoreach. See discussion below concerning the sale of the Wireless Networks Business to Gobility.

On June 30, 2007, the Company entered into an agreement to sell the Integrated Telecom Business and ISP Business to United Systems Access, Inc. ("USA", and the "USA Agreement"). The closing of the ISP Business occurred on July 18, 2007. The closing of the sale of the Integrated Telecom Business to USA did not occur. See discussion below concerning the sale of the ISP and Integrated Telecom Business to USA.

During June and September 2007 the Company entered into a series of transactions to sell the majority of its pay telephones. See discussion below concerning the sale of the payphone assets.

Our principal executive offices are located at 401 Professional Drive, Suite 128, Gaithersburg, MD 20879 and our telephone number at that address is (301) 571-3476. We maintain a corporate Web site at www.mobileprocorp.com. We make available free of charge through our Web site our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports, as soon as reasonably practicable after we electronically file or furnish such material with or to the SEC. The contents of our Web site are not a part of this report. The SEC also maintains a Web site at www.sec.gov that contains reports, proxy statements, and other information regarding Mobilepro.

Going Concern Uncertainty

Our business has historically lost money. Our accumulated deficit at March 31, 2009 was $106,992,868. In the years ended March 31, 2009, 2008 and 2007, we sustained net losses of $11,360,021, $18,361,602 and $45,898,288, respectively. Over this three-year period, most of the acquired businesses experienced declining revenues. Although restructuring measures controlled other operating expenses, the Company was unable to reduce the corresponding costs of services. In addition, the Company funded the start-up and operations of the municipal wireless networks and mobile content businesses without these companies achieving expected revenues. As a result, the amount of cash used in operations during fiscal years ended March 31, 2009, 2008 and 2007 were $70,223, $3,558,996 and 6,558,708, respectively.

The decline in cash used in operation was largely due to the reduction in corporate expenses and the elimination of cash used for discontinued operations. The Company also received $810,215 of receipts relating to claims involving over-billings by certain telecommunications carriers of Davel in violation of regulatory rulings ("Regulatory Receipts"), including $718,314 received from Qwest in the second fiscal quarter. See "Item 3. Legal Proceedings". Although the Company continues to operate the Integrated Telecom Business which has been consistently profitable and able to generate significant cash flow for the Company, we are likely to continue to experience liquidity and cash flow problems due to the Company's current debt service requirements, including amounts due under the remaining equipment obligations and leases of the former Wireless Networks Business and the secured convertible debenture owed to YA Global Investments, L.P. ("YA Global", f/k/a Cornell Capital Partners, L.P.) which is currently past due.

The Company's financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities and commitments based on recorded amounts for the foreseeable future. To date, the Company has been unable to permanently eliminate the cash requirements to fund certain remaining liabilities of the Wireless Networks Business for which the Company is co-obligor. In addition, Mobilepro is in default of its obligations under the secured convertible debenture owed to YA Global and, given current market conditions and Mobilepro's financial condition, obtaining the required financing to retire the secured convertible debenture is unlikely to occur in the immediate future. YA Global has informed the Company that it intends to exercise its rights as the company's senior secured creditor. Such rights include, but are not limited to, foreclosing on the assets of the Company. In such event the Company will not have the ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Operations and Disposition Activities

We have historically operated in four segments: (1) Wireless Networks, (2) Voice Services, (3) Internet Services and (4) Corporate. In April 2007, the Company announced that its Board of Directors had decided to explore potential strategic alternatives for the entire Company, and that it had received inquiries from potential buyers regarding the purchase of portions of its business. This initiative was undertaken with the goals of maximizing the value of the Company's assets, returning value to the Company's stockholders and eliminating the Company's debt, particularly amounts payable to YA Global. During fiscal 2008 the Company disposed of its Wireless Networks and Internet Services segments, as well as the majority of its pay telephones which had been previously operated in the Voice Services segment. In addition, the Company entered into an agreement to sell its Integrated Telecom Business, which was subsequently terminated. The Company is continuing to search for a buyer for its Integrated Telecom Business, which had been previously operated in the Voice Services segment. The disposition activities are discussed further below.

Because the cash required to fund the continuing operating losses and to complete the build-out of planned municipal wireless networks exceeded the Company's available capital, in December 2006, the Company engaged an investment banking firm to assist in evaluating strategic alternatives for the wireless networks business conducted by its Kite Networks and Kite Broadband subsidiaries. Efforts to secure investment capital for this business or to find a willing buyer resulted in the Company selling these companies to Gobility, Inc. ("Gobility") for $2 million paid with the issuance of a convertible debenture to Mobilepro. Despite obtaining lease financing and deferring payments to several large vendors, the Company was required to fund the operations of these businesses through the date of the sale.

Gobility expected to raise capital for its operating purposes from an identified source pursuant to a funding commitment letter that was presented to the Company at closing. Because this funding has not been obtained, Gobility has been unable to fund its operations including the payment of amounts due under a series of capital equipment leases and other equipment-related obligations. On the date of the sale to Gobility, the aggregate amount of this debt included in the balance sheet of Kite Networks was approximately $6,111,000. Because the equipment leases and other equipment purchases were co-signed by Mobilepro, if Kite Networks fails to pay the leases, the Company could be required to pay this debt.

On March 10, 2008, Gobility sold the assets of the wireless network in Longmont, Colorado, and the Company received the related proceeds in the form of promissory notes from the purchaser totaling $1,800,000. In addition, the Company entered into a forbearance agreement with the principal equipment vendor and agreed to pay the $1,591,978 equipment obligation, with interest at the prime rate, and a related lease obligation in the principal amount of $149,749. In March 2008, the Company also satisfied the terms of one of the leases relating to the Tempe, Arizona wireless network with an aggregate principal balance of $318,595, plus accrued interest, by paying $93,000 in cash and having the $250,000 certificate of deposit that secured the lease applied thereto. As a result of the sale to Gobility and these transactions, the Company recorded a net loss on the sale of its Wireless Networks Business of $3,433,843 that was reported in the loss on sale of discontinued operations for the fiscal year ended March 31, 2008.

On August 1, 2008, the Company executed a promissory note and release with Data Sales Co., Inc. ("Data Sales") in the principal amount of $330,000. The note is in full satisfaction of a $1,231,138 lease obligation for which the Company was a co-borrower with Kite Networks and reflects the impact of a sale of certain uninstalled wireless equipment by Data Sales to an unaffiliated third party purchaser that was consummated in July 2008. The Company recorded a gain of $901,138 in the second fiscal quarter of the year ended March 31, 2009 as a result of the transaction.

The Company continues to cooperate with Gobility in its efforts to sell the remaining assets of Kite Networks. In the event Gobility is unsuccessful in its attempts to sell the remaining assets and satisfy the equipment lease obligations, the Company, subject to any defenses it might have, could be required to make the payments on the remaining equipment leases. Two leasing companies have sued the Company for payment under a lease in which Kite/Gobility have defaulted. See Item 3 - "Legal Proceedings". At March 31, 2009, the aggregate amounts recorded on the consolidated balance sheet for the capital lease obligations, accrued interest, and the note payable and equipment obligation were $2,385,736, $447,412 and $1,613,647, respectively. The Company has also recorded the certificates of deposits securing the lease obligations of $937,664.

In March 2007, the Company announced that it had signed a definitive agreement for the merger of ProGames, its mobile content subsidiary, with and into Winning Edge International, Inc. Consummation of the transaction was subject to a number of closing conditions including the arrangement of financing that would have sustained the operations of the combined entity. The anticipated financing was not procured. As a result, the merger agreement was terminated and the Company continues to fund the operating costs of ProGames. The Company is currently exploring strategic alternatives with respect to its investment in ProGames. The net loss incurred by ProGames in the twelve months ended March 31, 2009 and 2008 was $302,969 and $679,100, respectively.

The operating losses incurred by Davel adversely affected the consolidated operating results of the Company. However, most of the payphones have been sold to unaffiliated payphone operators in the fiscal year ended March 31, 2008. In June 2007, the Company sold approximately 730 operating payphones and received in excess of $200,000 in cash proceeds. On September 7, 2007, Davel sold approximately 21,405 payphones to Sterling Payphones, LLC ("Sterling"). Under the terms of the sale agreement, the Company received $50,000 in cash, $1,839,821 in cash was paid to its secured lender, YA Global, to reduce the amount of principal and interest owed under the outstanding convertible debentures, and, pursuant to the sale agreement, other amounts were placed in escrow to pay certain key vendors of Davel and to satisfy potential indemnification claims. Sterling also assumed certain liabilities of Davel. Effective September 30, 2007, Davel sold an additional 300 payphones for approximately $85,000. After these sales, Davel's remaining operations have been significantly reduced. Davel's remaining operations are being continued and Davel is pursuing the recovery of certain claims including the AT&T, Sprint and Qwest claims described in Item 3 – "Legal Proceedings".

The Company received letters of interest regarding the acquisition of CloseCall, AFN and the ISP Business. On June 30, 2007, the Company entered into an agreement to sell the Integrated Telecom Business and ISP Business to USA. The total purchase price of $27.7 million ($30.0 million face value) included cash proceeds of approximately $21.9 million and convertible preferred stock with an $8.1 million face value which was originally valued for accounting purposes at $5.8 million. The sale of the ISP Business closed on July 18, 2007 resulting in the Company's receipt of $500,000 cash, the payment of $2,000,000 to YA Global, and the Company's receipt of a promissory note in the amount of $2,000,000 and 8,100 shares of convertible preferred stock of USA. The payment to YA Global retired the $1.1 million promissory note issued in May 2007 and approximately $25,000 in related accrued interest and convertible debenture principal and accrued interest of approximately $393,000 and $482,000, respectively. On January 3, 2008, the Company entered into an amendment to the $2,000,000 promissory note due from USA. USA made payments of $500,000 each on January 4 and January 11, 2008 with the remaining balance of $1,000,000, together with accrued interest at the rate of 7.75%, due on the earlier of the date of the closing of the sale of the Integrated Telecom Business or March 31, 2008. Of the $1,000,000 of payments, the Company received $125,000 and the remaining $875,000 was used to pay principal and interest on the convertible debentures due to YA Global. USA was in default on the remaining principal balance of $1,000,000 and accrued interest on March 31, 2008. In July 2008, the Company revised the payment terms relating to the USA note and received payments totaling $200,000. The remaining principal balance and accrued interest at 12% per annum was due on December 29, 2008. USA is in default with respect to the note balance of $859,128 and related accrued interest which continues to accrue at a default rate of 18% per annum. During the fiscal year ended March 31, 2009, the Company wrote down the carrying value of the note and accrued interest due from USA by approximately $345,000.The Company is currently pursuing USA and related parties to collect on the balance owed under the terms of the promissory note. See Item 3. "Legal Proceedings".

On January 14, 2008, the Company received notice from USA purporting to terminate the USA Agreement with respect to the sale of the Integrated Telecom Business, but provided that USA remained interested in discussing terms upon which it would complete the sale. The Company disputes the validity of the claims alleged for the purported termination, which include the alleged failure to obtain certain regulatory and contractual approvals and the alleged breach of certain representations and warranties set forth in the USA Agreement. The Company believes the purported termination was in bad faith and is pursuing any and all legal and equitable remedies available to it against USA. During the fourth quarter of fiscal 2008, the Company re-assumed operating control of AFN and CloseCall and terminated the USA Agreement. Although the Company continues to seek an alternate buyer for the Integrated Telecom Business, it has been unable to find a buyer to purchase the business at price that is acceptable to the Company in the current economic environment.

YA Global has been a significant source of capital for the Company, providing financing in several forms. During the fiscal year ended March 31, 2007, the Company borrowed funds under a series of convertible debentures. Using shares of its common stock registered on Form S-3 in November 2006, the Company made principal and interest payments on the debentures that totaled $4,880,489 and $1,967,908 during the fiscal years ended March 31, 2007 and 2008, respectively. However, the supply of shares registered that related to the convertible debentures has been exhausted and the Company was unable to make the weekly principal and interest payments in accordance with the terms of the convertible debentures as amended through January 16, 2008. As a result, we were delinquent with respect to the convertible debentures. The total principal and accrued interest amounts owed to YA Global under the debentures at March 31, 2008 was $13,168,944 and $167,370, respectively. In fiscal 2009, we continued to negotiate with YA Global, which had verbally granted forbearance, and were able to obtain a revised payment schedule and an extension of the maturity date. Effective June 30, 2008, the Company issued a secured convertible debenture with a maturity date of May 1, 2009 to YA Global with an aggregate principal balance of $13,391,175, replacing the previous convertible debentures and amendments. During the fiscal year ended March 31, 2009 YA Global has made conversions which have resulted in the reduction of $324,840 of principal. The Company did not pay the remaining principal balance of $13,029,125 that was due May 1, 2009. On May 5, 2009, the Company executed an agreement with YA Global, pursuant to which YA Global has agreed to forbear from enforcing its rights and remedies against the Company under the convertible debenture through May 31, 2009. Although YA Global initially extended the forbearance period through June 5, 2009, YA Global has not agreed to further extend the forbearance period.

The Company's financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities and commitments based on recorded amounts for the foreseeable future. Although YA Global initially extended the forbearance period through June 5, 2009, YA Global has not agreed to further extend the forbearance period or restructure the payment terms of the obligations owing under the secured convertible debenture. As a result, Mobilepro is in default of its obligations under the secured convertible debenture owed to YA Global and, given current market conditions and Mobilepro's financial condition, obtaining the required financing to retire the secured convertible debenture is unlikely to occur in the immediate future. YA Global has informed the Company that it intends to exercise its rights as the Company's senior secured creditor. Such rights include, but are not limited to, foreclosing on the assets of the Company. In such event the Company will not have the ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Geographic Markets

Through our Integrated Telecom Business, we provide service to customers located throughout the United States with concentrations in California, Kansas, Maryland, Missouri, New Jersey, Pennsylvania and Texas. Our pay telephone business is concentrated in the State of Ohio. Historically, certain portions of our consolidated business have been concentrated in certain geographic markets. For example, the Davel payphones had previously been located across the United States; approximately 60% of the payphones were located in warm climate states of the southwest, southeast and west; approximately 40% of the payphones were located in midwest, northwest, and northeast sections of the country, with usage during the winter months thereby negatively affected by the cold climate. The ISP Business previously provided service to customers primarily located in the states of Texas, Arizona, Louisiana, Kansas, Missouri, Wisconsin, Ohio, Washington and California.

Research and Development

As we have emphasized the growth of the Company through the acquisition of service-oriented companies, our research and development activities have been reduced. In fiscal 2009 and 2008, we did not pursue new research initiatives.

Prior to its entry into the wireless network business, NeoReach previously conducted development efforts related to certain wireless antenna and networking technologies, in particular, ZigBee chip development work. NeoReach also worked toward developing a semiconductor chip for use in home networking and selected industrial monitoring applications based on the ZigBee standard. ZigBee is an IEEE standard (802.15.4) developed for certain low power, short-range devices. The scope of this development activity was significantly reduced over the last few years. In the year ended March 31, 2006, we incurred research and development costs of approximately $139,000 in connection with this effort with the objective of making the technologies ready for sale or licensing on an OEM basis. The development of these technologies was unrelated to the deployment, ownership, and management of the broadband wireless networks and the Company maintains its interest in this intellectual property

The ZigBee chip project continues, in our view, to have potential future value as ZigBee chips can be used for sensors and other wireless devices, including potentially as a complement to Wi-Fi. However, shareholders should be advised that given the limited focus and limited resources we plan to devote to these initiatives, material revenue should not be expected from this investment. If the U.S. patent office were to grant certain patent claims made in our patent filings with respect to ZigBee and other wireless technologies, we may choose to re-focus on these initiatives; however, there can be no assurance that the U.S. patent office will act in a prompt manner or, if it does act, that it will resolve favorably our patent claims. In sum, we do not anticipate that these activities will represent a meaningful percentage of our revenue in the future.

NeoReach filed a total of eight patent applications with the U.S. Patent and Trademark Office in the areas of "Smart Antenna" technology and RF Transceiver Chip Design for "Low Noise Amplifier for wireless communications." As of March 31, 2006, we had been granted approval of seven patents in the area of "Smart Antenna" technology and one patent applications was still pending approval. In fiscal year March 31, 2007, we sold the Smart Antenna technology to an unaffiliated company, receiving $300,000 in cash proceeds.

Voice Services

Integrated Telecom Business

Overview

Our efforts in the Integrated Telecom Business have historically been led by CloseCall, a company that we acquired in October 2004 and AFN, a company we acquired in June 2005. CloseCall and AFN offer its customers a full array of telecommunications products and services including local, long-distance, digital wireless, digital telephone (voice over Internet protocol, or "VoIP"), and dial-up and DSL Internet services.

Our entrance into this business began with two acquisitions consummated in the summer of 2004. In June 2004, we acquired US1 Telecommunications, Inc. ("US1"), a long distance provider located in Kansas. In July 2005, we completed our acquisition of Affinity, a Michigan-based CLEC, and long distance carrier. The operations of US1 and Affinity have been integrated into the operations of AFN and CloseCall, respectively.

In a transaction that was effective January 1, 2007, CloseCall acquired mobeo® Wireless reseller assets from TeleCommunication Systems, Inc. ("TCS") including over 7,000 cellular telephone service contracts and certain related net assets. This transaction enables CloseCall to sell RIM Blackberry® products and network access to enterprise and retail subscribers nationwide. Since the acquisition, some of the customers acquired have discontinued services with CloseCall.

Business Strategy

As previously discussed, the Company entered into an agreement with USA to sell, among other things, its Integrated Telecom Business. The sale of the Integrated Telecom Business has not been consummated and the Company continues to pursue potential buyers for the Integrated Telecom Business. See discussion above concerning the sale of the ISP and Integrated Telecom Businesses to USA. During this time period, the Company has continued to operate the Integrated Telecom Business until such time as a sale transaction could be consummated.

While the Company continues to operate the Integrated Telecom Business its primary objective is to be a leading provider of high-quality integrated communications services in each of our major service areas, acting as a reseller of local, long distance, wireless, Internet access and data services to residential customers, small to medium-sized businesses, and select large business enterprises. The Integrated Telecom Business delivers high-value bundled and individual services tailored to the needs of its customers presented on a single invoice. It also provides value added data management and processing services.

When economically advantageous for us to do so, the Integrated Telecom Business seeks to bundle our integrated communications services. Our targeted customers often will have multiple vendors for voice and data communications services, each of which may be billed separately. Unlike many of these vendors, the Integrated Telecom Business is able to provide a comprehensive package of local telephone, long distance, Internet access, and other integrated communications services. The success of this business will be based, in part, on the establishment of effective cross-selling programs in order to leverage the combined customer base of the voice service business segment, the effective delivery of such services and the provision of excellent customer service.

CloseCall has focused on the expansion of its telecommunications service offerings and the securing of long-term agreements with local exchange carriers. It has commercial agreements which expire in 2011 with Verizon and AT&T covering eighteen and thirteen states, respectively. Completion of these agreements 1) allows the expansion of CloseCall's overall geographic market, and the expansion and bundling of service offerings in these states including Florida, and 2) provides predictability of the pricing of wholesale services provided to us by these carriers during the terms of the agreements. CloseCall makes extensive use of direct mail programs to market its services to customers. CloseCall previously used print, signage, radio, and television advertising to market services to customers of certain local professional sports teams including the Aberdeen Ironbirds, Frederick Keys, Bowie Baysox, and the Delmarva Shorebirds under contractual arrangements with the ball clubs. The Company has re-evaluated the effectiveness of its advertising and no longer participates in these programs. A new focus of CloseCall is to secure wholesale arrangements with other telecommunications companies that wish to share CloseCall's cellular and Blackberry relationships. As of March 31, 2009, CloseCall provides such services to three other companies.

Services

This portion of our voice business segment provides service to over approximately 83,358 equivalent subscriber lines, including approximately 70,533 local and long distance lines. This business also has approximately 7,876 cell phone and Blackberry® subscribers. Despite the acquisition of business subscribers from TCS, the majority of our customers of CloseCall are residential.

Bundled Services Approach. The Integrated Telecom Business offers integrated communications services in a high-quality bundle to residential customers and small to medium-sized businesses at attractive prices. When economically advantageous to do so, the Integrated Telecom Business seeks to bundle its integrated communications services. Its targeted customers often will have multiple vendors for voice and data communications services, each of which may be billed separately. It is able to provide a comprehensive package of local telephone, long distance, Internet access, and other integrated communications services.

Local Services. The Integrated Telecom Business offers a wide range of local services, including local access services, voicemail, universal messaging, directory assistance, call forwarding, return call, hunting, call pick-up, repeat dialing and speed dialing services. It provides local services primarily over local connections utilizing Incumbent Local Exchange Carrier (ILEC) facilities.

Long Distance Services. The Integrated Telecom Business offers both domestic and international switched and dedicated long distance services, including "1+" outbound dialing, inbound toll-free and calling card services. Many of its customers prefer to purchase long distance services as part of a bundle that includes some of our other integrated communications services offerings.

Blackberry® PDA Services. With the acquisition of subscribers from TCS and the assignment of the master supply agreement between TCS and Research in Motion Corporation, CloseCall provides this popular personal data assistant (PDA) service and supply Blackberry® equipment, accessories, software and support contracts to its customers.

High Speed Internet Access via Digital Subscriber Line. The Integrated Telecom Business offers xDSL combined with our local access service in selected markets. DSL technology provides continuous high-speed local connections to the Internet and to private and local area networks.

Internet Access. The Integrated Telecom Business offers dial-up and broadband Internet access utilizing multiple wholesale vendors and also offer our five times ("5X") traditional dial-up speeds in select locations.

Digital Wireless Phones. The Integrated Telecom Business offers digital wireless phone services in many of our target markets. We believe that CloseCall is one of the few companies that have the capability to add wireless service to an existing customer invoice.

Digital Wireless Data. The Integrated Telecom Business offers digital wireless data services in many of our target markets. We believe that CloseCall is one of the few companies that have the capability to add wireless data services to an existing customer invoice.

Digital Broadband Phones via Voice over IP ("VoIP"). The Integrated Telecom Business offers digital phones for customers that have access to high-speed Internet connections utilizing VoIP technologies provided by several third-party VoIP service providers.

Payphone Services

Overview

Our subsidiary, Davel, has been one of the largest independent payphone service providers in the United States. Davel operates in a single business segment within the telecommunications industry, and previously utilized subcontractors to operate, service, and maintain its system of payphones throughout the United States. On November 15, 2004, we completed our acquisition of 100 percent of the senior secured debt of Davel and received an assignment of the secured lenders' shares of Davel common stock representing approximately 95.2 percent of Davel issued and outstanding common stock. We subsequently acquired the remaining 4.8 percent of the issued and outstanding Davel common stock in May 2005.

During fiscal 2008 Davel entered into a series of transactions to sell the majority of its pay telephones. See discussion above concerning the sale of the pay telephones. As of March 31, 2008 Davel owned and operated a nominal number of pay telephones located in the State of Ohio. Davel does not intend to expand its existing pay telephone base. Davel's installed payphone base generates revenue through coin calls (local and long-distance), non-coin calls (calling card, credit card, collect, and third-party billed calls using the Company's pre-selected operator services providers) and dial-around calls (utilizing a 1-800, 1010XXX or similar "toll free" dialing method to select a carrier other than the Company's pre-selected carrier). The revenue generated by the pay telephones is no longer material to the operations of the Company. See Item 3. "Legal Proceedings" for the discussion of several matters that relate to Davel.

Payphone Services Business – Background.

Today's telecommunications marketplace was principally shaped by the 1984 court-approved divestiture by AT&T of its local telephone operations (the "AT&T Divestiture"), and the many regulatory changes adopted by the FCC and state regulatory authorities in response to and subsequent to the AT&T Divestiture, including the authorization of the connection of competitive or independently owned payphones to the public switched network. The "public switched network" is the traditional, copper based, domestic landline public telecommunications network used to carry, switch, and connect telephone calls. The connection of independently owned payphones to the public switched network has resulted in the creation of additional business segments in the telecommunications industry. Prior to these developments, only the consolidated Bell system or independent LECs were permitted to own and operate payphones. Following the AT&T Divestiture and subsequent FCC and state regulatory rulings, the independent payphone sector developed as a competitive alternative to the consolidated Bell system and other LECs with the goal of providing more responsive customer service, lower cost of operations and higher commissions to the owners or operators of the premises at which a payphone is located.

Prior to the AT&T Divestiture, the LECs could refuse to provide payphone service to a business operator or, if service was installed, would typically pay no or relatively small commissions for the right to place a payphone on the business premises. Following the AT&T Divestiture and the FCC's authorization of payphone competition, Independent Payphone Providers ("IPPs") began to offer location owners higher commissions on coin calls made from the payphones in order to obtain the contractual right to install the equipment on the location owners' premises. Initially, coin revenue was the only source of revenue for the payphone operators because they were unable to participate in revenues from non-coin calls. However, the operator service provider, or OSP, industry emerged and enabled the competitive payphone operators to compete more effectively with the regulated telephone companies by paying commissions to payphone owners for non-coin calls. For the first time, IPPs were able to receive non-coin call revenue from their payphones. With this incremental source of revenue from non-coin calls, IPPs were able to compete more vigorously on a financial basis with RBOCs and other LECs for site location agreements, as a complement to the improved customer service and more efficient operations provided by the IPPs.

As part of the Telecommunications Act of 1996, or 1996 Telecom Act, Congress directed the Federal Communications Commission, or FCC, to ensure widespread access to payphones for use by the general public. Estimates of payphone deployment released by the FCC in February 2007 suggest that there are approximately 1.0 million payphones currently operating in the United States, of which approximately 500,000 are operated by local exchange carriers, or LECs. The remaining approximately 500,000 payphones are owned or managed by the more than 600 independent payphone providers, or IPPs, currently operating in the United States.

Business Strategy

Davel owns and operates a nominal number of pay telephones located in the State of Ohio. The revenues generated by the pay telephones is no longer material to the Company; however, Davel is party to certain litigation pending against various long distance companies, that if successful, could result in a substantial recovery to the Company. See "Item 3. Legal Proceedings" for the discussion of several matters that relate to Davel. Davel intends to vigorously pursue such litigation.

Corporate Activities

Overview

Our Corporate business segment has historically served as the holding company for our three operating business segments: voice services, wireless networks, and Internet services. The corporate office primarily provides overall business management, accounting, financial reporting, and legal support to the business. In the past, executives have also provided contracted business consulting services to unaffiliated companies whereby the Company received compensation for the services.

For example, in June 2004, we entered into a business development agreement with Solution Technology International, Inc., a Frederick, Maryland-based software company, or STI. The Company provided services to STI in exchange for a non-affiliate equity ownership interest in STI which was initially valued in the amount of $150,000. We own shares of STI stock which were subsequently written-off in the 2008 and 2009 fiscal years.

In August 2004, we signed a business development agreement with Texas Prototypes, Inc., ("Texas Prototypes") an electronic prototype manufacturing company, to jointly pursue a working relationship covering a number of potential technology projects and business development initiatives. We received a non-affiliate equity ownership interest in Texas Prototypes as consideration for services under the agreement which we initially valued at $300,000. Texas Prototypes completed its process of becoming a publicly traded company following its reverse merger with Stock Market Solutions, Inc., and its shares of common stock began trading on the Over-the-Counter Bulletin Board under the symbol "TXPO." In fiscal year 2008, the Company sold its shares and received proceeds of $361,503.

ProGames Network, Inc.

ProGames was formed by Mobilepro in order to focus on the development of tools, content and specialized connectivity for online and mobile gamers. ProGames has launched its website, www.progamesnetwork.com, where visitors may obtain an understanding about the type of exclusive content and online games that ProGames offers.

ProGames plans that the website eventually will include, among other offerings, 1) large, multiplayer online role-playing games, 2) a selection of exclusive games for mobile gamers, 3) a selection of skill, action and casual games, 4) current gaming articles and product reviews, 5) interactive ability for online gamers to communicate with each other, evaluate games and provide feedback. The website will also include an exclusive vertical game space search engine that will empower visitors to search for almost any type of content or game that is available online or via mobile devices.

ProGames is in the business of providing online gamers with a new and unique offering of content, news, original games, social networking and special connectivity. Currently, it is devoting all of its resources to development of this business. ProGames utilizes corporate personnel and office space for which Mobilepro accrues a monthly management fee. To date, the revenues of ProGames have not been material.

In March 2007, the Company announced that it had signed a definitive merger agreement pursuant to which ProGames would be merged with and into Winning Edge International, Inc. Consummation of the transaction was subject to a number of closing conditions including the arrangement of financing that would have sustained the operations of the combined entity. Financing was not arranged. As a result, the merger agreement was terminated and the Company continues to fund the operating costs of ProGames.

Competition

The Integrated Telecom Business

The communications industry is highly competitive. The Integrated Telecom Business competes primarily on the basis of the quality of our offerings, quality of our customer service, bundling (offering multiple services), price, availability, reliability, and variety. Our ability to compete effectively depends on our ability to maintain high-quality services at prices generally equal to or below those charged by our competitors. In particular, price competition in our sector has been intense and is not expected to decrease. Our competitors include, among others, various "competitive carriers" like us, as well as larger providers such as Verizon, AT&T, Sprint and Qwest. These larger providers have substantially greater infrastructure, financial, personnel, technical, marketing, and other resources, larger numbers of established customers and more prominent name recognition than CloseCall and AFN. We increasingly face competition in the local and long distance market from local carriers, resellers, cable companies, wireless carriers and satellite carriers, and may compete with electric utilities. We also face substantial competition from businesses offering long distance data and voice services over the Internet such as Comcast, Vonage and Skype. These businesses enjoy a significant cost advantage because, even though Congress is considering a bill to "level the playing field," they currently do not pay carrier access charges.

We face significant competition from "competitive carriers" that are similar to us, principally in terms of size, structure and market share. Some of these carriers already have established local operations in some of our current and target markets. We cannot predict which of these carriers will be able to continue to compete effectively against us over time.

We also compete in the provision of local services against the incumbent local telephone company in each market, which is either Verizon or AT&T in a large majority of our market areas. Incumbent carriers enjoy substantial competitive advantages arising from their historical monopoly position in the local telephone market, including pre-existing customer relationships with all or virtually all end-users. Further, we are highly dependent on incumbent carriers for local network facilities and wholesale services required in order for us to assemble our own local services. In addition, incumbent carriers may compete in each other's markets in some cases or attempt to merge and create even larger competitors, which will increase the competitive pressures we face. Wireless communications providers such as T-Mobile are competing with wireline local telephone service providers, which further increases competition.

Local and long-distance marketing is converging, as most other carriers offer integrated communications services. For example, the mergers of AT&T and SBC and Verizon and MCI have created companies that can offer a full array of products and services to customers, a strategy similar to what our CloseCall subsidiary has pursued. These companies already have extensive fiber optic cable, switching, and other network facilities that they can use to provide local and long distance services throughout the country. We also compete with numerous direct marketers, telemarketers and equipment vendors and installers with respect to portions of our business.

A recent trend toward deregulation, particularly in connection with incumbent carriers and service providers that use Voice over Internet Protocol applications increases the level of competition that we face in our markets and, in turn, may adversely affect our operating results. Incumbent carriers continue to seek deregulation for many of their services at both the federal and state levels. If their efforts are successful, these companies will gain additional pricing flexibility, which could affect our ability to compete with them. The recent emergence of service providers that use Voice over Internet Protocol applications also presents a competitive threat. Because the regulatory status of Voice over Internet Protocol applications is largely unsettled, providers of such applications may be able to avoid costly regulatory requirements, including the payment of inter-carrier compensation. This could impede our ability to compete with these providers on the basis of price. More generally, the emergence of new service providers will increase competition, which could adversely affect our ability to succeed in the marketplace for communications and other services.

Governmental Regulation

Voice Services

Integrated Telecom Business

Overview. The services provided by the Integrated Telecom Business are subject to federal, state, and local regulation. Through our wholly owned subsidiaries, we hold numerous federal and state regulatory authorizations. The Federal Communications Commission, or FCC, exercises jurisdiction over telecommunications common carriers to the extent they provide, originate or terminate interstate or international communications. The FCC also establishes rules and has other authority over some issues related to local telephone competition. State regulatory commissions retain jurisdiction over telecommunications carriers to the extent they provide, originate, or terminate intrastate communications. Local governments may require us to obtain licenses, permits or franchises to use the public rights-of-way necessary to install and operate our networks.

Federal Regulation. AFN and CloseCall are classified as a non-dominant carrier by the FCC and, as a result, are subject to relatively limited regulation of its interstate and international services. Some general policies and rules of the FCC apply to AFN and CloseCall, including how we may use and how we must protect customers' proprietary network information, and AFN and CloseCall are subject to some FCC reporting requirements, but the FCC does not review its billing rates, though AFN and CloseCall must comply with FCC rules regarding the disclosure of rates, terms and conditions and the content of our invoices. The FCC also has jurisdiction to adjudicate complaints regarding services provided by AFN and CloseCall. AFN and CloseCall are also required to pay various regulatory fees to support programs authorized by the FCC. AFN and CloseCall possess the operating authority required by the FCC to conduct its long distance business as it is currently conducted. As a non-dominant carrier, AFN and CloseCall may install and operate additional facilities for the transmission of domestic interstate communications without prior FCC authorization, except to the extent that radio licenses are required. The FCC does require prior approval for transfer of control and assets transfers.

Local Competition. The FCC's role with respect to local telephone competition arises principally from the 1996 Telecom Act that preempts state and local laws to the extent that they prevent competition in the provision of any telecommunications service. Subject to this limitation, state and local governments retain telecommunications regulatory authority over intrastate telecommunications. The 1996 Telecom Act imposes a variety of duties on local carriers, including competitive carriers such as CloseCall and AFN, to promote competition in the provision of local telephone services. These duties include requirements for local carriers to: interconnect with other telecommunications carriers; complete calls originated by customers of competing carriers on a reciprocal basis; permit users to retain their telephone numbers when changing carriers; implement dialing parity so that all customers must dial the same number of digits to place the same type of call, and provide competing carriers access to poles, ducts, conduits and rights-of-way at regulated prices.

Incumbent carriers like Verizon and AT&T also are subject to additional duties. These duties include obligations of incumbent carriers to: offer interconnection on a non-discriminatory basis; offer co-location of competitors' equipment at their premises on a non-discriminatory basis; make available certain of their network facilities, features and capabilities on non-discriminatory, cost-based terms; and offer wholesale versions of their retail services for resale at discounted rates. The FCC in certain cases agreed to forbear from applying its unbundling requirements in certain geographic markets in which it finds that sufficient competition exists in the provision of local telecommunications services.

Collectively, these requirements recognize that local telephone service competition is dependent upon cost-based and non-discriminatory interconnection with, and use of, some elements of incumbent carrier networks and facilities under specified circumstances. Failure to achieve and maintain such arrangements could have a material adverse impact on the ability of AFN and CloseCall to provide competitive local telephone services. Under the 1996 Telecom Act, incumbent carriers are required to negotiate in good faith with carriers requesting any or all of the foregoing arrangements.

In August 2003, the FCC adopted changes to the rules defining the circumstances under which incumbent carriers must make network elements available to competitive carriers at cost-based rates. These rule changes were appealed by both incumbent carriers and competitive carriers to a federal court of appeals, which in March 2004 vacated and remanded to the FCC several aspects of those changes. In February 2005, the FCC issued a decision in response to the court's March 2004 ruling. That decision, which is known as the Triennial Review Remand Order, or TRRO, became effective on March 11, 2005, and revised the rules for when incumbent carriers must unbundle and make available to competitive carriers various types of UNEs, including high-capacity loops and interoffice transport. The FCC also confirmed in the TRRO that the availability of special access services for competitive carriers does not excuse incumbent carriers from the requirement to make available prescribed UNEs at rates based on the FCC's "Total Element Long Run Incremental Cost," or TELRIC, pricing methodology.

On June 16, 2006, the U.S. Court of Appeals, D.C. Circuit, rejected various CLEC arguments in connection with the FCC's decisions on the unbundling of local switching and UNE-P rate increases, including the overall elimination of the mass market local switching unbundling requirement. The court also rejected ILEC arguments to eliminate DS1, DS3 loop and DS1 transport unbundling. The court also rejected arguments that the FCC cannot preempt the states over such matters.

TELRIC Pricing. The FCC has initiated a re-examination of its TELRIC pricing methodology for network elements. The FCC has proposed a number of changes to these pricing rules that, if promulgated in their current form, could be unfavorable to the Integrated Telecom Business. Legislation has been proposed in Congress in the past and may be proposed in the future that would further restrict the access of competitive carriers to incumbent carriers' network elements. Future restrictions on, or reductions in, the network elements available to AFN and CloseCall, or any increase in the cost to them of such network elements, could have a material adverse effect on the Integrated Telecom Business.

Broadband. In the future, an important element of providing competitive local service may be the ability to offer customers high-speed broadband local connections. The FCC has reduced the number and types of unbundled network elements, such as Fiber-to-the-Curb (FTTC) and Fiber-to-the-Home (FTTH) that incumbent carriers must make available to competitive carriers to enable them to provide broadband services to customers using incumbent carrier networks. The FCC is considering requests by competitors that would require incumbent carriers to continue to make available to competitors certain older transport and switching technologies that the incumbents plan to retire as they implement new digital switching and fiber transport. The FCC also recently held that incumbent carriers such as Verizon cannot be required by state commissions to make digital subscriber line services available to end users when a competitive carrier provides the end user with voice service. This is known in the industry as "naked DSL." However, both Verizon and AT&T, as conditions for the approval of recent mergers, have agreed to make available naked DSL in certain markets for a prescribed period of time.

In other proceedings affecting broadband policy, the FCC has ruled that digital subscriber line service, wireless broadband service and broadband over power line should all be classified as information services, subject to minimal federal and very limited state regulation. This regulatory treatment is consistent with the FCC's decision in 2002 that cable modem service is an information service. The FCC has also ruled that facilities-based Internet Service Providers must comply with the Communications Assistance Law Enforcement Act ("CALEA") which requires that companies must construct their networks to facilitate law enforcement access for lawful surveillance of the service provider's customers.

The FCC has sought comment on a number of other regulatory proposals that could affect the speed and manner in which high-speed broadband local services are deployed, including whether broadband services should be subject to network neutrality rules and open access. Network neutrality generally refers to principles allowing access by consumers to their choice of Internet content, connection of equipment and applications without unreasonable restrictions by broadband providers. Open access generally requires that a broadband operator permit unaffiliated entities to provide Internet service over the operator's broadband facilities. We cannot predict the outcome of these proposals at the FCC or in the courts or the effect they will have on the Integrated Telecom Business and the industry.

Internet Protocol-Enabled Services. The FCC has not issued final rules on the appropriate regulatory clarification and regulatory status of services and applications using Internet Protocol, including VoIP offerings. VoIP is an application that manages the delivery of voice information across data networks, including the Internet, using Internet Protocol. Rather than send voice information across traditional circuits, Voice over Internet Protocol sends voice information in digital form using discrete packets that are routed in the same manner as data packets. Voice over Internet Protocol is widely viewed as a more cost-effective alternative to traditional circuit-switched telephone service. Because Voice over Internet Protocol can be deployed by carriers in various capacities, and because it is widely considered a next-generation communications service, its regulatory classification has not yet been determined.

The FCC thus far has issued a series of rulings in connection with the regulatory treatment of Voice over Internet Protocol ("VoIP"), but those rulings have been narrowly tailored. In one case, the FCC held that a computer-to-computer VoIP application provided by Pulver.com is an unregulated information service, in part because it does not include a transmission component, offers computing capabilities, and is free to its users. In another case, the FCC reached a different conclusion, holding that AT&T's use of VoIP within its network to transmit the long-haul portion of certain calls constitutes a telecommunications service, thus subjecting it to regulation, because the calls use ordinary customer premises equipment with no enhanced functionality, originate and terminate on the public switched telephone network, and undergo no net protocol conversion and provide no enhanced functionality to end users. In a third case, which involved the VoIP application of Vonage, the FCC preempted the authority of the State of Minnesota (and presumably all other states) and ruled that Vonage's VoIP application, and others like it, is an interstate service subject only to federal regulation, thus preempting the authority of the Minnesota commission to require Vonage to obtain state certification. On March 21, 2007, this decision was upheld by the United States Court of Appeals for the Eighth Circuit. The FCC, however, refused to rule in the Vonage case whether Vonage's VoIP application is a telecommunications service or an information service, thus leaving open the question of the extent to which the service will be regulated.

In 2004, the FCC initiated a more generic proceeding to address the many regulatory issues raised by the development and growth of VoIP services, including the extent to which VoIP will be regulated at the federal level, and has expressly reserved the right to reconsider its declaratory rulings in the generic proceeding. As a result of this proceeding, the FCC has imposed a number of requirements on what it calls 'interconnected VoIP services," which the FCC defines as a service that enables real-time, two way voice communications; requires a broadband connection from the user's location; requires Internet Protocol compatible customer premises equipment and permits users generally to receive calls that originate and terminate on the public switched telephone network. These include requiring interconnected VoIP service providers to comply with the CALEA which requires that companies must construct their networks to facilitate law enforcement access for lawful surveillance of the service provider's customers; requiring interconnected VoIP service providers to contribute to the Universal Service Fund; requiring interconnected VoIP service providers to offer E-911 to their subscribers; requiring interconnected VoIP service providers and equipment manufacturers to comply with rules facilitating access to VoIP services by the disabled, including the opportunity to access Telecommunications Relay Services for the Deaf; and, requiring interconnected VoIP service providers to comply with Commission rules concerning the use and protection of customer proprietary network information. The FCC continues to consider questions regarding the applicability of access charges to VoIP. Additional federal and state rulings in connection with VoIP will likely have a significant impact on us, our competitors and the communications industry.

Congress also has considered in the past, and may consider in the future, legislation addressing Voice over Internet Protocol. We cannot at this time predict if or when such legislation will be enacted, or its effect on our Integrated Telecom Business and the industry.

Inter-carrier Compensation. The FCC regulates the interstate access rates charged by local carriers for the origination and termination of interstate long distance traffic. These access rates make up a significant portion of the cost of providing long distance service. The FCC has adopted policy changes that over time are reducing incumbent carriers' access rates, which have the impact of lowering the cost of providing long distance service, especially to business customers. In addition, the FCC has adopted rules that require competitive carriers to reduce the levels of their tariffed access charges to rates no greater than those of the incumbent carriers with which they compete. In March 2005, the FCC initiated a proceeding designed to examine and reform comprehensively intercarrier compensation, including access charges, in the telecommunications market. Intercarrier compensation typically is the largest single expense incurred by companies that provide telecommunications services, including us. Further FCC action in this area may reduce most access charges in the future or shift all forms of intercarrier compensation to flat rate pricing. We cannot predict at this time the result of this proceeding, the full impact of the FCC's decisions in this area, or the effect these decisions will have on our business and the industry.

The FCC has granted incumbent carriers some flexibility in pricing their interstate special and switched access services. Under this pricing scheme, local carriers may establish pricing zones based on access traffic density and charge different prices for access provided in each zone. The FCC recently has been granting incumbent carriers additional pricing flexibility on a market-by-market basis as local competition develops in their markets. This pricing flexibility could place us at a competitive disadvantage, either as a purchaser of access for our long distance operations or as a vendor of access to other carriers or end-user customers.

In April 2001, the FCC issued a ruling changing the compensation mechanism for traffic exchanged between telecommunications carriers that is destined for Internet service providers. In doing so, the FCC prescribed a new rate structure for this traffic and prescribed gradually reduced caps for its compensation. In the course of our business, we may exchange the traffic of Internet service providers with other carriers. The FCC's ruling in connection with such traffic affected a large number of carriers, including us, and further developments in this area could have a significant impact on the industry and on us. Although a federal court remanded that FCC decision for further consideration, the court did not reverse the decision, so it remains in effect. In March 2005, in the context of its generic proceeding on intercarrier compensation, the FCC sought comment on broad policy changes that could harmonize the rate structure and levels of all forms of intercarrier compensation, and ultimately could eliminate most forms of carrier-to-carrier payments for interconnected traffic, including traffic destined for Internet service providers.

Universal Service. Universal Service programs administered by the FCC promote the availability of quality services at affordable rates; increase access to advanced telecommunications services throughout the Nation, including to consumers in low income, rural, insular, and high cost areas at rates that are reasonably comparable to those charged in urban areas, and provide that all schools, classrooms, health care providers, and libraries should, generally, have access to advanced telecommunications services. Universal Service programs historically have been funded by access charges and direct contributions from telecommunications carriers based on a percentage of their interstate revenues. The FCC is considering changing the methodology by which telecommunications carriers contribute to the Universal Service Fund, including one proposal that would assess payments based on the number of telephone numbers used by carriers. Any reform in connection with universal service, will, by necessity, require revisions to the FCC's intercarrier compensation policies. Congress is currently considering changes to the USF rules; however, it is unclear what changes, if any, will ultimately become law. Because the effects of these revisions are uncertain, the fees we pay to subsidize universal service may increase or decrease substantially in the future.

Detariffing. The FCC required non-dominant long distance companies, including us, to detariff interstate long distance domestic and international services in 2001. In 2001, the FCC also permitted competitive local exchange carriers, including us, to choose either to detariff the interstate access services that competitive carriers sell to long distance companies that originate or terminate traffic from or to their local customers, or to maintain tariffs but comply with rate caps. Tariffs set forth the rates, terms and conditions for service and must be updated or amended when rates are adjusted or products are added or removed. Before detariffing, we filed tariffs with the FCC to govern our relationship with most of our long distance customers and with long distance companies that originated or terminated traffic from or to our local customers. The detariffing process has required us, among other things, to post these rates, terms and conditions on our Web site instead of filing them as tariffs with the FCC. Because detariffing precludes us from filing our tariffs with the FCC, some may argue that we are no longer subject to the "filed rate doctrine," under which the filed tariff controls all contractual disputes between a carrier and its customers. The detariffing process has effectively required us to enter into individual contracts with each of our customers and to notify our customers when rates are adjusted or products are added or removed. This process increases our costs of doing business. Detariffing may expose us to legal liabilities and costs if we can no longer rely on the filed rate doctrine to settle contract disputes.

Other Federal Regulations. The FCC imposes prior approval requirements on transfers of control and assignments of radio licenses and operating authorizations. The FCC has the authority generally to condition, modify, cancel, terminate, revoke, or decline to renew licenses and operating authority for failure to comply with federal laws and the rules, regulations and policies of the FCC. Fines or other penalties also may be imposed for such violations. The FCC or third parties may raise issues with regard to our compliance with applicable laws and regulations.

Federal Excise Tax Changes. IRS Notice 2006-50 instructs companies collecting the Federal Excise Tax to "cease collecting and paying over tax under §4251 of the Internal Revenue Code on nontaxable service billed after July 31, 2006". Several recent rulings have held that "service for which there is a toll charge that varies with elapsed transmission time and not distance (time-only service) is not taxable toll telephone service." On August 1, 2006 the Company was no longer responsible for collecting and remitting the Federal Excise Tax. Regarding bundled services, the CLEC is expected to "reasonably identify" the local services portion or else the whole bundled billing is considered FET taxable.

State Regulation. AFN and CloseCall are subject to various state laws and regulations. Most state public utility commissions require providers such as AFN and CloseCall to obtain authority from the commission before initiating service in the state and the filing of tariffs that detail the rates, terms and conditions for our services. The Integrated Telecom Business is subject to various reporting and record-keeping requirements. The Integrated Telecom Business is generally required to pay fees and assessments related to our provision of telecommunications service in the state. In addition, some states are ordering the detariffing of services, which may impede AFN and CloseCall's reliance on the filed rate doctrine and increase our costs of doing business.

Many issues remain open regarding how new local telephone carriers will be regulated at the state level. For example, although the 1996 Telecom Act preempts the ability of states to forbid local service competition, the 1996 Telecom Act preserves the ability of states to impose reasonable terms and conditions of service and other regulatory requirements. The scope of state regulation will be refined through rules and policy decisions made by public utility commissions as they address local service competition issues.

State public utility commissions have responsibility under the 1996 Telecom Act to oversee relationships between incumbent carriers and their new competitors with respect to such competitors' use of the incumbent carriers' network elements and wholesale local services. Public utility commissions arbitrate interconnection agreements between the incumbent carriers and competitive carriers such as CloseCall when necessary. Pursuant to the 1996 Telecom Act, the decisions of state public utility commissions with regard to interconnection disputes may be appealed to federal courts.

There also remain unresolved important issues regarding the scope of the authority of public utility commissions and the extent to which the commissions will adopt policies that promote local telephone service competition. It is difficult to predict how this and other matters will affect our ability to pursue our business plan.

States also regulate the intrastate carrier access services of the incumbent carriers. AFN and CloseCall are required to pay access charges to the incumbent carriers when they originate or terminate our intrastate long distance traffic. The Integrated Telecom Business could be harmed by high access charges, particularly to the extent that the incumbent carriers do not incur the same level of costs with respect to their own intrastate long distance services or to the extent that the incumbent carriers are able to offer their long distance affiliates better access pricing or volume pricing to larger carriers. Some states also regulate the intrastate access charges of competitive carriers. Some states have also developed intrastate universal service charges parallel to the interstate charges created by the FCC. Another issue is the use by some incumbent carriers, with the approval of the applicable public utility commissions, of extended local area calling that converts otherwise competitive intrastate toll service to local service. Our business could be harmed by these developments.

The Integrated Telecom Business will also be affected by how states regulate the retail prices of the incumbent carriers with which we compete. We believe that, as the degree of intrastate competition increases, the states will offer the incumbent carriers increasing pricing flexibility and deregulation of particular services deemed to be competitive. This flexibility and deregulation may present the incumbent carriers with an opportunity to subsidize services that compete with services provided by the Integrated Telecom Business with revenues generated from their non-competitive services, thereby allowing incumbent carriers to offer competitive services at prices lower than most or all of their competitors.

Many states also require prior approval for transfers of control of certified carriers, corporate reorganizations, acquisitions of telecommunications operations, assignment of carrier assets, stock offerings, and incurrence by carriers of significant debt obligations. Certificates of authority generally can be conditioned, modified, canceled, terminated or revoked by state regulatory authorities for failure to comply with state law or the rules, regulations and policies of state regulatory authorities. Fines or other penalties also may be imposed for such violations. Public utility commissions or third parties may raise issues with regard to our compliance with applicable laws or regulations.

Payphone Service Providers

Although Davel has sold a majority of its payphones, regulations regarding payphone service providers still apply to Davel. In addition, Davel continues to pursue a number of claims against third parties which, if successful, could provide significant recoveries applicable to the operations of Davel in prior years. Regulations relating to payphone service providers provide a basis for certain litigation and claims currently being pursued by Davel. See Item 3. – "Legal Proceedings".

The 1996 Telecom Act substantially restructured the telecommunications industry, included specific provisions related to the payphone industry and required the FCC to develop rules necessary to implement and administer the provisions of the 1996 Telecom Act on both an interstate and intrastate basis.

Federal Regulation of Local Coin and Dial-Around Calls. The Telephone Operator Consumer Services Improvement Act of 1990, or TOCSIA, established various requirements for companies that provide operator services and for call aggregators, including payphone service providers, or PSPs, who send calls to those operator service providers, or OSPs. The requirements of TOCSIA as implemented by the FCC included call branding, information posting, rate quotations, the filing of informational tariffs and the right of payphone users to access any OSP in order to make non-coin calls. TOCSIA also required the FCC to take action to limit the exposure of payphone companies to undue risk of fraud upon providing this "open access" to carriers.

TOCSIA further directed the FCC to consider the need to provide compensation to IPPs for dial-around calls made from its payphones. Accordingly, the FCC ruled in May 1992 that IPPs were entitled to dial-around compensation. Because of the complexity of establishing an accounting system for determining per call compensation for these calls, and for other reasons, the FCC temporarily set this compensation at $6.00 per payphone per month based on an assumed average of 15 interstate carrier access code dial-around calls per month and a rate of $0.40 per call. The failure by the FCC to provide compensation for 800 "toll free" dial-around calls was challenged by the IPPs, and a federal court subsequently ruled that the FCC should have provided compensation for these toll free calls.

Payphone Services. In 1996, recognizing that IPPs had been at a severe competitive disadvantage under the existing system of regulation and had experienced substantial increases in dial-around calls without a corresponding adjustment in compensation, Congress enacted Section 276 to promote both competition among payphone service providers and the widespread deployment of payphones throughout the nation. Section 276 directed the FCC to implement rules by November 1996 that would:

- create a standard regulatory scheme for all public payphone service providers;

- establish a per call compensation plan to ensure that all payphone service providers are fairly compensated for each and every completed intrastate and interstate call, except for 911 emergency and telecommunications relay service calls;

- terminate subsidies for LEC payphones from LEC regulated rate-base operations;

- prescribe, at a minimum, nonstructural safeguards to eliminate discrimination between LECs and IPPs and remove the LEC payphones from the LEC's regulated asset base;

- provide for the RBOCs to have the same rights that IPPs have to negotiate with location owners over the selection of interLATA carrier services, subject to the FCC's determination that the selection right is in the public interest and subject to existing contracts between the location owners and interLATA carriers;

- provide for the right of all PSPs to choose the local, intraLATA and interLATA carriers subject to the requirements of, and contractual rights negotiated with, location owners and other valid state regulatory requirements;

- evaluate the requirement for payphones which would not normally be installed under competitive conditions but which might be desirable as a matter of public policy, and establish how to provide for and maintain such payphones if it is determined they are required; and

- preempt any state requirements which are inconsistent with the FCC's regulations implementing Section 276.

In September and November 1996, the FCC issued its rulings implementing Section 276, or the 1996 Payphone Order. In the 1996 Payphone Order, the FCC determined that the best way to ensure fair compensation to independent and LEC PSPs for each and every call was to deregulate, to the maximum extent possible, the price of all calls originating from payphones. For local coin calls, the FCC mandated that deregulation of the local coin rate would not occur until October 1997 in order to provide a period of orderly transition from the previous system of state regulation.

To achieve fair compensation for dial-around calls through deregulation and competition, the FCC in the 1996 Payphone Order directed a two-phase transition from a regulated market. In the first phase, November 1996 to October 1997, the FCC prescribed flat-rate compensation payable to the PSPs by the interexchange carriers ("IXCs") in the amount of $45.85 per month per payphone. During the second phase of the transition to deregulation and market-based compensation (initially from October 1997 to October 1998, but subsequently extended in a later order by one year to October 1999), the FCC directed the IXCs to pay the PSPs on a per-call basis for dial-around calls at the assumed deregulated coin rate of $0.35 per call. At the conclusion of the second phase, the FCC set the market-based local coin rate, determined on a payphone-by-payphone basis, as the default per-call compensation rate in the absence of a negotiated agreement between the PSP and the IXC. To facilitate per-call compensation, the FCC required the PSPs to transmit payphone-specific coding digits which would identify each call as originating from a payphone and required the LECs to make such coding available to the PSPs as a tariffed item included in the local access line service.

In July 1997, a federal court responded to an appeal of the 1996 Payphone Order, finding that the FCC erred in (1) setting the default per-call rate at $0.35 without considering the differences in underlying costs between dial-around calls and local coin calls, (2) assessing the flat-rate compensation against only the carriers with annual toll-call revenues in excess of $100 million, and (3) allocating the assessment of the flat-rate compensation based on gross revenues rather than on a factor more directly related to the number of dial-around calls processed by the carrier. The Court also assigned error to other aspects of the 1996 Payphone Order concerning inmate payphones and the accounting treatment of payphones transferred by an RBOC to a separate affiliate.

In response to the Court's remand, the FCC issued its modified ruling implementing Section 276, or the 1997 Payphone Order, in October of 1997. The FCC adjusted the per call rate during the second phase of interim compensation to $0.284. While the FCC tentatively concluded that the $0.284 default rate should be utilized in determining compensation during the first phase and reiterated that PSPs were entitled to compensation for each and every call during the first phase, it deferred a decision on the precise method of allocating the initial interim period (November 1996 through October 1997) flat-rate payment obligation among the IXCs and the number of calls to be used in determining the total amount of the payment obligation.

On March 9, 1998, the FCC issued a Memorandum Opinion and Order, FCC 98-481, which extended and waived certain requirements concerning the provision by the LECs of payphone-specific coding digits, which identify a call as originating from a payphone. Without the transmission of payphone-specific coding digits, some of the IXCs have claimed they are unable to identify a call as a payphone call eligible for dial-around compensation. With the stated purpose of ensuring the continued payment of dial-around compensation, the FCC's Memorandum and Order issued on April 3, 1998 left in place the requirement for payment of per-call compensation for payphones on lines that do not transmit the requisite payphone-specific coding digits but gave the IXCs a choice for computing the amount of compensation for payphones on LEC lines not transmitting the payphone-specific coding digits of either accurately computing per-call compensation from their databases or paying per-phone, flat-rate compensation computed by multiplying the $0.284 per call rate by the nationwide average number of 800 subscriber and access code calls placed from RBOC payphones for corresponding payment periods. Accurate payments made at the flat rate are not subject to subsequent adjustment for actual call counts from the applicable payphone.

On May 15, 1998, the Court again remanded the per-call compensation rate to the FCC for further explanation without vacating the $0.284 per call rate. The Court opined that the FCC had failed to explain adequately its derivation of the $0.284 default rate. The Court stated that any resulting overpayment may be subject to refund and directed the FCC to conclude its proceedings within a six-month period from the effective date of the Court's decision.

In response to the Court's second remand, the FCC conducted further proceedings and sought additional comment from interested parties to address the relevant issues posed by the Court. On February 4, 1999, the FCC released the Third Report and Order and Order on Reconsideration of the Second Report and Order, or 1999 Payphone Order, in which the FCC abandoned its efforts to derive a "market-based" default dial-around compensation rate and instead adopted a "cost-based" rate of $0.24 per dial-around call, which was to be adjusted to $0.238 on April 21, 2002. On June 16, 2000, the Court affirmed the 1999 Payphone Order setting a $0.24 dial-around compensation rate. On all the issues, including those raised by the IXCs and the IPPs, the Court applied the "arbitrary and capricious" standard of review and found that the FCC's rulings were lawful and sustainable under that standard. The new $0.24 rate became effective April 21, 1999 and was applied retroactively to the period beginning on October 7, 1997 and ending on April 20, 1999 (the "intermediate period"), less a $0.002 amount to account for FLEX ANI payphone tracking costs, for a net compensation rate of $0.238 per call.

In a decision released January 31, 2002, or the 2002 Payphone Order, the FCC partially addressed the remaining issues concerning the "true-up" required for the earlier dial-around compensation periods. The FCC adjusted the per-call rate to $0.229, for the interim period only, to reflect a different method of calculating the delay in IXC payments to PSPs for the interim period, and determined that the total interim period compensation rate should be $33.89 per payphone per month. The 2002 Payphone Order deferred to a later order its determination of the allocation of this total compensation rate among the various carriers required to pay compensation for the interim period. In addition to addressing the rate level for dial-around compensation, the FCC has also addressed the issue of carrier responsibility with respect to dial-around compensation payments.

On October 23, 2002 the FCC released its Fifth Order on Reconsideration and Order on Remand, or the Interim Order, which resolved all of the remaining issues surrounding the interim/intermediate period true-up and specifically addressed how the liability for flat rate monthly per-phone compensation owed to PSPs would be allocated among the relevant dial-around carriers. The Interim Order also resolved how certain offsets to such payments would be handled and a host of other issues raised by parties in their remaining FCC challenges to the 1999 Payphone Order and the 2002 Payphone Order. In the Interim Order, the FCC ordered a true-up for the interim period and increased the adjusted monthly rate to $35.22 per payphone per month, to compensate for the three-month payment delay inherent in the dial-around payment system. The new rate of $35.22 per payphone per month is a composite rate, allocated among approximately five hundred carriers based on their estimated dial-around traffic during the interim period. The FCC also ordered a true-up requiring the PSPs, including Davel, to refund an amount equal to $0.046 (the difference between the old $.284 rate and the revised $.238 rate) to each carrier that compensated the PSP on a per-call basis during the intermediate period. Interest on additional payments and refunds is to be computed from the original payment due date at the IRS prescribed rate applicable to late tax payments. The FCC further ruled that a carrier claiming a refund from a PSP for the Intermediate Period must first offset the amount claimed against any additional payment due to the PSP from that carrier. Finally, the Interim Order provided that any net claimed refund amount owing to carriers cannot be offset against future dial-around payments without (1) prior notification and an opportunity to contest the claimed amount in good faith (only uncontested amounts may be withheld); and (2) providing PSPs an opportunity to "schedule" payments over a reasonable period of time.

Davel and its billing and collection clearinghouse have previously reviewed the order and prepared the data necessary to bill or determine the amount due to the relevant dial-around carriers pursuant to the Interim Order. Although Davel was entitled to receive a substantial amount of additional dial-around compensation pursuant to the Interim Order, such amounts, subject to certain limitations, were assigned to Davel's former secured lenders in exchange for a reduction in Davel's secured debt prior to the acquisition of such debt by Mobilepro (see the discussion of the Gammino lawsuit in Item 3. "Legal Proceedings").

On August 2, 2002 and September 2, 2002 respectively, the American Public Communications Council, the APCC, and the Regional Bell Operating Companies, the RBOCs, filed petitions with the FCC to revisit and increase the dial-around compensation rate level. Using the FCC's existing formula and adjusted only to reflect current costs and call volumes, the APCC and RBOCs' petitions supported an approximate doubling of the current $0.24 rate. On August 12, 2004, the FCC released an order to increase the dial-around compensation rate from $0.24 to $0.494 per call, or the 2004 Order. The new rate became effective September 27, 2004, 30 days after publication of the 2004 Order in the Federal Register, and may be subject to appeal by IXCs or other parties.

In an order that became effective on July 1, 2004, the FCC imposed certain requirements on facilities-based telecommunications carriers to ensure that payphone providers are fairly compensated for every payphone originated call that is completed. The requirements included establishing detailed procedures for tracking payphone originated calls, engaging a third party auditor to verify that these procedures are in place, filing annually a system audit report with the FCC and making quarterly dial-around compensation payments to payphone providers.

Regulatory actions and market factors, often outside Davel's control, could significantly affect Davel's dial-around compensation revenues. These factors include (i) the possibility of administrative proceedings or litigation seeking to modify the dial-around compensation rate, and (ii) ongoing technical or other difficulties in the responsible carriers' ability and willingness to properly track or pay for dial-around calls actually delivered to them.

Effect of Federal Regulation of Local Coin and Dial-Around Calls. To ensure "fair compensation" for local coin calls, the FCC previously determined that local coin rates from payphones should be generally deregulated by October 7, 1997, but provided for possible modifications or exemptions from deregulation upon a detailed showing by an individual state that there are market failures within the state that would not allow market-based rates to develop. On July 1, 1997, a federal court issued an order that upheld the FCC's authority to deregulate local coin call rates. In accordance with the FCC's ruling and the court order, certain LECs and IPPs, including Davel, have increased rates for local coin calls. Initially, when Davel increased the local coin rate to $0.35, Davel experienced a large drop in call volume. When Davel subsequently raised its local coin rates to $0.50, it did not experience call volume declines at the same levels. Davel has experienced, and continues to experience, lower coin call volumes on its payphones resulting not only from increased local coin calling rates, but from the growth in wireless communication services, changes in call traffic and the geographic mix of Davel's payphones, as well.

Other Provisions of The Telecommunications Act and FCC Rules. As a whole, the 1996 Telecom Act and FCC Rules significantly altered the competitive framework of the payphone industry. Davel believes that implementation of the 1996 Telecom Act has addressed certain historical inequities in the payphone marketplace and has, in part, led to a more equitable and competitive environment for all payphone providers. However, there remain several key areas of implementation of the 1996 Telecom Act yet to be fully and properly implemented such that the 1996 congressional mandate for widespread deployment of payphones is not being realized. This circumstance creates an uncertain environment in which Davel and the industry must operate. Davel has identified the following such uncertainties:

Various matters pending in several federal courts and raised before the Congress which, while not directly challenging Section 276, relate to the validity and constitutionality of the 1996 Telecom Act, as well as other uncertainties related to the impact, timing and implementation of the 1996 Telecom Act.

The 1996 Payphone Order required that LEC payphone operations be removed from the regulated rate base on April 15, 1997. The LECs were also required to make the access lines that are provided for their own payphones equally available to IPPs and to ensure that the cost to payphone providers for obtaining local lines and services met the FCC's new services test guidelines, which require that LECs price payphone access lines at the direct cost to the LEC plus a reasonable allocation of overhead. Proceedings are still pending in various stages and formats before the FCC and numerous state regulatory bodies across the nation to implement these provisions.

In the past, RBOCs were allegedly impaired in their ability to compete with the IPPs because they were not permitted to select the interLATA carrier to serve their payphones. Recent changes to the FCC Rules remove this restriction. Under the existing rules, the RBOCs are now permitted to participate with the Location Owner in selecting the carrier of interLATA services to their payphones; effective upon FCC approval of each RBOC's Comparably Efficient Interconnection plans. Existing contracts between location owners and payphone or long-distance providers that were in effect as of February 8, 1996 were grandfathered and will remain in effect pursuant to their terms.

The 1996 Payphone Order preempts state regulations that may require IPPs to route intraLATA calls to the LEC by containing provisions that allow all payphone providers to select the intraLATA carrier of their choice. Outstanding questions still exist with respect to 0+ local and 0 - call routing, whose classification will await the outcome of various state regulatory proceedings or initiatives and potential FCC action.

The 1996 Payphone Order determined that the administration of programs for maintaining public interest payphones should be left to the states within certain guidelines. Various state proceedings have been undertaken in reviewing this issue, but no widespread or effective actions have been taken to stem the tide of payphone removal around the nation. The FCC has pending various "universal service" proposals under consideration, which may impact Davel, both positively and negatively.

Billed Party Preference and Rate Disclosure. On January 29, 1998, the FCC released its Second Report and Order on Reconsideration entitled In the Matter of Billed Party Preference for InterLATA 0+ Calls, Docket No. 92-77. Effective July 1, 1998, all carriers providing operator services were required to give consumers using payphones the option of receiving a rate quote before a call is connected when making a 0+ interstate call. The system appears to be functioning adequately to meet its designated goals.

State and Local Regulation. State regulatory authorities have been primarily responsible for regulating the rates, terms and conditions for intrastate payphone services. Regulatory approval to operate payphones in a state typically involves submission of a certification application and an agreement by Davel to comply with applicable rules, regulations, and reporting requirements. The states and the District of Columbia have adopted a variety of state-specific regulations that govern rates charged for coin and non-coin calls, as well as a broad range of technical and operational requirements. The 1996 Telecom Act contains provisions that require all states to allow payphone competition on fair terms for both LECs and IPPs. State authorities also in most cases regulate LEC tariffs for interconnection of independent payphones, as well as the LECs' own payphone operations and practices.

Davel is also affected by state regulation of operator services. Most states have capped the rates that consumers can be charged for coin toll calls and non-coin local and intrastate toll calls made from payphones. In addition, Davel must comply with regulations designed to afford consumers notice at the payphone location of the long-distance company or companies servicing the payphone and the ability to access alternate carriers. Davel believes that it is currently in material compliance with all such regulatory requirements.

Employees

As of March 31, 2009 we employed 64 full-time employees. We have no collective bargaining agreements with our employees. The breakout of full-time employees is as follows:

Finance, accounting, legal and administration	4 employees
Integrated Telecom Business operations	60 employees

Item 1A. Risk Factors

Investing in our securities involves a high degree of risk. Our business, financial position and future results of operations may be impacted in a materially adverse manner by risks associated with the execution of our strategic plan and the creation of a profitable and cash-flow positive business, our ability to obtain capital or to obtain capital on terms acceptable to us, the successful integration of acquired companies into our consolidated operations, our ability to successfully manage diverse operations remotely located, our ability to successfully compete in highly competitive communications industries, rapid technological change and the emerging services market, the effective protection of our intellectual property rights, the successful resolution of ongoing litigation, our dependence upon key managers and employees and our ability to retain them, and potential fluctuations in quarterly operating results, among other risks. Before investing in our securities, in addition to this summary of risks, our future results may also be impacted by other risk factors listed from time to time in our future filings with the SEC, including, but not limited to, our Quarterly Reports on Form 10-Q.

Failure to Consummate a Restructuring of our Debt with YA Global Would Cause a Material Adverse Effect

We have attempted to negotiate an extension of the maturity date and payment terms to our existing debt owed to YA Global. Notwithstanding those negotiations, we have been unsuccessful in obtaining an extension of the maturity date and payment terms. As a result, Mobilepro is in default of its obligations under the Convertible Debenture owed to YA Global and, given current market conditions and Mobilepro's financial condition, obtaining the required financing to retire the Convertible Debenture is unlikely to occur in the immediate future. YA Global has informed the Company that it intends to exercise its rights as the Company's senior secured creditor. Such rights include, but are not limited to, foreclosing on the assets of the Company. Additionally, if YA Global declares a default on the Convertible Debenture, interest would accrue at the default rate of 24% per annum. The Company does not have sufficient cash available to satisfy the YA Global obligations and YA Global could potentially foreclose on the Company's assets. In such event, the Company may be forced to seek protection under the applicable bankruptcy laws or seek some form of out of court settlement with creditors and would likely be unable to continue as a going concern.

We Have Limited Cash Resources

We have limited unrestricted cash available to sustain the Company's ongoing operations. Although the Company continues to generate cash from the operations of its Integrated Telecom Business, such cash has been used to fund the Company's interest payments due to YA Global and is not sufficient to fund the Company's other debt service requirements, corporate overhead and the expenses of ProGames. We do not have access to a line of credit or other funding source to provide cash to fund the ongoing operations of the business, including corporate overhead. Although the Company is taking aggressive measures to reduce its expenses to avoid depleting its existing cash resources, there can be no assurance that expenses can be reduced by an adequate amount. In the event the Company does not obtain additional cash through the payment of monies due and owing on notes receivable or arriving at the successful conclusion of one or more of the District Court Litigation matters (see Item 3. – "Legal Proceedings"), the Company may not be able to sustain its operations which would result in a material adverse effect to our business and our stock price.

Our Limited Cash Resources May Preclude Continued Quotation on the Over-the-Counter Bulletin Board

Our common stock is quoted on the Over-the-Counter Bulletin Board under the symbol "MOBL." In order to maintain the quotation on the Over-the-Counter Bulletin Board the Company must be current in the reporting required to be filed with the Securities and Exchange Commission under Section 13 or 15(d) of the Securities Exchange Act of 1934. Given the Company's limited cash resources, the Company may not be able to fund the cost of compliance in order to continue to timely satisfy the reporting requirements. In such event, the Company's would no longer satisfy the requirements for quotation on the Over-the Counter Bulletin Board and may be required instead to obtain a quotation on the Pink Sheets. This may make it more difficult for investors in our common stock to sell shares to third parties or to otherwise dispose of them and could cause our stock price to further decline.

The Sale of Portions of Our Business May Not Be Concluded and We May Not Have Sufficient Cash to Continue Operations

We have forecasted our operating cash requirements based on several important assumptions. We have assumed that Gobility will succeed in selling some or all of its assets, thus enabling Kite Networks to satisfy some or all of its liabilities including the capital equipment leases or that the wireless networks can be sold by Gobility to a party or parties that are capable of paying these obligations or otherwise renegotiating the terms of the equipment leases in a satisfactory manner. A sale of the wireless networks further assumes that in addition to finding a willing and able buyer, Gobility can also negotiate an assignment or other transfer of the existing equipment lease obligations with the various leasing companies, as well as obtaining approval of the various municipalities in which the wireless networks are deployed. The Company understands that negotiations between potential buyers, Gobility and the various equipment leasing companies have to date been difficult and lacking in reasonable cooperation. As a result, despite the interest of potential buyers, it may be difficult or impossible to negotiate a reasonable settlement with certain equipment leasing companies. The lack of reasonable cooperation by the equipment leasing companies could cause a potential buyer to choose not to purchase the Gobility assets and have a material adverse effect on the Company and its ability to continue as a going concern.

If Gobility is unsuccessful in facilitating a sale of some or all of its assets, the Company will be unable to permanently eliminate the cash requirements represented by the Wireless Networks Business as planned. In such an event, the Company will not have sufficient cash to sustain operations without the completion of the Integrated Telecom Business sale, raising additional capital or arriving at the successful conclusion of one or more of the District Court Litigation matters (see Item 3. - "Legal Proceedings").

On June 30, 2007, we executed an agreement to sell the Wireline Businesses (including CloseCall, AFN and the ISP Business) to USA. We had assumed that the sale of CloseCall and AFN would occur in accordance with the terms of the USA Agreement. However, on January 14, 2008 we received notice from USA, which purported to terminate the USA Agreement. In the event that the Company is unsuccessful in closing the USA Agreement, or otherwise selling the businesses to an alternative buyer or raising new capital, the Company will not have sufficient cash to satisfy the cash requirements represented by the Wireless Network Business, our corporate overhead and our debt obligations and we could therefore suffer a material adverse effect to our business.

Included in its audit report on our consolidated financial statements included for the fiscal year ended March 31, 2009, our independent registered public accounting firm included a paragraph describing that there is substantial doubt about the Company's ability to continue as a going concern.

The Failure of Gobility to Sell Assets May Result in Our Payment of Transferred Liabilities and May Cause a Material Adverse Effect to our Business

In December 2006, we engaged an investment banking firm to assist in evaluating strategic alternatives for the Wireless Networks Business conducted by its Kite Networks and Kite Broadband subsidiaries. Efforts to secure investment capital for this business or to find a willing buyer resulted in the sale of the Wireless Networks Business to Gobility on July 8, 2007. The purchase price was $2.0 million, paid with a debenture convertible into shares of common stock of Gobility. However, under the terms of the debenture, Gobility was required to raise at least $3.0 million in cash no later than August 15, 2007. Gobility has defaulted on the financing obligation under the debenture, providing us the right to repurchase the wireless networks business with the surrender of the debenture and the payment of a nominal additional amount.

Mobilepro remains a co-obligor on certain capital leases transferred to Gobility. The total principal balance of these leases was approximately $3,569,518 at March 31, 2008. Monthly payments on these capital leases totaled approximately $175,000 at that time and they are currently more than twenty months in arrears. In addition, Mobilepro was a co-purchaser of certain wireless network equipment obtained by Kite Networks. The amount originally owed to the supplier of this equipment for the purchase of this equipment was $1,591,978. The Company entered into a forbearance agreement with the equipment vendor and agreed to pay the equipment obligation over time, with interest at the prime rate. In the event certain assets are sold by Gobility, the proceeds of such asset sale will be used to satisfy all or a portion of the equipment obligation.

On March 10, 2008 Gobility sold the assets of the wireless network in Longmont, Colorado and the Company received the related proceeds in the form of promissory notes from the purchaser totaling $1,800,000. Thereafter, in July 2008 Data Sales sold certain of the leased assets to a third party, further reducing the total principal balance of the leases by approximately $1,231,000. In connection with the foregoing asset sale, the Company executed a promissory note and release with Data Sales in the principal amount of $330,000. Although Gobility has previously represented to us that it is pursuing the sale of its remaining wireless network assets, we understand that Gobility has not yet closed on the sale of those wireless networks and that it has defaulted in making scheduled lease payments. If Gobility fails to consummate the sale of its remaining wireless network assets and make the required payments on the liabilities described above, it is likely that the creditors described above will demand payment of the past due amounts from Mobilepro. As a result of Gobility's failure to satisfy the monthly lease obligations, two leasing companies have commenced legal action against Mobilepro, which is currently proceeding in its initial phases of discovery (see the Harborside Litigation and Commonwealth Litigation in Paragraphs 4 and 8 of Item 3. "Legal Proceedings"). Other leasing companies may also elect to commence legal action and may elect to accelerate the payment date for the balance of the remaining monthly payments. In such event, Mobilepro would not have sufficient cash to satisfy the obligations to the leasing companies. Further, if we were unsuccessful in defending lawsuits from the leasing companies and were required to satisfy the obligations to the leasing companies, the Company may not be able to meet its principal and interest payment obligations on the convertible debenture and YA Global could potentially foreclose on the assets of the Company.

We Have Lost Money Historically Which Means That We May Not Be Able to Continue Operations

The Company has historically lost money. The Company's accumulated deficit at March 31, 2009 was $106,992,868. In the years ended March 31, 2009, 2008 and 2007, the Company sustained net losses of $11,360,021, $18,361,602, and $45,898,288, respectively. Over this three-year period, most of the acquired businesses of Mobilepro have experienced declining revenues. Although restructuring measures have reduced other operating expenses, the Company had been unable to reduce the corresponding costs of services. In addition, the Company has funded the start-up and operations of the municipal wireless networks and online gaming businesses without these companies achieving expected revenues and continues to fund the Company's corporate overhead. As a result, the amount of cash used in operations during the fiscal year ended March 31, 2009 and 2008 was $70,223 and $3,558,996, respectively. The decline in cash used in operation was largely due to the reduction of corporate expenses, the elimination of cash used for discontinued operations and $810,215 of regulatory receipts relating to claims against certain telecommunications carriers of Davel, including $718,314 received from Qwest in the second quarter of fiscal 2009 (see Paragraph 6 of Item 3. – "Legal Proceedings"). Future losses are likely to occur. Accordingly, the Company will continue to experience liquidity and cash flow problems if it is unable to improve its operating performance, to sell assets for cash including the Integrated Telecom Business, or to raise additional capital as needed and on acceptable terms.

If YA Global or Other Large Stockholders Sell Part or All of Their Shares of Common Stock in the Market, Such Sales May Cause Our Stock Price to Decline

From time to time, YA Global and other selling stockholders may sell in the public market up to all of the shares of common stock owned at that time. Under the Convertible Debenture, YA Global has the right to convert its debt into common stock of the Company. We believe such shares can be sold by YA Global under Rule 144 of the Securities Act. YA Global has converted and sold 629,042,857 shares of common stock during fiscal 2009 and has converted and sold at least 290,700,000 shares since March 31, 2009.

Any significant downward pressure on our stock price caused by the sale of stock by large selling stockholders could encourage short sales by third parties. Such short sales could place further downward pressure on our stock price.

Legal Actions May Be Required by Us in order to Enforce Certain Legal Rights

The telecommunications industry includes hundreds of companies, many with substantially greater infrastructure, financial, personnel, technical, marketing, and other resources, and larger numbers of established customers and more prominent name recognition than us. We transact business with certain of these companies. In addition, certain of our businesses operate in areas of the industry that are subject to federal and/or state regulations. As a result, in order to enforce rights under negotiated contracts with transaction partners or to obtain the benefits of certain government regulations, we may be forced to initiate or to participate in legal action. For example, as discussed in Item 3, Paragraph 2 - "Legal Proceedings", Davel is engaged in a lengthy and expensive legal process relating to the nonpayment of dial-around compensation by large, long distance carriers. Using their greater resources, defendants have taken and may in the future continue to take actions that stretch the duration of litigation and substantially delay our receipt of the benefits of favorable legal decisions. Furthermore, there can be no guarantee that the legal actions taken by the Company will ultimately result in a favorable legal decision to the Company.

Adverse Decisions in Litigation Could Cause a Material Adverse Effect and/or Cause the Company to Cease Operations

The Company is a defendant in the Harborside Litigation and the Commonwealth Litigation, which is described in Item 3 – "Legal Proceedings". Although the Company believes that it has meritorious defenses to the claims raised in this and the other matters identified in Item 3 – "Legal Proceedings" and intends to vigorously defend itself in each matter, there can be no guarantee that the Company will ultimately succeed in doing so. If an adverse ruling is ultimately issued against the Company in the Harborside Litigation and or the Commonwealth Litigation, we may not have sufficient funds available to satisfy a judgment. In such event, the Company could cease operations and/or be required to seek the protection of the bankruptcy court to protect the interests of its secured creditor.

Similarly, Davel and its subsidiaries are plaintiffs in the District Court Litigation in which it seeks recovery of significant amounts of nonpaid dial around compensation from large, long distance carriers. Although the Company believes Davel's litigation efforts will ultimately result in a favorable legal decision in the District Court Litigation, there can be no guarantee that Davel will ultimately succeed, or that it will ultimately recover, or timely recover, significant amounts of money owed to it. In the event Davel is unable to recover the monies owed to it for the non-payment of dial around compensation, and the Company is otherwise unable to raise additional capital, the Company could be forced to cease operations.

Further Declines in the Economy May Adversely Affect our Operations and Impair Our Ability to Generate Cash from and/or Sell the Integrated Telecom Business

The U.S. Economy has entered a recession, unemployment claims have increased and consumers' incomes have been reduced. Given our Integrated Telecom Business 's exposure to business travel (through its temporary housing and hospitality business) and consumer welfare (through our residential business), our business has been negatively affected and further declines in the economy could materially adversely affect our Integrated Telecom Business, impairing our ability to sell it at a price sufficient to retire our debt. Such failure may cause us to further reduce the goodwill attributable to the Integrated Telecom Business.

Poor Operating Performance by the Companies With Which We have Notes Receivable May Cause Us to Further "Write Down" the Carrying Value of our Notes Receivable, Reducing the Book Value Per Share of Our Company

DHB Networks, USA and Microlog all owe us money in the form of notes receivable. If any or all of these three businesses has poor operating performance and is unable to service the payments, we may be required to take additional write downs of the carrying value of the notes receivable. We have already taken write downs against the DHB and USA notes. Such write downs would reduce the book value per share of our Company.

Federal Regulators Have Taken and May Take Positions in the Future with Which We Disagree or Which We Believe are Contrary to Existing Law and Regulation, Which May Impose Substantial Litigation Costs on Our Business, Impede Our Access to Capital and/or Force Us to Seek a Merger Partner or Cease Operations

As a publicly traded telecommunications company, we are subject to the regulatory scrutiny of both the FCC and the SEC. Both agencies are so-called "administrative agencies" with statutory authority to implement and enforce laws passed by the U.S. Congress. Despite this limited scope, both the FCC and SEC have the ability to use discretion in certain cases both in interpreting what the laws passed by Congress mean and when to enforce such laws. The FCC and/or SEC may even take positions with which we disagree or which we believe are unfounded in statute, regulation, or prior agency guidance and which are adverse to Mobilepro. For instance, the FCC has been repeatedly overruled by federal courts in recent years for misinterpretations of the 1996 Telecom Act. In order to contest such behavior, Mobilepro may be forced to resort to litigation. In the context of the SEC, Mobilepro's ability to have any registration statement "go effective" may be impeded if in its comments to a future registration statement the SEC were to take a position with which we disagree based on prior law, regulation or prior SEC interpretative guidance. The registration process that resulted in our Form S-3 becoming effective in November 2006 commenced in September 2005 with the filing of Form SB-2. The protracted registration process included the filing of several registration statement amendments in order to incorporate changes from the SEC received in a series of comment letters. If we were to encounter similar difficulties and a prolonged registration process in connection with a future registration statement, it could materially impair Mobilepro's access to the capital markets, potentially force Mobilepro to incur substantial litigation related costs and may force Mobilepro to seek a merger with another company or cease operations.

The Federal and State Regulations under Which We Operate Could Change, Resulting in Harm to Our Business

The enactment of the 1996 Telecom Act significantly altered the regulatory landscape in which our businesses operate. In addition, state regulators maintain jurisdiction over certain of our services. We cannot predict whether future FCC or state regulatory decisions may adversely affect our ability to operate certain of our businesses or impact our profitability.

ATTACHMENT

7

Delaware

The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE DO HEREBY CERTIFY THAT THE CERTIFICATE OF INCORPORATION OF "CRAFTCLICK.COM, INC.", WAS RECEIVED AND FILED IN THIS OFFICE THE TWENTIETH DAY OF APRIL, A.D. 2001.

AND I DO HEREBY FURTHER CERTIFY THE SAID "CRAFTCLICK.COM, INC." FILED A CERTIFICATE OF AMENDMENT, CHANGING ITS NAME TO "MOBILEPRO CORP.", ON THE SECOND DAY OF JULY, A.D. 2001, AT 12 O'CLOCK P.M.

AND I DO HEREBY FURTHER CERTIFY THAT THE AFORESAID CORPORATION IS NO LONGER IN EXISTENCE AND GOOD STANDING UNDER THE LAWS OF THE STATE OF DELAWARE HAVING BECOME INOPERATIVE AND VOID THE FIRST DAY OF MARCH, A.D. 2014 FOR NON-PAYMENT OF TAXES.



Jeffrey W. Bullock, Secretary of State

3382969 8401

AUTHENTICATION: 1502219

140908123

DATE: 07-01-14

You may verify this certificate online at corp.delaware.gov/authver.shtml

Delaware

The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE DO HEREBY CERTIFY THAT THE CERTIFICATE OF INCORPORATION OF "DAVEL ACQUISITION CORP.", WAS RECEIVED AND FILED IN THIS OFFICE THE SECOND DAY OF SEPTEMBER, A.D. 2004.

AND I DO HEREBY FURTHER CERTIFY THAT THE AFORESAID CORPORATION IS NO LONGER IN EXISTENCE AND GOOD STANDING UNDER THE LAWS OF THE STATE OF DELAWARE HAVING BECOME INOPERATIVE AND VOID THE FIRST DAY OF MARCH, A.D. 2011 FOR NON-PAYMENT OF TAXES.



Jeffrey W. Bullock, Secretary of State

3850384 8401

140908400

AUTHENTICATION: 1502354

DATE: 07-01-14

You may verify this certificate online at corp.delaware.gov/authver.shtml

Delaware

The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THAT THE CERTIFICATE OF INCORPORATION OF "DAVEL HOLDINGS, INC.", WAS RECEIVED AND FILED IN THIS OFFICE THE NINTH DAY OF JUNE, A.D. 1998.

AND I DO HEREBY FURTHER CERTIFY THE SAID "DAVEL HOLDINGS, INC." FILED A RESTATED CERTIFICATE, CHANGING ITS NAME TO "DAVEL COMMUNICATIONS, INC.", ON THE TWENTY-FIRST DAY OF DECEMBER, A.D. 1998, AT 9 O'CLOCK A.M.

AND I DO HEREBY FURTHER CERTIFY THAT THE AFORESAID CORPORATION IS NO LONGER IN EXISTENCE AND GOOD STANDING UNDER THE LAWS OF THE STATE OF DELAWARE HAVING BECOME FORFEITED THE TWENTY-FIFTH DAY OF AUGUST, A.D. 2012, FOR FAILURE TO OBTAIN AND DESIGNATE A REGISTERED AGENT.



Jeffrey W. Bullock, Secretary of State

2906209 8415

AUTHENTICATION: 1501175

140906571

DATE: 07-01-14

You may verify this certificate online at corp.delaware.gov/authver.shtml

UNITED STATES OF AMERICA
STATE OF OHIO
OFFICE OF THE SECRETARY OF STATE

I, Jon Husted, do hereby certify that I am the duly elected, qualified and present acting Secretary of State for the State of Ohio, and as such have custody of the records of Ohio and Foreign business entities; that said records show PHONETEL TECHNOLOGIES, INC., an Ohio Corporation, Charter No. 646527, having its principal location in Cleveland, County of Cuyahoga, was incorporated on December 24, 1984, was CANCELLED on October 03, 2012 for failure to maintain agent.



Witness my hand and the seal of the Secretary of State at Columbus, Ohio this 2nd day of July, A.D. 2014.

Jon Husted

Ohio Secretary of State

Validation Number: 201418300265

State of New York
Department of State } ss:

I hereby certify, that the Certificate of Incorporation of PEOPLES TELEPHONE COMPANY, INC. was filed on 09/05/1968, under the name of SHIRTS UNLIMITED FRANCHISE INC., with perpetual duration, and that a diligent examination has been made of the Corporate index for documents filed with this Department for a certificate, order, or record of a dissolution, and upon such examination, no such certificate, order or record has been found, and that so far as indicated by the records of this Department, such corporation is an existing corporation. I further certify the following:

Restated Certificate was filed on 02/17/1969.

A certificate changing name to TTI INDUSTRIES, INC. was filed on 04/04/1972.

A Certificate of Merger was filed on 08/26/1981.

A Certificate of Merger and Name Change, changing its name to PEOPLES TELEPHONE COMPANY, INC. was filed on 07/21/1987.

A Certificate of Amendment was filed on 09/09/1987.

Restated Certificate was filed on 12/15/1987.

A Certificate of Amendment was filed on 03/08/1990.

A Certificate of Amendment was filed on 03/15/1990.

A Certificate of Merger was filed on 06/29/1990.

A Certificate of Amendment was filed on 06/29/1990.

A Certificate of Merger was filed on 04/21/1992.

A Certificate of Merger was filed on 04/21/1992.

A Certificate of Merger was filed on 08/17/1992.

A Biennial Statement was filed 02/14/1994.

Certificate of Change was filed on 03/14/1994.

Certificate of Change was filed on 03/13/1995.

A Certificate of Amendment was filed on 07/18/1995.

A Biennial Statement was filed 12/03/1996.

A Certificate of Amendment was filed on 03/26/1997.

Certificate of Change was filed on 04/28/1997.

A Biennial Statement was filed 10/09/1998.

A Certificate of Merger was filed on 12/22/1998.

A Certificate of Amendment was filed on 03/03/1999.

A Biennial Statement was filed 10/25/2000.

A Biennial Statement was filed 08/10/2004.

A Certificate of Merger was filed on 07/20/2005.

A Biennial Statement was filed 08/28/2006.

A Biennial Statement was filed 09/08/2008.

The Biennial Statement is past due.

I further certify that no other documents have been filed by such corporation.

***

Witness my hand and the official seal of the Department of State at the City of Albany, this 30th day of June two thousand and fourteen.

Anthony Giardina
Executive Deputy Secretary of State

201407010336 * MT

ATTACHMENT

8

File Number 5371-377-7

STATE OF ILLINOIS

OFFICE OF THE SECRETARY OF STATE

To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that I am the keeper of the records of the Department of Business Services. I certify that

SHEFFIELD SYSTEMS, INC., A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON JANUARY 18, 1985, WAS INVOLUNTARILY DISSOLVED BY THE SECRETARY OF STATE'S OFFICE ON JUNE 01, 2006 FOR FAILURE TO FILE AN ANNUAL REPORT AND TO PAY AN ANNUAL FRANCHISE TAX, THEREBY TERMINATING ITS EXISTENCE.

In Testimony Whereof, I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this 2ND *day of* JULY *A.D.* 2014 .

SEAL OF THE STATE OF ILLINOIS AUG. 26TH 1818

Jesse White

SECRETARY OF STATE

Authentication #: 1418301051
Verify at www.cyberdriveillinois.com