November 26, 1996

VIA FEDERAL EXPRESS

961434-TX

Mr. Steve Tribble
Secretary
Florida Public Service
Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Re: Application Of Access Network Services, Inc. For Authority To Provide Alternative Local Exchange Service Within The State Of Florida

Dear Mr. Tribble:

Enclosed is an original and six (6) copies of Access Network Services, Inc.'s application to provide Alternative Local Exchange Service within the State of Florida. I also enclose a check in the amount of $250.00 as payment for the prescribed application fee.

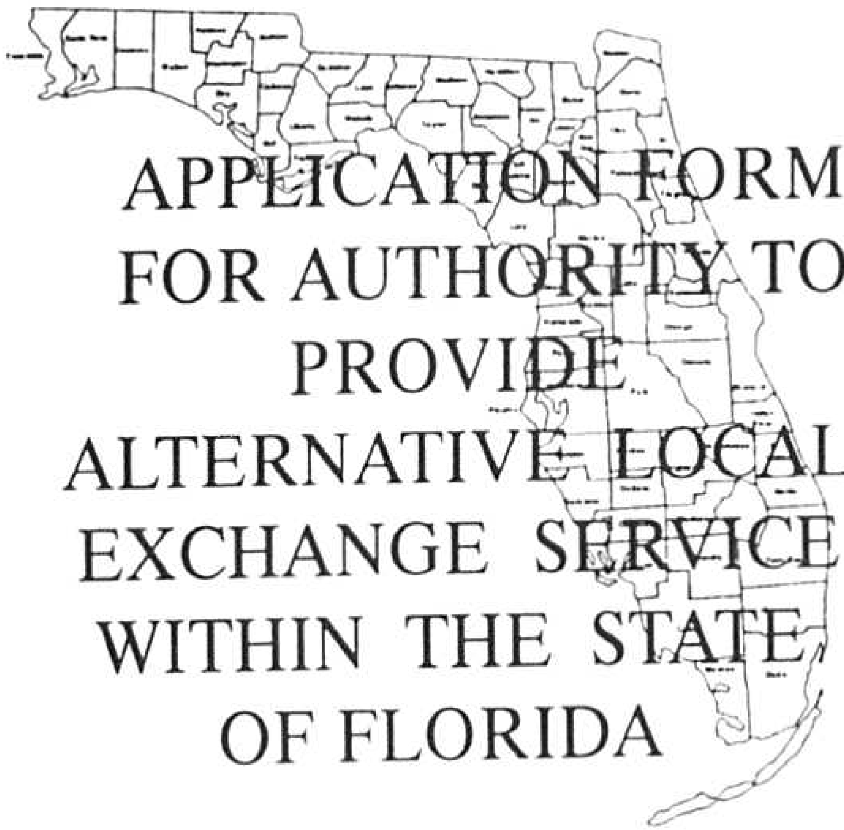
An extra copy of this cover letter is enclosed to be date stamped and returned in the envelope enclosed for your convenience. If you have any questions regarding this matter, please call me at (703) 478-5772.

Sincerely,

Allan C. Hubbard
Counsel

Enclosures

DOCUMENT NUMBER-DATE
12693 NOV 27 96
FPSC-RECORDS/REPORTING



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

12693 NOV 27

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

APPLICATION FORM
for

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

INSTRUCTIONS

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

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

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

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

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

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

FORM PSC/CMU 8 (11/95)
Required by Chapter 364.337 F.S.

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

   (x) **Original authority** (new company)

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

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

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

2. Name of applicant:

   Access Network Services, Inc.

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

   Applicant will do business under its own name.

4. If applicable, please provide proof of fictitious name (d/b/a) registration.
   Not applicable.
   Fictitious name registration number: ________________

5. A. National mailing address including street name, number, post office box, city , state, zip code, and phone number.
   300 West Service Road, P.O. Box 10804
   Chantilly, VA 20153-0804 Tel: (703) 478-5980

   B. Florida mailing address including street name, number, post office box, city , state, zip code, and phone number.
   101 East Kennedy Boulevard, Suite 3080
   Tampa, FL 33602 Tel: (813) 221-7500

6. Structure of organization:

( ) Individual	( ) Corporation
(x) Foreign Corporation	( ) Foreign Partnership
( ) General Partnership	( ) Limited Partnership
( ) Joint Venture	( ) Other, Please explain ____

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

Not applicable.

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

None of Access' officers, directors or majority stockholders have been adjudicated bankrupt, mentally incompetent or found guilty of any felony or of any other crime (other than minor offenses, such as traffic violations), nor are there any actions that may result from pending proceedings.

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

Corporate charter number: Florida Corporate Charter No. P37955

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

Allan C. Hubbard	Tel: (703) 478-5772
300 West Service Road, P.O. Box 10804	Fax: (703) 478-5757
Chantilly, VA 20153-0804	Net: ahubbard@fairchild.com

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

Has authority in:	Has applied in:
ILLINOIS	TEXAS
NEW YORK	INDIANA
	GEORGIA

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

The applicant has <u>not</u> been denied certification in any other state.

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

No penalties have been imposed against the applicant in any other state.

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

See supplemental sheets.

15. Please complete and file a price list in accordance with Commission Rule 25-24.825.

A price list is attached as Appendix A.

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

A. Financial capability.

Regarding the showing of financial capability, the following applies:

The application <u>should contain</u> the applicant's financial statements for the most recent 3 years, including:

1. the balance sheet
2. income statement
3. statement of retained earnings.

Further, a written explanation, which can include supporting documentation, regarding the following should be provided to show financial capability.

1. Please provide documentation that the applicant has sufficient financial capability to provide the requested service in the geographic area proposed to be served.

2. Please provide documentation that the applicant has sufficient financial capability to maintain the requested service.

3. Please provide documentation that the applicant has sufficient financial capability to meet its lease or ownership obligations.

NOTE: This documentation may include, but is not limited to, financial statements, a projected profit and loss statement, credit references, credit bureau reports, and descriptions of business relationships with financial institutions.

See supplemental sheets.

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

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

B. Managerial capability.

See supplemental sheets.

C. Technical capability.

(If you will be providing local intra-exchange switched telecommunications service, then state how you will provide access to 911 emergency service. If the nature of the emergency 911 service access and funding mechanism is not equivalent to that provided by the local exchange companies in the areas to be served, described in detail the difference.)

See supplemental sheets.

Response to Question No. 14

A customer can file a service complaint with the company by calling or writing to the customer service department in the location where service is provided. A customer in the Miami service area would call (305) 536-6100 or write to Applicant at 777 Brickell Ave., Suite 708, Miami, FL 33131. In the Tampa service area, a customer would call (813) 221-7500 or write to Applicant at 101 East Kennedy Blvd., Suite 3080, Tampa, FL 33602. In the Orlando area a customer would call (407) 246-8825 or write to Applicant at 390 N. Orange Ave., Suite 130., Orlando, FL 32801.

Response to Question No. 16

A. Financial capability.

Applicant will rely upon the resources of its parent, Shared Technologies Fairchild Inc. ("STFI"), and its affiliates for financial, technical and managerial support. STFI will make available the necessary capital or credit to provide the services for which authority is sought herein.

STFI is a publicly traded company (NASDAQ symbol "STCH") with approximately $200,000,000 in annual revenues. Copies of STFI's third quarter Quarterly Report for the period ending September 30, 1996 on SEC Form 10-Q and 1995 Annual Report on SEC Form 10-K are attached as Exhibits 1 and 2. Those reports detail the financial position of STFI and its subsidiaries (including Applicant) on a consolidated basis immediately preceding and subsequent to STFI's (formerly Shared Technologies Inc. "STI") merger with Fairchild Industries, Inc. in March 1996.

STI's 1994 and 1993 Annual Reports on SEC Form 10-K (Exhibits 3 and 4) are included in order to provide information concerning STFI's financial position over the most recent three (3) year period. The financial information contained in Exhibits 1-4 documents that Applicant has sufficient financial capability to provide the services proposed in its application in the areas to be served, to maintain service, and to meet its lease or ownership obligations for facilities, equipment and or network elements, as the case may be.

B. Managerial capability.

Applicant's key personnel and the personnel available from its parent and affiliates have extensive experience in managing and providing telecommunications services. Descriptions of the backgrounds of Applicant's key personnel are set forth in attached Exhibit 5.

C. Technical capability.

STFI, through its subsidiaries, including Applicant, is the largest single provider of commercial shared tenant services in the United States. STFI has been in business for more than ten years and currently provides shared tenant and long distance telecommunications services to approximately 9,000 customers in 441 buildings located in more than twenty (20) states. In Florida, Access currently provides shared tenant services in 14 buildings with approximately 275 business customers and more than 7,470 stations.

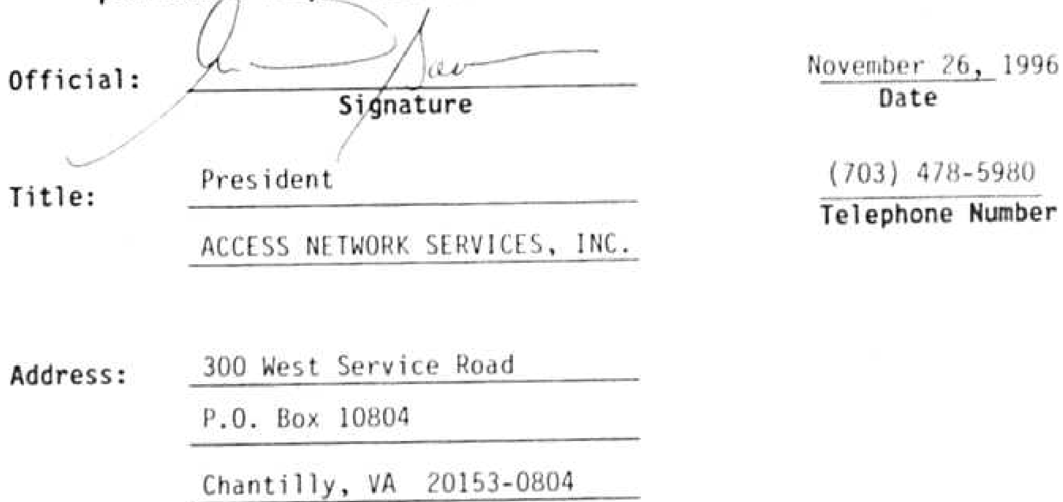
STFI and its subsidiaries also maintain PBXs and other telecommunications equipment for approximately 6,000 customers with more than 400,000 lines nationwide. It has more than 750 management, sales, customer service, administrative and technical personnel, of whom approximately 25 are located in Florida.

Initially, Applicant will provide local intra-exchange switched telecommunications services as a reseller of the services of incumbent local exchange carriers ("ILECs"). End users of these resold local services will have access to 911 emergency services over the ILEC's facilities in the same way as customers to the retail services of the ILEC.

AFFIDAVIT

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

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



Official: ______________________ Signature — November 26, 1996 Date

Title: President — (703) 478-5980 Telephone Number

ACCESS NETWORK SERVICES, INC.

Address: 300 West Service Road
P.O. Box 10804
Chantilly, VA 20153-0804

FORM PSC/CMU 8 (11/95)
Required by Chapter 364.337 F.S.

Exhibit 1

STFI's Quarterly Report
For Quarterly Period Ended September 30, 1996
SEC Form 10-Q

Form 10-Q

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

For Quarterly Period Ended September 30, 1996

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

Commission File Number 0-17366

SHARED TECHNOLOGIES FAIRCHILD INC.
(exact name of registrant as specified in its charter)

Delaware	87-0424558
(State or other jurisdiction of Incorporation or organization)	(I.R.S. Employer Identification No.)

100 Great Meadow Road, Suite 104
Wethersfield, CT 06109
(Address of principal executive offices)

(860) 258-2400
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or 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 the number of shares outstanding of each of the issuer's classes of common stock, as of the close of the latest practicable date.

Class	Outstanding at November 14, 1996
Common Stock, $.004 par value	15,103,427 shares

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Item 1. Financial Statements

Shared Technologies Fairchild Inc.
Consolidated Balance Sheets
September 30, 1996 and December 31, 1995
(In thousands except per share data)
(unaudited)

	September 30, 1996	December 31, 1995
Assets		
Current Assets:		
Cash	$ 545	$ 476
Accounts receivable, less allowance for doubtful accounts of $637 in 1996 and $410 in 1995	35,333	9,855
Advances to subsidiaries	-	985
Inventories	1,755	-
Other current assets	1,666	754
Total current assets	39,289	12,070
Equipment:		
Property & Equipment	93,816	34,953
Accumulated depreciation	(25,789)	(18,305)
	68,027	16,648
Other Assets:		
Investment in subsidiary	2,325	1,581
Intangible assets	263,282	11,543
Deferred income taxes	560	560
Other	558	461
	266,725	14,145
Total assets	$ 374,051	$ 42,863

Shared Technologies Fairchild Inc.
Consolidated Balance Sheets
September 30, 1996 and December 31, 1995
(In thousands except per share data)
(unaudited)

	September 30, 1996	December 31, 1995
Liabilities and Stockholders' Equity		
Current Liabilities:		
Current portion of long term debt and capital lease obligations	$ 22,765	$ 2,870
Accounts payable	21,258	9,035
Accrued expenses	11,007	2,221
Advanced billings	6,967	1,337
Total current liabilities	61,997	15,463
Long-term debt and capital lease obligations, less current portion	228,303	4,128
Redeemable put warrant	465	429
Convertible preferred stock $.01 par value, authorized 250 shares, outstanding 250 shares in 1996 and no shares in 1995	25,000	-
Special preferred stock $.01 par value, authorized 20 shares, outstanding 20 shares in 1996 and no shares in 1995	13,881	-
Stockholders' equity:		
Preferred Stock, $.01 par value, authorized 25,000 shares:		
Series C, outstanding, 428 shares in 1996 and 907 shares in 1995	4	9
Series D, outstanding, 457 shares in 1996 and 1995	5	5
Common Stock; $.004 par value, 50,000 shares authorized, outstanding 15,103 shares in 1996 and 8,506 shares in 1995	60	34
Additional paid-in capital	73,113	44,777
Accumulated deficit	(28,777)	(21,981)
Total stockholders' equity	44,405	22,844
Total liabilities and stockholders' equity	$ 374,051	$ 42,863

Shared Technologies Inc.
Consolidated Statements of Operations
For the Nine Months Ended
September 30, 1996 and 1995
(unaudited)

	September 30, 1996	September 30, 1995
Revenue:		
Shared telecommunications services	$ 69,310	$ 25,248
Telecommunications systems	41,585	9,266
Cellular services	-	9,160
Total Revenue	110,895	43,674
Cost of Revenue:		
Shared telecommunications services	34,233	13,934
Telecommunications systems	25,019	7,364
Cellular services	-	5,530
Total Cost of Revenue	59,252	26,828
Gross margin	51,643	17,046
Selling, general & administrative expenses	39,118	16,086
Operating Income	12,525	960
Other Income (expense):		
Gain on sale of subsidiary stock	-	1,375
Equity in loss of subsidiary	(2,009)	-
Net interest expense	(15,246)	(444)
Minority Interest in Net (Income) Loss of Subsidiaries	-	213
	(17,255)	1,144
Income (loss) before income taxes and extraordinary item	(4,730)	2,104
Income tax	(74)	(30)
Income (loss) before extraordinary item	(4,804)	2,074
Extraordinary item, loss on early retirement of debt	(310)	-
Net income (loss)	(5,114)	2,074
Dividend accretion on redeemable put warrant	(37)	(33)
Dividend accretion on special preferred stock	(60)	-
Preferred stock dividends	(1,585)	(299)
Net income (loss) applicable to common stock	$ (6,796)	$ 1,742
Income (loss) per common share:		
Income (loss) before extraordinary item	$ (0.02)	$ 0.20
Extraordinary item	(0.49)	-
Net income (loss)	$ (0.51)	$ 0.20
Weighted Average Shares Outstanding	13,316	8,698

Shared Technologies Fairchild Inc.
Consolidated Statements of Operations
For the Three Months Ended
September 30, 1996 and 1995
(unaudited)

	September 30, 1996	September 30, 1995
Revenue:		
Shared telecommunications services	$ 27,384	$ 8,178
Telecommunications systems	19,739	3,917
Cellular services	-	3,870
Total Revenue	47,123	15,965
Cost of Revenue:		
Shared telecommunications services	13,143	4,354
Telecommunications systems	11,301	2,914
Cellular services	-	2,452
Total Cost of Revenue	24,444	9,720
Gross margin	22,679	6,245
Selling, general & administrative expenses	16,262	5,977
Operating Income	6,417	268
Other income (expense):		
Equity in loss of subsidiary	(310)	-
Net interest expense	(6,995)	(186)
Minority Interest in Net (Income) Loss of Subsidiaries	-	125
	(7,305)	(61)
Income (loss) before income taxes	(888)	207
Income tax	(34)	(15)
Net income (loss)	(922)	192
Dividend accretion on redeemable put warrant	(13)	(11)
Dividend accretion on special preferred stock	(60)	
Preferred stock dividends	(1,008)	(100)
Net income (loss) applicable to common stock	$ (2,003)	$ 81
Income (loss) per common share:		
Net income (loss)	$ (0.13)	$ 0.01
Weighted Average Shares Outstanding	15,068	8,751

Shared Technologies Inc.
Consolidated Statements of Cash Flows
For the Nine Months Ended
September 30, 1996 and 1995
(unaudited)

	September 30, 1996	September 30, 1995
Cash Flows Used in Operating Activities:		
Net income, (loss)	$ (5,114)	$ 2,074
Adjustments:		
Gain on sale of subsidiary stock		(1,375)
Depreciation & amortization	11,526	3,266
Loss on early retirement of debt	310	-
Accretion on 12 1/4% bonds	7,803	-
Provision for doubtful accounts	25	-
Equity in loss of subsidiary	2,009	-
Amortization of discount on note	14	
Minority interest in net income of subsidiaries	-	(213)
Change in Assets and Liabilities:		
Accounts receivable	(1,056)	(2,407)
Other current assets	(627)	(594)
Other assets	1,732	(310)
Accounts payable	646	1,541
Accrued expenses	2,039	(57)
Advanced billings	(472)	(47)
Net cash provided by operating activities	18,634	1,878
Cash Flows Used in Investing Activities:		
Aquisitions (net of cash acquired)	(4,011)	(2,483)
Capital expenditures	(7,092)	(3,099)
Investment in subsidiaries	(1,494)	-
Net cash used in investing activities	(12,597)	(5,582)
Cash Flows From Financing Activities:		
Preferred stock dividends	(1,007)	(299)
Net proceeds from sale of subsidiary stock	-	2,899
Proceeds from borrowings	244,999	2,929
Repayments of notes payable, long-term debt and capital lease obligations	(192,004)	(1,751)
Payments to affiliate	(8,407)	-
Deferred finance costs	(9,416)	-
Repayment of FII preferred stock	(40,706)	-
Proceeds from issuance of common stock	373	1,164
Net cash provided by (used in) financing activities	(6,168)	4,942
Net increase (decrease) in cash	69	1,238
Cash, Beginning of Period	476	172
Cash, End of Period	$ 545	$ 1,410
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the period for -		
Interest	$ 5,300	$ 569
Income taxes	119	74
Supplemental Disclosures of Noncash Investing and Financing Activities:		
Obligations to issue common stock in connection with acquisitions	$ -	$ 1,806
Issuance of common stock to acquire FII	27,750	-
Issuance of preferred stock in connection with acquisition	38,269	
Dividend accretion on redeemable put warrant	37	33
Dividend accretion of special preferred stock	612	-
Issuance of common stock to settle accrued expenses	237	67

Shared Technologies Fairchild Inc.
Consolidated Statement of Stockholders' Equity
For the period ended September 30, 1996
(In thousands)

	Series C Preferred Stock		Series D Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders Equity
	Shares	Amount	Shares	Amount	Shares	Amount			
Balance, January 1, 1996	907	$ 9	457	$ 5	8,506	$ 34	$ 44,777	$ (21,981)	$ 22,844
Preferred stock dividends								(1,585)	(1,585)
Dividend accretion of redeemable put warrant								(37)	(37)
Dividend accretion of special preferred stock								(60)	(60)
Issuance of Common Stock					6,000	24	27,726		27,750
Conversions of Preferred Stock	(479)	(5)			426	2	3		-
Excercise of common stock options and warrants					126	-	373		373
Issuance of common stock for 401k plan match					44	-	234		234
Net loss								(5,114)	(5,114)
Balance, September 30, 1996	428	$ 4	457	$ 5	15,102	$ 60	$ 73,113	($28,777)	$ 44,405

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Shared Technologies Fairchild Inc.
Notes to Consolidated Financial Statements
September 30, 1996
(In thousands except for per share data)
(Unaudited)

1. Basis of Presentation:

The consolidated financial statements included herein have been prepared by Shared Technologies Fairchild Inc. (the Company) pursuant to the rules and regulations of the Securities and Exchange Commission and reflect all adjustments, consisting only of normal recurring adjustments, which are, in the opinion of management, necessary to present a fair statement of the results for interim periods. Certain information and footnote disclosures have been omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. It is suggested that these consolidated financial statements be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's December 31, 1995 report on Form 10-K. Certain reclassifications to prior year financial statements were made in order to conform to the 1996 presentation.

2. Investment in Unconsolidated Subsidiary

The Company's investment in its Unconsolidated subsidiary, Shared Technologies Cellular, Inc. (STC), is accounted for under the equity method. Prior to December 1995, the majority owned subsidiary was included on a consolidated basis. During December 1995, STC issued approximately $3,000 in voting preferred stock to third parties. Although the Company's ownership percentage of approximately 58% did not change, the voting rights assigned to the preferred stock reduced the Company's voting interest in STC, resulting in the Company's loss of voting control of STC. Accordingly, STC has been accounted for on the equity method for 1996. At September 30, 1996 the Company had an ownership interest of approximately 40% in STC. Summarized balance sheet and statement of operations information for STC as of, and for the three and six months ended, September 30, 1996 is as follows:

Summarized Balance Sheet

Current assets	$	3,026
Property and equipment, net		3,608
Other assets		9,827
Total assets	$	16,461
Current liabilities	$	9,187
Note payable		342
Total liabilities		9,529
Stockholders' equity		6,932
Total liabilities and stockholders' equity	$	16,461

Summarized Statement of Operations

		Three months ended	Nine months ended
Revenues	$	6,854	16,728
Gross margin		2,732	6,113
Operating loss		(827)	(3,722)
Net loss		(960)	(3,984)

In August 1996 the Company reached an agreement with STC to purchase $2,500 in STC preferred stock. This investment was financed through the conversion of existing advances owed by STC to the Company in the amount of $1,200 and a cash payment of $1,300. The STC preferred stock converts into 833 shares of common stock at the Company's option.

3. Acquisitions:

On June 30, 1995, the Company purchased all of the outstanding capital stock of Office Telephone Management("OTM"). OTM provides shared telecommunication services primarily to businesses located in executive office suites. The purchase price was $2,135 of which $1,335 was paid in cash and the balance through the issuance of an $800 note, (discounted at 8.59%) payable through June 30, 2005. The excess of cost over fair value of the net assets was recorded as goodwill.

On March 13, 1996, the Company's stockholders approved and the Company consummated its merger with Fairchild Industries, Inc.("FII"), following a reorganization transferring all non-communication assets to its parent, RHI Holding, Inc. ("RHI"). The Company changed its name to Shared Technologies Fairchild Inc.("STFI"). Pursuant to the merger agreement, STFI issued to RHI, 6,000 shares of common stock, 250 shares of convertible preferred stock with a $25,000 liquidation preference and 20 shares of special preferred stock with a $20,000 initial liquidation preference. In addition the Company raised in the capital market approximately $111,000 after offering expenses, through the issuance of 12 1/4% Senior Subordinated Notes Due 2006 and approximately $125,000 (of an available $145,000) in loans from a credit facility with financial institutions. The funds were used primarily for the retirement of certain liabilities assumed from FII in connection with the merger, and the retirement of the Company's existing credit facility. In connection with the merger, the Company entered into two year employment agreements with key employees for annual compensation aggregating $1,250, and adopted the 1996 Equity Incentive Plan. The merger was accounted for using the purchase method of accounting. The total purchase consideration of approximately $71,581 was allocated to the net tangible and intangible assets of FII based upon their respective fair market values as follows:

Assets		
Cash	$	1,551
Accounts receivable		24,747
Other current assets		2,572
Equipment		51,532
Goodwill		248,008
Total Assets		328,410
Liabilities and stockholders' equity		
Capital lease obligations	$	(262)
Accounts payable		(11,577)
Accrued expenses		(6,981)
Advanced billings		(6,102)
Due to affiliated company		(8,407)
Long term debt		(182,794)
FII preferred stock		(40,706)
Net purchase price	$	71,581

The following unaudited pro forma statements of operations for the nine months ended September 30, 1996 and 1995 give effect to the above acquisitions and the change in reporting of STC to the equity method (Note 2) and the pro forma effect of STC acquisitions, as if they occurred on January 1, 1995:

	1996	1995
Revenues	$ 138,178	$136,400
Cost of revenues	70,968	75,764
Gross margin	67,211	60,636
Selling, general and administrative expenses	50,310	44,665
Operating income	16,901	15,971
Equity in loss of subsidiary	(2,009)	372
Interest expense, net	(20,594)	(19,846)
Loss before income tax expense and extraordinary item	(5,702)	(3,503)
Income taxes	(64)	(5)
Extraordinary item, loss on early retirement of debt	(332)	(450)

Net Loss	(6,098)		(3,958)
Preferred stock dividends	(2,196)		(2,924)
Loss applicable to common stock	$ (8,294)		$ (6,882)
Net loss per common share	$ (.56)		$ (.47)
Weighted average number of common shares outstanding	14,849		14,698

4. Contingencies:

In December 1995, a suit was filed against the Company alleging a breach of a letter agreement and seeking an amount in excess of $2,250 for a commission allegedly owed in connection with the merger with FII (Note 3). The Company denies that the claimant at any time was engaged in connection with the merger. The Company filed an answer in January 1996, denying that any commission is owed. This litigation is in the discovery process. While any litigation contains an element of uncertainty, management is of the opinion that the ultimate resolution of this matter should not have a material adverse effect upon results of operations, cash flows or financial position of the Company.

The Company's sales and use tax returns in certain jurisdictions are currently under examination. Management believes these examinations will not result in a material change from liabilities provided.

In addition to the above matters, the Company is a party to various legal actions, the outcome of which, in the opinion of management, will not have a material adverse effect on results of operations, cash flows or financial position of the Company.

5. Income Taxes:

The Company and its subsidiaries file a consolidated federal income tax return but generally file separate state income tax returns. As of September 30, 1996 the Company recorded a deferred tax asset of $7,508 and a corresponding valuation allowances of $ 6,948. SFAS No. 109 requires that the Company record a valuation allowance when it is "more likely than not that some portion or all of the deferred tax asset will not be realized". The ultimate realization of this deferred tax asset depends on the ability to generate sufficient taxable income in the future. While management believes that the total deferred tax asset will be fully realized by future operating results, together with tax planning opportunities, the uncertainty relating to the future tax effects of the merger and a desire to be conservative make it appropriate to record a valuation allowance.

At September 30, 1996, the Company's NOL carryforward for federal income tax purposes was approximately $57,000, expiring between 2001 and 2007. NOL's available for state income tax purposes are less than those for federal purposes and generally expire earlier. Limitations apply to the use of NOL's due to changes in Company ownership which occurred in the merger with FII.

6. Extraordinary Item:

At September 30, 1996, the Company recorded an extraordinary loss of $310 relating to the early retirement of a $5,000 credit facility. The early retirement took place as a result of requirements in the merger agreement with FII (Note 3).

7. Consolidating Financial Statements:

The following unaudited statements separately show Shared Technologies Fairchild Inc. and the subsidiaries of Shared Technologies Fairchild Inc. These statements are provided to fulfill SEC reporting requirements. These subsidiaries are guarantors of the 12 1/4% Senior Subordinated Notes due 2006.

Consolidating Balance Sheets as of September 30, 1998

	STC	MTS	STM	ST[illegible]	STFTI	STFCC	STFI	Eliminating Entries	Consolidated STFI
Assets									
Current Assets:									
Cash	$ -	$ -	$ -	$ -	$ 539	$ -	$ 6	$ -	$ 545
Accounts receivable	-	-	-	-	35,333		-	-	35,333
Advances to subsidiaries	-	-	-	-	-	227,044	66,919	(293,963)	-
Other current assets	-	-	-	-	3,421		-	-	3,421
Total current assets	-	-	-	-	39,293	227,044	66,925	(293,963)	39,299
Equipment									
Property & Equipment	-	-	-	-	93,816	-	-	-	93,816
Accumulated depreciation	-	-	-	-	(25,789)	-	-	-	(25,789)
	-	-	-	-	68,027	-	-	-	68,027
Other Assets:									
Investments in subsidiaries	-	-	-	-	-	14,611	16,936	(29,222)	2,325
Intangible assets	-	-	-	-	254,512	8,770	-		263,282
Deferred income taxes	-	-	-	-	560	-		-	560
Other	-	-	-	-	558	-	-	-	558
	-	-	-	-	255,630	23,381	16,936	(29,222)	266,725
Total assets	-	-	-	-	362,950	250,425	83,861	(323,185)	374,051
Liabilities and Stockholders' Equity									
Current Liabilities:									
Current portion of long term debt and capital lease obligations	-	-	-	-		22,765			22,765
Accounts payable	-	-	-	-	21,258	-		-	21,258
Accrued expenses	-	-	-	-	10,897		110		11,007
Due to affiliate	-	-	-		293,963	-	-	(293,963)	
Advanced billings	-	-	-	-	6,987	-		-	6,987
Total current liabilities	-	-	-	-	333,105	22,765	110	(293,963)	61,997
Long-term debt, less current portion	-	-	-			228,303	-		228,303
Redeemable put warrant	-	-	-	-	-	-	485	-	485
Convertible preferred stock	-	-	-			-	25,000		25,000
Special preferred stock	-	-	-			-	13,881		13,881
Stockholders' equity:									
Preferred stock series C	-	-	-	-			4	-	4
Preferred stock series D	-	-	-	-			5	-	5
Common stock	-	-				-	60		60
Additional paid-in capital	-	-				-	73,113		73,113
Accumulated deficit	-				29,865	(843)	(28,777)	(29,222)	(28,777)
Total stockholders' equity	-			-	29,866	(843)	44,405	(29,222)	44,405
Total liabilities and stockholders' equity	-	-	-	-	362,950	250,425	83,881	(323,185)	374,051

Consolidating Statements of Operations for the Nine Months Ended September 30, 1996

	MFG	MTS	CTM	BT INC	BTFTI	STI OC	STFI	Eliminating Entries	Consolidated STFI
Revenue	3,455	7,861	888	-	96,691	-	2,000	-	110,895
Cost of Revenue	2,013	4,063	738	-	52,369		69		59,252
Gross margin	1,442	3,798	150	-	44,322		1,931	-	51,643
Selling, general & administrative expenses	859	1,879	318	-	36,062	-	-	-	39,118
Operating income	583	1,919	(168)		8,260	-	1,931	-	12,525
Other income (expense):									
Equity in loss of subsidiary	-	-		-		(5,044)	(7,053)	10,088	(2,009)
Net interest expense					-	(15,264)	8	-	(15,246)
	-	-	-	-	-	(20,298)	(7,045)	10,088	(17,255)
Income (loss) before income taxes and extraordinary item	583	1,919	(168)	-	8,260	(20,298)	(5,114)	10,088	(4,730)
Income tax	-	-	-		(74)	-	-	-	(74)
Income (loss) before extraordinary item	583	1,919	(168)	-	8,186	(20,298)	(5,114)	10,088	(4,804)
Extraordinary item, loss on early retirement of	-	-	-		(310)	-	-	-	(310)
Net income (loss)	583	1,919	(168)	-	7,876	(20,298)	(5,114)	10,088	(5,114)
Preferred stock dividends	-	-	-	-		-	(1,681)	-	(1,681)
Net income (loss) applicable to common stock	583	1,919	(168)	-	7,876	(20,298)	(6,795)	10,088	(6,795)

Item 2.

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

Results of Operations:

Nine Months Ended September 30, 1996 compared to September 30, 1995

Revenues
STFI's revenues rose to a record $110.9 million in 1996 an increase of 153.8% over 1995 revenues of $43.7 million. This increase occurred mainly as a result of the March 13, 1996 merger with Fairchild Industries Inc. ("FII"). Shared Telecommunications Service ("STS") revenue increased $44.1 million or 175.0% and Telecommunications Systems ("Systems") revenue increased $32.3 million or 347.3%.

Gross margin
Gross margin increased to 46.6% of revenues for 1996 from 39.1% for 1995. The change in gross margin is mainly the result of changes in sales mix. The following table sets forth the components of the Company's overall gross margin ("GM") for the nine months ended September 30, 1996 as a factor of sales percentage and gross margin percentage per line of business:

Division	Sales	GM	Overall GM
STS	62.5%	50.7%	31.7%
Systems	37.5%	39.9%	14.9%
Company Total	100.0%		46.6%

As shown above, the 1996 gross margin was a mix of STS gross margin of 50.7% and Systems gross margin of 39.9%. In 1995 the Company's gross margin was a combination of STS gross margin of 44.8%, Systems gross margin of 22.6% and Cellular Services ("STC") gross margin of 40.2%. Changes in gross margin for STS and Systems year to year were mainly the result of the acquisition of FII.

Selling, general and administrative expenses
Selling, general and administrative expenses ("SG&A") as a percentage of revenues decreased to 35.3% for 1996 compared to 36.8% for 1995. SG&A improved slightly due to the merger with FII which resulted in certain synergy's. This was somewhat offset by increased goodwill amortization expense.

Operating income
Operating income increased to $12.5 million in 1996 from $1.0 million in 1995. The increase was mainly the result of the FII acquisition mentioned earlier.

Interest expense
Interest expense net of interest income increased by $14.8 million for the nine months ended September 30, 1996 over the nine months ended September 30, 1995. This was attributable to the addition of approximately $245 million in new debt on March 13, 1996.

Extraordinary Item.
In connection with the acquisition of FII the Company was required to repay all outstanding amounts on their existing credit facility. This early repayment resulted in a loss of $0.3 million which was recorded as an extraordinary item for the nine months ended September 30, 1996

Net income
As a result of the factors listed above, a net loss for the nine months ended September 30, 1996 of $5.1 million was recorded compared to net income of $2.1 million for the nine months ended September 30, 1995.

Three Months Ended September 30, 1996 compared to September 30, 1995

Revenues
STFI's revenues rose to a record $47.1 million in 1996 an increase of 194.4% over 1995 revenues of $16.0 million. STS revenue increased $19.2 million or 234.2% and Systems revenue increased $15.8 million or 405.1% over 1995 levels. The majority of the increase was attributable to the March 13, 1996 acquisition of FII.

Gross margin
Gross margin increased to 48.2% of revenues for 1996 from 38.8% for 1995. The change in gross margin is mainly the result of changes in sales mix. The following table sets forth the components of the Company's overall gross margin ("GM") for the three months ended September 30, 1996 as a factor of sales percentage and gross margin percentage per line of business:

Division	Sales	GM	Overall GM
STS	58.2%	52.2%	30.4%
Systems	41.8%	42.6%	17.8%
Company Total	100.0%		48.2%

As shown above, the 1996 gross margin was a mix of STS gross margin of 52.2% and Systems gross margin of 42.6%. In 1995 the Company's gross margin was a combination of STS gross margin of 46.3%, Systems gross margin of 25.6% and STC gross margin of 38.5%.

Selling, general and administrative expenses
SG&A as a percentage of revenues decreased to 34.6% for 1996 compared to 37.5% for 1995. SG&A improved slightly due to the merger with FII which resulted in certain synergy's. This was largely offset by increased goodwill amortization expense.

Operating income
Operating income increased to 6.4 million in 1996 from $0.3 million in 1995. The increase was mainly the result of the FII acquisition mentioned earlier.

Interest expense
Interest expense net of interest income increased by $6.8 million for the three months ended September 30, 1996 over the three months ended September 30, 1995. This is attributable to the addition of approximately $245 million in new debt on March 13, 1996.

Net income
As a result of the factors listed above, a net loss for the three months ended September 30, 1996 of $0.9 million was recorded compared to net income of $0.2 million for the three months ended September 30, 1995.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 1996 the Company had $374 million in assets, $251 million in various long term debt and capital lease obligations, $39 million in new preferred stock, and $44 million in stockholder's equity. The balance sheet at September 30, 1996 shows a working capital deficit of $22.7 million compared to a deficit of $2.1 million at September 30, 1995. The Company has available for future borrowings approximately $13 million on a credit facility at September 30, 1996. Cash provided by operations was $18.8 million for the nine months ended September 30, 1996 compared to $3.4 million for the year ended December 31, 1995. Cash from operations continues to be sufficient to fund ongoing operations, capital expenditures and required principal and interest payments on the Company's notes and capital lease obligations.

The Company invested significant capital towards growth internally and through acquisition. $7.1 million was spent on equipment purchases, $1.5 million on additional investments in subsidiaries, and $4.0 million to consummate the merger with FII during the nine months ended September 30, 1996.

Financing activities were focused primarily on raising capital to repay $223.5 million in various debt and preferred stock associated with the merger with FII and approximately $5 million on a pre-existing credit facility. The Company raised approximately $111 million in the capital market, through the issuance of 12 1/4% Senior Subordinated Notes Due 2006 and approximately $130 million (of an available $145 million) in loans from a credit facility with financial institutions. In addition the Company paid $9.4 million in fees and costs to obtain this capital. $8.4 million was paid to an affiliate related to the merger with FII.

Cash requirements for the remainder of 1996 will be significant due to required principal and interest payments on the credit facility mentioned earlier. The Company anticipates repaying these borrowings and providing cash for capital expenditures with cash from operations.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K:

(a) Exhibits

None

(b) Reports on Form 8-K

None

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

SHARED TECHNOLOGIES FAIRCHILD INC.

By: /s/ Vincent DiVincenzo
Vincent DiVincenzo
Senior Vice President Finance
and Administration, Treasurer,
Chief Financial Officer

Date: November 14, 1996

Exhibit 2

STFI's Annual Report
For Period Ended December 31, 1995
SEC Form 10-K

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

_ X _ ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE YEAR ENDED DECEMBER 31, 1995

_ _ _ ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD _ _ _ TO _ _

Commission File Number 0-17366

SHARED TECHNOLOGIES FAIRCHILD INC.

(Exact name of registrant as specified in its charter)

Delaware	87-0424558
(State or other jurisdiction of Incorporation or organization)	(I.R.S. Employer Identification No.)

100 Great Meadow Road, Suite 104 Wethersfield, Connecticut	06109
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (860) 258-2400

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, $.004 par value

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes _ _ X _ _ No _ _ _ _

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not 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. [ ]

The aggregate market value of the registrant's Common Stock held by nonaffiliates as of March 25, 1995 was approximately $17,400,000, based on the average of the closing bid and asked prices as reported on such date in the over-the-counter market.

Indicate the number of shares outstanding of each of the registrant's classes of Common Stock, as of March 29, 1996

14,709,946 shares of Common Stock
$.004 par value

The following document is hereby incorporated by reference into Part III of this Form 10-K: The registrant's Proxy Statement for its Annual Meeting of Stockholders to be held on May 2, 1996 filed with the Securities and Exchange Commission in definitive form on April 23, 1996.

PART I

Item 1.

Business

(a) General Development of Business - Shared Technologies Fairchild Inc., which was incorporated as Shared Technologies Inc. on January 30, 1986, its subsidiaries and affiliated partnerships (collectively, the "Company") are engaged in providing shared telecommunications services ("STS") and telecommunication systems ("Systems") to tenants of modern, multi-tenant office buildings. As an STS provider, the Company generally obtains the exclusive right from a building owner (the Owner/Developer") to install an on-site communications system, called a private branch exchange ("PBX"), or an off-site communications system, called centrex, and to market telecommunications and office automation services and equipment to tenants.

In May 1991, the Company acquired the stock of Boston Telecommunications Company (BTC), a provider of STS in the Boston area. The Company paid $1,097,000 consisting of acquisition cost less cash received of $197,000, stock purchase warrants valued at $300,000 and a $600,000 promissory note payable. In May 1989, the Company acquired interests in four entities providing STS in the greater Chicago area from Shared Services, Inc. and I.S.E., Inc. for $180,000. Additionally, in February 1989, the Company purchased the stock of Multi-Tenant Services, Inc. (MTS) a former division of BellSouth Corporation for $4,048,000 of which $391,000 was paid in cash and in payment of the balance the Company assumed existing lease obligations. MTS was a provider of STS in nine metropolitan areas.

During 1992, the Company completed a restructuring due to its working capital deficit and the maturity of its principal financing arrangements which were due to the FDIC, as receiver for the Company's principal lender. The restructuring included Shared Technologies Inc. and all of its subsidiaries. The restructuring resulted in the Company recording a gain of $5,162,000 before related expenses of $1,361,000 for consulting fees related to the restructuring and income taxes of $45,000. As a result of the restructuring, approximately $900,000 of vendor payables and $1,500,000 of capital lease obligations were forgiven and $3,300,000 of vendor payables were converted to three year non-interest bearing notes payable (see Note 7 of Notes to Consolidated Financial Statements). Additionally, a settlement agreement was entered into with the Federal Deposit Insurance Corporation ("FDIC") as receiver for the Company's principal lender which resulted in the Company paying off its term loan and revolving credit arrangements and recognizing a gain of approximately $2,700,000. In April 1994 the Company entered into a settlement agreement which provides for the payment of $750,000 plus interest at 10% which resulted in an accrued extraordinary loss of $150,000 in 1993.

In connection with the restructuring, the Company also raised equity capital of approximately $5,780,000 from certain institutional investors, net of expenses. A firm, one of whose principals is a director and stockholder of the Company served as underwriter for the offering. The Company paid this firm underwriting commissions and expenses totaling $446,750 for the offering. No other parties to the restructuring were affiliated with the Company. The Company also entered into agreements with Series A and B Preferred Stockholders to convert their holdings, including $327,920 of the accrued dividends related thereto, into Series C Preferred Stock. As part of this conversion, $40,990 of the accrued dividends was forgiven by the stockholders.

In September 1992 the Company effected a one-for-four reverse stock split of Common Stock and increased the par value of Common Stock from $.001 to $.004 per share. All per share amounts contained herein have been retroactively adjusted to reflect this split.

In December and October 1993 the Company commenced management and subsequently completed the acquisition of certain assets and liabilities of Road and Show South, Ltd. and Road and Show Cellular East, Inc., respectively. The purchase price for South was $1,261,611 which represents $46,111 cash and an obligation to issue 272,763 shares of the Company's common stock. The purchase price for East was $750,245 which represents $209,245 cash and an obligation to issue 121,403 shares of the Company's common stock.

In June 1994, Shared Technologies Inc., completed its acquisition of the partnership interests of Access Telecommunication Group, L. P. ("Access") for $9,000,000, subject to certain post closing adjustments. The $9,000,000 includes $4,000,000, paid at closing with the proceeds from the private placement sale of approximately 1,062,000 shares of the Company's Common Stock, and the issuance to the sellers of $400,000 shares of Preferred E stock, valued at $1,500,000 and 700,000 shares of Preferred F stock valued at $3,500,000.

In April 1995, the Company's subsidiary, Shared Technologies Cellular, Inc., ("STC") completed an initial public offering. Prior to this date, STC was approximately an 86% owned subsidiary of the Company. STC sold 950,000 shares of common stock at $5.25 per share which generated net proceeds of approximately $3,274,000 after underwriters's commissions and offering expenses. The net effect of the public offering on the Company's consolidated financial statements was a gain of approximately $1,375,000.

On June 30, 1995, the Company purchased all of the outstanding capital stock of Office Telephone Management ("OTM"). OTM provides telecommunication management services primarily to businesses located in executive office suites. The purchase price was $2,135,000, of which $1,335,000 was paid in cash, and the balance through the issuance of a $800,000 note, including interest at 8.59% per annum, through June 30, 2005.

During December 1995, STC affected a private placement of approximately $3,000,000 in Series A voting preferred stock to third parties. Although the Company's ownership percentage of common stock of 59.3% did not change, the voting rights assigned to the preferred stock reduced the Company's voting interest in STC to 42.7%, resulting in the Company's loss of voting control of STC. Accordingly, as a result of this stock issuance, the Company has accounted for STC on an equity basis with all assets and liabilities of STC eliminated and a non-current asset recorded to reflect the Company's equity investment in STC.

In March 1996, the Company's stockholders approved and the Company consummated a merger with Fairchild Industries, Inc. ("FII") with and into the Company. The Company simultaneously changed its name to Shared Technologies Fairchild Inc. ("STFI"). In connection with the merger, the Company issued 6,000,000 shares of common stock, 250,000 shares of cumulative convertible preferred stock with an initial $25,000,000 liquidation preference and 20,000 shares of special preferred stock with a $20,000,000 initial liquidation preference. In addition the Company raised approximately $111,000,000 net of expenses through the sale of 12 1/4% senior subordinated discount notes due 2006, and approximately $123,000,000 (of an available $145,000,000) in loans from a credit facility with Credit Suisse, Citicorp USA, Inc. and NationsBank. The funds were used primarily for the retirement two series of FII's preferred stock and of certain liabilities assumed from FII in connection with the merger and the retirement of the Company's existing credit facility. The merger was accounted for using the purchase method of accounting. The total purchase consideration of approximately $69,000,000 for the acquisition of FII was allocated to the tangible and intangible assets and liabilities of FII based upon their respective fair values.

In addition to the above transactions, the Company has continued to pursue and achieve internal growth in its existing operations.

(b) Financial Information about Industry Segments - The Company is engaged in one industry segment, the telecommunications industry, providing a wide range of telecommunications and office automation services and equipment.

(c) Narrative Description of Business

(1) (i) Products and Services

Shared Telecommunication Services (STS)

The Company provides STS to commercial tenants in office buildings in which the Company typically has installed a dedicated private branch exchange (PBX) switch under exclusive agreement with the building owner, thereby permitting the Company's customers to

obtain all their telephone and telecommunications needs from a single source and a single point of contact. Under multi-year contracts that usually extend through the terms of the tenants' leases, the Company offers its customers access to services provided by regulated communications companies, such as local, discounted long distance, international and "800" telephone services. The Company also provides telephone switching equipment and telephones, as well as voice mail, telephone calling cards, local area network wiring, voice and data cable installation. Other services provided by the Company include audio conferencing, automatic call distribution services and message center capability. In addition, the Company's customers receive a convenient single monthly customized invoice for all services provided by the Company.

Historically, the Company has marketed its services to small and medium-sized (25 to 250 lines) business customers who are not otherwise able to take advantage of economies of scale in procuring their telecommunications services. "One-stop shopping" is provided for these customers' telecommunications needs without the substantial initial capital costs that would be incurred with the purchase of the same telecommunications system from multiple suppliers. The Company offers its customers (i) services that would otherwise not be cost-effective for, or readily available to, such customers due to the size of their business; (ii) reduced capital expenditures and space requirements by allowing its customers to utilize the Company's existing infrastructure and centrally located hardware; and (iii) comprehensive maintenance programs. Additional services are available as the customer's business and telecommunications needs grow. The Company also provides its customers with the benefits of responsive on-site service.

STS providers, such as the Company, negotiate and enter into long-term telecommunications agreements with owners and developers of office buildings. Under these agreements, the STS provider typically has the right for a period of up to ten or more years to install switching equipment, wiring and telephones capable of serving all of the tenants in an office building. Typically, the right to install a dedicated PBX switch is exclusive. Such agreements provide for the owners to assist the STS provider by identifying potential tenant customers. Generally, an STS provider leases and pays rent to the owner for switch room space in the building and, under certain circumstances, may agree to provide an incentive to the owner. By contracting with an STS provider, an owner will have the benefit of a state-of-the-art telecommunications infrastructure in its building and be able to offer its tenants the ability to access sophisticated telecommunications services.

Telecommunications Systems (Systems)

Through its Systems business, the Company (i) distributes and sells equipment, including small, medium and large capacity switches and ancillary products, (ii) offers annual maintenance agreements under which the Company maintains installed products either for a

fixed annual fee for on a time and materials basis, (iii) performs systems upgrades and expansions and moves, adds and changes of telecommunications equipment and (iv) provides a variety of long distance services, including basic long distance service, "800" services, calling cards, international calling and various other network services. The Company provides telecommunications systems to commercial customers and government agencies with Systems ranging in size from 15 to several thousand lines.

Cellular

The Company through its subsidiary Shared Technologies Cellular, Inc. (STC) is involved in the cellular telephone services businesses the United States. Since the Company does not have voting control of it has been accounted for on an equity basis.

STC markets its cellular telephone services principally car rental agencies, airlines and hotels. STC has agreements with the Hertz Corporate, National Car Rental Systems, Inc., Avis Rent a Car Systems, Inc. and Budget Rent a Car Corporation to offer its portable cellular telephones at designated car rental locations principally at terminal airports, in approximately 65 cities throughout the United States. Additionally, STC markets it service at conventions and sporting events.

Through its acquisition of PTC Cellular, Inc. in November, 1995, STC become a leading provider of in-car cellular phones. In addition, as a result of its acquisition of Cellular Hotline, Inc. in May and June 1995 STC became the largest provider of nationwide cellular activation services. As an activation company STC charges a fee for this service to a national distribution partner and collects revenue from the cellular carrier in the form of commission, residual payments, and other payments. STC provides cellular activation and mobile equipment sales and service. This acquisition also involved STC in debit technology. Debit or prepaid cellular service is presented as a solution for credit issues and for businesses requiring more control over their cellular expenses.

For customers who require a more traditional approach to cellular telecommunications, STC serves as an agent for select cellular carriers.

STS Buildings

As of December 31, 1995 (prior to the merger with FII in March 1996), the Company was providing STS to tenants in 115 buildings located in 15 metropolitan areas. In those cities where the Company provides STS to tenants in more than one building, the Company is able to realize significant operating economies by sharing management, administrative, sales and technical staff across a number of buildings. The following table sets forth as of December 31, 1995, on a city-by-city basis, the Net Leaseable Square Feet and the

Potential Lines of Service in each building where the Company provides STS to tenants.

Location	Total Buildings	Leaseable Sq. Feet	Total Lines in Service
Atlanta	14	3,822,030	3,453
Birmingham	2	1,291,500	1,144
Boston	12	4,361,400	2,939
Chicago	10	3,210,300	3,322
Dallas	13	9,252,270	5,368
Hartford	6	1,624,500	1,425
Indianapolis	7	939,600	1,147
Los Angeles	10	1,674,000	622
Myrtle Beach	1	125,820	20
New Jersey	2	562,500	1,130
New Orleans	7	2,903,400	4,022
Phoenix	14	2,235,600	2,690
Seattle	8	4,033,800	3,376
Stamford	4	969,300	827
Nashville	5	1,217,340	1,342
Totals	115	38,223,360	32,827

On a post merger proforma basis Shared Technologies Fairchild Inc. would look as follows at December 31, 1995.

Location	Total Buildings	Leaseable Sq. Feet	Total Potential Lines	Total Lines in Service
Atlanta	42	13,739,413	45,798	11,682
Austin	5	810,000	2,700	2,503
Baltimore	1	414,000	1,380	133
Birmingham	2	1,291,500	4,305	1,144
Boston	12	4,361,400	14,538	2,939
Chicago	40	17,407,598	58,025	10,563
Dallas	35	17,728,439	59,095	14,881
Ft. Lauderdale	2	501,811	1,673	898
Hartford	6	1,624,500	5,415	1,425
Houston	20	11,317,500	37,725	3,292
Indianapolis	55	6,525,183	21,751	7,761
Los Angeles	28	7,845,108	26,150	3,556
Miami	4	2,079,999	6,933	2,054
Milwaukee	1	177,300	591	166
Minneapolis	26	4,255,708	14,186	5,852
Myrtle Beach	1	125,820	419	20
New Jersey	2	562,500	1,875	1,130
New Orleans	10	4,516,718	15,056	6,747
Orlando	1	391,500	1,305	801
Philadelphia	44	8,333,640	27,779	5,746
Phoenix	14	2,235,600	7,452	2,690

Pittsburgh	17	5,604,519	18,682	1,758
Salt Lake City	13	1,035,000	3,450	2,425
Seattle	8	4,033,800	13,446	3,376
Stamford	4	969,300	3,231	827
Tampa	7	3,498,170	11,661	3,998
Nashville	5	1,217,340	4,058	1,342
Washington D.C.	43	14,084,100	46,947	6,151
Totals	448	136,687,465	455,625	105,860

Penetration Rate* 26%

*Penetration rate assuming a 10% National Vacancy rate. Lines in Service/(Potential Lines x 90%).

Owner/Developer Agreements

In most buildings where it provides STS, the Company or its assignor has entered into a contractual agreement ("Owner/Developer Agreement") with the building Owner/Developer. Subject to specific provisions contained in certain Owner/Developer Agreements, the Owner/Developer Agreements generally grant the Company the exclusive right to provide STS in the building and the Owner/Developer is precluded from entering into a "materially similar arrangement" with a third party. In addition, the Company is granted a right of first refusal in the building for the offering of additional STS, such as telephone answering services, word and data processing, telex, copier services and certain other STS. The term of the agreement is generally for ten years with renewal options.

The Owner/Developer Agreements generally provide for the payment of royalties to the Owner/Developer which may be based on a percentage of gross revenues or on a percentage of rental, sale and service income or net long-distance revenues. Such royalty payments may commence at the initial service date, at some later date, typically 18 to 24 months after the Company commences to provide STS to the building, or at the time the Company achieves a certain level of market penetration in the building.

The Company is responsible for the costs and expenses incurred in operating and maintaining the STS equipment in the building and must obtain the Owner/Developer's approval to make any modification in the STS equipment which would affect the building structure. The agreement is assignable by the Owner/Developer upon the sale of the building. Certain Owner/Developers also have the right to purchase the Company's STS equipment in the building at a nominal or fair market price if the agreement is terminated.

Each Owner/Developer Agreement either contains a lease, or references a separately executed lease, for the space necessary for the Company's on-site personnel and equipment.

Tenant Contracts

The Company is a party to a Master Shared Tenant Services Agreement ("Tenant Contract") with substantially all of its customers. The Tenant Contract contains terms and conditions governing the provision of STS. Subsequent to signing a Tenant Contract, tenants submit individual customer orders for specific equipment rentals and STS. In addition to the typical Tenant Contracts for STS, the Company has agreements with several tenants who have their own PBX to maintain the system and manage the tenant's telephone call billing system, and the Company receives a monthly fee for its services.

The Company generally signs contracts for a period of five years or a term coterminous with the customer's lease in the building. The Company has contracts ranging from month to month to five years. The Company feels it has staggered the contracts such that there is no time when a material amount of contracts come due at the same time. Additionally, the Company does not have any individual customer contracts which are material.

(iii) Sales and Marketing

The Company markets its services and products through a direct sales force which is segmented into distinct geographic markets. Typically, under agreements with the Company, the owner of a building identifies prospective and existing tenants to the Company's local sales force. After establishing contact with the potential customer and obtaining an understanding of the prospective customer's telecommunications needs, the Company's local sales representative arranges for a presentation of the Company's products and services and the cost of potential solutions meeting the customer's requirements. After securing a sale, members of the Company's sales force follow up with customers by offering them new value-added services. Management believes that direct sales activities are more effective than advertising for securing and maintaining the businesses of small to medium-sized services customers. A significant percentage of new Systems sales results from upgrading, enlarging or replacing systems currently used by the Company's existing customers.

The Company strives to provide superior customer service and believes that personal contact with potential and existing customers is a significant factor in securing and retaining customers. Each new customer account is processed locally at the site location that was responsible for obtaining the account. The Company's customer service staff is dedicated to providing new customers with a smooth transition to its services and systems. All customers' calls for repair, move, adds, and changes are handled and processed at the local site. Management believe that this personal and local handling of the customer service function is very important to the customers, creating strong alliances for the Company and encouraging repeat

business. The Company's local offices retain total responsibility for all aspects of their respective customers' services (including equipment, local service and long distance). As a result, the customer only needs to place one call to inquire about any aspect of its service. The management of each local office site is evaluated quarterly for the quality of its customer service and the Company's field service representatives conduct periodic audits of all of its customers to assess their satisfaction with all aspects of service. The Company's service contracts with STS customers are typically for a duration of five years (or expire earlier upon termination of a customer's building lease). Service contracts with the Company's Systems customers are typically for one to three years duration and generally provide for automatic extensions of such term.

Providing accurate and customized billing for customers is an integral component of the Company's business. The Company's MIS systems process millions of call records a month for the telecommunications services business and combine this information with other recurring and nonrecurring customers charges to produce monthly invoices. Tenants are quoted a monthly charge for leased equipment which includes a rental fee for equipment, a charge for leased equipment which includes a rental fee for equipment, a charge for access to the PBX owned by the Company and installed in the building where such tenants are located, and a local access charge based on the cost of the trunk lines which connect the building to the central office of the local telephone company. In addition, tenants are charged for special services and usage, including "800" service, dedicated circuits, directory listing, local message units, directory assistance, calling card services, third-party billing calls, and long-distance at a discount from the standard rates charged by long-distance providers. The Company believes that its detailed billing reports provide a unique service to small and medium-sized customers allowing customers to understand and control their telecommunications cost.

The MIS systems also track telecommunications installations and customer requests from initial request to final collection. Each customer request is entered into the job order system to monitor the progress of the work as well as keep track of the time and material requisitioned for the job.

The Company's MIS systems can be expanded with minimal incremental cost to accommodate substantially more volume. Such systems feature backup processors and short-time response maintenance agreements and are designed to respond to customer needs as well as support the Company's operations.

Subsequent to the March, 1996 Merger, as the nation's leading STS provider, the Company believes it is well positioned to continue to grow through the continued implementation of its business strategy, the key elements of which are:

- Increased Penetration of Existing Buildings. The Company intends to increase its focus on generating additional revenue from the 448 buildings in which it now provides shared telecommunications services. Although the Company may continue to make selective acquisitions of STS providers in the future, its principal focus will be on marketing services within its existing buildings, both to new customers and to existing customers.

- Significant Additions of Buildings. For the three years ended December 31, 1995, STI and FII grew internally through the addition of 26 and 36 buildings, respectively. The Company plans to take advantage of its improved market position to aggressively pursue opportunities to add buildings to its portfolio, in particular, through multi-building contracts with large commercial property owners.

- Expanded Service Offerings. The Company intends to capitalize on the growing demand for new telecommunications and information technology by expanding its services to include high speed access to the Internet, video teleconferencing, wireless services and the delivery of cable programming. The Company's existing infrastructure allows for low-cost delivery of these services at minimal incremental expense to the Company. The Company believes that many of these services would otherwise not be readily available or affordable to its customers.

- Cross Marketing of Services and Systems. The Company intends to leverage its Systems business by marketing telecommunications services to its existing Systems customer base. In addition, the Company intends increasingly to market Systems to its STS customers relocating from existing rental space who continue to require customized telecommunications solutions, including the purchase or lease of equipment or the provision of long distance and other network services offered by the Company.

(iv) Patents, Trademarks, Licenses, Franchises, Concessions

See Item 1(d) (i) - "Owner/Developer Agreements" herein. Additionally, Shared Technologies Inc. is a registered trademark.

(v) Seasonality

While the Company's business is not generally seasonal, the Company has experienced, over the last several years, a reduction in local and long distance revenues in the month of December which is believed to be associated with the holiday season.

(vi) Working Capital

To date, the Company has funded its working capital shortfall through borrowings and sales of its securities. See Item 1(a) - "General Development of Business"; "Management's Discussion and Analysis of Results of Operations and Financial Condition". The Company requires working to sustain its growth and maintain its revenue base.

In March 1996, the Company's stockholders approved and the Company consummated a merger with Fairchild Industries, Inc. ("FII") with and into the Company. The Company simultaneously changed its name to Shared Technologies Fairchild Inc. ("STFI"). In connection with the merger, the Company issued 6,000,000 shares of common stock, 250,000 shares of cumulative convertible preferred stock with an initial $25,000,000 liquidation preference and 20,000 shares of special preferred stock with a $20,000,000 initial liquidation preference. In addition the Company raised approximately $111,000,000 net of expenses through the sale of 12 1/4% senior subordinated discount notes due 2006, and approximately $123,000,000 (of an available $145,000,000) in loans from a credit facility with Credit Suisse, Citicorp USA, Inc. and NationsBank. The funds were used primarily for the retirement two series of FII's preferred stock and of certain liabilities assumed from FII in connection with the merger and the retirement of the Company's existing credit facility. The merger was accounted for using the purchase method of accounting. The total purchase consideration of approximately $69,000,000 for the acquisition of FII was allocated to the tangible and intangible assets and liabilities of FII based upon their respective fair values.

Subsequent to the March, 1996 merger the Company will have approximately $20.5 million available under the Credit Facility to fund working capital requirements. The Credit Facility will contain, among other things, affirmative and negative covenants which are usual and customary with respect to senior secured indebtedness.

The Company expects to satisfy its future cash requirements through cash from operations and borrowings under the Credit Facility. The Company expects that its working capital requirements will remain manageable primarily due to the minimal capital requirements of the Systems business and, with respect to the Services business, its ability to negotiate favorable payment terms with its vendors and to bill its customers in advance for many recurring services.

(vii) Dependence on a Single Customer

No single customer or building accounts for 10% or more of the Company's revenues. The Company's business is not dependent upon a single or a few customers.

(viii) Backlog

At any given period the Company maintains new contracts signed but not yet installed due to the term of the contract which further adds to this backlog. The number of additional lines not yet installed related to new contracts cannot be determined due to changes that occur through the installation date. Therefore, backlog information cannot be quantified.

(ix) Government Regulation

The Company is subject to specific regulations in several states. Within various states, such regulations may include limitations on the number of lines or PBX switches per system, limitations of shared telecommunications systems to single buildings or building complexes, requirements that such building complexes be under common ownership or common ownership, management and control and the imposition of local exchange access rates that may be higher than those for similar single-user PBX systems. The transaction could trigger the requirement to secure permission or consent from certain state regulatory agencies. There can be no assurance that the Company can obtain such permissions or consents, or if they can be obtained, that the process can be completed on a timely basis.

Rates for telecommunications services are governed by tariffs filed by certified carriers with various regulatory agencies. Future changes in the regulatory structure under which such tariffs are filed, or material changes in the tariffs themselves, could have a material adverse effect on the Company's business. In addition, various state regulatory agencies are engaged in fact gathering to examine competition and the rules which govern the provision of intrastate services. Although the Company intends to monitor these developments, the likelihood of any changes in such rules cannot be predicted.

The Company's Systems business is generally exempt from governmental regulation from the standpoint of marketing and sales. However, various regulatory bodies, including the Federal Communications Commission, require that manufacturers of equipment obtain certain certifications.

On February 8, 1996, the Telecommunications Act of 1996 ("Telecommunications Act") was enacted as Federal law. The Telecommunications Act makes certain changes in the regulatory environment in which the Company operates by: (i) pre-empting any State or local law or regulation that prohibits, or has the effect of prohibiting, the ability of any entity to provide any interstate or intrastate telecommunications service which may result in the removal of regulatory barriers that have heretofore discouraged the Company from expanding its business in certain States; (ii) prohibiting local exchange telephone companies from prohibiting, or imposing unreasonable or discriminatory conditions on, the resale of those companies' telecommunications services which may result in the

removal or relaxation of some of the restrictions on shared telecommunications systems referred to above, and reduces the risk that telephone companies could modify their tariffs to improve more restrictive terms and conditions on such Systems; (iii) authorizing the FCC to forebear from applying any regulation to a telecommunications carrier or class of telecommunications carriers under certain conditions, which may result in a relaxation of the FCC's regulatory supervision of over the Company's operations; and (iv) authorizing the Regional Bell Operating Companies upon satisfying certain conditions, to apply for, and the FCC to grant, authority to offer long-distance services to customers within the States in which they offer local telephone service. This may result in more intense competition within the markets in which the Company operates. Other provisions of the Telecommunications Act direct the FCC to conduct rulemaking proceedings on a variety of subjects, including interconnection, resale and universal service, which may affect the Company. It is not possible, however, to predict the outcome of any such proceedings.

The Telecommunications Act may greatly affect government regulation of telecommunications, both at the state and federal level. Although the long term goal of the legislation is deregulatory, federal and state government regulatory agencies may create new rules to govern competition in the local exchange market that, in the short term, could subject the Company's shared telecommunications services to greater regulation than in the past.

(x) Competition

The Company's STS business competes with regulated major carriers that may provide a portion of the services that the Company provides, but are typically not structured to provide all of a customer's telecommunications requirements. The Company also competes with small independent operators serving regional or local markets and with other STS providers, including the Realcom unit of MFS Communications Inc. ("MFS"). The Company also competes with equipment manufacturers and distributors and long distance companies for the provision of telephone and other telecommunications equipment and services to tenants in buildings under franchise with the Company. Within the past five years, competition has expanded to include a group of companies known as alternate access providers, including MFS, TCG, Inc. and others. The major competitive factors in the STS market are technology, price and service. The Company's principal competitive advantages are its ability to provide "one-stop shopping" for telecommunications services and site-based technical service.

The principal competitors of the Company's Systems business and, once a building franchise has been obtained, the Company's STS business, include the direct sales channels of manufacturers such as AT&T's Network Systems division, Northern Telecom, Inc., NEC, other distributors of equipment manufactured by such companies, as well as the Regional Bell Operating Companies ("RBOCs").

On February 8, 1996, the Telecommunications Act was enacted as Federal Law. The Telecommunications Act makes certain changes in the regulatory environment in which the Company operates by: (i) pre-empting any State or local law or regulation that prohibits, or has the effect of prohibiting, the ability of any entity to provide any interstate or intrastate telecommunications services which may result in the removal of regulatory barriers that have heretofore discouraged the Company from expanding its business in certain States; (ii) prohibiting local exchange telephone companies from prohibiting, or imposing unreasonable or discriminatory conditions on, the resale of those companies' telecommunications services which may result in the removal or relaxation of some of the restriction on shared telecommunications Systems referred to in the preceding paragraph, and reduces the risk that telephone companies could modify their tariffs to impose more restrictive terms and conditions on such Systems; (iii) authorizing the FCC to forebear from applying any regulation to a telecommunications carrier or class of telecommunications carriers under certain conditions, which may result in a relaxation of the FCC's regulatory oversight over the Company's operations; (iv) authorizing the RBOCs, upon satisfying certain conditions, to apply for, and the FCC to grant, authority to offer long-distance services to customers within the States in which they offer local telephone service. This may result in more intense competition within the markets in which the Company operates. Other provisions of the Telecommunications Act direct the FCC to conduct rulemaking proceedings on a variety of subjects, including interconnections, resale, and universal service, which may affect the Company, but it is not possible to predict the outcome of any such proceedings.

The Telecommunication Act may result in greater competition for the Company. The RBOCs are free immediately to seek authority to offer long distance service outside their current operating areas. They will be free to offer long distance services to customers within their current operating regions after satisfying the law's requirements for opening their local markets to competition. GTE and other local exchange carriers are free immediately to seek authority to offer long distance services both within and outside their regions.

Long distance carriers also are permitted to seek authority to offer local exchange services. The major carriers (AT&T, MCI and Sprint) will be subject, on an interim basis, to restrictions on joint marketing of local and long distance services.

(xiii) Employees

As of March 15, 1996, STI and FII on a combined basis had approximately 774 employees, of whom several were covered by two collective bargaining agreements. One agreement expires in 1998 and

the other expires in 1999. Management believes that STI and FII's relations with their respective employees are satisfactory.

Item 2.

Property

As of December 31, 1995, the Company leased real property totaling approximately 60,000 square feet. As a result of the merger, the Company now leases approximately 340,000 square feet. The Company does not own any real property. Each of the leased properties is, in management's opinion, generally well maintained, is suitable to support the Company's business and is adequate for the Company's present needs.

The Company leases from RHI Holdings, Inc., the former parent of FII, on an arm's-length basis, office space at Washington-Dulles International Airport.

Item 3.

Legal Proceedings

The Federal Corporate Administrative Contracting Officer (the "AOC"), based upon the advice of the United States Defense Contract Audit Agency, has made a determination that FII did not comply with Federal Acquisition Regulations and Cost Accounting Standards in accounting for the (i) the 1985 reversion to FII of approximately $50.0 million in excess pension funds in connection with the termination of defined benefit pension plans, and (ii) pension costs upon the closing of segments of FII's business. The ACO has directed FII to prepare a cost impact proposal relating to such plan terminations and segment closings and, following receipt of such cost impact proposal, may seek adjustments to contract prices. The ACO alleges that substantial amounts will be due if such adjustments are made. In connection with the merger FII stated that it believes it has properly accounted for the asset reversions in accordance with applicable accounting standards. FII has had discussions with the government to attempt to resolve these pension accounting issues.

In December 1995, Gerard Klauer Mattison & Co., LLC ("GKM"), filed suit against the Company in U.S. District Court for the Southern District of New York alleging breach of a letter agreement and seeking an amount in excess of $2.25 million for a commission allegedly owed to GKM as a result of GKM initiating negotiations between the Company and FII and negotiating the Merger. GKM has alleged that the Company entered into a fee agreement, whereby the Company agreed to pay to GKM 0.75% of the value of the transaction as a fee. Jeffrey J. Steiner has denied that FII at any time engaged GKM for this transaction. The Company filed an Answer in January,

1996, denying that any commission is owed. This litigation is in the discovery process.

The Company is a party to other lawsuits and administrative proceedings that arose in the ordinary course of its business. Although the final results in all suits and proceedings cannot be predicted, the Company presently believes that the ultimate resolution of all such other lawsuits and proceedings, after taking into account the liabilities accrued with respect to such matters, will not have a material adverse effect on the Company's financial condition, results of operation or cash flows. See Note 16 to the Company's Consolidated Financial Statements.

The Company has no other material litigation or unasserted claims, the outcome of which would have a material impact on the Company's financial condition, results of operations or cash flows.

In the matter of Tel-A-Booth Communications, Ltd. v. Shared Technologies Inc. et al., Supreme Court of the State of New York, County of New York, an Order and Judgment was entered on March 14, 1996 granting the defendants' motion for summary judgment and dismissing the plaintiff's claims. The case had arisen in connection with the Company's operations at the Jacob K. Javits Convention Center in New York City.

Item 4.

Submission of Matters to a Vote of Security Holders None.

PART II

Item 5.

Market for Registrant's Common Stock and Related Stockholder Matters

The Company's shares of Common Stock (trading symbol: STCH) have been quoted and traded in the over-the-counter market since December 13, 1988. Over-the-counter market quotations reflect interdealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions. During 1994 and 1993, the quarterly high and low closing prices were as follows:

	1995		1994	
	High	Low	High	Low
First Quarter	$5 1/4	$3 1/2	$4 5/8	$2 7/8
Second Quarter	5 3/4	4	4	3 1/8
Third Quarter	5 1/4	3 7/8	5 3/8	2 1/2
Fourth Quarter	4 3/4	3 1/8	4 7/8	3 1/2

Number of beneficial holders of the Company's Common Stock as of February 1, 1996 was 1,856.

Item 6.

Selected Financial Data

The following table sets forth the selected financial data of the Company for each of the last five years. Financial statements for 1992 and 1991 are not presented in this filing. Such selected financial data were derived from audited consolidated financial statements not included herein. The selected financial data of the Company should be read in conjunction with the Consolidated Financial Statements and related notes appearing elsewhere in this Form 10-K. In September 1992 the Company effected a one-for-four reverse stock split of common stock and increased the par value of common stock from $.001 to $.004 per share. Weighted average common shares outstanding and per share information have been retroactively adjusted to reflect this split. All amounts, except per share amounts, are in thousands.

Statement of Operations Data:	1995	1994	1993	1992	1991
Revenue	$47,086	$45,367	$25,426	$24,077	$23,172
Gross margin	18,214	19,195	10,912	9,254	6,358
Selling, general and administrative expenses	16,189	16,909	9,797	9,959	10,717
Business Development Expenses	-	-	305	-	-
Operating income (loss)	2,026	2,286	810	(705)	(4,359)
Interest expense, net	(667)	(359)	(438)	(290)	(1,268)
Minority interest in net (inc.) losses of subsidiaries	(1,752)	(128)	(82)	(37)	4
Gain on sale of subsidiary stock	1,375	-	-	-	-
Extraordinary Item - (Loss) gain on restructuring	-	-	(150)	3,756	-
Income taxes	(45)	(63)	-	-	-
Income tax benefits		550	-	-	-
Net income (loss)	927	2,286	140	2,724	(5,623)
Net income (loss) per common share	.06	.27	(.04)	.59	(1.59)
Weighted average common shares outstanding	8,482	6,792	5,132	4,063	3,730
Cash dividends declared per preferred share	.29	.29	.32	.30	.30
Cash dividends paid per preferred share	.29	.29	.32	.38	.18
Cash dividends declared or paid per common share	-	-	-	-	-
Balance Sheet Data:					
Working capital deficit	($3,393)	($3,859)	($ 3,889)	($ 4,506)	($15,615)
Total assets	42,863	37,925	20,601	18,752	18,436
Notes payable, convertible promissory notes payable, other long-term debt (incl. current portion) and					

redeemable preferred stock	6,999	4,727	3,719	4,745	10,030
Stockholders' equity (deficit)	22,845	20,881	9,302	6,034	(3,148)

Item 7.

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

Overview and Recent Developments

STFI is a national provider of shared telecommunications services ("STS") and telecommunications systems ("Systems") to tenants of multi-tenant commercial office buildings. One of STFI's subsidiaries, Shared Technologies Cellular Inc. ("STC"), is a provider of short-term portable cellular telephone services.

In December 1995, STC issued approximately $3.0 million in voting preferred stock to third parties. While STFI's ownership percentage did not change, STFI's voting interest in STC was reduced to 42.7%, resulting in STFI's loss of voting control. Accordingly, subsequent to this stock issuance, STC was accounted for under the equity method; all assets and all liabilities of STC were eliminated from STFI's consolidated balance sheet and a non-current asset was recorded to reflect STFI's investment in STC on the equity basis. STC results of operations adjusted for STFI's ownership interest, are reflected on the statement of operations for the year ended December 31, 1995 per the equity method as a one line item below operating income.

In March 1996 STFI's stockholders approved and STFI completed a merger with Fairchild Industries, Inc.("FII") following a reorganization transferring all non-communications assets to its parent, RHI Holding, Inc. Management believes this merger will significantly strengthen the Company's strategic position in the telecommunications market. In addition the merger will present opportunities to realize significant operational and financial cost savings. The merger makes STFI the largest provider of STS in the United States. On a pro forma basis STFI generated $175 million in sales and $19 million in operating income for the year ended December 31, 1995. In conjunction with the merger STFI raised approximately $111 million after offering expenses through the issuance of 12 1/4% Senior Subordinated Notes Due 2006 and $125 million (of an available $145 million) from a credit facility with Credit Suisse, Citicorp USA, Inc. and NationsBank. The Company anticipates repaying these borrowings over the next ten years with cash provided by operations.

Results of Operations

The following table sets forth various components of STFI's statements of operations expressed as a percentage of revenues:

Year Ended
December 31,

	1995	1994	1993
Revenues	100.00%	100.00%	100.00%
Cost of revenues	61.32%	57.69%	57.08%
Gross Margin	38.68%	42.31%	42.92%
Selling, General and Administrative Expenses	34.38%	37.27%	39.73%
Operating Income	4.30%	5.04%	3.19%
Interest expense (net)	-1.44%	-0.79%	-1.72%
Minority Interest	0.00%	-0.28%	-0.32%
Gain on sale of subsidiary stock	2.92%	0.00%	0.00%
Equity in loss of subsidiaries	-3.72%	0.00%	0.00%
Income Tax Benefit (Expense)	-0.10%	1.07%	0.00%
Extraordinary Item	0.00%	0.00%	-0.59%
Net Income	1.96%	5.04%	0.56%

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

Revenues

STFI's revenues rose to a record $47.1 million in 1995 an increase of $1.7 million or 3.7% over 1994 revenues of $45.4 million. This increase occurred despite the loss of STC revenue as STC results were recorded per the equity method in 1995; STC accounted for $10.2 million of 1994 revenue. STS revenue increased $6.5 million or 22.7% and Systems $5.4 million or 83.1% in 1995 over 1994 levels. Approximately $2.9 million of the growth in revenue for STS was attributable to a full year of service at locations acquired in June 1994 with the acquisition of Access Telecommunications Group, L.P. (Access), $1.6 million was attributable to the June 1995 acquisition of Office Telephone Management (OTM), the remaining increase of approximately $2.0 million was generated through internal growth at existing and new locations. Approximately $4.7 million of the growth in Systems revenues is attributable to a full year of activity at accounts acquired with the June 1994 acquisition of Access, the remaining increase of $1.8 million was generated internally.

Gross margin

Gross margin dropped to 38.7% of revenues for 1995 from 42.3% for 1994, a reduction of 3.6%. The following table sets forth the components of the Company's overall gross margin for 1995 as a factor of sales percentage and gross margin percentage per line of business:

Division	Sales	GM	Overall GM

STS	74.7%	44.6%	33.3%
Systems	25.3%	21.1%	5.4
Company Total	100.0%		38.7%

As shown above, the 1995 gross margin was a mix of STS gross margin of 44.6% and Systems gross margin of 21.1%. In 1994 the Company's gross margin was a combination of STS gross margin of 45.2%, Systems gross margin of 20.4% and STC gross margin of 48.2%. STS produced slightly reduced gross margin from the 1994 level mainly due to the acquisition of OTM operations which produced gross margin of approximately 30%. Systems experienced slightly improved gross margin mainly due to a full year of operations obtained with the Access acquisition. The overall decrease in the Company's gross margin was principally the result of changes in sales mix. The change in accounting to the equity method for STC results of operations created an overall drop in gross margin of approximately 1.7% for 1995. The drop in STS gross margin for 1995 contributed 0.4% to the overall reduction in gross margin for 1995. The remainder of the decrease in gross margin was generated by Systems. As noted above, Systems revenues grew at a faster rate than STS revenues in 1995. Since Systems produces significantly lower gross margin compared to STS, the growth in Systems sales depressed overall gross margin for the Company 1.5%.

Selling, general and administrative expenses

Selling, general and administrative expenses ("SG&A") as a percentage of revenues decreased to 34.4% for 1995 compared to 37.3% for 1994. The Company has reduced SG&A as a percentage of revenues by increasing revenues without adding a comparable percentage of SG&A costs. Certain SG&A costs are essentially fixed and do not increase significantly with revenue growth. In addition the Company has carefully chosen to expand in locations with existing management infrastructures already in place.

Operating income

Operating income decreased by $0.3 million or 11.4% to $2.0 million in 1995 from $2.3 million in 1994. The decrease was partially the result of STC no longer a part of the STFI consolidated group in 1995. STC contributed approximately $0.7 million to operating income in 1994. This was offset by improved STS and Systems contribution of $0.4 million in 1995 over 1994 levels.

Gain on sale of subsidiary stock

In April 1995 the Company successfully completed a public offering of STC stock. Following the offering the Company's percentage of ownership decreased from approximately 86% to 60%. The accounting treatment of the sale required the Company to record a gain of $1.4 million for the year ended December 31, 1995.

Equity in loss of subsidiary

In December 1995, STC issued approximately $3.0 million in voting preferred stock to third parties. While STFI's ownership percentage did not change, STFI's voting interest in STC was reduced to 42.7%, resulting in STFI's loss of voting control. Accordingly, subsequent to this stock issuance, STC was accounted for under the equity method, The Company recorded an equity loss of $1.7 million as a result of STC losses of $2.8 million for the year ended December 31, 1995

Interest expense

Interest expense net of interest income increased by $0.3 million for the year ended December 31, 1995 over the year ended December 31, 1994. This is attributable to the addition of approximately $4.4 million in interest bearing debt during 1995. Approximately $0.3 million in non interest bearing debts were repaid during 1995.

Income tax benefit (expense)

The Company recorded an insignificant amount of income tax expense for the year ended December 31, 1995 compared to a net benefit of $0.5 million for the year ended December 31, 1994. Income tax expense for 1995 was mainly the result of state income taxes. During 1994 STFI adjusted the deferred tax asset valuation reserve per Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes" ("SFAS 109"). This adjustment resulted in a deferred tax asset of $8.0 million, a corresponding valuation reserve of $7.4 million and a $0.6 million tax benefit for the year ended December 31, 1994. This benefit was partially offset by state income taxes resulting in a net benefit of $0.5 million for 1994. The source of the deferred tax asset is principally the expected future utilization on a conservative basis of net operating losses ("NOL") generated in prior years. Based on the requirements of SFAS 109 the Company recalculated the deferred tax asset and adjusted the valuation reserve for the year ended December 31, 1995. This adjustment resulted in no significant impact to the Company's results of operations for the year ended December 31, 1995. At December 31, 1995 the Company's NOL carryforward for federal income tax purposes was approximately $21.8 million.

Net income

As a result of the factors listed above, net income for the year ended December 31, 1995 decreased by $1.4 million or 60.9% to $0.9 million from $2.3 million for 1994.

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

Revenues

STFI's revenues for the year ended December 31, 1994 increased by $20.0 million, or 78.7%, to $45.4 million compared to $25.4 million for the year ended December 31, 1993. Acquisitions were the major contributors to revenue growth in 1994. Approximately $8.9 million of the revenue increase was attributable to the acquisition of Access. Another $8.0 million was due to the expanded activity of STC

created with the 1993 acquisitions of Road and Show East and Road and Show South nationwide rental phone businesses ("Road & Show"). The remaining revenue increase of $3.1 million was achieved through internal growth.

Gross margin

Gross margin dipped slightly in 1994 to 42.3% of revenue from 42.9% of revenues in 1993. The following table sets forth the components of the Company's overall gross margin for 1994 as a factor of sales percentage and gross margin percentage per line of business:

Division	Sales	GM	Overall GM
STS	63.2%	45.2%	28.6%
Systems	14.3%	20.4%	2.9%
STC	22.5%	48.2%	10.8%
Company Total	100.0%		42.3%

In 1994 the Company's gross margin was a combination of STS gross margin of 45.2%, Systems gross margin of 20.4% and STC gross margin of 48.2%. In 1993 the Company's gross margin was a combination of STS gross margin of 46.4%, Systems gross margin of 16.9% and STC gross margin of 27.1%. STS achieved slightly reduced gross margin from the 1993 level mainly due to the acquisition of Access which added several new buildings which historically have produced gross margins of approximately 44% which is slightly lower than those at existing STS locations. Systems experienced slightly improved gross margin mainly due to a half year of operations obtained with the Access acquisition. STC gross margin increased dramatically due to a full year of Road & Show operations which historically have produced gross margins of approximately 50%. The overall decrease in the Company's gross margin was largely the result of changes in sales mix and the resulting effect on the Company's overall gross margin. STS accounted for 63.2% of total revenues in 1994 versus 85.4% in 1993; Systems revenues accounted for 14.3% of total revenues in 1994 versus 5.9% in 1993; and STC generated 22.5% of total revenue for 1994 versus 8.7% for 1993.

Selling, general and administrative expenses

Selling, general and administrative expenses ("SG&A") as a percentage of revenue decreased to 37.4% for 1994 compared to 39.7% for 1993. This improvement was generated mainly through the synergy's associated with the acquisition of Access. In addition the Company has carefully chosen to grow internally only at locations with existing management infrastructures already in place.

Operating income

Operating income increased by $1.5 million or 187.5% to $2.3 million in 1994 from $0.8 million in 1993. The increase was mainly due to the growth in overall sales combined with a reduction in SG&A as a percentage of revenue.

Interest expense
Interest expense net of interest income decreased by $0.1 million to $0.3 million for 1994 compared to $0.4 million in 1993. The majority of the interest expense for 1994 was generated from the addition of $2.3 million in interest bearing debts. The bulk of the 1993 interest expense was generated through accruals for interest and penalty payments to taxing authorities that may arise from late payments.

Extraordinary item - Loss on restructuring
An extraordinary loss of $0.2 million for 1993 was recorded to reflect the settlement of certain obligations to lenders and other creditors related to the 1992 restructuring. No extraordinary items were recorded for 1994.

Income tax benefit
Effective January 1, 1993, STFI implemented SFAS 109 requiring the adoption of an asset and liability approach to accounting for income taxes. As a result, STFI recorded a deferred tax asset of $8.0 million, a corresponding valuation reserve of $7.4 million and a $0.6 million tax benefit for the year ended December 31, 1994. This benefit was partially offset by state income taxes resulting in a net benefit of $0.5 million for 1994. The source of the deferred tax asset is principally the expected future utilization on a conservative basis of net operating losses ("NOL") generated in prior years.

Net income
As a result of the factors listed above, net income for the year ended December 31, 1994 increased by $2.2 million to $2.3 million from $0.1 million for 1993.

Liquidity and Capital Resources

During 1995 STFI continued to effectively manage a working capital deficit and produce record earnings from operations. Net cash provided by operations reached a record $4.9 million in 1995 compared to $3.1 million in 1994 and $2.2 million in 1993. This helped reduce the working capital deficit to $3.4 million at December 31, 1995 compared to $3.7 million and $3.9 million for December 31, 1994 and 1993 respectively.

The Company continued to invest significant capital towards growth internally and through acquisition. In addition the Company has continued to invest in upgrading telecommunication equipment at existing locations. Over the past three years STFI has invested $8.9 million on equipment purchases. Over the same period, the Company invested $0.8 million towards a merger with FII completed in 1996 and $5.3 million to complete two other major acquisitions; OTM in June 1995 and Access in June 1994.

Financing activities ware focused primarily on raising capital to provide cash for investing activities. During 1995 the Company borrowed $2.7 million and raised $1.2 million from sales of common stock to help finance the current year's equipment purchases and the acquisition of OTM. During 1994 and 1993 approximately $6.4 million was raised from sales of common and preferred stock to help the Company fund operations. Over the past three years the Company spent $6.5 million to repay notes, long-term debt and capital lease obligations.

Cash requirements for 1996 will be significant due to the merger with FII mentioned earlier. This merger was financed through a credit facility and the sale of Senior Subordinated Notes mentioned earlier. The Company anticipates repaying these borrowings and providing cash for operations and capital expenditures through cash from operations. As of March 1996 the Company has a credit facility available of approximately $20 million.

Item 8.

Financial Statements and Supplementary Data

Attached.

Item 9.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

PART III

Items 10, 11, 12 and 13.

The Company incorporates by reference in response to these items its Proxy Statement for its Annual Meeting of Stockholders to be held on May 10, 1996 (filed with the Securities and Exchange Commission in definitive form on April 23, 1996).

PART IV

Item 14.

Exhibits, Financial Statement Schedules and Reports on Form 10-K

(a) Financial Statements

Report of Independent Public Accountants

Consolidated Balance Sheets as of December 31, 1995 and 1994.

Consolidated Statements of Operations for the years ended December 31, 1995, 1994 and 1993.

Consolidated Statements of Stockholders' Equity for the years ended December 31, 1995, 1994 and 1993.

Consolidated Statements of Cash Flow for the years ended December 31, 1995, 1994 and 1993.

Notes to Consolidated Financial Statements

Financial Statements Schedules: Schedule VIII

(b) Reports on Form 8-K

On November 21, 1995 the Company filed a Form 8-K Item 5 indicated that it had entered into an agreement and Plan of Merger dated as of November 9, 1995 with Fairchild Corporation and its subsidiaries, RHI Holdings, Inc. and Fairchild Industries, Inc. pursuant to which the Company will acquire the telecommunications systems and service business operated by Fairchild Communication Services Company.

On November 22, 1995 the Company filed a Form 8-K Item 2 and 7 detailing that on November 13, 1995, the Company's cellular subsidiary, Shared Technologies Cellular, Inc., completed its acquisition of certain assets of PTC Cellular, Inc.

SHARED TECHNOLOGIES FAIRCHILD INC. AND SUBSIDIARIES

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Notes:

(a) All other schedules are not submitted because they are not applicable, not required or because the required information is included in the consolidated financial statements or notes thereto.

(b) Individual financial statements of the Company have been omitted since (1) consolidated statements of the Company and its subsidiaries are filed, and (2) the Company is primarily an operating company and all subsidiaries included in the consolidated financial statements filed are majority-owned and do not have a material amount of debt to outside persons.

INDEPENDENT AUDITORS' REPORT

To the Stockholders and Board of Directors of
Shared Technologies Fairchild Inc.

We have audited the accompanying consolidated balance sheets of Shared Technologies Fairchild Inc. and Subsidiaries as of December 31, 1995 and 1994 and the related consolidated statements of operations, stockholders' equity and cash flows for the three year period then ended. These consolidated financial statements and the schedule referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and schedule based on our audits.

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

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

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule listed in the index on page F-1 is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly states, in all material respects, the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

As discussed in Note 3 to the consolidated financial statements, the Company changed its method of accounting for its investment in one of its subsidiaries.

ROTHSTEIN, KASS & COMPANY, P.C.

Roseland, New Jersey
March 1, 1996, except for Notes 1, 7 and 18,
as to which the date is March 13 1996

SHARED TECHNOLOGIES FAIRCHILD INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
December 31, 1995 and 1994
(In thousands except per share data)

	1995	1994
ASSETS		
Current assets:		
Cash	$ 476	$ 172
Accounts receivable, less allowance for doubtful accounts and discounts of $410 in 1995 and $584 in 1994	9,855	8,533
Advances to subsidiary	985	
Other current assets	754	727
Deferred income taxes		550
Total current assets	12,070	9,982
Equipment:		
Telecommunications	28,904	26,223
Office and data processing	6,049	4,995
	34,953	31,218
Less accumulated depreciation and amortization	18,305	15,473
	16,648	15,745
Other assets:		
Investment in subsidiary	1,581	
Intangible assets	11,543	11,198
Deferred income taxes	560	
Other	461	1,000
	14,145	12,198
	$ 42,863	$ 37,925
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt and capital lease obligations	$ 2,870	$ 1,840
Accounts payable	9,035	8,191
Accrued expenses	2,221	2,382
Advance billings	1,337	1,260
Total current liabilities	15,463	13,673
Long-term debt and capital lease obligations, less current portion	4,128	2,886
Minority interests in net assets of subsidiaries		102
Redeemable put warrant	428	383
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $.01 par value:		
Series C, authorized 1,500 shares, outstanding 907 shares in 1995 and 1994	9	9
Series D, authorized 1,000 shares, outstanding 457 shares in 1995 and 1994	5	5
Series E, authorized 400 shares, outstanding no shares in 1995 and 400 shares in 1994		4
Series F, authorized 700 shares, outstanding no shares in 1995 and 700 shares in 1994		7
Common stock, $.004 par value, authorized 20,000 shares, outstanding 8,506 shares in 1995 and 6,628 in 1994	34	27
Capital in excess of par value	44,777	41,488
Accumulated deficit	(21,981)	(22,465)
Obligations to issue common stock		1,806
Total stockholders' equity	22,844	20,881
	$ 42,863	$ 37,925

See accompanying notes to consolidated financial statements.

SHARED TECHNOLOGIES FAIRCHILD INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
Years Ended December 31, 1995, 1994 and 1993
(In thousands except per share data)

	1995	1994	1993
Revenues:			
Shared telecommunications services	$ 35,176	$ 28,667	$ 21,683
Telecommunications systems	11,910	6,483	1,543
Cellular services		10,217	2,200
Total revenues	47,086	45,367	25,426
Cost of revenues:			
Shared telecommunications services	19,473	15,717	11,628
Telecommunications systems	9,399	5,161	1,282
Cellular services		5,294	1,604
Total cost of revenues	28,872	26,172	14,514
Gross margin	18,214	19,195	10,912
Operating expenses, selling, general and administrative	16,188	16,909	10,102
Operating income	2,026	2,286	810
Other income (expense):			
Gain on sale of subsidiary stock	1,375		
Equity in loss of subsidiary	(1,752)		
Interest expense	(882)	(522)	(530)
Interest income	205	163	92
Minority interest in net income of subsidiaries		(128)	(82)
	(1,054)	(487)	(520)
Income before income tax (expense) benefit and extraordinary item	972	1,799	290
Income tax (expense) benefit	(45)	487	
Income before extraordinary item	927	2,286	290
Extraordinary item, loss on restructuring			(150)
Net income	927	2,286	140
Preferred stock dividends	(398)	(478)	(345)
Net income (loss) applicable to common stock	$ 529	$ 1,808	$ (205)
Income (loss) per common share:			
Income (loss) before extraordinary item	$ .06	$ .27	$ (.01)
Extraordinary item			(.03)
Net income (loss)	$ .06	$ .27	$ (.04)
Weighted average number of common shares outstanding	8,482	6,792	5,112

See accompanying notes to consolidated financial statements.

SHARED TECHNOLOGIES FAIRCHILD INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Years Ended December 31, 1995, 1994 and 1993
(In thousands)

	Series C Preferred Stock		Series D Preferred Stock		Series E Preferred Stock	
	Shares	Amount	Shares	Amount	Shares	Amount
Balance, January 1, 1993	1,107	$ 11		$		$
Dividends on preferred stock						
Proceeds from sale of Series D Preferred Stock, net of expenses of $412			453	5		
Redemption of Series C Preferred Stock	(119)	(1)				
Common stock to be issued for acquisitions						
Common stock issued in lieu of compensation						
Common stock issued in lieu of deferred financing fees						
Exercise of common stock options						
Net income						
Balance, December 31, 1993	988	10	453	5		
Preferred stock dividends						
Dividend accretion of redeemable put warrant						
Exercise of common stock options and warrants						
Proceeds from sale of Series D Preferred Stock			4		400	4
Issuances for acquisitions						
Proceeds from sale of common stock, net of expenses of $371						
Common stock issued in lieu of compensation and conversion of Series C Preferred Stock and other	(81)	(1)				
Net income						
Balance, December 31, 1994	907	9	457	5	400	4
Preferred stock dividends						
Dividend accretion of redeemable put warrant						
Exercise of common stock options and warrants						
Issuance of common stock						
Conversion of preferred stock					(400)	(4)
Proceeds from sale of common stock, net of expenses of $112						
Common stock issued in lieu of compensation and payment of accrued expenses						
Net income						
Balance, December 31, 1995	907	$ 9	457	$ 5	0	$ 0

See accompanying notes to consolidated financial statements.

Series F Preferred Stock		Common Stock		Capital in Excess of Par Value	Accumulated Deficit	Obligations to Issue Common Stock	Total Stockholders' Equity
Shares	Amount	Shares	Amount				
	$	5,092	$ 21	$ 30,047	$ (24,043)	$	$ 6,036
					(345)		(345)
				1,737			1,742
				(385)			(386)
						1,756	1,756
		49		228			228
		14		50			50
		35		82			82
					140		140
		5,190	21	31,759	(24,248)	1,756	9,303
					(478)		(478)
					(25)		(25)
		26		71			71
				(1)			(1)
700	7			4,989			5,000
		1,329	6	4,556			4,562
		83		114		50	163
					2,286		2,286
700	7	6,628	27	41,488	(22,465)	1,806	20,881
					(398)		(398)
					(45)		(45)
		17		70			70
		405	2	1,804		(1,806)	
(700)	(7)	1,100	4	7			
		300	1	1,162			1,163
		56		246			246
					927		927
0	$ 0	8,506	$ 34	$ 44,777	$ (21,981)	$ 0	$ 22,844

SHARED TECHNOLOGIES FAIRCHILD INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 1995, 1994 and 1993
(In thousands)

	1995	1994	1993
Cash flows from operating activities:			
Net income	$ 927	$ 2,286	$ 140
Adjustments to reconcile net income to net cash provided by operating activities:			
Loss on restructuring			150
Depreciation and amortization	3,967	3,702	2,562
Provision for doubtful accounts	321	413	253
Gain on sale of subsidiary stock	(1,375)		
Equity in loss of subsidiary	1,752		
Common stock of subsidiary issued for services		16	-
Stock options and common stock issued in lieu of compensation and other	177	114	278
Minority interests		128	82
Gain on sale of franchise		(202)	-
Deferred income taxes	(10)	(550)	-
Amortization of discount on note	90	52	-
Change in assets and liabilities, net of effect of acquisitions:			
Accounts receivable	(2,639)	(2,147)	(990)
Other current assets	(52)	(179)	132
Other assets		(430)	(244)
Accounts payable	2,208	1,629	964
Accrued expenses	(556)	(1,707)	(1,212)
Advance billings	68	(67)	91
Net cash provided by operating activities	4,878	3,058	2,206
Cash flows from investing activities:			
Purchases of equipment	(3,679)	(3,223)	(2,035)
Acquisitions, net of cash acquired	(1,382)	(3,948)	(255)
Deferred merger costs	(750)		
Other investments	(106)		
Long-term deposits	(10)		(2)
Net cash used in investing activities	(5,927)	(7,171)	(2,292)
Cash flows from financing activities:			
Repayments of long-term debt and capital lease obligations	(2,226)	(2,409)	(1,895)
Proceeds from borrowings	2,684	2,315	-
Proceeds from sales of common and preferred stock	1,233	4,631	1,824
Redemption of preferred stock			(386)
Preferred stock dividends paid	(398)	(478)	(345)
Cash of subsidiary previously consolidated	(10)		
Repayment of advances to subsidiary	70		
Deferred registration costs		(182)	-
Net cash provided by (used in) financing activities	1,353	3,877	(802)
Net increase (decrease) in cash	304	(236)	(888)
Cash, beginning of year	172	408	1,296
Cash, end of year	$ 476	$ 172	$ 408

See accompanying notes to consolidated financial statements.

SHARED TECHNOLOGIES FAIRCHILD INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
Years Ended December 31, 1995, 1994 and 1993
(In thousands)

	1995	1994	1993
Supplemental disclosures of cash flow information:			
Cash interest paid during the years for:			
Interest	$ 856	$ 441	$ 386
Income taxes	$ 84		
Supplemental disclosures of noncash investing and financing activities:			
Conversion of accrued expenses to note payable in connection with litigation settlement	$ -	$ -	$ 460
Obligations to issue common stock in connection with acquisitions	$ -	$ 50	$ 1,756
Issuance of preferred stock in connection with acquisition	$ -	$ 5,000	$ -
Redeemable put warrant issued in connection with bank financing	$ -	$ 358	$ -
Capital lease obligations incurred for lease of new equipment	$ 355	$ 64	$ -
Dividend accretion on redeemable put warrant	$ 45	$ 25	$ -
Costs of intangible assets included in accounts payable	$ -	$ 203	$ -
Note received for sale of franchise	$ -	$ 202	$ -
Issuance of note relating to acquisition	$ 800		
Issuance of common stock to settle accrued expenses	$ 69		
Deferred merger costs included in accounts payable	$ 513		
Reclassification of advance to subsidiary to investment in subsidiary	$ 1,184		

See accompanying notes to consolidated financial statements.

SHARED TECHNOLOGIES FAIRCHILD INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands except for per share data)

NOTE 1 - BUSINESS AND ORGANIZATION:

On March 13, 1996, Shared Technologies Inc. merged with Fairchild Industries, Inc. and changed its name to Shared Technologies Fairchild Inc. (STFI) (Note 18)

STFI, together with its subsidiaries (collectively the Company) is in the shared telecommunications services (STS) and telecommunications systems (Systems) industry, providing telecommunications and office automation services and equipment to tenants of office buildings. One of the Company's subsidiaries, Shared Technologies Cellular, Inc. (STC), is a provider of short-term portable cellular telephone services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Principles of Consolidation - The consolidated financial statements include the accounts of the Company and its wholly-owned and majority owned subsidiaries in which the Company has a controlling interest. Investments in companies in which the Company exercises significant influence (greater than 20%), but not a controlling interest, are carried at equity. The effects of all significant intercompany transactions have been eliminated.

Cash - The Company maintains its cash in bank deposit accounts, which at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not subject to any significant credit risk on cash.

Investment in Unconsolidated Subsidiary - The Company's investment in its unconsolidated subsidiary, STC, is accounted for under the equity method in 1995. Prior to 1995, the majority owned subsidiary was included on a consolidated basis (Note 3).

Revenue Recognition - Revenues are recognized as services are performed. The Company bills customers monthly in advance for equipment rentals and local telephone access service and defers recognition of these revenues until the service is provided. Systems and equipment sales are recognized at the time of shipment.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Equipment - Equipment is stated at cost. Depreciation and amortization is provided using the straight-line method over the following estimated useful lives:

Telecommunications	8 years
Office and data processing	3-8 years

Major renewals and betterments are capitalized. The cost of maintenance and repairs which do not materially prolong the useful life of the assets are charged to expense as incurred.

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

Fair Value of Financial Instruments - The fair value of the Company's assets and liabilities which qualify as financial instruments under Statement of Financial Accounting Standards No. 107 approximate the carrying amounts presented in the balance sheets.

Intangible Assets:

Goodwill - Goodwill represents the excess of the purchase price over the fair value of the net assets of businesses acquired. The Company monitors the profitability of the acquired businesses to assess whether any impairment of recorded goodwill has occurred. Goodwill is amortized over periods ranging from 5 years to 40 years.

Deferred Financing and Merger Costs - The Company has deferred certain costs incurred in connection with the merger and related financing (Note 18). These costs will be amortized over their respective lives upon the completion of the merger and financing. At December 31, 1995, approximately $1,263 of these costs are included in intangible assets.

Other Intangible Assets - Other intangible assets are being amortized over 5 years.

Income Taxes - The Company complies with Statement of Financial Accounting Standards No. 109 (SFAS No. 109), "Accounting for Income Taxes", which requires an asset and liability approach to financial reporting for income taxes. Deferred income tax assets and liabilities are computed annually for differences between financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future, based on enacted tax laws and rates applicable to the periods in which the differences are expected to effect taxable income. Valuation allowances are established, when necessary, to reduce the deferred income tax assets to the amount expected to be realized. The adoption of SFAS No. 109 had no material impact on the Company's financial statements since the Company fully reserved the tax benefits flowing from its net operating losses (Note 14).

Income (Loss) Per Common Share - Primary income (loss) per common share is computed by deducting preferred stock dividends and the accretion of the redeemable put warrant from net income. The resulting net income is applicable to common stock, which is then divided by the weighted average number of common shares outstanding, including the effect of options, warrants and obligations to issue common stock, if dilutive.

Fully diluted income (loss) per common share is computed by dividing net income applicable to common stock by the weighted average number of common and common equivalent shares and the effect of preferred stock conversions, if dilutive. Fully diluted income (loss) per common share is substantially the same as primary income (loss) per common share for the years ended December 31, 1995, 1994 and 1993.

SHARED TECHNOLOGIES FAIRCHILD INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands except for per share data)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Newly Issued Accounting Standards - In March 1995, Statement of Financial Accounting Standards No. 121 (SFAS No. 121), "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed of" was issued. The Company will adopt SFAS No. 121 in the first quarter of 1996. The impact on the Company's financial position and results of operations is not expected to be material.

Reclassifications - Certain reclassifications to prior years financial statements were made in order to conform to the 1995 presentation.

NOTE 3 - INVESTMENT IN UNCONSOLIDATED SUBSIDIARY

During December 1995, STC issued approximately $3,000 in voting preferred stock to third parties. Although the Company's ownership percentage of 59.3% did not change, the voting rights assigned to the preferred stock reduced the Company's voting interest in STC to approximately 42.7%, resulting in the Company's loss of voting control of STC. Accordingly, STC has been accounted for on the equity method for 1995. Summarized balance sheet of STC as of December 31, 1995 and the related summarized statement of operations of STC for the year then ended, is as follows:

Summarized Balance Sheet	
Current assets	$ 5,824
Telecommunications and office equipment, net	2,158
Other assets	6,396
Total assets	$ 14,378
Current liabilities	$ 7,676
Note payable	1,600
Total liabilities	9,276
Stockholders' equity	5,102
Total liabilities and stockholders' equity	$ 14,378
Summarized Statement of Operations	
Revenues	$ 13,613
Gross margin	5,026
Operating loss	2,989
Net loss	2,848

NOTE 4 - ACQUISITIONS

In December 1993, STC completed its acquisition of certain assets and assumed certain liabilities of Road and Show South, Ltd. (South) and Road and Show Cellular East, Inc. (East), respectively. The purchase price for South was $1,262, of which $46 was paid in cash and the balance through the issuance of 221 shares of the Company's common stock valued at $1,216. The purchase price for East was $750 of which $209 was paid in cash and the balance through the issuance, upon demand, of 108 shares of the Company's common stock valued at $541. The number of shares of common stock related to these acquisitions was adjusted on December 1, 1994, based on the price of the Company's common stock at that date, for which an aggregate of 65 additional shares were issued which had no effect on the purchase price of the net assets previously recorded. The shares in connection with the South acquisition have been issued, however only 197 shares of the Company's common stock have been delivered by STC pending the outcome of certain claims against, and by, the former owners of South.

In June 1994, the Company acquired all of the partnership interests in Access Telecommunications Group, L.P. and Access Telemanagement, Inc. (collectively Access). The purchase price was $9,252 of which $4,252 was paid in cash and the balance through the issuance of 400 shares of Series E Preferred Stock valued at $3.75 per share and 700 shares of Series F Preferred Stock valued at $5.00 per share (Note 9).

On June 30, 1995, the Company purchased all of the outstanding capital stock of Office Telephone Management (OTM). OTM provides telecommunication management services primarily to businesses located in executive office suites. The purchase price was $2,135 of which $1,335 was paid in cash and the balance through the issuance of a $800 note, (discounted at 8.59%) payable through June 30, 2005.

The acquisitions were accounted for as purchases, and the purchase prices were allocated on the basis of the relative fair market values of the net assets.

The excess of cost over fair value of the net assets of businesses acquired is recorded as goodwill in the accompanying consolidated financial statements. Amortization of goodwill approximated $364, $181 and $15 in 1995, 1994 and 1993, respectively.

NOTE 4 - ACQUISITIONS

The following unaudited pro forma statements of operations for 1995 and 1994 give effect to the acquisitions and the change in reporting of STC to the equity method (Note 3) and the pro forma effect of STC acquisitions, as if they occurred on January 1 in each year:

	1995	1994
Revenues	$49,044	$ 47,785
Cost of revenues	30,105	29,573
Gross margin	18,939	18,212
Selling, general and administrative expenses	16,879	16,579
Operating income	2,060	1,633
Gain on sale of subsidiary stock	1,375	
Equity in loss of subsidiary	(2,634)	(2,801)
Interest income (expense), net	(901)	(643)
Minority interest in net income of subsidiaries		(43)
Loss before income tax (expense) benefit	(100)	(1,854)
Income tax (expense) benefit	(45)	487
Net loss	(145)	(1,367)
Preferred stock dividends	(398)	(538)
Loss applicable to common stock	$ (543)	$ (1,905)
Net loss per common share	$ (.06)	$ (.25)
Weighted average number of common shares outstanding	8,482	7,753

NOTE 5 - INTANGIBLE ASSETS:

Intangible assets consist of the following at December 31, 1995 and 1994:

	1995	1994
Goodwill	$10,989	$ 11,186
Deferred financing and merger costs	1,263	
Software development costs		186
Other	83	689
	12,335	12,061
Accumulated amortization	792	863
	$11,543	$ 11,198

NOTE 6 - ACCRUED EXPENSES:

Accrued expenses at December 31, 1995 and 1994 consist of the following:

	1995	1994
State sales and excise taxes	$ 1,040	$ 861
Deferred lease obligations	222	150
Property taxes	150	140
Concession fees	176	102
Other	633	1,129
	$ 2,221	$ 2,382

NOTE 7 - LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS:

Long-term debt and capital lease obligations at December 31, 1995 and 1994 consist of the following:

	1995	1994
Revolving $4,000 credit line due in May 1997 and bearing interest at 2% above prime rate (10.5% at December 31, 1995) (Note 8)	$ 2,174	$ 1,009
Initial term loan due in quarterly installments of $50 commencing November 24, 1994, with final payment of $700 due May 1996 and bearing interest at 2% above prime rate	750	950
Term loan due in 36 monthly installments of $37 commencing March 1995 and bearing interest at 2% above prime rate.	950	
Term loan due in 36 monthly installments of $8 commencing July 1995 and bearing interest at 2% above prime rate.	245	
Notes payable to vendors, non-interest bearing due in aggregate quarterly installments of approximately $249 through June 1995		498
Promissory note payable in semi-annual installments and bearing interest at 10% per annum		268

NOTE 7 - LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (CONTINUED):

	1995	1994
Promissory note, $550 original face amount discounted at 7.75%, payable in quarterly installments of $25 through March 31, 1999, collateralized by commitment to issue 88 shares of Series C Preferred Stock	304	359
Promissory note, $450 original face amount, non-interest bearing, payable in quarterly installments of $16 through June 30, 1999	225	289
Promissory note, $1,200 original face amount discounted at 8.59%, payable in quarterly installments of $30 through June 2005 and collateralized by standby letter of credit	774	
Promissory note, $50 original face amount bearing interest at 7.18% per annum, payable in monthly installments of $2 through October 1997	32	
Capital lease obligations, collateralized by related telecommunications and data processing equipment and all assets acquired from Access (Note 4)	1,544	1,353
	6,998	4,726
Less current portion	2,870	1,840
	$ 4,128	$ 2,886

In May 1994, the Company entered into a $5,000 financing agreement with a bank collateralized by certain assets of the Company. The agreement provides for a revolving credit line for a maximum, as defined, of $4,000 to be used for expansion in the shared telecommunications services business and a $1,000 term loan. Aggregate drawings on the line convert semi-annually, through May 1996, to three year term loans. The agreement provides for, among other things, the Company to maintain certain financial covenants. As of December 31, 1995, the Company was in violation of certain of these covenants and on March 13, 1996, the Company replaced this financing agreement with a long term facility (Note 18), and therefore continues to classify the debt on a long-term basis.

NOTE 7 - LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (CONTINUED):

Scheduled aggregate payments on long-term debt and capital lease obligations are as follows:

Year ending December 31:	Long-Term Debt	Capital Lease Obligations
1996	$ 2,230	$ 754
1997	1,470	540
1998	1,105	349
1999	128	88
2000	77	20
	$ 5,010	1,751
Less amount representing interest		206
Present value of future payments, including current portion of $640		$ 1,545

Telecommunications and data processing equipment includes assets acquired under capital leases with a net book value of approximately $2,333 and $1,534 as of December 31, 1995 and 1994, respectively.

NOTE 8 - REDEEMABLE PUT WARRANT:

In connection with the bank financing agreement, the Company issued the bank a redeemable put warrant for a number of common shares equal to 2.25% of the Company's outstanding common stock, subject to anti-dilution adjustments. The warrant is redeemable at the Company's option prior to May 1996, and at the bank's option at any time after May 1997. As defined in the agreement, the Company has guaranteed the bank a minimum of $500 upon redemption of the warrant, and therefore, has valued the warrant at the present value of the minimum guarantee discounted at 11.25%. The discount is being amortized on a straight-line basis over four years, the anticipated term of the loan at inception.

NOTE 9 - STOCKHOLDERS' EQUITY

The Company is authorized to issue 10,000 shares of preferred stock, issuable from time to time in one or more series with such rights, preferences, privileges and restrictions as determined by the directors. In 1994, the Company increased its authorized number of shares of common stock to 20,000.

In 1992, the Company issued Series C Preferred Stock, which is non-voting and entitled to a liquidation value of $4 per share and dividends of $.32 per share per annum, payable quarterly in arrears. These shares are convertible into common stock, at the holder's option, on a one share of common stock for two shares of Series C Preferred Stock basis, at any time, subject to certain anti-dilution protection for the Preferred Stockholders. At the Company's option, the Series C Preferred Stock is redeemable, in whole or in part, at any time after June 30, 1993, at $6 per share plus all accrued dividends.

NOTE 9 - STOCKHOLDERS' EQUITY (CONTINUED):

In December 1993, the Company commenced a private placement to sell to certain investors units consisting of one share of Series D Preferred Stock and one warrant to purchase one share of common stock. As of December 31, 1995, the Company had sold 457 units for net proceeds of $1,740, after deducting expenses of $430. Series D Preferred Stock is entitled to dividends of 5% per annum, payable quarterly, and may be redeemed for $7 per share, plus all accrued dividends, at the option of the Company. The shares are non-voting and are convertible into shares of the Company's common stock on a one-for-one basis at the holder's option. The shares rank senior to all shares of the Company's common stock and junior to Series C Preferred Stock. The common stock purchase warrants are exercisable at a per share price of $5.75. In connection with the offering, the investment banking firm received warrants to purchase 16 shares of the Company's common stock at an exercise price of $5.75 per share. The Company has the right to require the holder to exercise the warrants, and if not exercised, they will expire in the event that the Company's common stock trades at or above $8.50 per share. As of December 31, 1995, no warrants had been exercised.

In May and June 1994, the Company sold, through a private placement to certain investors, 1,329 shares of common stock and an equal number of warrants, for net proceeds of $4,562, after deducting expenses of $371. The warrants are exercisable prior to June 26, 1999 at a per share price of $4.25, subject to certain anti-dilution protection. As of December 31, 1995, no warrants had been exercised. The proceeds from this offering were used for the Access acquisition (Note 4).

In June 1994, the Company issued 400 shares of Series E Preferred Stock, $.01 par value, and 700 shares of Series F Preferred Stock, $.01 par value, in connection with the Access acquisition.

Series E Preferred Stock is entitled to a liquidation value of $3.75 per share and dividends of $.30 per share per annum, payable cumulatively in the form of cash or the Company's common stock, and the shares are non-voting. The Series E Preferred Stock previously issued was converted into 400 shares of common stock in January 1995. In addition, the holders received warrants, which expire on December 31, 1999, to purchase 175 shares of the Company's common stock, at an exercise price of $4.25 per share, subject to certain anti-dilutive provisions.

Series F Preferred Stock is entitled to a liquidation value of $5.00 per share and no dividends. These shares were converted on August 1, 1995 into 700 shares of common stock. On March 1, 1996, an additional 111 shares of the Company's common stock was issued in connection with the provisions of conversion of the Series F Preferred Stock, as defined.

Additionally, the Company issued warrants to the sellers of Access to purchase 225 shares of the Company's common stock at an exercise price of $4.25 per share, subject to certain anti-dilution adjustments.

NOTE 9 - STOCKHOLDERS' EQUITY (CONTINUED):

During January 1995, the Company completed a private placement to sell to a certain investor 300 shares of common stock at $4.25 per share, pursuant to Regulation S of the Securities Act of 1933. The Company received $1,163, after deducting expenses of $112, including an underwriter commission of $102 paid to a firm in which one of the principals is a director and stockholder of the Company. In addition, the underwriter was granted a five year common stock purchase warrant to acquire 30 shares of the Company's common stock for $5.00 per share.

The following table summarizes the number of common shares reserved for issuance as of December 31, 1995. There were no preferred shares reserved for issuance.

Common stock purchase warrants	2,958
Preferred stock conversions	1,165
	4,123

NOTE 10 - GAIN ON SALE OF SUBSIDIARY COMMON STOCK:

In April 1995, STC completed its SB-2 filing with the Securities and Exchange Commission and became a public company. Prior to this date, STC was approximately an 86% owned subsidiary of the Company. STC sold 950 shares of common stock at $5.25 per share, which generated net proceeds of approximately $3,274 after underwriters' commissions and offering expenses. The net effect of the public offering on the consolidated financial statements was a gain of approximately $1,375.

NOTE 11 - STOCK OPTION PLANS:

The Company has non-qualified stock option plans which provide for the grant of common stock options to officers, directors, employees and certain advisors and consultants, at the discretion of the Board of Directors (Committee). All options granted are exercisable at a minimum price equal to the fair market value of the Company's common stock at the date of grant, with a term of five to ten years and are exercisable in accordance with vesting schedules set individually by the Committee. As of December 31, 1995, approximately 1,000 shares of common stock are available for options. The activity in the plans was as follows:

	Number of Options	Exercise Price Per Share Range	Exercise Price Per Share Weighted Average
Balance outstanding, January 1, 1993	354	$ 1.72-12.00	$ 3.77
Granted	174	4.00- 5.50	5.32
Expired	(29)	2.84-12.00	10.19
Exercised	(35)	1.72- 2.84	2.36
Balance outstanding, December 31, 1993	464	1.72-11.00	4.06
Granted	317	3.25-4.50	3.60
Expired	(59)	4.00-5.50	5.43
Exercised	(25)	2.84	2.84
Balance outstanding, December 31, 1994	697	1.72-11.00	3.78
Granted	40	4.13	4.13
Expired	(2)	5.00-5.72	5.16
Exercised	(2)	2.28-2.84	2.58
Balance outstanding, December 31, 1995	733	$ 1.72-11.00	$ 3.79

NOTE 11 - STOCK OPTION PLANS (CONTINUED):

At December 31, 1995, options to purchase 449 shares of common stock were exercisable.

In September 1994, the Board of Directors adopted the 1994 Director Option Plan (the Director Plan) pursuant to which 250 shares of common stock are reserved for issuance upon the exercise of options to be granted to non-employee directors of the Company. Under the Director Plan, an eligible director will automatically receive non-statutory options to purchase 15 shares of common stock at an exercise price equal to the fair market value of such shares at the date of grant. Each option shall vest over a three year period, but generally may not be exercised more than 90 days after the date an optionee ceases to serve as a director of the Company, and expires after ten years from date of grant. As of December 31, 1995, options to purchase an aggregate of 115 shares of common stock have been granted at an exercise price range of $4.13 to $4.38.

NOTE 12 - RETIREMENT AND SAVINGS PLAN:

On March 3, 1989, the Company adopted a savings and retirement plan (the Plan), which covers substantially all of the Company's employees. Participants in the Plan may elect to make contributions up to a maximum of 20% of their compensation. For each participant, the Company will make a matching contribution of one-half of the participant's contributions, up to 5% of the participant's compensation. Matching contributions may be made in the form of the Company's common stock and are vested at the rate of 33% per year. The Company's expense relating to the matching contributions was approximately $199, $163, and $116 for 1995, 1994 and 1993, respectively. At December 31, 1995, and 1994, the plan owned 134 and 93 shares, respectively of the Company's common stock.

NOTE 13 - EXTRAORDINARY ITEM

At December 31, 1993, the Company recorded a loss relating to the settlement of a $600 promissory note (Note 7), in connection with its 1992 restructuring, by issuance of a $750 promissory note.

NOTE 14 - INCOME TAXES:

Income tax (expense) benefit consists of the following:

	1995	1994	1993
Current:			
Federal	$ (10)	$	$
State and local	(45)	(63)	
	(55)	(63)	-
Deferred			
Federal	10	550	
State and local			
	10	550	-
Total (expense) benefit	$ (45)	$ 487	$ -

For the years ended December 31, 1995, 1994 and 1993, income taxes computed at the statutory federal rate differ from the Company's effective rate primarily due to the availability of net operating losses (NOL).

NOTE 14 - INCOME TAXES (CONTINUED):

The components of deferred income tax assets (liabilities) as of December 31, 1995 and 1994 are as follows:

	1995	1994
Tax effect of net operating loss carryforwards	$ 8,641	$9,011
Equity in loss of subsidiary	104	
Financial reserves not yet tax deductible	164	233
Equipment	(1,218)	(1,200)
Goodwill	(183)	(107)
Deferred income tax asset	7,508	7,937
Valuation allowance	(6,948)	(7,387)
Net deferred tax asset	$ 560	$ 550

At December 31, 1995 and 1994, the Company recorded deferred tax assets of $7,508 and $7,937, respectively, and corresponding valuation allowances of $ 6,948 and $7,387, respectively. The valuation allowances were decreased by $439, $1,418 and $211 respectively, for the years ended December 31, 1995, 1994 and 1993.

SFAS No. 109 requires that the Company record a valuation allowance when it is "more likely than not that some portion or all of the deferred tax asset will not be realized". The ultimate realization of this deferred tax asset depends on the ability to generate sufficient taxable income in the future. While management believes that the total deferred tax asset will be fully realized by future operating results, together with tax planning opportunities, the uncertainty relating to the future tax effects of the merger (Note 18), and a desire to be conservative make it appropriate to record a valuation allowance.

At December 31, 1995, the Company's NOL carryforward for federal income tax purposes is approximately $21,800, expiring between 2001 and 2007. NOL's available for state income tax purposes are less than those for federal purposes and generally expire earlier. Limitations will apply to the use of NOL's in the event certain changes in Company ownership occur in the future, (Note 18).

NOTE 15 - COMMITMENTS AND CONTINGENCIES:

Contingencies - The Company had been the provider of telecommunications services at the Jacob K. Javitts Convention Center (the Center) in New York City. Effective January 1, 1992, as a result of a contractual dispute with the New York Convention Center Operating Corporation (CCOC), the Company no longer provided services at the Center. While providing services at the Center, the Company licensed the right to provide certain public pay telephone services at the Center to Tel-A-Booth Communications, Ltd. (Tel-A-Booth). Tel-A-Booth has filed a claim against the Company which seeks $10,000 in damages for which no amounts have been provided in the accompanying consolidated financial statements. Tel-A-Booth is in the process of liquidation in bankruptcy, and its counsel has withdrawn without replacement. The Company has filed, and the Court has issued, an order for dismissal of this case, which is expected to be signed prior to April 15, 1996.

NOTE 15 - COMMITMENTS AND CONTINGENCIES (CONTINUED):

In December 1995, a suit was filed against the Company alleging a breach of a letter agreement and seeking an amount in excess of $2,250 for a commission allegedly owed in connection with the merger with FII (Note 18). The Company denies that the claimant at any time was engaged in connection with the merger. The Company filed an answer in January 1996, denying that any commission is owed. This litigation is in the discovery process. While any litigation contains an element of uncertainty, management is of the opinion that the ultimate resolution of this matter should not have a material adverse effect upon results of operations, cash flows or financial position of the Company.

The Company's sales and use tax returns in certain jurisdictions are currently under examination. Management believes these examinations will not result in a material change from liabilities provided.

In addition to the above matters, the Company is a party to various legal actions, the outcome of which, in the opinion of management, will not have a material adverse effect on results of operations, cash flows or financial position of the Company.

Commitments - The Company has entered into operating leases for the use of office facilities and equipment, which expire through 2005. Certain of the leases are subject to escalations for increases in real estate taxes and other operating expenses. Rent expense amounted to approximately $2,200, $1,856 and $1,700 for the years ended December 31, 1995, 1994 and 1993, respectively.

Aggregate approximate future minimum rental payments under these operating leases are as follows:

Year ending December 31:

1996	$ 1,631
1997	1,349
1998	1,232
1999	1,027
2000	622
Thereafter	1,349
	$ 7,210

In January 1994, the Company entered into a consulting agreement for financial and marketing services, which expires in November 1996. The agreement provides for the following compensation: $30 upon signing, $6 per month retainer, and $150 upon the attainment of a specific financial ratio, which as of December 31, 1995 had been attained. In addition, the consultant was issued a three year warrant to purchase 300 shares of the Company's common stock at a purchase price of $5.75 per share and a five year warrant to purchase 250 shares of the Company's common stock at a purchase price of $7.00 per share. The consultant may not compete with the Company during the term of this agreement and for two years thereafter.

NOTE 15 - COMMITMENTS AND CONTINGENCIES (CONTINUED):

In connection with the Access acquisition, the Company assumed a certain contract for telecommunications services requiring annual minimal usage of approximately $4.5 million through October 1998.

In connection with the OTM acquisition, a standby letter of credit was issued collateralizing a promissory note of $821 at December 31, 1995.

In November 1995, the Company entered into a three year consulting agreement with a financial advisor requiring annual compensation of $250.

In December 1995, the Company granted options to employees of the Company, STC, and certain members of the Board of Directors of the Company and STC, to purchase an aggregate of 350 shares of STC common stock, held by the Company. The options are excersable for five years, at $2.50 per share.

NOTE 16 - RELATED PARTY TRANSACTIONS:

As of December 31, 1993, the company paid approximately $288 of life insurance premiums on behalf of the Company's president, which was to be repaid from the proceeds of a $2,500 face value life insurance policy owned by the president. In January 1994, the beneficiary on the policy was changed to the Company in order to reduce the premium payments required by the Company. As of December 31, 1995, the amount due to the Company for premiums paid exceeded the cash surrender value of the policy by approximately $130. Accordingly, the President has agreed to reimburse the Company for this amount. The receivable and cash surrender value are reflected in other assets in the accompanying consolidated balance sheets.

NOTE 17 UNAUDITED QUARTERLY INFORMATION:

	Three months ended			
	March 31	June 30	September 30	December 31
1995				
Revenues (A)	$ 10,816	$ 11,604	$ 12,095	$ 12,571
Gross margin (A)	4,131	4,458	4,827	4,798
Net income (loss)	285	1,597	192	(1,147)
Net income (loss) per common share	0.02	0.17	0.01	(0.14)
1994				
Revenues	$ 7,896	$ 9,125	$ 14,493	$ 13,853
Gross margin	3,469	4,222	5,833	5,671
Net income	257	703	603	723
Net income per common share	0.03	0.11	0.07	0.06

(A) Quarterly amounts adjusted to reflect equity method reporting for STC

NOTE 18 - SUBSEQUENT EVENTS

On March 13, 1996, the Company increased its authorized number of shares of preferred stock $.01 par value and common stock $.004 par value, to 25,000 and 50,000, respectively.

On March 13, 1996, the Company's stockholders approved and the Company consummated its merger with Fairchild Industries, Inc. ("FII"), following a reorganization transferring all non-communication assets to its parent, RHI Holding, Inc. ("RHI"). The Company changed its name to Shared Technologies Fairchild Inc. ("STFI"). Under the merger agreement, STFI issued to RHI, 6,000 shares of common stock, 250 shares of convertible preferred stock with a $25,000 liquidation preference and 20 shares of special preferred stock with a $20,000 initial liquidation preference. In addition the Company raised in the capital market approximately $111,000, after offering expenses, through the issuance of 12 1/4% Senior Subordinated Notes Due 2006 and approximately $125,000 (of an available $145,000) in loans from a credit facility with financial institutions. The funds were used primarily for the retirement of certain liabilities assumed from FII in connection with the merger, and the retirement of the Company's existing credit facility. In connection with the merger, the Company entered into two year employment agreements with key employees for annual compensation aggregating $1,250, and adopted the 1996 Equity Incentive Plan. The merger will be accounted for using the purchase method of accounting. The total purchase consideration of approximately $69,000, will be allocated to the net tangible and intangible assets of FII based upon their respective fair values. The allocation of the aggregate purchase price included in the following pro forma financial statements is preliminary, and does not reflect the immediate retirement of FII long-term debt, FII Series A Preferred Stock, and FII Series C Preferred Stock, however, the Company does not expect that the final allocation of the purchase price will materially differ from the preliminary allocation that follows:

Assets	
Accounts receivable	$ 23,036
Other current assets	2,773
Equipment	51,010
Other assets	7,184
Goodwill	240,105
Total Assets	$ 324,108
Liabilities and stockholders' equity	
Notes payable, current	$ 514
Accounts payable	14,068
Accrued expenses	6,213
Accrued acquisition costs	7,000
Advance billings	3,581
Long term debt, less current portion	180,501
Post retirement benefits	104
Stockholders' equity	
FII Series A preferred stock	19,112
STFI Convertible preferred stock	25,000
STFI special preferred stock	20,000
FII Series C preferred stock	24,015
STFI common stock	24,000
Total liabilities and stockholders equity	$ 324,108

NOTE 18 - SUBSEQUENT EVENTS (CONTINUFD):

The following unaudited pro forma statements of operations for 1995 and 1994 give effect to the merger, acquisitions of STI and FII prior to the merger, the change of reporting of STC to the equity method and the pro forma effect of STC acquisitions, as if they occurred on January 1, 1994:

	1995	1994
Revenues	$174,852	$175,247
Gross margin	78,491	71,185
Operating income	19,367	16,443
Gain on sale of subsidiary stock	1,375	
Equity in loss of subsidiary	(2,634)	(1,696)
Interest expense, net	(26,983)	(27,110)
Net loss	$ (8,875)	$(11,813)
Net loss applicable to common stock	$(12,778)	$(15,851)
Net loss per share	$ (.88)	$ (1.15)
Weighted average number of common shares outstanding	14,482	13,753

SHARED TECHNOLOGIES FAIRCHILD INC. AND SUBSIDIARIES

VALUATION AND QUALIFYING ACCOUNTS
Years Ended December 31, 1995, 1994 AND 1993
(In thousands)

Description	Balance at Beginning of Year	Charged to Cost and Expenses	Charged to Other Accounts	Deductions (1)	Balance at End of Year
December 31, 1993:					
Allowance for doubtful accounts and discounts	297	253		240	310
December 31, 1994:					
Allowance for doubtful accounts and discounts	310	413		139	584
December 31, 1995:					
Allowance for doubtful accounts and discounts	584	321	130	625 (2)	410

(1) Represents write off of uncollectible accounts, net of recoveries.

(2) Includes $242 due to the change in accounting, to the equity method for one of the Company's subsidiaries

(c) Exhibits

Exhibit No.	Description of Exhibit
1.0	Purchase Agreement dated March 8, 1996 among the Company, STI, the guarantors named therein and CS First Boston Corporation and Citicorp USA, Inc. Incorporated by reference to the Company's Form 8-K filed on March 27, 1996.
2.1	Agreement and Plan of Merger dated as of November 9, 1995 among Shared Technologies Fairchild Inc. (formerly Shared Technologies Inc.) ("STFI"), Fairchild Industries, Inc. ("FII"), RHI Holdings, Inc. ("RHI") and The Fairchild Corporation ("TFA"). Incorporated by reference to the Company's Form 8-K filed on March 27, 1996.
2.2	First Amendment to Agreement and Plan of Merger dated as of February 2, 1996 among STFI, FII, RHI and TFC. Incorporated by reference to the Company's Form 8-K filed on March 27, 1996.
2.3	Second Amendment to Agreement and Plan of Merger dated as of February 24, 1996 among STFI, RHI and TFC. Incorporated by reference to the Company's Form 8-K filed on March 27, 1996.
2.4	Third Amendment to Agreement and Plan of Merger dated as of March 1, 1996 among STFI. FII, RHI and TFC. Incorporated by reference to the Company's Form 8-K filed on March 27, 1996.
3(i).1	Restated Certificate of Incorporation of the Company. Incorporated by reference to the Company's Form 8-K filed on March 27, 1996.
3(i).2	Certificate of Merger of STI and FII. Incorporated by reference to the Company's Form 8-K filed on March 27, 1996.
3(i).3	Certificate of Incorporation of Shared Technologies Fairchild Communications Corp. ("STAFF"). Incorporated by reference to the Company's Form 8-K filed on March 27, 1996.
3(ii).1	Amended and Restated By-laws of STI. Incorporated by reference to the Company's Form 8-K filed on March 27, 1996.

3(ii).2	Amendment to Amended and Restated By-laws of STI. Incorporated by reference to the Company's Form 8-K filed on March 27, 1996.
3(ii).3	By-laws of STAFF. Incorporated by reference to the Company's Form 8-K filed on March 27, 1996.
4.1	Certificate of Designations of Series G 6% Cumulative Convertible Preferred Stock of STFI. Incorporated by reference to the Company's Form 8-K filed on March 27, 1996.
4.2	Certificate of Designations of Series H Special Preferred Stock of STFI. Incorporated by reference to the Company's Form 8-K filed on March 27, 1996.
4.3	Certificate of Designations of Series I 6% Cumulative Convertible Preferred Stock of STFI. Incorporated by reference to the Company's Form 8-K filed on March 27, 1996.
4.4	Certificate of Designations of Series J Special Preferred Stock of STFI. Incorporated by reference to the Company's Form 8-K filed on March 27, 1996.
4.5	Indenture dated as of March 1, 1996 among the Company, the guarantors named therein and United States Trust Company of New York, as trustee. Incorporated by reference to the Company's Form 8-K filed on March 27, 1996.
4.6	First Supplemental Indenture dated as of March 13, 1996 among the Company, the guarantors named therein and United States Trust Company of New York, as trustee. Incorporated by reference to the Company's Form 8-K filed on March 27, 1996.
10.1	Registration Rights Agreement dated March 8, 1996 among the Company, STFI, the guarantors named therein and CS First Boston Corporation and Citicorp USA, Inc. Incorporated by reference to the Company's Form 8-K filed on March 27, 1996.
10.2	Registration Rights Agreement dated March 13, 1996 among STI, RHI and TFC. Incorporated by reference to the Company's Form 8-K filed on March 27, 1996.

10.3	Credit Agreement dated as of March 12, 1996 among the Company, STFI, Credit Suisse, Citicorp USA, Inc., NationsBand and the other lenders named therein. Incorporated by reference to the Company's Form 8-K filed on March 27, 1996.
10.4	Security Agreement dated as of March 13, 1996 among STAFF, STFI, each subsidiary of STAFF named therein and Credit Suisse, as collateral agent for the secured parties. Incorporated by reference to the Company's Form 8-K filed on March 27, 1996.
10.5	Pledge Agreement dated as of March 13, 1996 among STFCC, STFI, each subsidiary of STFCC named therein and Credit Suisse, as collateral agent for the secured parties Incorporated by reference to the Company's Form 8-K filed on March 27, 1996.
10.6	Pledge Agreement dated as of March 13, 1996 among STFI, RHI and Gadsby & Hannah, as interim pledge agent.
10.7	Parent Guarantee Agreement dated as March 12, 1996 between STI and Credit Suisse, as collateral agent for the secured parties. Incorporated by reference to the Company's Form 8-K filed on March 27, 1996.
10.8	Subsidiary Guarantee Agreement dated as of March 12, 1996 among the subsidiaries of STFCC and STFI named therein and Credit Suisse, as collateral agent for the secured parties. Incorporated by reference to the Company's Form 8-K filed on March 27, 1996.
10.9	Agreement to Exchange 6% Cumulative Convertible Preferred Stock and Special Preferred Stock dated as of March 1, 1996 among STI FII, RHI and TFC. Incorporated by reference to the Company's Form 8-K filed on March 27, 1996.
10.10	Shareholders' Agreement dated as of March 13, 1996 among STI, RHI and Anthony D, Autorino. Incorporated by reference to the Company's Form 8-K filed on March 27, 1996.
10.11	Tax Sharing Agreement dated as of March 13, 1996 between STI and RHI. Incorporated by reference to the Company's Form 8-K filed on March 27, 1996.

10.12	Indemnification Agreement dated as of March 13, 1996 between STI and Incorporated by reference to the Company's Form 8-K filed on March 27, 1996.
10.13	Indemnification Agreement dated as of March 13, 1996 among STI, TFC and RHI. Incorporated by reference to the Company's Form 8-K filed on March 27, 1996.
10.14	Indemnity Subrogation and Contribution Agreement dated as of March 12, 1996 between STFCC and Credit Suisse as collateral agent for the secured parties. Incorporated by reference to the Company's Form 8-K filed on March 27, 1996.
21	List of subsidiaries of the Registrant.
27	Financial Data Schedule
99	Pursuant to Regulation S-X Rule 3-09 the Company is including as an exhibit audited consolidated financial statements for Shared Technologies Cellular, Inc.

SIGNATURES

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

SHARED TECHNOLOGIES INC.
(Registrant)

By /s/ Anthony D. Autorino
Anthony D. Autorino
Chairman, Chief Executive Officer and Director
Date: March 29, 1996

By /s/ Vincent DiVincenzo
Vincent DiVincenzo
Senior Vice President - Finance and Administration, Treasurer, Chief Financial Officer and Director
Date: March 29, 1996

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

By /s/ Anthony D. Autorino
Anthony D. Autorino
Chairman, Chief Executive Officer and Director
Date: March 29, 1996

By /s/ Jeffrey J. Steiner
Jeffrey J. Steiner
Vice Chairman and Director
March 29, 1996

By /s/ Mel D. Borer
Mel D. Borer, President, Chief Operating Officer and Director
Date: March 29, 1996

By ______________________
Jo McKenzie, Director
March 29, 1996

By /s/ Natalia Hercot
Natalia Hercot, Director
Date: March 29, 1996

By /s/ Thomas H. Decker
Thomas H. Decker, Director
Date: March 29, 1996

By /s/ Ajit Hutheesing
Ajit Hutheesing, Director
March 29, 1996

By /s/ Herbert L. Oakes
Herbert L. Oakes, Jr.,
Director
Date: March 29, 1996

By /s/ Edward J. McCormack
Edward J. McCormack, Jr.
Director
Date: March 29, 1996

By /s/ Vincent DiVincenzo
Vincent DiVincenzo, Director
Date: March 29, 1996

By /s/ William A. DiBella
William A. DiBella, Director
Date: March 29, 1996

Exhibit 3

STFI's Annual Report
For Period Ended December 31, 1994
SEC Form 10-K

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K/A
AMENDMENT NO. 1

X ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE ECURITIES EXCHANGE ACT OF 1934 FOR THE YEAR ENDED DECEMBER 31, 1994

___ ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD _____ TO _____

Commission File Number 0-17366

SHARED TECHNOLOGIES INC.

(Exact name of registrant as specified in its charter)

Delaware	87-0424558
(State or other jurisdiction of Incorporation or organization)	(I.R.S. Employer Identification No.)

100 Great Meadow Road, Suite 104 Wethersfield, Connecticut	06109
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (203) 258-2400

Securities registered pursuant to Section 12(b) of the Act: None

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

Common Stock, $.004 par value

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not 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. [ ]

The aggregate market value of the registrant's Common Stock held by nonaffiliates as of April 13, 1995 was approximately $14,029,058, based on the average of the closing bid and asked prices as reported on such date in the over-the-counter market.

Indicate the number of shares outstanding of each of the registrant's classes of Common Stock, as of April 13, 1995

7,624,412 shares of Common Stock
$.004 par value

The following document is hereby incorporated by reference into Part III of this Form 10-K: The registrant's Proxy Statement for its Annual Meeting of Stockholders to be held on May 23, 1995 to be filed with the Securities and Exchange Commission in definitive form on or before April 28, 1995.

The purpose of this Amendment is to provide the Financial Data Schedule.

PART I

Item 1.

Business

(a) General Development of Business - Shared Technologies Inc., which was incorporated on January 30, 1986, its subsidiaries and affiliated partnerships (collectively, the "Company") are engaged in providing shared tenant services ("STS") to tenants of modern, multi-tenant office buildings. As an STS provider, the Company generally obtains the exclusive right from a building owner (the "Owner/Developer") to install an on-site communications system, called a private branch exchange ("PBX"), or an off-site communications system, called centrex, and to market telecommunications and office automation services and equipment to tenants.

In May 1991, the Company acquired the stock of Boston Telecommunications Company (BTC), a provider of STS in the Boston area. The Company paid $1,097,000 consisting of acquisition cost less cash received of $197,000, stock purchase warrants valued at $300,000 and a $600,000 promissory note payable. In May 1989, the Company acquired interests in four entities providing STS in the greater Chicago area from Shared Services, Inc. and I.S.E., Inc. for $180,000. Additionally, in February 1989, the Company purchased the stock of Multi-Tenant Services, Inc. (MTS) a former division of BellSouth Corporation for $4,048,000 of which $391,000 was paid in cash and in payment of the balance the Company assumed existing lease obligations. MTS was a provider of STS in nine metropolitan areas.

The Company is a provider of telecommunications services and equipment, including basic telephone equipment, local and long-distance network services and on-site maintenance. The Company also offers its customers data services, as well as data processing and office automation equipment, service and support. Additionally, the Company sells and rents cellular telephones in several locations both to its existing customers and the general marketplace.

In December and October 1993 the Company commenced management and subsequently completed the acquisition of certain assets and liabilities of Road and Show South, Ltd. and Road and Show Cellular East, Inc., respectively. The purchase price for South was $1,261,611 which represents $46,111 cash and an obligation to issue 221,000 shares of the Company's common stock. The purchase price for East was $750,245 which represents $209,245 cash and an obligation to issue 108,200 shares of the Company's common stock. The number of shares of common stock related to these acquisitions was adjusted on December 1, 1994

based on the price of the Company's common stock at that date, for which an aggregate of 64,966 additional shares will be issued. As of December 31, 1994, no shares of common stock had been issued for the East acquisition. The shares in connection with the South acquisition have been issued, but have not been delivered pending the outcome of certain claims against, and by, the former owners of South (see Note 16 of Notes to Consolidated Financial Statements).

In June 1994, Shared Technologies Inc., completed its acquisition of the partnership interests of Access Telecommunication Group, L. P. ("Access") for $9,000,000, subject to certain post closing adjustments. The $9,000,000 includes $4,000,000, paid at closing with the proceeds from the private placement sale of approximately 1,062,000 shares of the Company's Common Stock, and the issuance to the sellers of 400,000 shares of Series E Preferred stock, valued at $1,500,000 and 700,000 shares of Series F Preferred stock valued at $3,500,000.

(b) Recent Developments - During 1992, the Company completed a restructuring due to its working capital deficit and the maturity of its principal financing arrangements which were due to the FDIC, as receiver for the Company's principal lender. The restructuring included Shared Technologies Inc. and all of its subsidiaries. The restructuring resulted in the Company recording a gain of $5,162,000 before related expenses of $1,361,000 for consulting fees related to the restructuring and income taxes of $45,000. As a result of the restructuring, approximately $900,000 of vendor payables and $1,500,000 of capital lease obligations were forgiven and $3,300,000 of vendor payables were converted to three year non-interest bearing notes payable (see Note 7 of Notes to Consolidated Financial Statements). Additionally, a settlement agreement was entered into with the Federal Deposit Insurance Corporation ("FDIC") as receiver for the Company's principal lender which resulted in the Company paying off its term loan and revolving credit arrangements and recognizing a gain of approximately $2,700,000 (see Note 3 of Notes to Consolidated Financial Statements). In April 1994 the Company entered into a settlement agreement which provides for the payment of $750,000 plus interest at 10% which resulted in an accrued extraordinary loss of $150,000 in 1993.

In connection with the restructuring, the Company also raised equity capital of approximately $5,780,000 from certain institutional investors, net of expenses. Such offering was exempt from registration based upon Regulation S. A firm, one of whose principals is a director and stockholder of the Company served as underwriter for the offering. The Company paid this firm underwriting commissions and expenses totaling $446,750 for the offering. No other parties to the restructuring were affiliated with the Company. The Company also entered into

agreements with Series A and B Preferred Stockholders to convert their holdings, including $327,920 of the accrued dividends related thereto, into Series C Preferred Stock. As part of this conversion, $40,990 of the accrued dividends was forgiven by the stockholders (see Note 9 of Notes to Consolidated Financial Statements).

In September 1992 the Company effected a one-for-four reverse stock split of Common Stock and increased the par value of Common Stock from $.001 to $.004 per share. All per share amounts contained herein have been retroactively adjusted to reflect this split.

(c) Financial Information about Industry Segments - The Company is engaged in one industry segment, the telecommunications industry, providing a wide range of telecommunications and office automation services and equipment.

(d) Narrative Description of Business

(1) (i) Products and Services

Shared Tenant Services (STS)

As an STS provider, the Company generally obtains the exclusive right from a building owner (the "Owner/Developer") to install an on-site communications system, called a private branch exchange ("PBX"), or an off-site communications system, called centrex, and to market telecommunications and office automation services and equipment to tenants. An STS project requires significant expenditures for capital equipment and installation costs. The initial cost of capital equipment to establish STS in a new building ranges from $50,000 to $300,000 with additional start-up working capital requirements ranging from $10,000 to $100,000.

The STS provider often leases space within the building for on-site support staff. STS provides an Owner/Developer with an important building amenity and provides a tenant with the availability of one-stop shopping for a wide range of telecommunications and office automation equipment and services as well as on-site training, maintenance and support, without any capital investment.

The Company's services are provided to its customers under the concept of one-stop shopping for basic telecommunications, voice and data transmission, and office automation services and equipment which include:

-Access to cost-effective centralized digital switching
-Broad selection of telephone equipment

-Discounted, quality long-distance service
-Local telephone service
-System maintenance, management and administration
-Customized call reporting and billing
-Office automation equipment including computer, facsimile and peripherals
-On-site training and assistance
-Cable and wiring design and maintenance
-Equipment service and support
-Cellular sale and rental

To date, the Company has concentrated primarily on developing the telephone portion of its business. The Company's telephone services consist of selecting and installing telephone equipment on tenants' premises and providing ongoing service to train tenants, to perform moves, adds and changes, and to maintain the telephone equipment. Tenants are quoted a monthly charge for leased equipment which includes a rental fee for the equipment, a charge for access to the PBX owned by the Company and installed in the buildings or to the centrex service, and a local access charge based on the cost of the trunk lines which connect the building to the central office of the local telephone company. In addition, tenants are charged for special services and usage, including IN-WATS lines, dedicated circuits, directory listings, local message units (where applicable), directory assistance, credit card calls, third-party billing calls, and long-distance at a discount from the standard rates charged by long distance providers.

As the telecommunications business is established in each building, the Company increases its emphasis on the sale or lease of personal computers and peripherals, and the marketing of computer time sharing, voice mail, message centers, local area networks for computers, voice messaging, facsimile transmission, copying equipment and data transmission. The Company also sells computer equipment and peripherals, and sells or rents cellular phones, to customers who are not tenants in buildings in which it provides STS.

The Company provides a monthly statement to each customer delineating all STS charges. The Company bills for the prior month's usage, installation, moves, adds and changes on the first of the following month. The statements also include equipment, local and system access and other special service charges in advance for the succeeding month. The local access charge reflects the cost to the Company of the trunk lines connecting the building to the central office of the local telephone company and is levied on the Company by the local telephone company. In general, the Company passes this cost through to tenants.

Customers are billed for all telecommunications usage, including long-distance calls. Currently, the Company offers a discount of 15% to 40% from the AT&T direct distance dial published rates, which discounts can be changed by the Company on 30 days' notice. The Company currently purchases long-distance services from many providers. The Company estimates that by efficiently managing its long-distance network, it can provide long-distance services at a discount of up to 40% of the AT&T direct distance dial rates.

Facilities Management Services (FMS)

The Company provides facilities management services to customers who have a preference or requirement for a dedicated PBX system. Certain of these customers own their own equipment, and the Company provides management and maintenance for that equipment. The Company also has facilities management contracts with customers who have leased equipment owned by the Company, including PBX and handset equipment. The Company's objective with these customers is to become the provider of choice for all long distance, local access and system features, if those services are not part of the initial contract.

Cellular

Through its subsidiary Shared Technologies Cellular, Inc., ("STC") the Company is a provider of short-term portable cellular telephone services in the United States. STC rents portable cellular telephones, primarily to travelers, persons organizing and attending special events such as conventions and sporting events, as well as local businesses and government agencies. Through the acquisitions (collectively, the "Road and Show Acquisition") of certain assets from Road and Show Cellular East, Inc., and Road and Show South, Ltd. (collectively, "Road and Show"), in December 1993, STC obtained a national distribution network, including relationships with national car rental companies and hotels, which STC has significantly expanded since that date.

STC markets its cellular telephone service principally through car rental agencies, airlines, hotels and telephone companies. STC has agreements with the Hertz Corporation ("Hertz") and National Car Rental System Inc. ("National") to offer its portable telephones at designated car rental locations, primarily at airport terminals throughout the United States. These agreements provide that no competing services may be offered at any location covered. STC's agreements with Hertz and National are terminable by either party upon 120 and 90 days' notice, respectively. In addition, the Company markets its cellular telephone services at conventions and sporting events.

STC has also operated as a direct reseller of cellular services to corporate and high volume individual customers at selected locations in Connecticut since 1989 and has provided such services in Dallas, Texas as a sales agent for one of the two local cellular carriers since July 1994.

Equipment

The Company offers its telecommunications services through either a PBX or centrex-based system.

A PBX is a telecommunications switch that has the following characteristics:

-is owned by a private user, not a telephone company
-automatically switches incoming and outgoing calls over trunk lines so that dedicated telephone lines are not required
-functions like a telephone company central office, except that it is under the direct control of its owner
-offers more features than are typically available through private business lines, key systems or centrex services
-is typically capable of handling from 100 to 2,000 users

The Company owns or leases PBXs and other equipment manufactured by InteCom Inc., Northern Telecom, AT&T, NEC and Mitel. This equipment can be acquired from a variety of sources. The Company employs its own technicians to maintain its PBXs, which have, on average, an estimated useful life of approximately eight to twelve years. From time to time, the Company upgrades its PBXs by adding additional software and hardware which can increase the capabilities and extend the useful life of a PBX beyond the ordinary eight to twelve year period.

An alternative to the PBX is digital centrex, a service offered by the local regulated telephone company. Recently, a number of local telephone companies have enhanced their digital centrex offerings to be more competitive with PBXs in terms of both features and price. In addition, some telephone companies have petitioned their local regulatory commission to permit them to negotiate pricing with large users (defined as a company using over 100 lines), rather than charging tariffed rates. In response to these developments, the Company has entered into an arrangement with Illinois Bell to provide service in downtown Chicago via digital centrex, eliminating the need for a PBX in each building, and has entered into an exclusive agreement with the Owner/Developers of two buildings to provide STS/centrex. Additionally, in 1993 the Company began providing centrex services in Indianapolis.

The Company offers a full range of customer premise equipment, including telephones, computers and peripherals, and facsimile and voice mail equipment compatible with its PBX and centrex-based systems. The Company has no long-term contracts establishing the price at which it acquires equipment, but can negotiate pricing due to the availability of multiple sources of supply.

STS Buildings

As of December 31, 1994, the Company was providing STS to tenants in 93 buildings located in 15 metropolitan areas. In those cities where the Company provides STS to tenants in more than one building, the Company is able to realize significant operating economies by sharing management, administrative, sales and technical staff across a number of buildings. The following table sets forth as of December 31, 1994, on a city-by-city basis, the Net Leasable Square Feet and the Potential Lines of Service in each building where the Company provides STS to tenants as estimated by management.

City	Net Leasable Sq. Ft.	Potential Lines of Service	Number of Lines in Service	Number of Buildings
Atlanta, GA	3,777,000	12,589	3,552	9
Birmingham, AL	1,435,000	1,450	1,157	3
Boston, MA	4,846,000	15,144	2,660	11
Chicago, IL	3,567,000	11,890	3,145	9
Hartford, CT	2,032,000	6,773	3,408	9
Los Angeles, CA	895,000	2,983	212	2
Mahwah, NJ	625,000	1,067	1,069	2
Memphis, TN	320,000	1,067	181	1
Nashville, TN	972,000	3,240	776	2
New Orleans, LA	3,226,000	9,511	3,371	5
Phoenix, AZ	2,484,000	8,280	2,426	12
Indianapolis, IN	1,044,000	3,480	945	9
Seattle, WA	4,482,000	14,940	2,840	8
Dallas, TX	10,125,000	26,591	5,662	11
Myrtle Beach, SC	140,000	155	20	1
TOTAL	39,970,000	119,160	31,424	93

Of the potential 119,160 lines of service, the Company has under contract 31,424 lines (26.4%). Accordingly, management believes that the opportunity exists for the Company to increase penetration and revenues in the buildings to which it currently provides STS.

Owner/Developer Agreements

In most buildings where it provides STS, the Company or its assignor has entered into a contractual agreement ("Owner/Developer Agreement") with the building Owner/Developer. Subject to specific provisions contained in certain Owner/Developer Agreements, the Owner/Developer Agreements generally grant the Company the exclusive right to provide STS in the building and the Owner/Developer is precluded from entering into a "materially similar arrangement" with a third party. In addition, the Company is granted a right of first refusal in the building for the offering of additional STS, such as telephone answering services, word and data processing, telex, copier services and certain other STS. The term of the agreement is generally for ten years and may contain one or two five-year renewal options.

The Owner/Developer Agreements generally provide for the payment of royalties to the Owner/Developer which may be based on a percentage of gross revenues or on a percentage of rental, sale and service income or net long-distance revenues. Such royalty payments may commence at the initial service date, at some later date, typically 18 to 24 months after the Company commences to provide STS to the building, or at the time the Company achieves a certain level of market penetration in the building.

The Company is responsible for the costs and expenses incurred in operating and maintaining the STS equipment in the building and must obtain the Owner/Developer's approval to make any modification in the STS equipment which would affect the building structure. The agreement is assignable by the Owner/Developer upon the sale of the building. Certain Owner/Developers also have the right to purchase the Company's STS equipment in the building at a nominal or fair market price if the agreement is terminated.

Each Owner/Developer Agreement either contains a lease, or references a separately executed lease, for the space necessary for the Company's on-site personnel and equipment. These leases generally provide for a deferral of rental payments until a certain occupancy percentage has been obtained in the building, or a certain period of time, typically 12 to 24 months, after the Company commences operations.

Tenant Contracts

The Company is a party to a Master Shared Tenant Services Agreement ("Tenant Contract") with substantially all of its customers. The Tenant Contract contains terms and conditions governing the provision of STS. Subsequent to signing a Tenant Contract, tenants submit individual customer orders for specific equipment rentals and STS. In addition to the typical Tenant Contracts for STS, the Company has agreements with several tenants who have their own PBX to maintain the system and manage the tenant's telephone call billing system, and the Company receives a monthly fee for its services.

The Company generally signs contracts for a period of five years or a term coterminous with the customers lease in the building. The Company has contracts ranging from month to month to five years. The Company feels it has staggered the contracts such that there is no time when a material amount of contracts come due at the same time. Additionally, the Company does not have any individual contracts which are material.

(ii) Government Regulation

As a provider of telephone services, the Company's operations are materially affected by regulatory developments on both a federal and state level. The Federal Communications Commission ("FCC") regulates interstate communications and the state public utility commission ("PUCs") regulate intrastate communications. The FCC has determined that STS providers, sharing a PBX and related equipment within the same premises, should be characterized as end users, as opposed to interexchange carriers for access charge purposes, thereby entitling them to a more favorable rate structure. Although there is currently no major effort underway to modify the existing FCC regulatory scheme with regard to STS providers, any change in the liability of such providers for access charges or any substantial change with regard to other regulatory constraints could have a material adverse effect on the Company's business. PUCs may regulate STS providers through direct regulatory requirements as well as through the terms, conditions of service and rates contained in the tariffs of the underlying local exchange carrier covering service offerings to STS providers. To date, the Company has, to some degree, elected to operate in states which maintain a comparatively favorable regulatory environment for STS providers sharing a PBX and related equipment. All of the states in which the Company now operates do not currently require a certification of or otherwise directly regulate STS providers with the exception of Alabama, which has granted such certification to the Company. The Company also has obtained certification to resell certain intrastate long-distance services in California, which requires such certification. Although at present none of these

states have any proceeding or other effort underway to materially modify their regulatory treatment of such STS providers, no assurance can be given that such proceedings will not be initiated in the future. Further, regulatory agencies in many states have not yet generally addressed the issue of sharing centrex lines and the regulatory consequences of such operations are uncertain; however, the Company to date has only engaged in sharing centrex lines in states (Illinois and Indiana) where regulatory agencies have expressly permitted such operations. The Company intends to expand its use of centrex lines to additional states in the future. It will take appropriate measures to investigate the regulatory environment in each state and intends to comply with applicable requirements for sharing of these lines on a state-by-state basis.

(iii) Marketing

The Company employs a marketing concept involving the establishment of a hub STS building in close proximity with other satellite STS buildings which can be managed by one regional director and which share sales and administrative and technical personnel.

After an appropriate building has been identified, the Company begins marketing its services to the Owner/Developer to obtain the exclusive right to provide STS in the building. On occasion, an Owner/Developer will issue a formal request for proposal and seek competitive bids. Once agreement with the Owner/Developer has been reached, marketing efforts with tenants are commenced. Tenant marketing occurs during the leasing process of a building, which is during the planning stage of the tenant's move. The Company also has the opportunity to increase penetration in highly leased and popular buildings by:

- When there is a new tenant replacing a moving out tenant, the Company is invited by the leasing manager to present the "building's communication amenity package" provided by the Company.

- When a current tenant who is up for lease renewal, the leasing manager will again recommend that the tenant consider using the "building's communication amenity package" provided by the Company.

In most cases the building management company or the building owners point out to the perspective lessee or renewal tenant the cost savings by taking advantage of the "building's communication amenity package" which can save the perspective company between $1.25 and $1.75 per square foot.

Typically, the Company's marketing initially concentrates on working in conjunction with the building's leasing agent to provide STS to prospective tenants. Once the tenant has committed to a lease, marketing efforts are focused on tenant subscription to the STS offerings within the building.

The Company's customers consist primarily of small to medium-size tenants, such as brokerage, accounting and law firms. While the majority of the Company's customers are tenants in STS buildings, the Company also provides services and sells and leases equipment to end-users who are not located in STS buildings.

(iv) Patents, Trademarks, Licenses, Franchises, Concessions

See Item 1(d) (i) - "Owner/Developer Agreements" herein. Additionally, Shared Technologies Inc. is a registered trademark. The Company does not operate any franchises. However, the Company's subsidiary STI Cellular Franchise Corp., is engaged in franchise operations relating to the rental of portable cellular telephones.

(v) Seasonality

While the Company's STS business is not generally seasonal, the Company has experienced, over the last several years, a reduction in local and long distance revenues in the month of December which is believed to be associated with the holiday season.

(vi) Working Capital

To date, the Company has funded its working capital shortfall through borrowings and sales of its securities. See Item 1(a) - "General Development of Business"; "Management's Discussion and Analysis of Results of Operations and Financial Condition". The Company requires working capital due to the nature of its business which requires an upfront capital investment that is recovered over a period of time.

In May 1994, the Company entered into an agreement with a bank for $5,000,000 in financing. The financing provides for a $1,000,000 two-year term loan, six months interest only, with quarterly amortization and a balloon payment of $700,000 and a $4,000,000 secured revolving credit line for expansion in the core business, aggregate draws converted semi-annually to a three-year term loan with level monthly amortization. These loans bear interest at the bank's prime rate plus 2% and are secured by certain assets of the Company. The Company has issued a warrant to the bank for 184,000 shares of Common Stock.

(vii) Dependence on a Single Customer

No single customer or building accounts for 10% or more of the Company's revenues. The Company's business is not dependent upon a single or a few customers.

(viii) Backlog

At any given period the Company maintains new contracts signed but not yet installed due to the term of the contract which further adds to this backlog. The number of additional lines not yet installed related to new contracts cannot be determined due to changes that occur through the installation date. Therefore, backlog information cannot be quantified.

(ix) Competition

While the Company competes with other STS providers to obtain exclusive STS rights from the Owner/Developer of an STS office building, this competition is not severe due to the number of office buildings available, their location and the location of an appropriate STS provider.

The Company believes its competitive advantage is city based. The Company has operations in some cities where it is the only STS provider. In this case the competitive advantage is with the Company. The Company has offices across the country with many developers and is not dependent on any developer for any material amount of business.

The sale of telecommunication services is a competitive business. The major discriminating factors for telecommunication buyers are price and service. The Company provides on site technical service to most of its buildings. The Company feels it can offer a superior level of service to its customers, since the Company provides all aspects of telecommunication services and takes responsibility for the complete satisfaction of its customer. This differs from multi-vendor environments where responsibility is fragmented.

The Company prices its products in a competitive environment. Due to this the Company has to remain flexible with its pricing. The Company's main competitive advantages are the Company's ability to negotiate a lower per minute rate with long-distance vendors due to volume discounts and the elimination of up-front capital expenditures for customers due to equipment rentals from the Company.

When the Company obtains the exclusive STS rights for a building, it then must compete with local telephone companies, long distance telephone service suppliers and equipment/system

suppliers in the solicitation of tenants in the building to subscribe to its services. Local telephone companies are regulated and, in the case of the Bell operating companies and the general telephone operating companies, cannot sell long-distance telephone service. Local telephone companies can sell lines or trunks from their local central office and centrex service directly to the tenant. Local telephone company services are subject to tariff regulation and such entities do not typically offer office automation products. Long-distance telephone service suppliers (such as AT&T, MCI and Sprint) typically offer volume discount plans and market to tenants directly, but do not at this time generally provide local telephone service.

The Company must also compete with equipment/system suppliers and distributors who sell PBXs and other office automation equipment and who provide or arrange for installation, maintenance and service of such equipment. Major companies such as AT&T, Northern Telecom, NEC and Siemens compete in this area.

(x) Employees

As of March 15, 1995, the Company employed 278 persons; 17 in management, 79 in administration, 161 in sales and service and 21 in technical positions. The Company's employees are not represented by a union. The Company regards its relations with its employees to be good.

Item 2.

Property

The Company does not own any real estate and has no present plans to purchase any real estate. The Company's principal executive offices are leased and are located at 100 Great Meadow Road, Suite 104, Wethersfield, Connecticut 06109.

The Company leases space for its on-site staff and its PBX equipment in many of the buildings in which it operates an STS project. (See Note 14 of Notes to Consolidated Financial Statements herein for information concerning the Company's leases at December 31, 1994.) These leases are for offices located in the following buildings:

ATLANTA
Atlanta Financial Center
Atlanta Plaza
Buckhead Plaza

MAHWAH, NJ
Crossroads Corporate Center

MEMPHIS

Crown Pointe
The Terraces
Park Central

BIRMINGHAM
Riverchase Galleria
Riverchase Galleria

BOSTON
One International Place
World Trade Center Boston
Rowes Wharf
Marketplace Center
75 State Street

CHICAGO
Chemical Plaza
North Pier
Oakbrook Terraces
One Financial Place
Sherman Place
LaSalle Atrium
Gateway Chicago

HARTFORD
CityPlace
100 Pearl Street
Putnam Park

LOS ANGELES
Citicorp Center

STAMFORD
Metro Center

DALLAS
Texas Commerce Tower
Texas Commerce Bank-Las Colinas
2121 San Jacinto Street
Maxus Tower
Abrams Center
Bryan Tower
Dallas Market Center
Plaza of the Americas
Preston Sherry Plaza
2001 Ross Avenue
4641 Production Drive
Infomart

Morgan Keegan Tower

NASHVILLE
Third National
Financial Center
Dominion Tower
Highland Ridge

NEW ORLEANS
Lakeway Center
Metairie Galleria
Place St. Charles

PHOENIX
Biltmore Financial Center
Camelback Esplanade
24th & Highland
2600 N. Central Avenue
Paradise Village Office Park

SEATTLE
Columbia Seafirst Center
Koll Center Bellevue
Koll Market Place Tower
Two Union Square
1000 Second Avenue
Skyline Tower
Fourth & Blanchard

INDIANAPOLIS
The Pyramids
101 West Ohio Street

Item 3.

Legal Proceedings

In 1993, the Company settled a lawsuit with The New York State Convention Center Operating Corp. ("CCOC"), which arose in connection with the Company's operations at the Jacob K. Javits Convention Center in New York City, which operations were terminated in December, 1991. However, as part of the termination of such operations, the Company's departure from the Convention Center resulted in the termination of its agreement with Tel-A-Booth Communications, Ltd. ("Tel-A-Booth"), the payphone service provider for the building.

Tel-A-Booth is currently in a Chapter 7 bankruptcy proceeding, pursuant to which the Company is listed as a creditor of Tel-A-Booth in the amount of $300,000.

The Company is named as a co-defendant in a lawsuit brought by Tel-A-Booth arising out of the termination of its agreement with the Company. The lawsuit, which was commenced in New York State Supreme Court, County of New York, on January 10, 1992 is now proceeding toward trial. Tel-A-Booth has claimed damages of $10,000,000, primarily for lost profits. The Company has asserted various counterclaims against the plaintiff. The Company views that it has substantial defenses to the plaintiff's claims, and, based on information obtained from discovery, the Company believes that the plaintiff suffered no recoverable damages.

In addition to the above matters, the Company is a party to various legal actions, the outcome of which, in the opinion of management, will not have a material impact on the Company's financial condition and results of operations (see Notes 14 and 16 of Notes to Consolidated Financial Statements).

Item 4.

Submission of Matters to a Vote of Security Holders

None.

PART II

Item 5.

Market for Registrant's Common Stock and Related Stockholder Matters

The Company's shares of Common Stock (trading symbol: STCH) have been quoted and traded in the over-the-counter market since December 13, 1988. Over-the-counter market quotations reflect interdealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

	BID		ASK	
1994	HIGH	LOW	HIGH	LOW
First Quarter	$4 1/8	$2 7/8	$4 5/8	$3
Second Quarter	3 3/4	3 1/8	4	3 3/8
Third Quarter	5 1/8	2 1/2	5 3/8	2 3/4
Fourth Quarter	4 5/8	3 5/8	5	4

	BID		ASK	
1993	HIGH	LOW	HIGH	LOW
First Quarter	$7	$4	$7 1/4	$4 5/8
Second Quarter	4 7/8	3 1/2	5 1/4	4
Third Quarter	5 3/4	2 1/2	6	3
Fourth Quarter	5 5/8	3 1/8	6	3 1/2

Number of beneficial holders of the Company's Common Stock as of December 31, 1994 is 1,196.

Item 6.

Selected Financial Data

The following table sets forth the selected financial data of the Company for each of the last five years. Financial statements for 1991 and 1990 are not presented in this filing. Such selected financial data were derived from audited consolidated financial statements not included herein. The selected financial data of the Company should be read in conjunction with the Consolidated Financial Statements and related notes appearing elsewhere in this Form 10-K. In September 1992 the Company effected a one-for-four reverse stock split of common stock and increased the par value of common stock from $.001 to $.004 per share. Weighted average common shares outstanding and per share information have been retroactively adjusted to reflect this split. All amounts, except per share amounts, are in thousands.

Statement of Operations Data:	1994	1993	1992	1991	1990
Revenue	$45,367	$25,426	$24,077	$23,172	$21,804
Gross margin	19,195	10,912	9,254	6,358	5,786
Selling, general and administrative expenses	16,972	10,102	9,959	10,717	10,246
Operating income(loss)	2,223	810	(705)	(4,359)	(4,460)
Interest expense, net	(359)	(438)	(290)	(1,268)	(950)
Minority interest in net (inc.)losses of subsidiaries	(128)	(82)	(37)	4	29
Loss on settlement agreement	-	-	-	-	(489)
Extraordinary Item - Loss) gain on restructuring	-	(150)	3,756	-	-
Income tax benefits	550	-	-	-	-
Net income (loss)	2,286	140	2,724	(5,623)	(5,869)
Net income (loss) per common share	.27	(.04)	.59	(1.59)	(1.63)
Weighted average common shares outstanding	6,792	5,132	4,063	3,730	3,601
Cash dividends declared per preferred share	.29	.32	.30	.30	-
Cash dividends paid per preferred share	.29	.32	.38	.18	-
Cash dividends declared or paid per common share	-	-	-	-	-
Balance Sheet Data:					
Working capital deficit	(3,691)	($ 3,874)	($ 4,506)	($15,615)	($5,751)
Total assets	37,925	20,601	18,752	18,436	14,531
Notes payable, convertible promissory notes payable, other long-term debt (incl. current portion) and redeemable preferred stock	4,727	3,719	4,745	10,030	6,927
Stockholders' equity (deficit)	20,881	9,302	6,034	(3,148)	(999)

Item 7.

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

Results of Operations

Shared Technologies' revenues rose to a record $45,367,000 in 1994, an increase of $19,941,000 or 78% over 1993 revenues of $25,426,000. This was a substantial increase over the 6% and 4% increases in 1993 and 1992 respectively. Acquisitions were the major contributors to revenue growth in 1994 and 1993 respectively.

$8,942,000 of the 1994 revenue increase was attributable to the June 1994 acquisition of Access Telecommunication Group, L.P. ("Access"). Another $8,017,000 was due to the expanded operations of the Cellular division. The Cellular division was dramatically expanded in the fourth quarter of 1993 through the acquisition of Road and Show East and Road and Show South nationwide rental phone business ("Road and Show"). The Company also continued to expand operations at existing locations. The remaining revenue increase of $2,982,000 was achieved mainly at existing shared tenant services ("STS") locations.

The Company's revenue of $25,426,000 for the year ended December 31, 1993 represented an increase of $1,349,000 or 6%, over the year ended December 31, 1992. Of this increase, $288,000 was due to an increase in STS revenue and $256,000 was due to an increase in Facilities Management Services ("FMS") revenue. The remaining increase of $805,000 was attributable to the fourth quarter acquisitions of Road and Show.

Gross margin dipped slightly in 1994 to 42.3% of revenues from 42.9% of revenues in 1993. This drop was the result of significant changes in the Company's revenue mix in 1994.

The FMS and Cellular Service divisions grew dramatically in 1994 due to the acquisitions mentioned earlier. The FMS division revenues accounted for 14.3% of the total revenues in 1994 as compared to 6.0% in 1993, and the Cellular division revenues were responsible for 22.5% of total revenues in 1994 as compared to 8.7% in 1993. The STS division accounted for 63.2% of total revenues in 1994 as compared to 85.3% in 1993.

Although the change in sales mix resulted in only a small change in overall gross margin, each division produced gross margin at a different rate. STS cost of revenues as a percentage

of revenue increased slightly in 1994 resulting in gross margin of 45.2% versus gross margin of 46.4% in 1993. The main reason for the decrease was the addition of several STS buildings through the acquisition of Access. These buildings historically have achieved lower gross margins than those at existing STS locations The FMS division produced a gross margin of 20.4% in 1994 which is up from 16.9% in 1993. The FMS division focuses on the sale of long distance services outside the STS buildings, and operates in a competitive environment which prevents high gross margin. Improved margin was achieved through increased sales volume and lower rates negotiated in 1994. The Cellular division produced a gross margin of 48.2% in 1994 which is up from a 27.1% gross margin produced in 1993. The rental component of the Cellular division was greatly expanded through the acquisition of Road and Show in the fourth quarter of 1993. Cellular rental revenues produce gross margins near 50%.

Gross margin increased to 42.9% of revenues for the year ended December 31, 1993 compared to 38.4% of revenues for the year ended December 31, 1992. This improvement was due almost entirely to the improved margin on long distance and local access services as a result of increased volume which enabled the Company to negotiate better rates with its vendors.

Pretax income increased by $1,446,000 or 499% to a record $1,736,000 from $290,000 in 1993. This compares to a $1,322,000 increase in 1993 from a pretax loss of $1,032,000 in 1992.

These increases were achieved through increased sales volume, and reductions in selling, general and administrative expenses as a percentage of revenue. Selling, general and administrative expenses as a percentage of revenue, continued to drop in 1994, down to 37% from 40% in 1993. This improvement was made through the synergies created with the acquisition of Access and management's ongoing efforts to contain overhead costs.

Selling, general and administrative expenses as a percentage of revenue dropped to 40% in 1993 compared to 41% for 1992. The decrease was achieved despite the addition of 10 new STS buildings and the acquisition of Road and Show which added approximately $200,000 of selling general and administrative expenses. The improvement was due to a decrease in consulting expenses associated with the settlement of certain obligations of the Company, settlement of the Javits litigation for less than previously provided and the capitalization of startup costs associated with certain new operations.

During 1994 the Company was successful in controlling interest expense despite the addition of $2,300,000 of new, interest bearing, debt. Interest expense decreased to $522,000 in 1994 from $529,000 in 1993. Interest expense, net of interest

income, increased $148,000 in the year ended December 31, 1993 compared to the year ended December 31, 1992 due to approximately $292,000 accrued related to estimated interest and penalty payments to taxing authorities that may arise from late payments.

Effective January 1, 1993, the Company implemented Statement of Financial Accounting Standards No. 109, " Accounting for Income Taxes", (SFAS 109). This statement requires the adoption of an asset and liability apprcach to accounting for income taxes. The Company's income tax provision is substantially less than the amount derived by applying the federal statutory rates to pre-tax income principally due to the availability of net operating loss carryforwards from prior years. As discussed in the Notes to the Company's financial statements, for the year ended December 31, 1994, the Company had recorded a tax benefit of $550,000, and reserved the balance of approximately $7,357,000 through a valuation allowance.

SFAS No. 109, requires that the Company record a valuation allowance when it is "more likely than not the some portion or all of the deferred tax asset will not be realized". The ultimate realization of this deferred tax asset depends on the ability to generate sufficient taxable income in the future. While management believes that the total deferred tax asset may be fully realized by future operating results together with tax planning opportunities, the losses in recent years and the desire to be more conservative makes it appropriate to record a valuation allowance.

The Company restated its 1993 financial statements to reflect the write-off of certain startup costs of approximately $120,000, previously capitalized, related to certain cellular telephone operations.

In 1992 the Company settled certain obligations to its lenders and other creditors. This resulted in an extraordinary gain for the year ended December 31, 1992 of $5,162,000 before restructuring expenses of $1,361,000 and income taxes of $45,000 and an adjustment to the restructuring gain which resulted in an extraordinary loss for the year ended December 31, 1993 of $150,000.

Liquidity and Capital Resources

During 1994 Shared Technologies continued to effectively manage a working capital deficit and produce record earnings from operations. Net cash provided by operations reached a record $3.0 million in 1994 compared to $2.2 million in 1993 and $571,000 in 1992. This helped reduce the working capital deficit to $3,691,000 at December 31, 1994 compared to $3,874,000 for December 31, 1993.

The Company continued to focus investing activities on growth through acquisition and on upgrading telecommunication equipment at existing locations. Over the past three years Shared Technologies has invested $7.3 million in equipment purchases to increase line counts and remain competitive. At the same time, the Company invested $4.2 million to complete two major acquisitions; Access in June 1994 and Road and Show in the fourth quarter of 1993. Both companies have been integrated into the Company's operations and have produced favorable results.

Financing activities were focused primarily on raising capital to provide cash for investing activities. In 1994 the Company entered an agreement with a bank to obtain a $1.0 million dollar term note and a $4.0 million revolver. During 1994 the Company borrowed $1.3 million against the revolver to help finance the current year's equipment purchases. In addition the Company raised $4.6 million from sales of common stock to help finance the acquisition of Access. During 1993 and 1992 approximately $7.5 million was raised from sales of common and preferred stock to help the Company fund operations. During the past three years the Company has made $8.3 million in repayments of notes payable, long term debt and capital lease obligations.

Cash requirements for 1995 will include normal ongoing operations, and capital expenditures. The Company plans to invest heavily in growth through the addition of several STS buildings and the expansion of the centrex component of the STS division. This growth will be financed through cash from operations and the bank agreement previously mentioned.

Item 8.

Financial Statements and Supplementary Data

Attached.

Item 9.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

On January 25, 1995 the Company filed a Form 8K announcing a change in independent public accountants to Rothstein, Kass & Company, P.C. from Arthur Andersen LLP for the year end December 31, 1994.

SHARED TECHNOLOGIES INC. AND SUBSIDIARIES

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Notes:

(a) All other schedules are not submitted because they are not applicable, not required or because the required information is included in the consolidated financial statements or notes thereto.

(b) Individual financial statements of the Company have been omitted since (1) consolidated statements of the Company and its subsidiaries are filed, and (2) the Company is primarily an operating company and all subsidiaries included in the consolidated financial statements filed are majority-owned and do not have a material amount of debt to outside persons.

INDEPENDENT AUDITORS' REPORT

To the Stockholders and Board of Directors of
Shared Technologies Inc.

We have audited the accompanying consolidated balance sheets of Shared Technologies Inc. and Subsidiaries as of December 31, 1994 and 1993 and the related consolidated statements of operations, stockholders' equity and cash flows for the years then ended. These consolidated financial statements and the schedule referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Shared Technologies Inc. and Subsidiaries as of December 31, 1994 and 1993, and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule listed in the index on page F-1 is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly states, in all material respects, the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

Roseland, New Jersey
March 24, 1995, except for Notes 7 and 11
as to which the date is April 11, 1995

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Shared Technologies Inc.:

We have audited the accompanying consolidated statements of operations, stockholders' equity and cash flows of Shared Technologies Inc. (a Delaware corporation) and subsidiaries for the year ended December 31, 1992. These financial statements and the schedule referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the results of operations and cash flows of Shared Technologies Inc. for the year ended December 31, 1992 in conformity with generally accepted accounting principles.

As discussed in Note 14 to the consolidated financial statements, the Company and others have been named in a lawsuit seeking damages of approximately $10 million, including $1.4 million for equipment purchased, for which no provision has been made in the accompanying consolidated financial statements. The Company has filed answers to this complaint denying the material allegations of the claim. Although the claim is being contested by the Company, the outcome of this matter is uncertain at this time.

Our audit was made for the purposes of forming an opinion on the basic financial statements taken as a whole. The schedule listed in the index on page F-1 is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. The information in the schedule for the year ended December 31, 1992 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Hartford, Connecticut
March 23, 1993 (except with respect to the matter discussed in the second paragraph of Note 14,as to which the date is April 14, 1994)

CONSOLIDATED BALANCE SHEETS
December 31, 1994 and 1993

	1994	1993
ASSETS		
CURRENT ASSETS:		
Cash	$ 172,262	$ 408,533
Accounts receivable, less allowance for doubtful accounts and discounts of $584,000 in 1994 and $310,000 in 1993	8,532,770	4,614,188
Other current assets	727,375	545,071
Deferred income taxes	550,000	
Total current assets	9,982,407	5,567,792
EQUIPMENT:		
Telecommunications	26,222,732	21,298,405
Office and data processing	4,995,191	4,358,275
	31,217,923	25,656,680
Less accumulated depreciation and amortization	15,473,023	13,545,303
	15,744,900	12,111,377
OTHER ASSETS:		
Intangible assets	11,197,887	2,347,958
Other	1,000,042	573,535
	12,197,929	2,921,493
	$ 37,925,236	$ 20,600,662
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt and capital lease obligations	$ 1,840,401	$ 1,941,876
Accounts payable	8,191,350	4,482,239
Accrued expenses	2,381,736	2,068,771
Advance billings	1,250,158	948,938
Total current liabilities	13,673,645	9,441,824
LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS, less current portion	2,886,365	1,777,431
MINORITY INTERESTS IN NET ASSETS OF SUBSIDIARIES	101,504	78,971
REDEEMABLE PUT WARRANT	383,048	
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Preferred stock, $.01 par value		
Series C, authorized 1,500,000 shares, outstanding 906,930 shares in 1994 and 987,930 in 1993	9,069	9,879
Series D, authorized 1,000,000 shares, outstanding 456,900 shares in 1994 and 453,158 in 1993	4,569	4,532
Series E, authorized 400,000 shares in 1994 and no shares in 1993, outstanding 400,000 shares in 1994	4,000	
Series F, authorized 700,000 shares in 1994 and no shares in 1993, outstanding 700,000 shares in 1994	7,000	
Common stock, $.004 par value, authorized 20,000,000 shares, outstanding 6,628,246 shares in 1994 and 5,190,335 in 1993	26,513	20,761
Capital in excess of par value	41,488,128	31,759,048
Accumulated deficit	(22,465,105)	(24,248,284)
Obligations to issue common stock	1,806,500	1,756,500
Total stockholders' equity	20,880,674	9,302,436
	$ 37,925,236	$ 20,600,662

See accompanying notes to consolidated financial statements

SHARED TECHNOLOGIES INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
Years Ended December 31, 1994, 1993 and 1992

	1994	1993	1992
REVENUES			
Shared tenant services	$ 28,666,574	$ 21,683,186	$ 21,395,125
Facility management services	6,482,637	1,542,893	1,287,452
Cellular telephone services	10,217,300	2,199,727	1,394,387
Total revenues	45,366,511	25,425,806	24,076,964
COST OF REVENUES.			
Shared tenant services	15,716,890	11,627,939	12,727,935
Facility management services	5,161,130	1,282,064	1,082,643
Cellular telephone services	5,293,845	1,604,040	1,011,642
Total cost of revenues	26,171,865	14,514,043	14,822,220
GROSS MARGIN	19,194,646	10,911,763	9,254,744
OPERATING EXPENSES, selling, general and administrative	16,971,416	10,101,985	9,959,366
OPERATING INCOME (LOSS)	2,223,230	809,778	(704,622)
OTHER INCOME (EXPENSE)			
Interest expense	(522,112)	(529,565)	(410,830)
Interest income	162,951	91,889	120,815
Minority interests in net income of subsidiaries	(128,084)	(81,928)	(37,391)
	(487,245)	(519,604)	(327,406)
INCOME (LOSS) BEFORE INCOME TAX CREDIT AND EXTRAORDINARY ITEM	1,735,985	290,174	(1,032,028)
INCOME TAX CREDIT	550,000	-	-
INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	2,285,985	290,174	(1,032,028)
EXTRAORDINARY ITEM, (loss) gain on restructuring (in 1992, net of restructuring expenses of $1,361,000, and income taxes of $45,000, after extraordinary benefit of utilizing net operating loss carryforwards of $3,000,000)	-	(150,000)	3,756,327
NET INCOME	2,285,985	140,174	2,724,299
PREFERRED STOCK DIVIDENDS	(478,159)	(344,650)	(334,478)
NET INCOME (LOSS) APPLICABLE TO COMMON STOCK	$ 1,807,826	$ (204,476)	$ 2,389,821
INCOME (LOSS) PER COMMON SHARE			
Income (loss) before extraordinary item	$ .27	$ (.01)	$ (.33)
Extraordinary item		(.03)	.92
Net income (loss)	$ .27	$ (.04)	$ .59
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	6,792,277	5,132,296	4,062,710

See accompanying notes to consolidated financial statements

SHARED TECHNOLOGIES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Years Ended December 31, 1994, 1993 and 1992

	Series B Preferred Stock		Series C Preferred Stock		Series D Preferred Stock		Series E Preferred Stock		Series F Preferred Stock		Common Stock		Capital in Excess of	Accumulated	Obligations to Issue Common	Total Stockholders'
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Par Value	Deficit	Stock	Equity
BALANCE, January 1, 1992	914,730	$ 9,147	—	$ —	—	$ —	—	$ —	—	$ —	1,740,772	$ 14,961	$21,261,185	$ (26,411,629)	$ —	$ (3,148,334)
Dividends on preferred stock														(314,478)		(314,478)
Conversion of Series A Preferred Stock to Series C Preferred Stock			110,000	1,100									438,900			440,000
Conversion of Series B Preferred Stock to Series C Preferred Stock	(914,730)	(9,147)	914,730	9,147												
Conversion of preferred stock dividends payable to Series C Preferred Stock			81,980	820									327,100			327,920
Proceeds from sale of common stock excluding subscriptions of $162,962 collected subsequent to December 31, 1992 and net of expenses of $470,000											1,250,000	12,500	5,777,500			5,790,000
Common stock issued in lieu of compensation and other											31,985	128	127,558			127,686
Exercise of common stock options											53,918	216	110,827			111,043
Exercise of common stock warrants											15,542	62	6,155			6,217
Net income														2,724,299		2,724,299
BALANCE, December 31, 1992			1,106,730	11,067							3,092,197	20,367	30,046,723	(24,001,808)		6,034,353
Dividends on preferred stock														(344,830)		(344,830)
Proceeds from sale of Series D Preferred Stock, net of expenses of $411,349					433,158	4,332							1,736,801			1,741,133
Redemption of Series C Preferred Stock			(118,800)	(1,188)									(384,912)			(386,100)
Common stock to be issued for acquisitions															1,736,300	1,736,300
Common stock issued in lieu of compensation											49,343	197	228,229			228,426
Common stock issued in lieu of deferred financing fees											13,793	55	49,945			50,000
Exercise of common stock options											35,000	140	82,460			82,600
Net income														140,174		140,174
BALANCE, December 31, 1993			987,930	9,879	433,158	4,332					3,190,333	20,761	31,759,048	(24,248,284)	1,736,300	9,302,436
Preferred stock dividends														(478,159)		(478,159)
Dividend accretion of redeemable put warrants														(24,647)		(24,647)
Exercise of common stock options and warrants											26,061	104	71,320			71,424
Proceeds from sale of Series D Preferred Stock					3,742	37							(1,511)			(1,474)
Issuances for acquisitions							400,000	4,000	700,000	7,000			4,989,000			5,000,000
Proceeds from sale of common stock, net of expenses of $371,067											1,128,700	5,113	4,336,243			4,341,338
Common stock issued in lieu of compensation and conversion of Series C Preferred Stock and other			(81,000)	(810)							83,150	333	114,028		50,000	163,551
Net income														2,231,983		2,231,983
BALANCE, December 31, 1994	—	$ —	906,930	$ 9,069	436,900	$ 4,369	400,000	$ 4,000	700,000	$ 7,000	4,428,244	$ 26,311	$41,688,128	$ (22,481,107)	$ 1,786,300	$ 20,880,674

See accompanying consolidated financial statements

SHARED TECHNOLOGIES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 1994, 1993 and 1992

	1994	1993	1992
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 2,285,985	$ 140,174	$ 2,724,299
Adjustments to reconcile net income to net cash provided by operating activities:			
Loss (gain) on restructuring	-	150,000	(5,162,576)
Depreciation and amortization	3,702,004	2,562,024	2,447,925
Provision for doubtful accounts	412,617	253,000	-
Common stock of subsidiary issued for services	16,500	-	-
Stock options and common stock issued in lieu of compensation and other	113,551	278,426	127,686
Minority interests	128,084	81,928	37,391
Gain on sale of franchises	(202,033)	-	-
Deferred income taxes	(550,000)	-	-
Amortization of discount on note	52,267	-	-
Change in assets and liabilities:			
Accounts receivable	(2,147,159)	(990,468)	(468,931)
Other current assets	(179,462)	131,664	123,015
Other assets	(429,835)	(243,689)	-
Accounts payable	1,629,214	963,950	1,504,715
Accrued expenses	(1,707,272)	(1,211,878)	(783,854)
Advance billings	(66,679)	91,531	21,826
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,057,782	2,206,662	571,496
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of equipment, net	(3,223,420)	(2,034,760)	(2,014,182)
Acquisitions of Road and Show South and East	-	(255,356)	-
Acquisition of Access	(3,947,649)	-	-
Long-term deposits	-	(1,557)	(296,994)
Proceeds from restricted investments	-	-	852,698
Other investments	-	-	(95,548)
Deferred registration costs	(182,135)	-	-
NET CASH USED IN INVESTING ACTIVITIES	(7,353,204)	(2,291,673)	(1,554,026)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayments of notes payable, long-term debt and capital lease obligations	(2,409,274)	(1,895,419)	(3,962,571)
Proceeds from borrowings	2,315,075	-	-
Proceeds from sales of common and preferred stock	4,631,509	1,823,733	5,734,280
Redemption of preferred stock	-	(386,100)	-
Preferred stock dividends paid	(478,159)	(344,650)	(88,538)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	4,059,151	(802,436)	1,683,171
NET INCREASE (DECREASE) IN CASH	(236,271)	(887,447)	700,641
CASH, beginning of year	408,533	1,295,980	595,339
CASH, end of year	$ 172,262	$ 408,533	$ 1,295,980

SHARED TECHNOLOGIES INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
Years Ended December 31, 1994, 1993 and 1992

	1994	1993	1992
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION, cash paid during the year for interest	$ 441,272	$ 386,134	$ 401,208
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES			
Conversion of accrued expenses to note payable in connection with litigation settlement	$ -	$ 460,478	$ -
Obligations to issue common stock in connection with acquisitions	$ 50,000	$ 1,756,500	$ -
Conversion of accounts payable to long-term debt	$ -	$ -	$ 3,288,236
Conversion of preferred stock dividends payable to Series C Preferred Stock	$ -	$ -	$ 327,920
Issuance of preferred stock in connection with acquisition	$ 5,000,000	$ -	$ -
Redeemable put warrant issued in connection with bank financing	$ 358,401	$ -	$ -
Capital lease obligation incurred for lease of new equipment	$ 63,589	$ -	$ -
Dividend accretion on redeemable put warrant	$ 24,647	$ -	$ -
Costs of intangible assets included in accounts payable	$ 202,985	$ -	$ -
Note received for sale of franchise	$ 202,033	$ -	$ -

NOTE 1 - BUSINESS AND ORGANIZATION

The Company is in the shared tenant services (STS) and facility management services (FMS) industry, providing telecommunications and office automation services and equipment to tenants of office buildings. One of the Company's subsidiaries, Shared Technologies Cellular, Inc (STC), is a provider of short-term portable cellular telephone services.

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned and majority-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition - Revenues are recognized as services are performed. The Company bills customers monthly in advance for equipment rentals and local telephone access service and defers recognition of these revenues until the service is provided. Enhanced office service revenues (included in both STS and FMS revenues), which consists primarily of product and equipment sales, is recognized at the time of shipment.

Cash - The Company maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not subject to any significant credit risk on cash.

Equipment - Equipment is stated at cost. Depreciation and amortization is provided using the straight-line method over the following estimated useful lives:

Telecommunications equipment	8 years
Office and data processing equipment	3-8 years

Effective January 1, 1992, the Company prospectively changed the estimated depreciable life of telecommunications equipment purchased prior to January 1, 1991 from five to eight years. The change resulted in approximately $933,000 ($.23 per common share) less depreciation expense for the year ended December 31, 1992 than would have been recorded using the previous estimated depreciable life of five years. Excluding the impact of this change, the loss before extraordinary item per common share for 1992 would have been $.56.

Major renewals and betterments are capitalized. The cost of maintenance and repairs which do not materially prolong the useful life of the assets are charged to expense as incurred.

Rent - Certain leases require escalating base rents or provide for rent abatements for a period of time. The Company is expensing the rents on a straight-line basis over the terms of the leases.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible Assets:

Goodwill - Goodwill represents the excess of the purchase prices over the fair values of the net assets of businesses acquired. The Company monitors the profitability of the acquired businesses to assess whether any impairment of recorded goodwill has occurred. Goodwill is amortized over periods ranging from 5 years to 40 years.

Deferred Startup Costs - Costs relating to the startup of operations in certain new locations have been deferred and amortized over one to two years upon commencement of the related operations.

Software Development Costs - In connection with its cellular subsidiary (SafeCall) operations, the Company has incurred certain software development costs relating to the "privacy network" and are amortized over 5 years starting with the implementation of the related software.

Other Intangible Assets - Other intangible assets are being amortized over 5 years.

Deferred Registration Costs - The Company has deferred legal fees, other fees and costs incurred in connection with a proposed public offering of a subsidiary. These costs will be charged to capital in excess of par value upon completion of the offering, otherwise the costs will be charged to operations. At December 31, 1994, approximately $182,000 of these costs are included in other assets.

Income Taxes - Effective January 1, 1993, the Company adopted Statement of Financial Accounting Standards (SFAS No. 109), "Accounting for Income Taxes", which requires an asset and liability approach to financial reporting for income taxes. Deferred income tax assets and liabilities are computed annually for differences between financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future, based on enacted tax laws and rates applicable to the periods in which the differences are expected to effect taxable income. Valuation allowances are established, when necessary, to reduce the deferred income tax assets to the amount expected to be realized. Prior to adopting SFAS No. 109, the Company accounted for income taxes using the deferral method as required by Accounting Principles Board Opinion No. 11. The adoption of SFAS 109 had no material impact on the Company's financial statements since the Company fully reserved for the tax benefits flowing from its net operating losses (Note 13).

Income (Loss) Per Common Share - Primary income (loss) per common share is computed by deducting preferred stock dividends from net income in order to determine net income applicable to common stock, which is then divided by the weighted average number of common shares outstanding including the effect of options, warrants and obligations to issue common stock, if dilutive.

Fully diluted income (loss) per common share is computed by dividing net income applicable to common stock by the weighted average number of common and common equivalent shares and the effect of preferred stock conversions, if dilutive. Fully diluted income (loss) per common share is substantially the same as primary income (loss) per common share for the years ended December 31, 1994, 1993 and 1992.

Reclassifications - Certain reclassifications to prior years financial statements were made in order to conform to the 1994 presentation.

NOTE 3 - RESTRUCTURING

During 1992, the Company completed a restructuring which resulted in recording a gain of $5,162,000 before related expenses of $1,361,000 and income taxes of $45,000. As a result of the restructuring, approximately $900,000 of vendor payables and $1,500,000 of capital lease obligations were forgiven and $3,300,000 of vendor payables were converted into three year non-interest bearing notes payable (Note 7). Additionally, an agreement was entered into with the Federal Deposit Insurance Corporation (FDIC), as receiver for the Company's principal lender, whereby the Company paid off its term and revolving credit loans for $2,450,000 and recognized a gain of approximately $2,700,000. Had interest been accrued, the gain on restructuring and interest expense would have each increased by approximately $440,000. In connection with settling his guarantee of these obligations, the Company's president issued to the FDIC a non-interest bearing promissory note for $675,000 due in 1997 and pledged 100,000 shares of his common stock and his options to purchase 25,000 shares of common stock of the Company as collateral.

As of December 31, 1993, the Company was negotiating the settlement of a $600,000 promissory note (Note 7), which was settled in 1994 by issuance of a $750,000 promissory note. Accordingly, for the year ended December 31, 1993, the Company recorded, as an extraordinary item, an expense of $150,000 in connection with the completion of the restructuring.

In connection with the restructuring, the Company sold common stock, resulting in net proceeds of approximately $5,780,000 (which included $163,000 of subscriptions receivable as of December 31, 1992) and entered into agreements with Series A and B Preferred stockholders to convert their holdings, including $327,920 of accrued dividends related thereto, into Series C Preferred Stock.

NOTE 4 - ACQUISITIONS

In December and October 1993, the Company commenced management of, and subsequently acquired certain assets and assumed certain liabilities of Road and Show South, Ltd. (South) and Road and Show Cellular East, Inc. (East), respectively. The purchase price for South was $1,261,611, of which $46,111 was paid in cash and the balance through the issuance of 221,000 shares of the Company's common stock valued at $1,215,500. The purchase price for East was $750,245, of which $209,245 was paid in cash and the balance through the issuance, upon demand, of 108,200 shares of the Company's common stock valued at $541,000. The number of shares of common stock related to these acquisitions was adjusted on December 1, 1994 based on the price of the Company's common stock at that date, for which an aggregate of 64,966 additional shares will be issued. As of December 31, 1994, no shares of common stock had been issued for the East acquisition. The shares in connection with the South acquisition have been issued, but have not been delivered pending the outcome of certain claims against, and by, the former owners of South (Note 16).

In June 1994, the Company acquired all of the partnership interests in Access Telecommunication Group, L.P. and Access Telemanagement, Inc. (collectively Access). The purchase price was $9,252,031, of which $4,252,031 was paid in cash and the balance through the issuance of 400,000 shares of Series E Preferred Stock valued at $3.75 per share and 700,000 shares of Series F Preferred Stock valued at $5.00 per share.

NOTE 4 - ACQUISITIONS (CONTINUED)

The acquisitions were accounted for as purchases, and the purchase prices were allocated on the basis of the relative fair market values of the net assets.

The excess of costs over fair value of the net assets acquired is recorded as goodwill (aggregating approximately $10,289,000) in the accompanying consolidated financial statements. Amortization of goodwill approximated $181,000 and $15,000 in 1994 and 1993, respectively.

Additional payments may be required for the East acquisition based upon the attainment of certain future revenues of the Company and will be charged to goodwill when they become earned.

The following unaudited pro forma statements of operations for 1994 and 1993 give effect to the acquisitions, as if they occurred on January 1 in each year

	1994	1993
Revenues	$ 54,547,694	$ 47,479,720
Cost of revenues	32,612,238	30,774,241
Gross margin	21,935,456	16,705,479
Selling, general and administrative expenses	19,573,151	16,846,048
Operating income (loss)	2,362,305	(140,569)
Other expense, net	(459,378)	(572,072)
Income (loss) before income tax credit and extraordinary item	1,902,927	(712,641)
Income tax credit	550,000	-
Income (loss) before extraordinary item	2,452,927	(712,641)
Extraordinary item	-	(150,000)
Net income (loss)	2,452,927	(862,641)
Preferred stock dividends	(538,159)	(464,650)
Net income (loss) applicable to common stock	$ 1,914,768	$ (1,327,291)
Net income (loss) per common share		
Income (loss) before extraordinary item	$ .25	$ (.21)
Extraordinary item	-	(.03)
Net income (loss)	$ .25	$ (.24)
Weighted average number of common shares outstanding	7,753,409	5,526,492

NOTE 5 - INTANGIBLE ASSETS:

Intangible assets consist of the following at December 31, 1994 and 1993:

	1994	1993
Goodwill	$ 11,185,606	$ 2,307,692
Deferred startup costs	491,246	172,689
Software development costs	186,334	68,000
Other	198,129	175,756
	12,061,315	2,724,137
Accumulated amortization	863,428	376,179
	$ 11,197,887	$ 2,347,958

NOTE 6 - ACCRUED EXPENSES

Accrued expenses at December 31, 1994 and 1993 consist of the following:

	1994	1993
State sales and excise taxes	$ 861,406	$ 1,194,746
Deferred lease obligations	149,986	153,805
Compensation	416,773	76,787
Property taxes	140,102	72,443
Concession fees	101,835	64,754
Other	711,634	506,236
	$ 2,381,736	$ 2,068,771

NOTE 7 - LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

Long-term debt and capital lease obligations at December 31, 1994 and 1993 consist of the following

	1994	1993
Revolving $4,000,000 credit line, due in monthly installments of approximately $36,500 commencing March 1995 and bearing interest at 2% above prime rate (10.5% at December 31, 1994) (Note 8)	$ 1,008,939	$ -
Initial term loan, due in quarterly installments of $50,000 commencing November 24, 1994, with final payment of $700,000 due May 1996 and bearing interest at 2% above prime rate	950,000	$ -

NOTE 7 - LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (CONTINUED)

	1994	1993
Notes payable to vendors, non-interest bearing due in aggregate quarterly installments of approximately $249,000 through June 1995	497,595	1,615,490
Promissory note payable in semi-annual installments through May 31, 1996 and bearing interest at 10% per annum (see below)	268,300	750,000
Promissory note, $550,000 original face amount discounted at 7.75%, payable in quarterly installments of $25,000 through March 31, 1999, collateralized by commitment to issue 106,250 shares of Series C Preferred Stock	359,193	428,003
Promissory note, $450,000 original face amount, non-interest bearing, payable in quarterly installments of $16,071 through June 30, 1999	289,068	353,353
Capital lease obligations, collateralized by related telecommunications and data processing equipment and all of the assets acquired from Access (Note 4)	1,353,671	572,461
	4,726,766	3,719,307
Less current portion	1,840,401	1,941,876
	$ 2,886,365	$ 1,777,431

In connection with the Company's 1992 restructuring (Note 3), approximately $3,300,000 of vendor payables were converted to non-interest bearing notes payable. As part of the restructuring, the Company also renegotiated the terms of a $450,000 promissory note. Prior to the restructuring, the note provided for interest at the prime rate plus 1% and was due in 1990. As of December 31, 1992, the Company was negotiating the settlement of a $600,000 promissory note, which was subsequently settled for a $750,000 promissory note, with interest at 10% per annum. In connection with the restructuring, approximately $1,500,000 of capital lease obligations was forgiven. As of December 31, 1992, one settlement requiring a cash payment of $588,000 had not been completed. A payment of $588,000 plus penalties and interest of $50,000 was made in 1993.

NOTE 7 - LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (CONTINUED)

In May 1994, the Company entered into a $5,000,000 financing agreement with a bank. The agreement provides for a revolving credit line for a maximum, as defined, of $4,000,000 to be used for expansion in the shared tenant services business. Aggregate drawings on the line convert semi-annually, through May 1996, to three year term loans. In addition, the agreement provides for a $1,000,000 term loan. The loans are collateralized by certain assets of the Company. The agreement provides for, among other things, the Company to maintain certain financial covenants. As of December 31, 1994, the Company was in violation of certain of these covenants and on March 31, 1995 received a waiver of those covenants for the year ended December 31, 1994.

Scheduled aggregate payments on long-term debt and capital lease obligations are as follows:

Year ending December 31:	Long-Term Debt	Capital Lease Obligations
1995	$ 1,343,645	$ 596,262
1996	1,279,796	413,471
1997	499,663	332,947
1998	193,540	190,299
1999	56,451	28,278
	$ 3,373,095	1,561,257
Less amount representing interest		207,586
Present value of future payments, including current portion of $496,756		$ 1,353,671

Telecommunications and data processing equipment includes assets acquired under capital leases with a net book value of approximately $1,534,000 and $514,000 as of December 31, 1994 and 1993, respectively.

NOTE 8 - REDEEMABLE PUT WARRANT

In connection with the bank financing agreement, the Company issued the bank a redeemable put warrant for a number of common shares equal to 2.25% of the Company's outstanding common stock, subject to anti-dilution adjustments. The warrant is redeemable at the Company's option prior to May 1996, and at the bank's option at any time after May 1997. As defined in the agreement, the Company has guaranteed the bank a minimum of $500,000 upon redemption of the warrant, and therefore, has valued the warrant at the present value of the minimum guarantee discounted at 11.25%. The discount is being amortized on a straight-line basis over four years.

NOTE 9 - STOCKHOLDERS' EQUITY

The Company is authorized to issue 10,000,000 shares of preferred stock, issuable from time to time in one or more series with such rights, preferences, privileges and restrictions as determined by the directors. In 1994, the Company increased its authorized number of shares of common stock to 20,000,000.

NOTE 9 - STOCKHOLDERS' EQUITY (CONTINUED)

On August 28, 1992, the Board of Directors approved a one-for-four reverse stock split of common stock and the par value of common stock was increased from $.001 to $.004 per share. The applicable number of common share and per common share information herein have been retroactively restated to reflect the effect of the reverse split.

In September 1992, the Company completed a private placement to sell to certain investors 1,250,000 shares of its common stock at $5 per share. The Company received $5,780,000, net of underwriters' commissions of $470,000 and including subscriptions totalling $162,980 collected subsequent to December 31, 1992. A commission of $446,750 was paid to a firm, one of whose principals is a director and stockholder of the Company.

In connection with the 1992 restructuring (Note 3), all Series A and B Preferred Stock, including $327,920 of accrued dividends, were converted into Series C Preferred Stock. At that time, Series A and Series B Preferred Stock were eliminated. Series C Preferred Stock is entitled to a liquidation value of $4 per share and dividends of $.32 per share per annum payable quarterly in arrears, and the shares are non-voting. These shares are convertible into common stock, at the holder's option, on a one share of common stock for two shares of Series C Preferred Stock basis, at any time, subject to certain anti-dilution protection for the Preferred Stockholders. At the Company's option, the Series C Preferred Stock is redeemable, in whole or in part, at any time after June 30, 1993, at $6 per share plus all accrued dividends.

In December 1993, the Company commenced a private placement to sell to certain investors units consisting of one share of Series D Preferred Stock and one warrant to purchase one share of common stock. As of December 31, 1994, the Company had sold 456,900 units for net proceeds of $1,739,659, after deducting expenses of $430,616. Series D Preferred Stock is entitled to dividends of 5% per annum payable quarterly and may be redeemed for $7 per share, plus all accrued dividends, at the option of the Company. The shares are non-voting and are convertible into shares of the Company's common stock on a one-for-one basis at the holder's option. The shares rank senior to all shares of the Company's common stock and junior to Series C Preferred Stock. The common stock purchase warrants are exercisable at a per share price of $5.75. In connection with the offering, the investment banking firm received warrants to purchase 15,600 shares of the Company's common stock at an exercise price of $5.75 per share. The Company has the right to require the holder to exercise the warrants, and if not exercised, they will expire in the event that the Company's common stock trades at or above $8.50 per share. As of December 31, 1994, no warrants had been exercised.

In May and June 1994, the Company sold, through a private placement to certain investors, 1,328,700 shares of common stock and an equal number of warrants, for net proceeds of $4,511,558, after deducting expenses of $371,067. The warrants are exercisable prior to June 26, 1999 at a per share price of $4.25, subject to certain anti-dilution protection. As of December 31, 1994, no warrants had been exercised. The proceeds from this offering were used for the Access acquisition (Note 4).

In June 1994, the Company issued 400,000 shares of Series E Preferred Stock, $.01 par value, and 700,000 shares of Series F Preferred Stock, $.01 par value, in connection with the Access acquisition.

NOTE 9 - STOCKHOLDERS' EQUITY (CONTINUED)

Series E Preferred Stock is entitled to a liquidation value of $3.75 per share and dividends of $.30 per share per annum, payable cumulatively in the form of cash or the Company's common stock, and the shares are non-voting. The shares rank senior to common stock, junior to Series C Preferred Stock and on par with Series F Preferred Stock. The Series E Preferred Stock previously issued was converted into 400,000 shares of common stock in January 1995. In addition, upon conversion, the holders received warrants, which expire on December 31, 1999, to purchase 175,000 shares of common stock, at an exercise price of $4.25 per share, subject to certain anti-dilutive provisions.

Series F Preferred Stock is entitled to a liquidation value of $5.00 per share and no dividends. The shares are senior to common stock and junior to Series C Preferred Stock. These shares are convertible on July 1, 1995 into common stock at the liquidation value, as adjusted and defined, and subject to certain anti-dilution adjustments.

Additionally, the Company issued warrants to the sellers of Access to purchase 225,000 shares of the Company's common stock at an exercise price of $4.25 per share, subject to certain anti-dilution adjustments.

The following table summarizes the number of common shares reserved for issuance as of December 31, 1994. There were no preferred shares reserved for issuance as of December 31, 1994.

Common stock purchase warrants	2,935,223
Preferred stock	2,134,504
	5,069,727

NOTE 10 - RESTATEMENT OF 1993 FINANCIAL STATEMENTS

The Company has restated its 1993 consolidated financial statements to reflect the write-off of certain startup costs of approximately $120,000, previously capitalized, relating to certain cellular telephone operations.

Income before extraordinary item	
As previously reported	$ 410,221
As adjusted	290,174
Net income	
As previously reported	260,221
As adjusted	140,174
Net income (loss) per common share before extraordinary item	
As previously reported	.01
As adjusted	(.01)
Net loss per common share	
As previously reported	(.02)
As adjusted	(.04)
Accumulated deficit	
As previously reported	24,128,237
As adjusted	24,248,284

NOTE 11 - STOCK OPTION PLANS

The Company has non-qualified stock option plans which provide for the grant of common stock options to officers, directors, employees and certain advisors and consultants at the discretion of the Board of Directors (Committee). All options granted are exercisable at a minimum price equal to the fair market value of the Company's common stock at the date of grant, and are exercisable in accordance with vesting schedules set individually by the Committee. As of December 31, 1994, as amended on April 11, 1995, 1,157,146 shares of common stock are reserved for options, including options exercised to date, and the term of the options granted is from five to ten years. The April 11, 1995 amendment is awaiting stockholder approval. The activity in the plans was as follows:

	Number of Options	Exercise Price Per Share Range	Exercise Price Per Share Weighted Average
Balance outstanding, January 1, 1992	368,187	$1.72-24.50$	4.08
Granted	61,375	5.00	5.00
Expired	(21,583)	2.84-24.50	17.09
Exercised	(53,938)	1.72- 2.84	2.06
Balance outstanding, December 31, 1992	354,041	1.72-12.00	3.77
Granted	173,500	4.00- 5.50	5.32
Expired	(28,780)	2.84-12.00	10.19
Exercised	(35,000)	1.72- 2.84	2.36
Balance outstanding, December 31, 1993	463,761	1.72-11.00	4.06
Granted	317,000	3.25-4.50	3.60
Expired	(59,062)	4.00-5.50	5.43
Exercised	(25,000)	2.84	2.84
Balance outstanding, December 31, 1994	696,699	$1.72-11.00$	3.78

At December 31, 1994, options to purchase 314,695 shares of common stock were exercisable.

In September 1994, the Board of Directors adopted the 1994 Director Option Plan (the Director Plan) pursuant to which 250,000 shares of common stock are reserved for issuance upon the exercise of options to be granted to non-employee directors of the Company. Under the Director Plan, an eligible director will automatically receive non-statutory options to purchase 15,000 shares of common stock at an exercise price equal to the fair market value of such shares at the date of the grant. Each option shall vest over a three year period, but generally may not be exercised more than 90 days after the date an optionee ceases to serve as a director of the Company, and expires after ten years from date of grant. As of December 31, 1994, options to purchase 105,000 shares of common stock have been granted at an exercise price of $4.38. The Plan is awaiting stockholder approval.

NOTE 12 - RETIREMENT AND SAVINGS PLAN

On March 3, 1989, the Company adopted the Shared Technologies Inc. Savings and Retirement Plan (the Plan). The Plan covers substantially all of the Company's employees and the Company is applying for compliance with section 401(k) of the Internal Revenue Code. Participants in the Plan may elect to make contributions up to a maximum of 20% of their compensation. For each participant the Company will make a matching contribution of one-half of the participant's before and after tax contributions up to 5% of the participant's compensation. Matching contributions may be made in the form of the Company's common stock. Participants vest in the matching contributions at the rate of 33% per year. The Company's expense relating to the matching contributions was approximately $163,000, $116,000 and $51,000 for 1994, 1993 and 1992, respectively.

NOTE 13 - INCOME TAXES

For 1992, the Company recorded a provision for minimum federal and state income taxes of $45,000, after the benefit of utilizing net operating loss (NOL) carryforwards of approximately $3,000,000. At December 31, 1994, the Company's NOL carryforward for federal income tax return purposes is approximately $22,700,000 expiring between 2001 and 2007. NOL's available for state income tax purposes are less than those for federal purposes and generally expire earlier than the federal NOL's. Limitations will apply to the use of NOL's in the event certain changes in Company ownership occur in the future.

For the years ended December 31, 1994 and 1993, taxes computed at the statutory federal rate differ from the Company's effective rate due primarily to the availability of NOL's.

The components of deferred income tax assets (liabilities) as of December 31, 1994 and 1993 are as follows (in thousands):

	1994	1993
Tax effect of net operating loss carryforwards	$ 9,011	$ 9,789
Financial reserves not yet tax deductible	233	130
Equipment	(1,200)	(1,114)
Goodwill	(107)	
Deferred income tax asset	7,937	8,805
Valuation allowance	(7,387)	(8,805)
Net deferred tax asset	$ 550	$ -

NOTE 13 - INCOME TAXES (CONTINUED)

At December 31, 1994, the Company's net operating losses of $22,700,000 are included in the gross deferred income tax asset of $7,937,000, of which $550,000 was recorded as a deferred tax asset, and the balance reserved through a valuation allowance of $7,387,000.

SFAS No. 109, requires that the Company record a valuation allowance when it is "more likely than not that some portion or all of the deferred tax asset will not be realized". The ultimate realization of this deferred tax asset depends on the ability to generate sufficient taxable income in the future. The Company has undergone substantial restructuring resulting in a lower and more competitive cost structure. While management believes that the total deferred tax asset will be fully realized by future operating results together with tax planning opportunities, the losses in recent years and a desire to be conservative make it appropriate to record a valuation allowance.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Contingencies - The Company had been the provider of telecommunications services at the Jacob K. Javits Convention Center (the Center) in New York City. Effective January 1, 1992, as a result of a contractual dispute with the New York Convention Center Operating Corporation (CCOC), the Company no longer provided services at the Center. A claim for approximately $5,400,000 was filed against the Company by CCOC for damages. In November 1993, the litigation with CCOC was settled and provided for the Company to pay $25,000 and issue a $550,000 note payable over five years, with no interest. The present value of the note was accrued by the Company (Note 7).

While providing services at the Center, the Company licensed the right to provide certain public pay telephone services at the Center to Tel-A-Booth Communications, Ltd. (Tel-A-Booth). Tel-A-Booth has filed a claim against the Company which seeks $10,000,000 in damages including $1,400,000 for equipment purchased, for which no amounts have been provided in the accompanying consolidated financial statements.

Discovery was completed in early 1995 and revealed certain inconsistencies in plaintiff's claims, which cast in doubt the bona fides of plaintiff's demand for $10 million on each of its claims against the Company. Of the $10 million in claimed damages, all but $1.4 million represents plaintiff's estimation of lost profits as a result of the Company's alleged breach of contract. The remaining $1.4 million represents the cost of the 400 telephones which plaintiff purportedly purchased for installation at The Center, pursuant to the contract, but which were ultimately not installed.

Furthermore, the Company has asserted that the pertinent contract between plaintiff and the Company bars plaintiff's recovery of lost profits. More specifically, the contract provides that "[n]either party hereto shall be liable, directly or through any indemnification provision herein, for consequential (including lost profits) or indirect damages arising in any way out of this Agreement." Although plaintiff has argued that the language surrounding this clause limits its application to claims brought by third parties and thus the clause was not intended to limit damage claims between plaintiff and the Company, management believes this is a further defense to the claim.

NOTE 14 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

With respect to the $1.4 million damage claim, discovery has revealed that plaintiff borrowed this entire amount from a private lender, using the telephones to be purchased as collateral. Subsequent to plaintiff's termination at The Center, the lender took possession of the collateral (which was then sold) and forgave the entire indebtedness in exchange. Arguably, plaintiff suffered no direct damage from the alleged breach of contract since plaintiff was restored to its initial position following this transaction.

While any litigation contains an element of uncertainty, management is of the opinion -based on the current status of the claim - that the ultimate resolution of this matter should not have a material adverse effect upon either results of operations, cash flows or financial position of the Company.

The Company's sales and use tax returns in certain jurisdictions are currently under examination. Management believes these examinations will not result in a material change from liabilities provided.

STC is a party to an employment claim which arose prior to STC's acquisition of South. STC is seeking indemnification from South (Note 16).

In addition to the above matters, the Company is a party to various legal actions, the outcome of which, in the opinion of management, will not have a material adverse effect on the Company's financial condition and results of operations.

In November 1994, a subsidiary signed a letter of intent with an investment banking firm for the purpose of underwriting an initial public offering. If the public offering is successful and depending on the number of shares sold, the Company's investment in the subsidiary would be reduced from approximately 85% to approximately 60%.

Commitments - The Company has entered into operating leases for the use of office facilities and equipment, which expire through October 2004. Certain of the leases are subject to escalations for increases in real estate taxes and other operating expenses. Rent expense amounted to approximately $1,856,000, $1,700,000 and $1,676,000 for the years ended December 31, 1994, 1993 and 1992, respectively.

Aggregate approximate future minimum rental payments under these operating leases are as follows:

Year ending December 31:	
1995	$ 1,863,000
1996	1,483,000
1997	1,150,000
1998	988,000
1999	815,000
Thereafter	1,178,000
	$ 7,477,000

NOTE 14 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

In January 1994, the Company entered into a consulting agreement for financial and marketing services, which expires in November 1996. The agreement provides for the following compensation: $30,000 upon signing, $3,000 per month retainer, and $150,000 upon the attainment of a specific financial ratio, which as of December 31, 1994 had not been attained. In addition, the consultant was issued a three year warrant to purchase 300,000 shares of the Company's common stock at a purchase price of $5.75 and a five year warrant to purchase 250,000 shares of the Company's common stock at a purchase price of $7.00 per share. The consultant may not compete with the Company during the term of this agreement and for two years thereafter.

The consultant, through its affiliate, acquired from the Company approximately 1.5% (31,381 shares) of STC's common stock at a price of $.08 per share.

In connection with the acquisition of East, STC entered into a three year consulting agreement, providing that during the first two years of the agreement the former owner is to be paid an annual consulting fee equal to 3% of STC's total cellular telephone rental revenues in excess of $4,000,000. In addition, an annual bonus of $100,000 is payable if total cellular telephone rental revenues exceed $5,000,000 per annum. The former owner may not engage in any business competing with STC, within a certain geographical area. For the year ended December 31, 1994, approximately $203,000 of fees relating to this agreement were incurred.

In February 1994, the Company entered into a consulting agreement with a company controlled by the founder of Road and Show. The agreement, which was amended effective September 1, 1994 and expires December 31, 1996, provides for compensation of $205,000 and $200,000 for 1995 and 1996, respectively. In addition, the original agreement provided for the issuance of 31,381 shares of STC common stock, with a value ascribed thereto of $2,500 ($.08 per share). During the term of the agreement and for two years thereafter, the consultant may not compete with STC in the business of renting cellular telephones anywhere in the United States, Mexico and Canada. The consultant also received options to purchase 31,381 shares of STC's common stock at an exercise price, as amended, of $4.20 per share, pursuant to STC's stock option plan.

In connection with the Access acquisition, the Company has entered into two employment agreements with former owners of Access. Each agreement is for three years expiring in June 1997. If terminated without cause, the Company shall pay all compensation due under the agreements for the lesser of eighteen months or the time remaining in the initial term. Aggregate minimum payments under the agreements during the years ending December 31, 1995, 1996 and 1997 are $330,000, $342,500 and $175,000, respectively.

NOTE 15 - RELATED PARTY TRANSACTIONS

In 1992, the Company issued 12,500 shares of common stock to a Board of Directors member and former shareholder of a Company acquired (BTC). The shares were issued since the Company was unable to obtain the release of his guarantee of certain BTC obligations in connection with the 1992 restructuring (Note 3). The Company has also agreed to indemnify the individual for any future amounts incurred by him related to his guarantee. The fair value of the shares issued was recorded as an expense in 1992.

As of December 31, 1993, approximately $288,000 had been paid for life insurance premiums made on behalf of the Company's president, which was to be repaid from the proceeds of a $2,500,000 face value life insurance policy which was owned by the president. In January 1994, the beneficiary on the policy was changed to the Company in order to reduce the premium payments required by the Company. As of December 31, 1994, the amount due to the Company for premiums paid exceeded the cash surrender value of the policy by approximately $135,000. Accordingly, the President has agreed to reimburse the Company for this amount. The receivable and cash surrender value are reflected in other assets in the accompanying consolidated balance sheets.

NOTE 16 - SUBSEQUENT EVENTS

During January 1995, the Company commenced a private placement to sell to a certain investor 300,000 shares of common stock at $4.25 per share, pursuant to Regulation S of the Securities Act of 1933. In connection with this transaction, the underwriter received a commission of $120,000 and a five year common stock purchase warrant to acquire 30,000 shares of the Company's common stock for $5.00 per share.

On January 17, 1995, STC filed a complaint against South (which includes its affiliates). The complaint alleges that the failure by South to disclose a certain claim constituted a breach of the asset purchase agreement. STC seeks damages and a declaratory judgement that the payment in the Company's common stock to South, pursuant to the agreement, should be reduced by the amount of any damages caused to the Company by such breach. In addition, the Company seeks indemnification from South, including requiring South to defend the Company from and against such claim.

On January 27, 1995, South commenced an action against STC alleging, among other things, that STC's failure to deliver to South the Company's common stock under the asset purchase agreement constituted a breach of contract and fraud. South is seeking unspecified actual and punitive damages of not less than $10,000,000. STC sought a stay of this action and is considering depositing the Company's common stock with the Court. Although it has not received an opinion of counsel with regard to this matter, STC believes it has meritorious defenses to this action. In the event of an adverse outcome in this action, the Company does not believe that damages payable would be material unless the market value of the Company's common stock materially decreases prior to delivery thereof.

SCHEDULE VIII

SHARED TECHNOLOGIES INC.

VALUATION AND QUALIFYING ACCOUNTS
Years Ended December 31, 1994, 1993 AND 1992

Description	Balance at Beginning of Year	Charged to Cost and Expenses	Charged to Other Accounts	Deductions (1)	Balance at End of Year
December 31, 1992:					
Allowance for doubtful accounts and discounts	$ 291,000	$ 96,000	$ -	$ 90,000	$ 297,000
December 31, 1993:					
Allowance for doubtful accounts and discounts	297,000	253,000		240,000	310,000
December 31, 1994:					
Allowance for doubtful accounts and discounts	310,000	412,617		138,617	584,000

(1) Represents write off of uncollectible accounts, net of recoveries

PART III

Items 10, 11, 12 and 13.

The Company incorporates by reference in response to these items its Proxy Statement for its Annual Meeting of Stockholders to be held on May 23, 1995 (to be filed with the Securities and Exchange Commission in definitive form on or before April 28, 1995).

PART IV

Item 14.

Exhibits, Financial Statement Schedules and Reports on Form 10-K

(a) Financial Statements

Independent Auditors' Report: Rothstein, Kass & Company, P.C.
Report of Independent Public Accountants: Arthur Andersen LLP

Consolidated Balance Sheets as of December 31, 1994 and 1993.

Consolidated Statements of Operations for the years ended December 31, 1994, 1993 and 1992.

Consolidated Statements of Stockholders' Equity for the years ended December 31, 1994, 1993 and 1992.

Consolidated Statements of Cash Flow for the years ended December 31, 1994, 1993 and 1992.

Notes to Consolidated Financial Statements

Financial Statements Schedule: Schedule VIII

(b) Reports on Form 8-K

On January 25, 1995 the Company filed a Form 8K announcing a change in independent public accountants to Rothstein, Kass & Company, P.C. from Arthur Andersen LLP for the year end December 31, 1994.

(c) Exhibits

Exhibit No. Description of Exhibit

3.1	Restated Certificate of Incorporation of the Registrant.
3.2	By-laws of the Registrant, as amended.
4.1	Specimen Certificate for Common Stock, as amended to reflect the reverse one-for-four stock split and corresponding change in par value. Incorporated by reference from Exhibit 4.1 of the Company's Form 10-K/A Amendment No. 1 for December 31, 1992.
4.2	Certificates of Designation for Series D Preferred Stock. Incorporated by reference from Exhibit 4.2 of the Company's Form 10-K/A Amendment No. 1 for December 31, 1993.
4.3	Form of Warrant Certificate associated with Series D Preferred Stock offering. Incorporated by reference from Exhibit 4.3 of the Company's Form 10-K/A Amendment No. 1 for December 31, 1993.
4.4	Form of Registration Rights Agreement associated with Series D Preferred Stock Offering. Incorporated by reference from Exhibit 4.4 of the Company's Form 10-K/A Amendment No. 1 for December 31, 1993.
10.1	Promissory Note dated June 4, 1990 in the principal amount of $5,000,000 from Registrant to Central Bank with Loan and Security Agreement, Pledge Agreement, Guaranty Agreement and Collateral Assignment of Tenant Services Agreement. Incorporated by reference from Exhibit 10.7 of the Company's Form 10-K for December 31, 1990.
10.2	Revolving Note dated February 20, 1991 in the principal amount of $750,000 from Registrant to Central Bank with Letter Agreement and Commercial Revolving Loan and Security Agreement. Incorporated by reference from Exhibit 10.4 of the Company's Form 10-K for December 31, 1991.
10.3	Workout Agreement dated July 27, 1992 between the Registrant and the Federal Deposit

	Insurance Corporation in its capacity as receiver for Central Bank and Trust Company. Incorporated by reference from Exhibit 10.5 of the Company's Form 10-K/A Amendment No. 1 for December 31, 1992.
10.4	Form of Non-Bank Creditor Agreement. Incorporated by reference from Exhibit 10.6 of the Company's Form 10-K/A Amendment No. 1 for December 31, 1992.
10.5	Form of Assent to Plan for a Common Law Composition of all Non-Bank Creditors of Registrant. Incorporated by reference from Exhibit 10.7 of the Company's Form 10-K/A Amendment No. 1 for December 31, 1992.
10.6	Asset purchase agreement by and between Road and Show East, Inc. and Shared Technologies Cellular, Inc. Incorporated by reference from Exhibit 10.8 of the Company's Form 10-K/A Amendment No. 1 for December 31, 1993.
10.7	Asset purchase agreement by and between Road and Show South, Ltd. acting by Road and Show South, Inc. and Shared Technologies Cellular, Inc. Incorporated by reference from Exhibit 10.9 of the Company's Form 10-K/A Amendment No. 1 for December 31, 1993.
10.8	Revolving Credit and Term Loan Agreement between State Street Bank and Trust Company and Shared Technologies Inc., Multi-Tenant Services, Inc., and Boston Telecommunications Group, Inc. Incorporated by reference from Exhibit 10.10 of the Company's Form 10-K/A Amendment No. 1 for December 31, 1993.
10.9	Purchase Agreement between Shared Technologies Inc. and International Capital Partners, Inc. and others. Incorporated by reference from Exhibit 10.11 of the Company's Form 10-K/A Amendment No. 1 for December 31, 1993.
10.10	Form of Common Stock Purchase Warrant. Incorporated by reference from Exhibit 10.12 of the Company's Form 10-K/A Amendment No. 1 for December 31, 1993.

10.11	Partnership Interests and Share Purchase Agreement by and among Access Telemanagement, Inc., Access Trust, Ronald E. Scott, Kevin Schottlaender and Shared Technologies Inc. dated June 27, 1994. Incorporated by reference to the Company's Form 8-K dated June 27, 1994 and filed on July 8, 1994.
10.12	Accounts Security Agreement by and between Access Telecommunication Group, L.P. and MARTINET, Inc. for Access Trust, Ronald E. Scott, Kevin Schottlaender and Trammel S. Crow. Incorporated by reference to the Company's Form 8-K dated June 27, 1994 and filed on July 8, 1994.
10.13	Pledge Agreement between Shared Technologies Inc. and MARTINET, Inc. for Access Trust, Ronald E. Scott, Kevin Schottlaender and Trammel S. Crow. Incorporated by reference to the Company's Form 8-K dated June 27, 1994 and filed on July 8, 1994.
10.14	Registration Rights Agreement by and among Shared Technologies Inc., Access Trust, Ronald E. Scott and Kevin Schottlaender. Incorporated by reference to the Company's Form 8-K dated June 27, 1994 and filed on July 8, 1994.
10.15	Form of Common Stock Purchase Warrant. Incorporated by reference to the Company's Form 8-K dated June 27, 1994 and filed on July 8, 1994.
10.16	Consulting Agreement between Shared Technologies Inc. and Vertical Financial Holding.
11	Computation of Earnings Per Share and Weighted Average Number of Shares Outstanding.
21	List of subsidiaries of the Registrant.
27	Financial Data Schedule

SIGNATURES

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

SHARED TECHNOLOGIES INC.
(Registrant)

By /s/ Vincent DiVincenzo
Vincent DiVincenzo
Senior Vice President - Finance and Administration, Treasurer, Chief Financial Officer and Director

Date: May 22, 1995

Exhibit 4

STFI's Annual Report
For Period Ended December 31, 1993
SEC Form 10-K

Appendix A

Price List

TITLE SHEET

FLORIDA TELECOMMUNICATIONS PRICE LIST

This price list contains the descriptions, regulations, and rates applicable to the furnishing of intrastate resale local exchange telecommunications services by Access Network Services, Inc ("Company") for calling to various locations within specified local service areas within the State of Florida except for those areas of the state (territories of earnings regulated small LECs) that are precluded by Section 364.337(1) Florida Statutes. The principal offices of the Company are at 777 Brickell Avenue, Suite 708, Miami, Florida 33131 and 101 East Kennedy Boulevard, Suite 3080, Tampa, Florida 33602. This price list is on file with the Florida Public Service Commission, and copies may be inspected, during normal business hours, at the Company's principal places of business.

Stuart G Meister
300 West Service Road
P O Box 10804
Chantilly, VA 20153-0804
(703) 478-5888

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by

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

_ X _ ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE YEAR ENDED DECEMBER 31, 1995

_ _ _ ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD _ _ _ TO _ _

Commission File Number 0-17366

SHARED TECHNOLOGIES FAIRCHILD INC.

(Exact name of registrant as specified in its charter)

Delaware	87-0424558
(State or other jurisdiction of Incorporation or organization)	(I.R.S. Employer Identification No.)

100 Great Meadow Road, Suite 104 Wethersfield, Connecticut	06109
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (860) 258-2400

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, $.004 par value

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not 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. [ ]

The aggregate market value of the registrant's Common Stock held by nonaffiliates as of March 25, 1995 was approximately $17,400,000, based on the average of the closing bid and asked prices as reported on such date in the over-the-counter market.

Indicate the number of shares outstanding of each of the registrant's classes of Common Stock, as of March 29, 1996

14,709,946 shares of Common Stock
$.004 par value

The following document is hereby incorporated by reference into Part III of this Form 10-K: The registrant's Proxy Statement for its Annual Meeting of Stockholders to be held on May 2, 1996 filed with the Securities and Exchange Commission in definitive form on April 23, 1996.

PART I

Item 1.

Business

(a) General Development of Business - Shared Technologies Fairchild Inc., which was incorporated as Shared Technologies Inc. on January 30, 1986, its subsidiaries and affiliated partnerships (collectively, the "Company") are engaged in providing shared telecommunications services ("STS") and telecommunication systems ("Systems") to tenants of modern, multi-tenant office buildings. As an STS provider, the Company generally obtains the exclusive right from a building owner (the Owner/Developer") to install an on-site communications system, called a private branch exchange ("PBX"), or an off-site communications system, called centrex, and to market telecommunications and office automation services and equipment to tenants.

In May 1991, the Company acquired the stock of Boston Telecommunications Company (BTC), a provider of STS in the Boston area. The Company paid $1,097,000 consisting of acquisition cost less cash received of $197,000, stock purchase warrants valued at $300,000 and a $600,000 promissory note payable. In May 1989, the Company acquired interests in four entities providing STS in the greater Chicago area from Shared Services, Inc. and I.S.E., Inc. for $180,000. Additionally, in February 1989, the Company purchased the stock of Multi-Tenant Services, Inc. (MTS) a former division of BellSouth Corporation for $4,048,000 of which $391,000 was paid in cash and in payment of the balance the Company assumed existing lease obligations. MTS was a provider of STS in nine metropolitan areas.

During 1992, the Company completed a restructuring due to its working capital deficit and the maturity of its principal financing arrangements which were due to the FDIC, as receiver for the Company's principal lender. The restructuring included Shared Technologies Inc. and all of its subsidiaries. The restructuring resulted in the Company recording a gain of $5,162,000 before related expenses of $1,361,000 for consulting fees related to the restructuring and income taxes of $45,000. As a result of the restructuring, approximately $900,000 of vendor payables and $1,500,000 of capital lease obligations were forgiven and $3,300,000 of vendor payables were converted to three year non-interest bearing notes payable (see Note 7 of Notes to Consolidated Financial Statements). Additionally, a settlement agreement was entered into with the Federal Deposit Insurance Corporation ("FDIC") as receiver for the Company's principal lender which resulted in the Company paying off its term loan and revolving credit arrangements and recognizing a gain of approximately $2,700,000. In April 1994 the Company entered into a settlement agreement which provides for the payment of $750,000 plus interest at 10% which resulted in an accrued extraordinary loss of $150,000 in 1993.

In connection with the restructuring, the Company also raised equity capital of approximately $5,780,000 from certain institutional investors, net of expenses. A firm, one of whose principals is a director and stockholder of the Company served as underwriter for the offering. The Company paid this firm underwriting commissions and expenses totaling $446,750 for the offering. No other parties to the restructuring were affiliated with the Company. The Company also entered into agreements with Series A and B Preferred Stockholders to convert their holdings, including $327,920 of the accrued dividends related thereto, into Series C Preferred Stock. As part of this conversion, $40,990 of the accrued dividends was forgiven by the stockholders.

In September 1992 the Company effected a one-for-four reverse stock split of Common Stock and increased the par value of Common Stock from $.001 to $.004 per share. All per share amounts contained herein have been retroactively adjusted to reflect this split.

In December and October 1993 the Company commenced management and subsequently completed the acquisition of certain assets and liabilities of Road and Show South, Ltd. and Road and Show Cellular East, Inc., respectively. The purchase price for South was $1,261,611 which represents $46,111 cash and an obligation to issue 272,763 shares of the Company's common stock. The purchase price for East was $750,245 which represents $209,245 cash and an obligation to issue 121,403 shares of the Company's common stock.

In June 1994, Shared Technologies Inc., completed its acquisition of the partnership interests of Access Telecommunication Group, L. P. ("Access") for $9,000,000, subject to certain post closing adjustments. The $9,000,000 includes $4,000,000, paid at closing with the proceeds from the private placement sale of approximately 1,062,000 shares of the Company's Common Stock, and the issuance to the sellers of $400,000 shares of Preferred E stock, valued at $1,500,000 and 700,000 shares of Preferred F stock valued at $3,500,000.

In April 1995, the Company's subsidiary, Shared Technologies Cellular, Inc., ("STC") completed an initial public offering. Prior to this date, STC was approximately an 86% owned subsidiary of the Company. STC sold 950,000 shares of common stock at $5.25 per share which generated net proceeds of approximately $3,274,000 after underwriters's commissions and offering expenses. The net effect of the public offering on the Company's consolidated financial statements was a gain of approximately $1,375,000.

On June 30, 1995, the Company purchased all of the outstanding capital stock of Office Telephone Management ("OTM"). OTM provides telecommunication management services primarily to businesses located in executive office suites. The purchase price was $2,135,000, of which $1,335,000 was paid in cash, and the balance through the issuance of a $800,000 note, including interest at 8.59% per annum, through June 30, 2005.

During December 1995, STC affected a private placement of approximately $3,000,000 in Series A voting preferred stock to third parties. Although the Company's ownership percentage of common stock of 59.3% did not change, the voting rights assigned to the preferred stock reduced the Company's voting interest in STC to 42.7%, resulting in the Company's loss of voting control of STC. Accordingly, as a result of this stock issuance, the Company has accounted for STC on an equity basis with all assets and liabilities of STC eliminated and a non-current asset recorded to reflect the Company's equity investment in STC.

In March 1996, the Company's stockholders approved and the Company consummated a merger with Fairchild Industries, Inc. ("FII") with and into the Company. The Company simultaneously changed its name to Shared Technologies Fairchild Inc. ("STFI"). In connection with the merger, the Company issued 6,000,000 shares of common stock, 250,000 shares of cumulative convertible preferred stock with an initial $25,000,000 liquidation preference and 20,000 shares of special preferred stock with a $20,000,000 initial liquidation preference. In addition the Company raised approximately $111,000,000 net of expenses through the sale of 12 1/4% senior subordinated discount notes due 2006, and approximately $123,000,000 (of an available $145,000,000) in loans from a credit facility with Credit Suisse, Citicorp USA, Inc. and NationsBank. The funds were used primarily for the retirement two series of FII's preferred stock and of certain liabilities assumed from FII in connection with the merger and the retirement of the Company's existing credit facility. The merger was accounted for using the purchase method of accounting. The total purchase consideration of approximately $69,000,000 for the acquisition of FII was allocated to the tangible and intangible assets and liabilities of FII based upon their respective fair values.

In addition to the above transactions, the Company has continued to pursue and achieve internal growth in its existing operations.

(b) Financial Information about Industry Segments - The Company is engaged in one industry segment, the telecommunications industry, providing a wide range of telecommunications and office automation services and equipment.

(c) Narrative Description of Business

(1) (i) Products and Services

Shared Telecommunication Services (STS)

The Company provides STS to commercial tenants in office buildings in which the Company typically has installed a dedicated private branch exchange (PBX) switch under exclusive agreement with the building owner, thereby permitting the Company's customers to

obtain all their telephone and telecommunications needs from a single source and a single point of contact. Under multi-year contracts that usually extend through the terms of the tenants' leases, the Company offers its customers access to services provided by regulated communications companies, such as local, discounted long distance, international and "800" telephone services. The Company also provides telephone switching equipment and telephones, as well as voice mail, telephone calling cards, local area network wiring, voice and data cable installation. Other services provided by the Company include audio conferencing, automatic call distribution services and message center capability. In addition, the Company's customers receive a convenient single monthly customized invoice for all services provided by the Company.

Historically, the Company has marketed its services to small and medium-sized (25 to 250 lines) business customers who are not otherwise able to take advantage of economies of scale in procuring their telecommunications services. "One-stop shopping" is provided for these customers' telecommunications needs without the substantial initial capital costs that would be incurred with the purchase of the same telecommunications system from multiple suppliers. The Company offers its customers (i) services that would otherwise not be cost-effective for, or readily available to, such customers due to the size of their business; (ii) reduced capital expenditures and space requirements by allowing its customers to utilize the Company's existing infrastructure and centrally located hardware; and (iii) comprehensive maintenance programs. Additional services are available as the customer's business and telecommunications needs grow. The Company also provides its customers with the benefits of responsive on-site service.

STS providers, such as the Company, negotiate and enter into long-term telecommunications agreements with owners and developers of office buildings. Under these agreements, the STS provider typically has the right for a period of up to ten or more years to install switching equipment, wiring and telephones capable of serving all of the tenants in an office building. Typically, the right to install a dedicated PBX switch is exclusive. Such agreements provide for the owners to assist the STS provider by identifying potential tenant customers. Generally, an STS provider leases and pays rent to the owner for switch room space in the building and, under certain circumstances, may agree to provide an incentive to the owner. By contracting with an STS provider, an owner will have the benefit of a state-of-the-art telecommunications infrastructure in its building and be able to offer its tenants the ability to access sophisticated telecommunications services.

Telecommunications Systems (Systems)

Through its Systems business, the Company (i) distributes and sells equipment, including small, medium and large capacity switches and ancillary products, (ii) offers annual maintenance agreements under which the Company maintains installed products either for a

fixed annual fee for on a time and materials basis, (iii) performs systems upgrades and expansions and moves, adds and changes of telecommunications equipment and (iv) provides a variety of long distance services, including basic long distance service, "800" services, calling cards, international calling and various other network services. The Company provides telecommunications systems to commercial customers and government agencies with Systems ranging in size from 15 to several thousand lines.

Cellular

The Company through its subsidiary Shared Technologies Cellular, Inc. (STC) is involved in the cellular telephone services businesses the United States. Since the Company does not have voting control of it has been accounted for on an equity basis.

STC markets its cellular telephone services principally car rental agencies, airlines and hotels. STC has agreements with the Hertz Corporate, National Car Rental Systems, Inc., Avis Rent a Car Systems, Inc. and Budget Rent a Car Corporation to offer its portable cellular telephones at designated car rental locations principally at terminal airports, in approximately 65 cities throughout the United States. Additionally, STC markets it service at conventions and sporting events.

Through its acquisition of PTC Cellular, Inc. in November, 1995, STC become a leading provider of in-car cellular phones. In addition, as a result of its acquisition of Cellular Hotline, Inc. in May and June 1995 STC became the largest provider of nationwide cellular activation services. As an activation company STC charges a fee for this service to a national distribution partner and collects revenue from the cellular carrier in the form of commission, residual payments, and other payments. STC provides cellular activation and mobile equipment sales and service. This acquisition also involved STC in debit technology. Debit or prepaid cellular service is presented as a solution for credit issues and for businesses requiring more control over their cellular expenses.

For customers who require a more traditional approach to cellular telecommunications, STC serves as an agent for select cellular carriers.

STS Buildings

As of December 31, 1995 (prior to the merger with FII in March 1996), the Company was providing STS to tenants in 115 buildings located in 15 metropolitan areas. In those cities where the Company provides STS to tenants in more than one building, the Company is able to realize significant operating economies by sharing management, administrative, sales and technical staff across a number of buildings. The following table sets forth as of December 31, 1995, on a city-by-city basis, the Net Leaseable Square Feet and the

Potential Lines of Service in each building where the Company provides STS to tenants.

Location	Total Buildings	Leaseable Sq. Feet	Total Lines in Service
Atlanta	14	3,822,030	3,453
Birmingham	2	1,291,500	1,144
Boston	12	4,361,400	2,939
Chicago	10	3,210,300	3,322
Dallas	13	9,252,270	5,368
Hartford	6	1,624,500	1,425
Indianapolis	7	939,600	1,147
Los Angeles	10	1,674,000	622
Myrtle Beach	1	125,820	20
New Jersey	2	562,500	1,130
New Orleans	7	2,903,400	4,022
Phoenix	14	2,235,600	2,690
Seattle	8	4,033,800	3,376
Stamford	4	969,300	827
Nashville	5	1,217,340	1,342
Totals	115	38,223,360	32,827

On a post merger proforma basis Shared Technologies Fairchild Inc. would look as follows at December 31, 1995.

Location	Total Buildings	Leaseable Sq. Feet	Total Potential Lines	Total Lines in Service
Atlanta	42	13,739,413	45,798	11,682
Austin	5	810,000	2,700	2,503
Baltimore	1	414,000	1,380	133
Birmingham	2	1,291,500	4,305	1,144
Boston	12	4,361,400	14,538	2,939
Chicago	40	17,407,598	58,025	10,563
Dallas	35	17,728,439	59,095	14,881
Ft. Lauderdale	2	501,811	1,673	898
Hartford	6	1,624,500	5,415	1,425
Houston	20	11,317,500	37,725	3,292
Indianapolis	55	6,525,183	21,751	7,761
Los Angeles	28	7,845,108	26,150	3,556
Miami	4	2,079,999	6,933	2,054
Milwaukee	1	177,300	591	166
Minneapolis	26	4,255,708	14,186	5,852
Myrtle Beach	1	125,820	419	20
New Jersey	2	562,500	1,875	1,130
New Orleans	10	4,516,718	15,056	6,747
Orlando	1	391,500	1,305	801
Philadelphia	44	8,333,640	27,779	5,746
Phoenix	14	2,235,600	7,452	2,690

Pittsburgh	17	5,604,519	18,682	1,758
Salt Lake City	13	1,035,000	3,450	2,425
Seattle	8	4,033,800	13,446	3,376
Stamford	4	969,300	3,231	827
Tampa	7	3,498,170	11,661	3,998
Nashville	5	1,217,340	4,058	1,342
Washington D.C.	43	14,084,100	46,947	6,151
Totals	448	136,687,465	455,625	105,860

Penetration Rate* 26%

*Penetration rate assuming a 10% National Vacancy rate. Lines in Service/(Potential Lines x 90%).

Owner/Developer Agreements

In most buildings where it provides STS, the Company or its assignor has entered into a contractual agreement ("Owner/Developer Agreement") with the building Owner/Developer. Subject to specific provisions contained in certain Owner/Developer Agreements, the Owner/Developer Agreements generally grant the Company the exclusive right to provide STS in the building and the Owner/Developer is precluded from entering into a "materially similar arrangement" with a third party. In addition, the Company is granted a right of first refusal in the building for the offering of additional STS, such as telephone answering services, word and data processing, telex, copier services and certain other STS. The term of the agreement is generally for ten years with renewal options.

The Owner/Developer Agreements generally provide for the payment of royalties to the Owner/Developer which may be based on a percentage of gross revenues or on a percentage of rental, sale and service income or net long-distance revenues. Such royalty payments may commence at the initial service date, at some later date, typically 18 to 24 months after the Company commences to provide STS to the building, or at the time the Company achieves a certain level of market penetration in the building.

The Company is responsible for the costs and expenses incurred in operating and maintaining the STS equipment in the building and must obtain the Owner/Developer's approval to make any modification in the STS equipment which would affect the building structure. The agreement is assignable by the Owner/Developer upon the sale of the building. Certain Owner/Developers also have the right to purchase the Company's STS equipment in the building at a nominal or fair market price if the agreement is terminated.

Each Owner/Developer Agreement either contains a lease, or references a separately executed lease, for the space necessary for the Company's on-site personnel and equipment.

Tenant Contracts

The Company is a party to a Master Shared Tenant Services Agreement ("Tenant Contract") with substantially all of its customers. The Tenant Contract contains terms and conditions governing the provision of STS. Subsequent to signing a Tenant Contract, tenants submit individual customer orders for specific equipment rentals and STS. In addition to the typical Tenant Contracts for STS, the Company has agreements with several tenants who have their own PBX to maintain the system and manage the tenant's telephone call billing system, and the Company receives a monthly fee for its services.

The Company generally signs contracts for a period of five years or a term coterminous with the customer's lease in the building. The Company has contracts ranging from month to month to five years. The Company feels it has staggered the contracts such that there is no time when a material amount of contracts come due at the same time. Additionally, the Company does not have any individual customer contracts which are material.

(iii) Sales and Marketing

The Company markets its services and products through a direct sales force which is segmented into distinct geographic markets. Typically, under agreements with the Company, the owner of a building identifies prospective and existing tenants to the Company's local sales force. After establishing contact with the potential customer and obtaining an understanding of the prospective customer's telecommunications needs, the Company's local sales representative arranges for a presentation of the Company's products and services and the cost of potential solutions meeting the customer's requirements. After securing a sale, members of the Company's sales force follow up with customers by offering them new value-added services. Management believes that direct sales activities are more effective than advertising for securing and maintaining the businesses of small to medium-sized services customers. A significant percentage of new Systems sales results from upgrading, enlarging or replacing systems currently used by the Company's existing customers.

The Company strives to provide superior customer service and believes that personal contact with potential and existing customers is a significant factor in securing and retaining customers. Each new customer account is processed locally at the site location that was responsible for obtaining the account. The Company's customer service staff is dedicated to providing new customers with a smooth transition to its services and systems. All customers' calls for repair, move, adds, and changes are handled and processed at the local site. Management believe that this personal and local handling of the customer service function is very important to the customers, creating strong alliances for the Company and encouraging repeat

business. The Company's local offices retain total responsibility for all aspects of their respective customers' services (including equipment, local service and long distance). As a result, the customer only needs to place one call to inquire about any aspect of its service. The management of each local office site is evaluated quarterly for the quality of its customer service and the Company's field service representatives conduct periodic audits of all of its customers to assess their satisfaction with all aspects of service. The Company's service contracts with STS customers are typically for a duration of five years (or expire earlier upon termination of a customer's building lease). Service contracts with the Company's Systems customers are typically for one to three years duration and generally provide for automatic extensions of such term.

Providing accurate and customized billing for customers is an integral component of the Company's business. The Company's MIS systems process millions of call records a month for the telecommunications services business and combine this information with other recurring and nonrecurring customers charges to produce monthly invoices. Tenants are quoted a monthly charge for leased equipment which includes a rental fee for equipment, a charge for leased equipment which includes a rental fee for equipment, a charge for access to the PBX owned by the Company and installed in the building where such tenants are located, and a local access charge based on the cost of the trunk lines which connect the building to the central office of the local telephone company. In addition, tenants are charged for special services and usage, including "800" service, dedicated circuits, directory listing, local message units, directory assistance, calling card services, third-party billing calls, and long-distance at a discount from the standard rates charged by long-distance providers. The Company believes that its detailed billing reports provide a unique service to small and medium-sized customers allowing customers to understand and control their telecommunications cost.

The MIS systems also track telecommunications installations and customer requests from initial request to final collection. Each customer request is entered into the job order system to monitor the progress of the work as well as keep track of the time and material requisitioned for the job.

The Company's MIS systems can be expanded with minimal incremental cost to accommodate substantially more volume. Such systems feature backup processors and short-time response maintenance agreements and are designed to respond to customer needs as well as support the Company's operations.

Subsequent to the March, 1996 Merger, as the nation's leading STS provider, the Company believes it is well positioned to continue to grow through the continued implementation of its business strategy, the key elements of which are:

- Increased Penetration of Existing Buildings. The Company intends to increase its focus on generating additional revenue from the 448 buildings in which it now provides shared telecommunications services. Although the Company may continue to make selective acquisitions of STS providers in the future, its principal focus will be on marketing services within its existing buildings, both to new customers and to existing customers.

- Significant Additions of Buildings. For the three years ended December 31, 1995, STI and FII grew internally through the addition of 26 and 36 buildings, respectively. The Company plans to take advantage of its improved market position to aggressively pursue opportunities to add buildings to its portfolio, in particular, through multi-building contracts with large commercial property owners.

- Expanded Service Offerings. The Company intends to capitalize on the growing demand for new telecommunications and information technology by expanding its services to include high speed access to the Internet, video teleconferencing, wireless services and the delivery of cable programming. The Company's existing infrastructure allows for low-cost delivery of these services at minimal incremental expense to the Company. The Company believes that many of these services would otherwise not be readily available or affordable to its customers.

- Cross Marketing of Services and Systems. The Company intends to leverage its Systems business by marketing telecommunications services to its existing Systems customer base. In addition, the Company intends increasingly to market Systems to its STS customers relocating from existing rental space who continue to require customized telecommunications solutions, including the purchase or lease of equipment or the provision of long distance and other network services offered by the Company.

(iv) Patents, Trademarks, Licenses, Franchises, Concessions

See Item 1(d) (i) - "Owner/Developer Agreements" herein. Additionally, Shared Technologies Inc. is a registered trademark.

(v) Seasonality

While the Company's business is not generally seasonal, the Company has experienced, over the last several years, a reduction in local and long distance revenues in the month of December which is believed to be associated with the holiday season.

(vi) Working Capital

To date, the Company has funded its working capital shortfall through borrowings and sales of its securities. See Item 1(a) - "General Development of Business"; "Management's Discussion and Analysis of Results of Operations and Financial Condition". The Company requires working to sustain its growth and maintain its revenue base.

In March 1996, the Company's stockholders approved and the Company consummated a merger with Fairchild Industries, Inc. ("FII") with and into the Company. The Company simultaneously changed its name to Shared Technologies Fairchild Inc. ("STFI"). In connection with the merger, the Company issued 6,000,000 shares of common stock, 250,000 shares of cumulative convertible preferred stock with an initial $25,000,000 liquidation preference and 20,000 shares of special preferred stock with a $20,000,000 initial liquidation preference. In addition the Company raised approximately $111,000,000 net of expenses through the sale of 12 1/4% senior subordinated discount notes due 2006, and approximately $123,000,000 (of an available $145,000,000) in loans from a credit facility with Credit Suisse, Citicorp USA, Inc. and NationsBank. The funds were used primarily for the retirement two series of FII's preferred stock and of certain liabilities assumed from FII in connection with the merger and the retirement of the Company's existing credit facility. The merger was accounted for using the purchase method of accounting. The total purchase consideration of approximately $69,000,000 for the acquisition of FII was allocated to the tangible and intangible assets and liabilities of FII based upon their respective fair values.

Subsequent to the March, 1996 merger the Company will have approximately $20.5 million available under the Credit Facility to fund working capital requirements. The Credit Facility will contain, among other things, affirmative and negative covenants which are usual and customary with respect to senior secured indebtedness.

The Company expects to satisfy its future cash requirements through cash from operations and borrowings under the Credit Facility. The Company expects that its working capital requirements will remain manageable primarily due to the minimal capital requirements of the Systems business and, with respect to the Services business, its ability to negotiate favorable payment terms with its vendors and to bill its customers in advance for many recurring services.

(vii) Dependence on a Single Customer

No single customer or building accounts for 10% or more of the Company's revenues. The Company's business is not dependent upon a single or a few customers.

(viii) Backlog

At any given period the Company maintains new contracts signed but not yet installed due to the term of the contract which further adds to this backlog. The number of additional lines not yet installed related to new contracts cannot be determined due to changes that occur through the installation date. Therefore, backlog information cannot be quantified.

(ix) Government Regulation

The Company is subject to specific regulations in several states. Within various states, such regulations may include limitations on the number of lines or PBX switches per system, limitations of shared telecommunications systems to single buildings or building complexes, requirements that such building complexes be under common ownership or common ownership, management and control and the imposition of local exchange access rates that may be higher than those for similar single-user PBX systems. The transaction could trigger the requirement to secure permission or consent from certain state regulatory agencies. There can be no assurance that the Company can obtain such permissions or consents, or if they can be obtained, that the process can be completed on a timely basis.

Rates for telecommunications services are governed by tariffs filed by certified carriers with various regulatory agencies. Future changes in the regulatory structure under which such tariffs are filed, or material changes in the tariffs themselves, could have a material adverse effect on the Company's business. In addition, various state regulatory agencies are engaged in fact gathering to examine competition and the rules which govern the provision of intrastate services. Although the Company intends to monitor these developments, the likelihood of any changes in such rules cannot be predicted.

The Company's Systems business is generally exempt from governmental regulation from the standpoint of marketing and sales. However, various regulatory bodies, including the Federal Communications Commission, require that manufacturers of equipment obtain certain certifications.

On February 8, 1996, the Telecommunications Act of 1996 ("Telecommunications Act") was enacted as Federal law. The Telecommunications Act makes certain changes in the regulatory environment in which the Company operates by: (i) pre-empting any State or local law or regulation that prohibits, or has the effect of prohibiting, the ability of any entity to provide any interstate or intrastate telecommunications service which may result in the removal of regulatory barriers that have heretofore discouraged the Company from expanding its business in certain States; (ii) prohibiting local exchange telephone companies from prohibiting, or imposing unreasonable or discriminatory conditions on, the resale of those companies' telecommunications services which may result in the

removal or relaxation of some of the restrictions on shared telecommunications systems referred to above, and reduces the risk that telephone companies could modify their tariffs to improve more restrictive terms and conditions on such Systems; (iii) authorizing the FCC to forebear from applying any regulation to a telecommunications carrier or class of telecommunications carriers under certain conditions, which may result in a relaxation of the FCC's regulatory supervision of over the Company's operations; and (iv) authorizing the Regional Bell Operating Companies upon satisfying certain conditions, to apply for, and the FCC to grant, authority to offer long-distance services to customers within the States in which they offer local telephone service. This may result in more intense competition within the markets in which the Company operates. Other provisions of the Telecommunications Act direct the FCC to conduct rulemaking proceedings on a variety of subjects, including interconnection, resale and universal service, which may affect the Company. It is not possible, however, to predict the outcome of any such proceedings.

The Telecommunications Act may greatly affect government regulation of telecommunications, both at the state and federal level. Although the long term goal of the legislation is deregulatory, federal and state government regulatory agencies may create new rules to govern competition in the local exchange market that, in the short term, could subject the Company's shared telecommunications services to greater regulation than in the past.

(x) Competition

The Company's STS business competes with regulated major carriers that may provide a portion of the services that the Company provides, but are typically not structured to provide all of a customer's telecommunications requirements. The Company also competes with small independent operators serving regional or local markets and with other STS providers, including the Realcom unit of MFS Communications Inc. ("MFS"). The Company also competes with equipment manufacturers and distributors and long distance companies for the provision of telephone and other telecommunications equipment and services to tenants in buildings under franchise with the Company. Within the past five years, competition has expanded to include a group of companies known as alternate access providers, including MFS, TCG, Inc. and others. The major competitive factors in the STS market are technology, price and service. The Company's principal competitive advantages are its ability to provide "one-stop shopping" for telecommunications services and site-based technical service.

The principal competitors of the Company's Systems business and, once a building franchise has been obtained, the Company's STS business, include the direct sales channels of manufacturers such as AT&T's Network Systems division, Northern Telecom, Inc., NEC, other distributors of equipment manufactured by such companies, as well as the Regional Bell Operating Companies ("RBOCs").

On February 8, 1996, the Telecommunications Act was enacted as Federal Law. The Telecommunications Act makes certain changes in the regulatory environment in which the Company operates by: (i) pre-empting any State or local law or regulation that prohibits, or has the effect of prohibiting, the ability of any entity to provide any interstate or intrastate telecommunications services which may result in the removal of regulatory barriers that have heretofore discouraged the Company from expanding its business in certain States; (ii) prohibiting local exchange telephone companies from prohibiting, or imposing unreasonable or discriminatory conditions on, the resale of those companies' telecommunications services which may result in the removal or relaxation of some of the restriction on shared telecommunications Systems referred to in the preceding paragraph, and reduces the risk that telephone companies could modify their tariffs to impose more restrictive terms and conditions on such Systems; (iii) authorizing the FCC to forebear from applying any regulation to a telecommunications carrier or class of telecommunications carriers under certain conditions, which may result in a relaxation of the FCC's regulatory oversight over the Company's operations; (iv) authorizing the RBOCs, upon satisfying certain conditions, to apply for, and the FCC to grant, authority to offer long-distance services to customers within the States in which they offer local telephone service. This may result in more intense competition within the markets in which the Company operates. Other provisions of the Telecommunications Act direct the FCC to conduct rulemaking proceedings on a variety of subjects, including interconnections, resale, and universal service, which may affect the Company, but it is not possible to predict the outcome of any such proceedings.

The Telecommunication Act may result in greater competition for the Company. The RBOCs are free immediately to seek authority to offer long distance service outside their current operating areas. They will be free to offer long distance services to customers within their current operating regions after satisfying the law's requirements for opening their local markets to competition. GTE and other local exchange carriers are free immediately to seek authority to offer long distance services both within and outside their regions.

Long distance carriers also are permitted to seek authority to offer local exchange services. The major carriers (AT&T, MCI and Sprint) will be subject, on an interim basis, to restrictions on joint marketing of local and long distance services.

(xiii) Employees

As of March 15, 1996, STI and FII on a combined basis had approximately 774 employees, of whom several were covered by two collective bargaining agreements. One agreement expires in 1998 and

the other expires in 1999. Management believes that STI and FII's relations with their respective employees are satisfactory.

Item 2.

Property

As of December 31, 1995, the Company leased real property totaling approximately 60,000 square feet. As a result of the merger, the Company now leases approximately 340,000 square feet. The Company does not own any real property. Each of the leased properties is, in management's opinion, generally well maintained, is suitable to support the Company's business and is adequate for the Company's present needs.

The Company leases from RHI Holdings, Inc., the former parent of FII, on an arm's-length basis, office space at Washington-Dulles International Airport.

Item 3.

Legal Proceedings

The Federal Corporate Administrative Contracting Officer (the "AOC"), based upon the advice of the United States Defense Contract Audit Agency, has made a determination that FII did not comply with Federal Acquisition Regulations and Cost Accounting Standards in accounting for the (i) the 1985 reversion to FII of approximately $50.0 million in excess pension funds in connection with the termination of defined benefit pension plans, and (ii) pension costs upon the closing of segments of FII's business. The ACO has directed FII to prepare a cost impact proposal relating to such plan terminations and segment closings and, following receipt of such cost impact proposal, may seek adjustments to contract prices. The ACO alleges that substantial amounts will be due if such adjustments are made. In connection with the merger FII stated that it believes it has properly accounted for the asset reversions in accordance with applicable accounting standards. FII has had discussions with the government to attempt to resolve these pension accounting issues.

In December 1995, Gerard Klauer Mattison & Co., LLC ("GKM"), filed suit against the Company in U.S. District Court for the Southern District of New York alleging breach of a letter agreement and seeking an amount in excess of $2.25 million for a commission allegedly owed to GKM as a result of GKM initiating negotiations between the Company and FII and negotiating the Merger. GKM has alleged that the Company entered into a fee agreement, whereby the Company agreed to pay to GKM 0.75% of the value of the transaction as a fee. Jeffrey J. Steiner has denied that FII at any time engaged GKM for this transaction. The Company filed an Answer in January,

1996, denying that any commission is owed. This litigation is in the discovery process.

The Company is a party to other lawsuits and administrative proceedings that arose in the ordinary course of its business. Although the final results in all suits and proceedings cannot be predicted, the Company presently believes that the ultimate resolution of all such other lawsuits and proceedings, after taking into account the liabilities accrued with respect to such matters, will not have a material adverse effect on the Company's financial condition, results of operation or cash flows. See Note 16 to the Company's Consolidated Financial Statements.

The Company has no other material litigation or unasserted claims, the outcome of which would have a material impact on the Company's financial condition, results of operations or cash flows.

In the matter of Tel-A-Booth Communications, Ltd. v. Shared Technologies Inc. et al., Supreme Court of the State of New York, County of New York, an Order and Judgment was entered on March 14, 1996 granting the defendants' motion for summary judgment and dismissing the plaintiff's claims. The case had arisen in connection with the Company's operations at the Jacob K. Javits Convention Center in New York City.

Item 4.

Submission of Matters to a Vote of Security Holders None.

PART II

Item 5.

Market for Registrant's Common Stock and Related Stockholder Matters

The Company's shares of Common Stock (trading symbol: STCH) have been quoted and traded in the over-the-counter market since December 13, 1988. Over-the-counter market quotations reflect interdealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions. During 1994 and 1993, the quarterly high and low closing prices were as follows:

	1995		1994	
	High	Low	High	Low
First Quarter	$5 1/4	$3 1/2	$4 5/8	$2 7/8
Second Quarter	5 3/4	4	4	3 1/8
Third Quarter	5 1/4	3 7/8	5 3/8	2 1/2
Fourth Quarter	4 3/4	3 1/8	4 7/8	3 1/2

Number of beneficial holders of the Company's Common Stock as of February 1, 1996 was 1,856.

Item 6.

Selected Financial Data

The following table sets forth the selected financial data of the Company for each of the last five years. Financial statements for 1992 and 1991 are not presented in this filing. Such selected financial data were derived from audited consolidated financial statements not included herein. The selected financial data of the Company should be read in conjunction with the Consolidated Financial Statements and related notes appearing elsewhere in this Form 10-K. In September 1992 the Company effected a one-for-four reverse stock split of common stock and increased the par value of common stock from $.001 to $.004 per share. Weighted average common shares outstanding and per share information have been retroactively adjusted to reflect this split. All amounts, except per share amounts, are in thousands.

Statement of Operations Data:	1995	1994	1993	1992	1991
Revenue	$47,086	$45,367	$25,426	$24,077	$23,172
Gross margin	18,214	19,195	10,912	9,254	6,358
Selling, general and administrative expenses	16,189	16,909	9,797	9,959	10,717
Business Development Expenses	-	-	305	-	-
Operating income (loss)	2,026	2,286	810	(705)	(4,359)
Interest expense, net	(667)	(359)	(438)	(290)	(1,268)
Minority interest in net (inc.) losses of subsidiaries	(1,752)	(128)	(82)	(37)	4
Gain on sale of subsidiary stock	1,375	-	-	-	-
Extraordinary Item - (Loss) gain on restructuring	-	-	(150)	3,756	-
Income taxes	(45)	(63)	-	-	-
Income tax benefits		550	-	-	-
Net income (loss)	927	2,286	140	2,724	(5,623)
Net income (loss) per common share	.06	.27	(.04)	.59	(1.59)
Weighted average common shares outstanding	8,482	6,792	5,132	4,063	3,730
Cash dividends declared per preferred share	.29	.29	.32	.30	.30
Cash dividends paid per preferred share	.29	.29	.32	.38	.18
Cash dividends declared or paid per common share	-	-	-	-	-
Balance Sheet Data:					
Working capital deficit	($3,393)	($3,859)	($ 3,889)	($ 4,506)	($15,615)
Total assets	42,863	37,925	20,601	18,752	18,436
Notes payable, convertible promissory notes payable, other long-term debt (incl. current portion) and					

redeemable preferred stock	6,999	4,727	3,719	4,745	10,[illegible]30
Stockholders' equity (deficit)	22,845	20,881	9,302	6,034	(3,148)

Item 7.

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

Overview and Recent Developments

STFI is a national provider of shared telecommunications services ("STS") and telecommunications systems ("Systems") to tenants of multi-tenant commercial office buildings. One of STFI's subsidiaries, Shared Technologies Cellular Inc. ("STC"), is a provider of short-term portable cellular telephone services.

In December 1995, STC issued approximately $3.0 million in voting preferred stock to third parties. While STFI's ownership percentage did not change, STFI's voting interest in STC was reduced to 42.7%, resulting in STFI's loss of voting control. Accordingly, subsequent to this stock issuance, STC was accounted for under the equity method; all assets and all liabilities of STC were eliminated from STFI's consolidated balance sheet and a non-current asset was recorded to reflect STFI's investment in STC on the equity basis. STC results of operations adjusted for STFI's ownership interest, are reflected on the statement of operations for the year ended December 31, 1995 per the equity method as a one line item below operating income.

In March 1996 STFI's stockholders approved and STFI completed a merger with Fairchild Industries, Inc.("FII") following a reorganization transferring all non-communications assets to its parent, RHI Holding, Inc. Management believes this merger will significantly strengthen the Company's strategic position in the telecommunications market. In addition the merger will present opportunities to realize significant operational and financial cost savings. The merger makes STFI the largest provider of STS in the United States. On a pro forma basis STFI generated $175 million in sales and $19 million in operating income for the year ended December 31, 1995. In conjunction with the merger STFI raised approximately $111 million after offering expenses through the issuance of 12 1/4% Senior Subordinated Notes Due 2006 and $125 million (of an available $145 million) from a credit facility with Credit Suisse, Citicorp USA, Inc. and NationsBank. The Company anticipates repaying these borrowings over the next ten years with cash provided by operations.

Results of Operations

The following table sets forth various components of STFI's statements of operations expressed as a percentage of revenues:

Year Ended
December 31,

	1995	1994	1993
Revenues	100.00%	100.00%	100.00%
Cost of revenues	61.32%	57.69%	57.08%
Gross Margin	38.68%	42.31%	42.92%
Selling, General and Administrative Expenses	34.38%	37.27%	39.73%
Operating Income	4.30%	5.04%	3.19%
Interest expense (net)	-1.44%	-0.79%	-1.72%
Minority Interest	0.00%	-0.28%	-0.32%
Gain on sale of subsidiary stock	2.92%	0.00%	0.00%
Equity in loss of subsidiaries	-3.72%	0.00%	0.00%
Income Tax Benefit (Expense)	-0.10%	1.07%	0.00%
Extraordinary Item	0.00%	0.00%	-0.59%
Net Income	1.96%	5.04%	0.56%

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

Revenues

STFI's revenues rose to a record $47.1 million in 1995 an increase of $1.7 million or 3.7% over 1994 revenues of $45.4 million. This increase occurred despite the loss of STC revenue as STC results were recorded per the equity method in 1995; STC accounted for $10.2 million of 1994 revenue. STS revenue increased $6.5 million or 22.7% and Systems $5.4 million or 83.1% in 1995 over 1994 levels. Approximately $2.9 million of the growth in revenue for STS was attributable to a full year of service at locations acquired in June 1994 with the acquisition of Access Telecommunications Group, L.P. (Access), $1.6 million was attributable to the June 1995 acquisition of Office Telephone Management (OTM), the remaining increase of approximately $2.0 million was generated through internal growth at existing and new locations. Approximately $4.7 million of the growth in Systems revenues is attributable to a full year of activity at accounts acquired with the June 1994 acquisition of Access, the remaining increase of $1.8 million was generated internally.

Gross margin

Gross margin dropped to 38.7% of revenues for 1995 from 42.3% for 1994, a reduction of 3.6%. The following table sets forth the components of the Company's overall gross margin for 1995 as a factor of sales percentage and gross margin percentage per line of business:

Division	Sales	GM	Overall GM

STS	74.7%	44.6%	33.3%
Systems	25.3%	21.1%	5.4
Company Total	100.0%		38.7%

As shown above, the 1995 gross margin was a mix of STS gross margin of 44.6% and Systems gross margin of 21.1%. In 1994 the Company's gross margin was a combination of STS gross margin of 45.2%, Systems gross margin of 20.4% and STC gross margin of 48.2%. STS produced slightly reduced gross margin from the 1994 level mainly due to the acquisition of OTM operations which produced gross margin of approximately 30%. Systems experienced slightly improved gross margin mainly due to a full year of operations obtained with the Access acquisition. The overall decrease in the Company's gross margin was principally the result of changes in sales mix. The change in accounting to the equity method for STC results of operations created an overall drop in gross margin of approximately 1.7% for 1995. The drop in STS gross margin for 1995 contributed 0.4% to the overall reduction in gross margin for 1995. The remainder of the decrease in gross margin was generated by Systems. As noted above, Systems revenues grew at a faster rate than STS revenues in 1995. Since Systems produces significantly lower gross margin compared to STS, the growth in Systems sales depressed overall gross margin for the Company 1.5%.

Selling, general and administrative expenses

Selling, general and administrative expenses ("SG&A") as a percentage of revenues decreased to 34.4% for 1995 compared to 37.3% for 1994. The Company has reduced SG&A as a percentage of revenues by increasing revenues without adding a comparable percentage of SG&A costs. Certain SG&A costs are essentially fixed and do not increase significantly with revenue growth. In addition the Company has carefully chosen to expand in locations with existing management infrastructures already in place.

Operating income

Operating income decreased by $0.3 million or 11.4% to $2.0 million in 1995 from $2.3 million in 1994. The decrease was partially the result of STC no longer a part of the STFI consolidated group in 1995. STC contributed approximately $0.7 million to operating income in 1994. This was offset by improved STS and Systems contribution of $0.4 million in 1995 over 1994 levels.

Gain on sale of subsidiary stock

In April 1995 the Company successfully completed a public offering of STC stock. Following the offering the Company's percentage of ownership decreased from approximately 86% to 60%. The accounting treatment of the sale required the Company to record a gain of $1.4 million for the year ended December 31, 1995.

Equity in loss of subsidiary

In December 1995, STC issued approximately $3.0 million in voting preferred stock to third parties. While STFI's ownership percentage did not change, STFI's voting interest in STC was reduced to 42.7%, resulting in STFI's loss of voting control. Accordingly, subsequent to this stock issuance, STC was accounted for under the equity method, The Company recorded an equity loss of $1.7 million as a result of STC losses of $2.8 million for the year ended December 31, 1995

Interest expense

Interest expense net of interest income increased by $0.3 million for the year ended December 31, 1995 over the year ended December 31, 1994. This is attributable to the addition of approximately $4.4 million in interest bearing debt during 1995. Approximately $0.3 million in non interest bearing debts were repaid during 1995.

Income tax benefit (expense)

The Company recorded an insignificant amount of income tax expense for the year ended December 31, 1995 compared to a net benefit of $0.5 million for the year ended December 31, 1994. Income tax expense for 1995 was mainly the result of state income taxes. During 1994 STFI adjusted the deferred tax asset valuation reserve per Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes" ("SFAS 109"). This adjustment resulted in a deferred tax asset of $8.0 million, a corresponding valuation reserve of $7.4 million and a $0.6 million tax benefit for the year ended December 31, 1994. This benefit was partially offset by state income taxes resulting in a net benefit of $0.5 million for 1994. The source of the deferred tax asset is principally the expected future utilization on a conservative basis of net operating losses ("NOL") generated in prior years. Based on the requirements of SFAS 109 the Company recalculated the deferred tax asset and adjusted the valuation reserve for the year ended December 31, 1995. This adjustment resulted in no significant impact to the Company's results of operations for the year ended December 31, 1995. At December 31, 1995 the Company's NOL carryforward for federal income tax purposes was approximately $21.8 million.

Net income

As a result of the factors listed above, net income for the year ended December 31, 1995 decreased by $1.4 million or 60.9% to $0.9 million from $2.3 million for 1994.

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

Revenues

STFI's revenues for the year ended December 31, 1994 increased by $20.0 million, or 78.7%, to $45.4 million compared to $25.4 million for the year ended December 31, 1993. Acquisitions were the major contributors to revenue growth in 1994. Approximately $8.9 million of the revenue increase was attributable to the acquisition of Access. Another $8.0 million was due to the expanded activity of STC

created with the 1993 acquisitions of Road and Show East and Road and Show South nationwide rental phone businesses ("Road & Show"). The remaining revenue increase of $3.1 million was achieved through internal growth.

Gross margin

Gross margin dipped slightly in 1994 to 42.3% of revenue from 42.9% of revenues in 1993. The following table sets forth the components of the Company's overall gross margin for 1994 as a factor of sales percentage and gross margin percentage per line of business:

Division	Sales	GM	Overall GM
STS	63.2%	45.2%	28.6%
Systems	14.3%	20.4%	2.9%
STC	22.5%	48.2%	10.8%
Company Total	100.0%		42.3%

In 1994 the Company's gross margin was a combination of STS gross margin of 45.2%, Systems gross margin of 20.4% and STC gross margin of 48.2%. In 1993 the Company's gross margin was a combination of STS gross margin of 46.4%, Systems gross margin of 16.9% and STC gross margin of 27.1%. STS achieved slightly reduced gross margin from the 1993 level mainly due to the acquisition of Access which added several new buildings which historically have produced gross margins of approximately 44% which is slightly lower than those at existing STS locations. Systems experienced slightly improved gross margin mainly due to a half year of operations obtained with the Access acquisition. STC gross margin increased dramatically due to a full year of Road & Show operations which historically have produced gross margins of approximately 50%. The overall decrease in the Company's gross margin was largely the result of changes in sales mix and the resulting effect on the Company's overall gross margin. STS accounted for 63.2% of total revenues in 1994 versus 85.4% in 1993; Systems revenues accounted for 14.3% of total revenues in 1994 versus 5.9% in 1993; and STC generated 22.5% of total revenue for 1994 versus 8.7% for 1993.

Selling, general and administrative expenses

Selling, general and administrative expenses ("SG&A") as a percentage of revenue decreased to 37.4% for 1994 compared to 39.7% for 1993. This improvement was generated mainly through the synergy's associated with the acquisition of Access. In addition the Company has carefully chosen to grow internally only at locations with existing management infrastructures already in place.

Operating income

Operating income increased by $1.5 million or 187.5% to $2.3 million in 1994 from $0.8 million in 1993. The increase was mainly due to the growth in overall sales combined with a reduction in SG&A as a percentage of revenue.

Interest expense

Interest expense net of interest income decreased by $0.1 million to $0.3 million for 1994 compared to $0.4 million in 1993. The majority of the interest expense for 1994 was generated from the addition of $2.3 million in interest bearing debts. The bulk of the 1993 interest expense was generated through accruals for interest and penalty payments to taxing authorities that may arise from late payments.

Extraordinary item - Loss on restructuring

An extraordinary loss of $0.2 million for 1993 was recorded to reflect the settlement of certain obligations to lenders and other creditors related to the 1992 restructuring. No extraordinary items were recorded for 1994.

Income tax benefit

Effective January 1, 1993, STFI implemented SFAS 109 requiring the adoption of an asset and liability approach to accounting for income taxes. As a result, STFI recorded a deferred tax asset of $8.0 million, a corresponding valuation reserve of $7.4 million and a $0.6 million tax benefit for the year ended December 31, 1994. This benefit was partially offset by state income taxes resulting in a net benefit of $0.5 million for 1994. The source of the deferred tax asset is principally the expected future utilization on a conservative basis of net operating losses ("NOL") generated in prior years.

Net income

As a result of the factors listed above, net income for the year ended December 31, 1994 increased by $2.2 million to $2.3 million from $0.1 million for 1993.

Liquidity and Capital Resources

During 1995 STFI continued to effectively manage a working capital deficit and produce record earnings from operations. Net cash provided by operations reached a record $4.9 million in 1995 compared to $3.1 million in 1994 and $2.2 million in 1993. This helped reduce the working capital deficit to $3.4 million at December 31, 1995 compared to $3.7 million and $3.9 million for December 31, 1994 and 1993 respectively.

The Company continued to invest significant capital towards growth internally and through acquisition. In addition the Company has continued to invest in upgrading telecommunication equipment at existing locations. Over the past three years STFI has invested $8.9 million on equipment purchases. Over the same period, the Company invested $0.8 million towards a merger with FII completed in 1996 and $5.3 million to complete two other major acquisitions; OTM in June 1995 and Access in June 1994.

Financing activities ware focused primarily on raising capital to provide cash for investing activities. During 1995 the Company borrowed $2.7 million and raised $1.2 million from sales of common stock to help finance the current year's equipment purchases and the acquisition of OTM. During 1994 and 1993 approximately $6.4 million was raised from sales of common and preferred stock to help the Company fund operations. Over the past three years the Company spent $6.5 million to repay notes, long-term debt and capital lease obligations.

Cash requirements for 1996 will be significant due to the merger with FII mentioned earlier. This merger was financed through a credit facility and the sale of Senior Subordinated Notes mentioned earlier. The Company anticipates repaying these borrowings and providing cash for operations and capital expenditures through cash from operations. As of March 1996 the Company has a credit facility available of approximately $20 million.

Item 8.

Financial Statements and Supplementary Data

Attached.

Item 9.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

PART III

Items 10, 11, 12 and 13.

The Company incorporates by reference in response to these items its Proxy Statement for its Annual Meeting of Stockholders to be held on May 10, 1996 (filed with the Securities and Exchange Commission in definitive form on April 23, 1996).

PART IV

Item 14.

Exhibits, Financial Statement Schedules and Reports on Form 10-K

(a) Financial Statements

Report of Independent Public Accountants

Consolidated Balance Sheets as of December 31, 1995 and 1994.

Consolidated Statements of Operations for the years ended December 31, 1995, 1994 and 1993.

Consolidated Statements of Stockholders' Equity for the years ended December 31, 1995, 1994 and 1993.

Consolidated Statements of Cash Flow for the years ended December 31, 1995, 1994 and 1993.

Notes to Consolidated Financial Statements

Financial Statements Schedules: Schedule VIII

(b) Reports on Form 8-K

On November 21, 1995 the Company filed a Form 8-K Item 5 indicated that it had entered into an agreement and Plan of Merger dated as of November 9, 1995 with Fairchild Corporation and its subsidiaries, RHI Holdings, Inc. and Fairchild Industries, Inc. pursuant to which the Company will acquire the telecommunications Systems and service business operated by Fairchild Communication Services Company.

On November 22, 1995 the Company filed a Form 8-K Item 2 and 7 detailing that on November 13, 1995, the Company's cellular subsidiary, Shared Technologies Cellular, Inc., completed its acquisition of certain assets of PTC Cellular, Inc.

SHARED TECHNOLOGIES FAIRCHILD INC. AND SUBSIDIARIES

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Notes:

(a) All other schedules are not submitted because they are not applicable, not required or because the required information is included in the consolidated financial statements or notes thereto.

(b) Individual financial statements of the Company have been omitted since (1) consolidated statements of the Company and its subsidiaries are filed, and (2) the Company is primarily an operating company and all subsidiaries included in the consolidated financial statements filed are majority-owned and do not have a material amount of debt to outside persons.

INDEPENDENT AUDITORS' REPORT

To the Stockholders and Board of Directors of
Shared Technologies Fairchild Inc.

We have audited the accompanying consolidated balance sheets of Shared Technologies Fairchild Inc. and Subsidiaries as of December 31, 1995 and 1994 and the related consolidated statements of operations, stockholders' equity and cash flows for the three year period then ended. These consolidated financial statements and the schedule referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and schedule based on our audits.

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

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

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule listed in the index on page F-1 is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly states, in all material respects, the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

As discussed in Note 3 to the consolidated financial statements, the Company changed its method of accounting for its investment in one of its subsidiaries.

ROTHSTEIN, KASS & COMPANY, P.C.

Roseland, New Jersey
March 1, 1996, except for Notes 1, 7 and 18,
as to which the date is March 13 1996

SHARED TECHNOLOGIES FAIRCHILD INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
December 31, 1995 and 1994
(In thousands except per share data)

	1995	1994
ASSETS		
Current assets:		
Cash	$ 476	$ 172
Accounts receivable, less allowance for doubtful accounts and discounts of $410 in 1995 and $584 in 1994	9,855	8,533
Advances to subsidiary	985	
Other current assets	754	727
Deferred income taxes		550
Total current assets	12,070	9,982
Equipment:		
Telecommunications	28,904	26,223
Office and data processing	6,049	4,995
	34,953	31,218
Less accumulated depreciation and amortization	18,305	15,473
	16,648	15,745
Other assets:		
Investment in subsidiary	1,581	
Intangible assets	11,543	11,198
Deferred income taxes	560	
Other	461	1,000
	14,145	12,198
	$ 42,863	$ 37,925
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt and capital lease obligations	$ 2,870	$ 1,840
Accounts payable	9,025	8,191
Accrued expenses	2,221	2,382
Advance billings	1,337	1,260
Total current liabilities	15,463	13,673
Long-term debt and capital lease obligations, less current portion	4,128	2,886
Minority interests in net assets of subsidiaries		102
Redeemable put warrant	428	383
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $.01 par value:		
Series C, authorized 1,500 shares, outstanding 907 shares in 1995 and 1994	9	9
Series D, authorized 1,000 shares, outstanding 457 shares in 1995 and 1994	5	5
Series E, authorized 400 shares, outstanding no shares in 1995 and 400 shares in 1994		4
Series F, authorized 700 shares, outstagding no shares in 1995 and 700 shares in 1994		7
Common stock, $.004 par value, authorized 20,000 shares, outstanding 8,506 shares in 1995 and 6,628 in 1994	34	27
Capital in excess of par value	44,777	41,488
Accumulated deficit	(21,981)	(22,465)
Obligations to issue common stock		1,806
Total stockholders' equity	22,844	20,881
	$ 42,863	$ 37,925

See accompanying notes to consolidated financial statements.

SHARED TECHNOLOGIES FAIRCHILD INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
Years Ended December 31, 1995, 1994 and 1993
(In thousands except per share data)

	1995	1994	1993
Revenues:			
Shared telecommunications services	$ 35,176	$ 28,667	$ 21,683
Telecommunications systems	11,910	6,483	1,543
Cellular services		10,217	2,200
Total revenues	47,086	45,367	25,426
Cost of revenues:			
Shared telecommunications services	19,473	15,717	11,628
Telecommunications systems	9,399	5,161	1,282
Cellular services		5,294	1,604
Total cost of revenues	28,872	26,172	14,514
Gross margin	18,214	19,195	10,912
Operating expenses, selling, general and administrative	16,188	16,909	10,102
Operating income	2,026	2,286	810
Other income (expense):			
Gain on sale of subsidiary stock	1,375		
Equity in loss of subsidiary	(1,752)		
Interest expense	(882)	(522)	(530)
Interest income	205	163	92
Minority interest in net income of subsidiaries		(128)	(82)
	(1,054)	(487)	(520)
Income before income tax (expense) benefit and extraordinary item	972	1,799	290
Income tax (expense) benefit	(45)	487	
Income before extraordinary item	927	2,286	290
Extraordinary item, loss on restructuring			(150)
Net income	927	2,286	140
Preferred stock dividends	(398)	(478)	(345)
Net income (loss) applicable to common stock	$ 529	$ 1,808	$ (205)
Income (loss) per common share:			
Income (loss) before extraordinary item	$ .06	$ .27	$ (.01)
Extraordinary item			(.03)
Net income (loss)	$ .06	$ .27	$ (.04)
Weighted average number of common shares outstanding	8,482	6,792	5,132

See accompanying notes to consolidated financial statements.

SHARED TECHNOLOGIES FAIRCHILD INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Years Ended December 31, 1995, 1994 and 1993
(In thousands)

	Series C Preferred Stock		Series D Preferred Stock		Series E Preferred Stock	
	Shares	Amount	Shares	Amount	Shares	Amount
Balance, January 1, 1993	1,107	$ 11		$		$
Dividends on preferred stock						
Proceeds from sale of Series D Preferred Stock, net of expenses of $412			453	5		
Redemption of Series C Preferred Stock	(119)	(1)				
Common stock to be issued for acquisitions						
Common stock issued in lieu of compensation						
Common stock issued in lieu of deferred financing fees						
Exercise of common stock options						
Net income						
Balance, December 31, 1993	988	10	453	5		
Preferred stock dividends						
Dividend accretion of redeemable put warrant						
Exercise of common stock options and warrants						
Proceeds from sale of Series D Preferred Stock			4		400	4
Issuances for acquisitions						
Proceeds from sale of common stock, net of expenses of $371						
Common stock issued in lieu of compensation and conversion of Series C Preferred Stock and other	(81)	(1)				
Net income						
Balance, December 31, 1994	907	9	457	5	400	4
Preferred stock dividends						
Dividend accretion of redeemable put warrant						
Exercise of common stock options and warrants						
Issuance of common stock						
Conversion of preferred stock					(400)	(4)
Proceeds from sale of common stock, net of expenses of $112						
Common stock issued in lieu of compensation and payment of accrued expenses						
Net income						
Balance, December 31, 1995	907	$ 9	457	$ 5	0	$ 0

See accompanying notes to consolidated financial statements.

Series F Preferred Stock		Common Stock		Capital in Excess of Par Value	Accumulated Deficit	Obligations to Issue Common Stock	Total Stockholders' Equity
Shares	Amount	Shares	Amount				
	$	5,092	$ 21	$ 30,047	$ (24,043)	$	$ 6,036
					(345)		(345)
				1,737			1,742
				(385)			(386)
						1,756	1,756
		49		228			228
		14		50			50
		35		82			82
					140		140
		5,190	21	31,759	(24,248)	1,756	9,303
					(478)		(478)
					(25)		(25)
		26		71			71
				(1)			(1)
700	7			4,989			5,000
		1,329	6	4,556			4,562
		83		114		50	163
					2,286		2,286
700	7	6,628	27	41,488	(22,465)	1,806	20,881
					(398)		(398)
					(45)		(45)
		17		70			70
		405	2	1,804		(1,806)	
(700)	(7)	1,100	4	7			
		300	1	1,162			1,163
		56		246			246
					927		927
0	$ 0	8,506	$ 34	$ 44,777	$ (21,981)	$ 0	$ 22,844

SHARED TECHNOLOGIES FAIRCHILD INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 1995, 1994 and 1993

(In thousands)

	1995	1994	1993
Cash flows from operating activities:			
Net income	$ 927	$ 2,286	$ 140
Adjustments to reconcile net income to net cash provided by operating activities:			
Loss on restructuring			150
Depreciation and amortization	3,967	3,702	2,562
Provision for doubtful accounts	321	413	253
Gain on sale of subsidiary stock	(1,375)		
Equity in loss of subsidiary	1,752		
Common stock of subsidiary issued for services		16	-
Stock options and common stock issued in lieu of compensation and other	177	114	278
Minority interests		128	82
Gain on sale of franchise		(202)	-
Deferred income taxes	(10)	(550)	-
Amortization of discount on note	90	52	-
Change in assets and liabilities, net of effect of acquisitions:			
Accounts receivable	(2,639)	(2,147)	(990)
Other current assets	(52)	(179)	132
Other assets		(430)	(244)
Accounts payable	2,208	1,629	964
Accrued expenses	(556)	(1,707)	(1,212)
Advance billings	68	(67)	91
Net cash provided by operating activities	4,878	3,058	2,206
Cash flows from investing activities:			
Purchases of equipment	(3,679)	(3,223)	(2,035)
Acquisitions, net of cash acquired	(1,382)	(3,948)	(255)
Deferred merger costs	(750)		
Other investments	(106)		
Long-term deposits	(10)		(2)
Net cash used in investing activities	(5,927)	(7,171)	(2,292)
Cash flows from financing activities:			
Repayments of long-term debt and capital lease obligations	(2,226)	(2,409)	(1,895)
Proceeds from borrowings	2,684	2,315	-
Proceeds from sales of common and preferred stock	1,233	4,631	1,824
Redemption of preferred stock			(386)
Preferred stock dividends paid	(398)	(478)	(345)
Cash of subsidiary previously consolidated	(10)		
Repayment of advances to subsidiary	70		
Deferred registration costs		(182)	-
Net cash provided by (used in) financing activities	1,353	3,877	(802)
Net increase (decrease) in cash	304	(236)	(888)
Cash, beginning of year	172	408	1,296
Cash, end of year	$ 476	$ 172	$ 408

See accompanying notes to consolidated financial statements.

SHARED TECHNOLOGIES FAIRCHILD INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
Years Ended December 31, 1995, 1994 and 1993
(In thousands)

	1995	1994	1993
Supplemental disclosures of cash flow information:			
Cash interest paid during the years for:			
Interest	$ 856	$ 441	$ 386
Income taxes	$ 84		
Supplemental disclosures of noncash investing and financing activities:			
Conversion of accrued expenses to note payable in connection with litigation settlement	$ -	$ -	$ 460
Obligations to issue common stock in connection with acquisitions	$ -	$ 50	$ 1,756
Issuance of preferred stock in connection with acquisition	$ -	$ 5,000	$ -
Redeemable put warrant issued in connection with bank financing	$ -	$ 358	$ -
Capital lease obligations incurred for lease of new equipment	$ 355	$ 64	$ -
Dividend accretion on redeemable put warrant	$ 45	$ 25	$ -
Costs of intangible assets included in accounts payable	$ -	$ 203	$ -
Note received for sale of franchise	$ -	$ 202	$ -
Issuance of note relating to acquisition	$ 800		
Issuance of common stock to settle accrued expenses	$ 69		
Deferred merger costs included in accounts payable	$ 513		
Reclassification of advance to subsidiary to investment in subsidiary	$ 1,184		

See accompanying notes to consolidated financial statements.

SHARED TECHNOLOGIES FAIRCHILD INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands except for per share data)

NOTE 1 - BUSINESS AND ORGANIZATION:

On March 13, 1996, Shared Technologies Inc. merged with Fairchild Industries, Inc. and changed its name to Shared Technologies Fairchild Inc. (STFI) (Note 18)

STFI, together with its subsidiaries (collectively the Company) is in the shared telecommunications services (STS) and telecommunications systems (Systems) industry, providing telecommunications and office automation services and equipment to tenants of office buildings. One of the Company's subsidiaries, Shared Technologies Cellular, Inc. (STC), is a provider of short-term portable cellular telephone services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Principles of Consolidation - The consolidated financial statements include the accounts of the Company and its wholly-owned and majority owned subsidiaries in which the Company has a controlling interest. Investments in companies in which the Company exercises significant influence (greater than 20%), but not a controlling interest, are carried at equity. The effects of all significant intercompany transactions have been eliminated.

Cash - The Company maintains its cash in bank deposit accounts, which at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not subject to any significant credit risk on cash.

Investment in Unconsolidated Subsidiary - The Company's investment in its unconsolidated subsidiary, STC, is accounted for under the equity method in 1995. Prior to 1995, the majority owned subsidiary was included on a consolidated basis (Note 3).

Revenue Recognition - Revenues are recognized as services are performed. The Company bills customers monthly in advance for equipment rentals and local telephone access service and defers recognition of these revenues until the service is provided. Systems and equipment sales are recognized at the time of shipment.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Equipment - Equipment is stated at cost. Depreciation and amortization is provided using the straight-line method over the following estimated useful lives:

Telecommunications	8 years
Office and data processing	3-8 years

Major renewals and betterments are capitalized. The cost of maintenance and repairs which do not materially prolong the useful life of the assets are charged to expense as incurred.

SHARED TECHNOLOGIES FAIRCHILD INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands except for per share data)

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

Fair Value of Financial Instruments - The fair value of the Company's assets and liabilities which qualify as financial instruments under Statement of Financial Accounting Standards No. 107 approximate the carrying amounts presented in the balance sheets.

Intangible Assets:

Goodwill - Goodwill represents the excess of the purchase price over the fair value of the net assets of businesses acquired. The Company monitors the profitability of the acquired businesses to assess whether any impairment of recorded goodwill has occurred. Goodwill is amortized over periods ranging from 5 years to 40 years.

Deferred Financing and Merger Costs - The Company has deferred certain costs incurred in connection with the merger and related financing (Note 18). These costs will be amortized over their respective lives upon the completion of the merger and financing. At December 31, 1995, approximately $1,263 of these costs are included in intangible assets.

Other Intangible Assets - Other intangible assets are being amortized over 5 years.

Income Taxes - The Company complies with Statement of Financial Accounting Standards No. 109 (SFAS No. 109), "Accounting for Income Taxes", which requires an asset and liability approach to financial reporting for income taxes. Deferred income tax assets and liabilities are computed annually for differences between financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future, based on enacted tax laws and rates applicable to the periods in which the differences are expected to effect taxable income. Valuation allowances are established, when necessary, to reduce the deferred income tax assets to the amount expected to be realized. The adoption of SFAS No. 109 had no material impact on the Company's financial statements since the Company fully reserved the tax benefits flowing from its net operating losses (Note 14).

Income (Loss) Per Common Share - Primary income (loss) per common share is computed by deducting preferred stock dividends and the accretion of the redeemable put warrant from net income. The resulting net income is applicable to common stock, which is then divided by the weighted average number of common shares outstanding, including the effect of options, warrants and obligations to issue common stock, if dilutive.

Fully diluted income (loss) per common share is computed by dividing net income applicable to common stock by the weighted average number of common and common equivalent shares and the effect of preferred stock conversions, if dilutive. Fully diluted income (loss) per common share is substantially the same as primary income (loss) per common share for the years ended December 31, 1995, 1994 and 1993.

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

Newly Issued Accounting Standards - In March 1995, Statement of Financial Accounting Standards No. 121 (SFAS No. 121), "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed of" was issued. The Company will adopt SFAS No. 121 in the first quarter of 1996. The impact on the Company's financial position and results of operations is not expected to be material.

Reclassifications - Certain reclassifications to prior years financial statements were made in order to conform to the 1995 presentation.

NOTE 3 - INVESTMENT IN UNCONSOLIDATED SUBSIDIARY

During December 1995, STC issued approximately $3,000 in voting preferred stock to third parties. Although the Company's ownership percentage of 59.3% did not change, the voting rights assigned to the preferred stock reduced the Company's voting interest in STC to approximately 42.7%, resulting in the Company's loss of voting control of STC. Accordingly, STC has been accounted for on the equity method for 1995. Summarized balance sheet of STC as of December 31, 1995 and the related summarized statement of operations of STC for the year then ended, is as follows:

Summarized Balance Sheet	
Current assets	$ 5,824
Telecommunications and office equipment, net	2,158
Other assets	6,396
Total assets	$ 14,378
Current liabilities	$ 7,676
Note payable	1,600
Total liabilities	9,276
Stockholders' equity	5,102
Total liabilities and stockholders' equity	$ 14,378
Summarized Statement of Operations	
Revenues	$ 13,613
Gross margin	5,026
Operating loss	2,989
Net loss	2,848

NOTE 4 - ACQUISITIONS

In December 1993, STC completed its acquisition of certain assets and assumed certain liabilities of Road and Show South, Ltd. (South) and Road and Show Cellular East, Inc. (East), respectively. The purchase price for South was $1,262, of which $46 was paid in cash and the balance through the issuance of 221 shares of the Company's common stock valued at $1,216. The purchase price for East was $750 of which $209 was paid in cash and the balance through the issuance, upon demand, of 108 shares of the Company's common stock valued at $541. The number of shares of common stock related to these acquisitions was adjusted on December 1, 1994, based on the price of the Company's common stock at that date, for which an aggregate of 65 additional shares were issued which had no effect on the purchase price of the net assets previously recorded. The shares in connection with the South acquisition have been issued, however only 197 shares of the Company's common stock have been delivered by STC pending the outcome of certain claims against, and by, the former owners of South.

In June 1994, the Company acquired all of the partnership interests in Access Telecommunication Group, L.P. and Access Telemanagement, Inc. (collectively Access). The purchase price was $9,252 of which $4,252 was paid in cash and the balance through the issuance of 400 shares of Series E Preferred Stock valued at $3.75 per share and 700 shares of Series F Preferred Stock valued at $5.00 per share (Note 9).

On June 30, 1995, the Company purchased all of the outstanding capital stock of Office Telephone Management (OTM). OTM provides telecommunication management services primarily to businesses located in executive office suites. The purchase price was $2,135 of which $1,335 was paid in cash and the balance through the issuance of a $800 note, (discounted at 8.59%) payable through June 30, 2005.

The acquisitions were accounted for as purchases, and the purchase prices were allocated on the basis of the relative fair market values of the net assets.

The excess of cost over fair value of the net assets of businesses acquired is recorded as goodwill in the accompanying consolidated financial statements. Amortization of goodwill approximated $364, $181 and $15 in 1995, 1994 and 1993, respectively.

NOTE 4 - ACQUISITIONS

The following unaudited pro forma statements of operations for 1995 and 1994 give effect to the acquisitions and the change in reporting of STC to the equity method (Note 3) and the pro forma effect of STC acquisitions, as if they occurred on January 1 in each year:

	1995	1994
Revenues	$49,044	$ 47,785
Cost of revenues	30,105	29,573
Gross margin	18,939	18,212
Selling, general and administrative expenses	16,879	16,579
Operating income	2,060	1,633
Gain on sale of subsidiary stock	1,375	
Equity in loss of subsidiary	(2,634)	(2,801)
Interest income (expense), net	(901)	(643)
Minority interest in net income of subsidiaries		(43)
Loss before income tax (expense) benefit	(100)	(1,854)
Income tax (expense) benefit	(45)	487
Net loss	(145)	(1,367)
Preferred stock dividends	(398)	(538)
Loss applicable to common stock	$ (543)	$ (1,905)
Net loss per common share	$ (.06)	$ (.25)
Weighted average number of common shares outstanding	8,482	7,753

NOTE 5 - INTANGIBLE ASSETS:

Intangible assets consist of the following at December 31, 1995 and 1994:

	1995	1994
Goodwill	$10,989	$ 11,186
Deferred financing and merger costs	1,263	
Software development costs		186
Other	83	689
	12,335	12,061
Accumulated amortization	792	863
	$11,543	$ 11,198

SHARED TECHNOLOGIES FAIRCHILD INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands except for per share data)

NOTE 6 - ACCRUED EXPENSES:

Accrued expenses at December 31, 1995 and 1994 consist of the following:

	1995	1994
State sales and excise taxes	$ 1,040	$ 861
Deferred lease obligations	222	150
Property taxes	150	140
Concession fees	176	102
Other	633	1,129
	$ 2,221	$ 2,382

NOTE 7 - LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS:

Long-term debt and capital lease obligations at December 31, 1995 and 1994 consist of the following:

	1995	1994
Revolving $4,000 credit line due in May 1997 and bearing interest at 2% above prime rate (10.5% at December 31, 1995) (Note 8)	$ 2,174	$ 1,009
Initial term loan due in quarterly installments of $50 commencing November 24, 1994, with final payment of $700 due May 1996 and bearing interest at 2% above prime rate	750	950
Term loan due in 36 monthly installments of $37 commencing March 1995 and bearing interest at 2% above prime rate.	950	
Term loan due in 36 monthly installments of $8 commencing July 1995 and bearing interest at 2% above prime rate.	245	
Notes payable to vendors, non-interest bearing due in aggregate quarterly installments of approximately $249 through June 1995		498
Promissory note payable in semi-annual installments and bearing interest at 10% per annum		268

NOTE 7 - LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (CONTINUED):

	1995	1994
Promissory note, $550 original face amount discounted at 7.75%, payable in quarterly installments of $25 through March 31, 1999, collateralized by commitment to issue 88 shares of Series C Preferred Stock	304	359
Promissory note, $450 original face amount, non-interest bearing, payable in quarterly installments of $16 through June 30, 1999	225	289
Promissory note, $1,200 original face amount discounted at 8.59%, payable in quarterly installments of $30 through June 2005 and collateralized by standby letter of credit	774	
Promissory note, $50 original face amount bearing interest at 7.18% per annum, payable in monthly installments of $2 through October 1997	32	
Capital lease obligations, collateralized by related telecommunications and data processing equipment and all assets acquired from Access (Note 4)	1,544	1,353
	6,998	4,726
Less current portion	2,870	1,840
	$ 4,128	$ 2,886

In May 1994, the Company entered into a $5,000 financing agreement with a bank collateralized by certain assets of the Company. The agreement provides for a revolving credit line for a maximum, as defined, of $4,000 to be used for expansion in the shared telecommunications services business and a $1,000 term loan. Aggregate drawings on the line convert semi-annually, through May 1996, to three year term loans. The agreement provides for, among other things, the Company to maintain certain financial covenants. As of December 31, 1995, the Company was in violation of certain of these covenants and on March 13, 1996, the Company replaced this financing agreement with a long term facility (Note 18), and therefore continues to classify the debt on a long-term basis.

NOTE 7 - LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (CONTINUED):

Scheduled aggregate payments on long-term debt and capital lease obligations are as follows:

Year ending December 31:	Long-Term Debt	Capital Lease Obligations
1996	$ 2,230	$ 754
1997	1,470	540
1998	1,105	349
1999	128	88
2000	77	20
	$ 5,010	1,751
Less amount representing interest		206
Present value of future payments, including current portion of $640		$ 1,545

Telecommunications and data processing equipment includes assets acquired under capital leases with a net book value of approximately $2,333 and $1,534 as of December 31, 1995 and 1994, respectively.

NOTE 8 - REDEEMABLE PUT WARRANT:

In connection with the bank financing agreement, the Company issued the bank a redeemable put warrant for a number of common shares equal to 2.25% of the Company's outstanding common stock, subject to anti-dilution adjustments. The warrant is redeemable at the Company's option prior to May 1996, and at the bank's option at any time after May 1997. As defined in the agreement, the Company has guaranteed the bank a minimum of $500 upon redemption of the warrant, and therefore, has valued the warrant at the present value of the minimum guarantee discounted at 11.25%. The discount is being amortized on a straight-line basis over four years, the anticipated term of the loan at inception.

NOTE 9 - STOCKHOLDERS' EQUITY

The Company is authorized to issue 10,000 shares of preferred stock, issuable from time to time in one or more series with such rights, preferences, privileges and restrictions as determined by the directors. In 1994, the Company increased its authorized number of shares of common stock to 20,000.

In 1992, the Company issued Series C Preferred Stock, which is non-voting and entitled to a liquidation value of $4 per share and dividends of $.32 per share per annum, payable quarterly in arrears. These shares are convertible into common stock, at the holder's option, on a one share of common stock for two shares of Series C Preferred Stock basis, at any time, subject to certain anti-dilution protection for the Preferred Stockholders. At the Company's option, the Series C Preferred Stock is redeemable, in whole or in part, at any time after June 30, 1993, at $6 per share plus all accrued dividends.

NOTE 9 - STOCKHOLDERS' EQUITY (CONTINUED):

In December 1993, the Company commenced a private placement to sell to certain investors units consisting of one share of Series D Preferred Stock and one warrant to purchase one share of common stock. As of December 31, 1995, the Company had sold 457 units for net proceeds of $1,740, after deducting expenses of $430. Series D Preferred Stock is entitled to dividends of 5% per annum, payable quarterly, and may be redeemed for $7 per share, plus all accrued dividends, at the option of the Company. The shares are non-voting and are convertible into shares of the Company's common stock on a one-for-one basis at the holder's option. The shares rank senior to all shares of the Company's common stock and junior to Series C Preferred Stock. The common stock purchase warrants are exercisable at a per share price of $5.75. In connection with the offering, the investment banking firm received warrants to purchase 16 shares of the Company's common stock at an exercise price of $5.75 per share. The Company has the right to require the holder to exercise the warrants, and if not exercised, they will expire in the event that the Company's common stock trades at or above $8.50 per share. As of December 31, 1995, no warrants had been exercised.

In May and June 1994, the Company sold, through a private placement to certain investors, 1,329 shares of common stock and an equal number of warrants, for net proceeds of $4,562, after deducting expenses of $371. The warrants are exercisable prior to June 26, 1999 at a per share price of $4.25, subject to certain anti-dilution protection. As of December 31, 1995, no warrants had been exercised. The proceeds from this offering were used for the Access acquisition (Note 4).

In June 1994, the Company issued 400 shares of Series E Preferred Stock, $.01 par value, and 700 shares of Series F Preferred Stock, $.01 par value, in connection with the Access acquisition.

Series E Preferred Stock is entitled to a liquidation value of $3.75 per share and dividends of $.30 per share per annum, payable cumulatively in the form of cash or the Company's common stock, and the shares are non-voting. The Series E Preferred Stock previously issued was converted into 400 shares of common stock in January 1995. In addition, the holders received warrants, which expire on December 31, 1999, to purchase 175 shares of the Company's common stock, at an exercise price of $4.25 per share, subject to certain anti-dilutive provisions.

Series F Preferred Stock is entitled to a liquidation value of $5.00 per share and no dividends. These shares were converted on August 1, 1995 into 700 shares of common stock. On March 1, 1996, an additional 111 shares of the Company's common stock was issued in connection with the provisions of conversion of the Series F Preferred Stock, as defined.

Additionally, the Company issued warrants to the sellers of Access to purchase 225 shares of the Company's common stock at an exercise price of $4.25 per share, subject to certain anti-dilution adjustments.

NOTE 9 - STOCKHOLDERS' EQUITY (CONTINUED):

During January 1995, the Company completed a private placement to sell to a certain investor 300 shares of common stock at $4.25 per share, pursuant to Regulation S of the Securities Act of 1933. The Company received $1,163, after deducting expenses of $112, including an underwriter commission of $102 paid to a firm in which one of the principals is a director and stockholder of the Company. In addition, the underwriter was granted a five year common stock purchase warrant to acquire 30 shares of the Company's common stock for $5.00 per share.

The following table summarizes the number of common shares reserved for issuance as of December 31, 1995. There were no preferred shares reserved for issuance.

Common stock purchase warrants	2,958
Preferred stock conversions	1,165
	4,123

NOTE 10 - GAIN ON SALE OF SUBSIDIARY COMMON STOCK:

In April 1995, STC completed its SB-2 filing with the Securities and Exchange Commission and became a public company. Prior to this date, STC was approximately an 86% owned subsidiary of the Company. STC sold 950 shares of common stock at $5.25 per share, which generated net proceeds of approximately $3,274 after underwriters' commissions and offering expenses. The net effect of the public offering on the consolidated financial statements was a gain of approximately $1,375.

NOTE 11 - STOCK OPTION PLANS:

The Company has non-qualified stock option plans which provide for the grant of common stock options to officers, directors, employees and certain advisors and consultants, at the discretion of the Board of Directors (Committee). All options granted are exercisable at a minimum price equal to the fair market value of the Company's common stock at the date of grant, with a term of five to ten years and are exercisable in accordance with vesting schedules set individually by the Committee. As of December 31, 1995, approximately 1,000 shares of common stock are available for options. The activity in the plans was as follows:

	Number of Options	Exercise Price Per Share: Range	Exercise Price Per Share: Weighted Average
Balance outstanding, January 1, 1993	354	$ 1.72-12.00	$ 3.77
Granted	174	4.00- 5.50	5.32
Expired	(29)	2.84-12.00	10.19
Exercised	(35)	1.72- 2.84	2.36
Balance outstanding, December 31, 1993	464	1.72-11.00	4.06
Granted	317	3.25-4.50	3.60
Expired	(59)	4.00-5.50	5.43
Exercised	(25)	2.84	2.84
Balance outstanding, December 31, 1994	697	1.72-11.00	3.78
Granted	40	4.13	4.13
Expired	(2)	5.00-5.72	5.16
Exercised	(2)	2.28-2.84	2.58
Balance outstanding, December 31, 1995	733	$ 1.72-11.00	$ 3.79

NOTE 11 - STOCK OPTION PLANS (CONTINUED):

At December 31, 1995, options to purchase 449 shares of common stock were exercisable.

In September 1994, the Board of Directors adopted the 1994 Director Option Plan (the Director Plan) pursuant to which 250 shares of common stock are reserved for issuance upon the exercise of options to be granted to non-employee directors of the Company. Under the Director Plan, an eligible director will automatically receive non-statutory options to purchase 15 shares of common stock at an exercise price equal to the fair market value of such shares at the date of grant. Each option shall vest over a three year period, but generally may not be exercised more than 90 days after the date an optionee ceases to serve as a director of the Company, and expires after ten years from date of grant. As of December 31, 1995, options to purchase an aggregate of 115 shares of common stock have been granted at an exercise price range of $4.13 to $4.38.

NOTE 12 - RETIREMENT AND SAVINGS PLAN:

On March 3, 1989, the Company adopted a savings and retirement plan (the Plan), which covers substantially all of the Company's employees. Participants in the Plan may elect to make contributions up to a maximum of 20% of their compensation. For each participant, the Company will make a matching contribution of one-half of the participant's contributions, up to 5% of the participant's compensation. Matching contributions may be made in the form of the Company's common stock and are vested at the rate of 33% per year. The Company's expense relating to the matching contributions was approximately $199, $163, and $116 for 1995, 1994 and 1993, respectively. At December 31, 1995, and 1994, the plan owned 134 and 93 shares, respectively of the Company's common stock.

NOTE 13 - EXTRAORDINARY ITEM

At December 31, 1993, the Company recorded a loss relating to the settlement of a $600 promissory note (Note 7), in connection with its 1992 restructuring, by issuance of a $750 promissory note.

NOTE 14 - INCOME TAXES:

Income tax (expense) benefit consists of the following:

	1995	1994	1993
Current:			
Federal	$ (10)	$	$
State and local	(45)	(63)	
	(55)	(63)	-
Deferred			
Federal	10	550	
State and local			
	10	550	-
Total (expense) benefit	$ (45)	$ 487	$ -

For the years ended December 31, 1995, 1994 and 1993, income taxes computed at the statutory federal rate differ from the Company's effective rate primarily due to the availability of net operating losses (NOL).

NOTE 14 - INCOME TAXES (CONTINUED):

The components of deferred income tax assets (liabilities) as of December 31, 1995 and 1994 are as follows:

	1995	1994
Tax effect of net operating loss carryforwards	$ 8,641	$9,011
Equity in loss of subsidiary	104	
Financial reserves not yet tax deductible	164	233
Equipment	(1,218)	(1,200)
Goodwill	(183)	(107)
Deferred income tax asset	7,508	7,937
Valuation allowance	(6,948)	(7,387)
Net deferred tax asset	$ 560	$ 550

At December 31, 1995 and 1994, the Company recorded deferred tax assets of $7,508 and $7,937, respectively, and corresponding valuation allowances of $ 6,948 and $7,387, respectively. The valuation allowances were decreased by $439, $1,418 and $211 respectively, for the years ended December 31, 1995, 1994 and 1993.

SFAS No. 109 requires that the Company record a valuation allowance when it is "more likely than not that some portion or all of the deferred tax asset will not be realized". The ultimate realization of this deferred tax asset depends on the ability to generate sufficient taxable income in the future. While management believes that the total deferred tax asset will be fully realized by future operating results, together with tax planning opportunities, the uncertainty relating to the future tax effects of the merger (Note 18), and a desire to be conservative make it appropriate to record a valuation allowance.

At December 31, 1995, the Company's NOL carryforward for federal income tax purposes is approximately $21,800, expiring between 2001 and 2007. NOL's available for state income tax purposes are less than those for federal purposes and generally expire earlier. Limitations will apply to the use of NOL's in the event certain changes in Company ownership occur in the future, (Note 18).

NOTE 15 - COMMITMENTS AND CONTINGENCIES:

Contingencies - The Company had been the provider of telecommunications services at the Jacob K. Javitts Convention Center (the Center) in New York City. Effective January 1, 1992, as a result of a contractual dispute with the New York Convention Center Operating Corporation (CCOC), the Company no longer provided services at the Center. While providing services at the Center, the Company licensed the right to provide certain public pay telephone services at the Center to Tel-A-Booth Communications, Ltd. (Tel-A-Booth). Tel-A-Booth has filed a claim against the Company which seeks $10,000 in damages for which no amounts have been provided in the accompanying consolidated financial statements. Tel-A-Booth is in the process of liquidation in bankruptcy, and its counsel has withdrawn without replacement. The Company has filed, and the Court has issued, an order for dismissal of this case, which is expected to be signed prior to April 15, 1996.

NOTE 15 - COMMITMENTS AND CONTINGENCIES (CONTINUED):

In December 1995, a suit was filed against the Company alleging a breach of a letter agreement and seeking an amount in excess of $2,250 for a commission allegedly owed in connection with the merger with FII (Note 18). The Company denies that the claimant at any time was engaged in connection with the merger. The Company filed an answer in January 1996, denying that any commission is owed. This litigation is in the discovery process. While any litigation contains an element of uncertainty, management is of the opinion that the ultimate resolution of this matter should not have a material adverse effect upon results of operations, cash flows or financial position of the Company.

The Company's sales and use tax returns in certain jurisdictions are currently under examination. Management believes these examinations will not result in a material change from liabilities provided.

In addition to the above matters, the Company is a party to various legal actions, the outcome of which, in the opinion of management, will not have a material adverse effect on results of operations, cash flows or financial position of the Company.

Commitments - The Company has entered into operating leases for the use of office facilities and equipment, which expire through 2005. Certain of the leases are subject to escalations for increases in real estate taxes and other operating expenses. Rent expense amounted to approximately $2,200, $1,856 and $1,700 for the years ended December 31, 1995, 1994 and 1993, respectively.

Aggregate approximate future minimum rental payments under these operating leases are as follows:

Year ending December 31:

1996	$ 1,631
1997	1,349
1998	1,232
1999	1,027
2000	622
Thereafter	1,349
	$ 7,210

In January 1994, the Company entered into a consulting agreement for financial and marketing services, which expires in November 1996. The agreement provides for the following compensation; $30 upon signing, $6 per month retainer, and $150 upon the attainment of a specific financial ratio, which as of December 31, 1995 had been attained. In addition, the consultant was issued a three year warrant to purchase 300 shares of the Company's common stock at a purchase price of $5.75 per share and a five year warrant to purchase 250 shares of the Company's common stock at a purchase price of $7.00 per share. The consultant may not compete with the Company during the term of this agreement and for two years thereafter.

SHARED TECHNOLOGIES FAIRCHILD INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands except for per share data)

NOTE 15 - COMMITMENTS AND CONTINGENCIES (CONTINUED):

In connection with the Access acquisition, the Company assumed a certain contract for telecommunications services requiring annual minimal usage of approximately $4.5 million through October 1998.

In connection with the OTM acquisition, a standby letter of credit was issued collateralizing a promissory note of $821 at December 31, 1995.

In November 1995, the Company entered into a three year consulting agreement with a financial advisor requiring annual compensation of $250.

In December 1995, the Company granted options to employees of the Company, STC, and certain members of the Board of Directors of the Company and STC, to purchase an aggregate of 350 shares of STC common stock, held by the Company. The options are excersable for five years, at $2.50 per share.

NOTE 16 - RELATED PARTY TRANSACTIONS:

As of December 31, 1993, the company paid approximately $288 of life insurance premiums on behalf of the Company's president, which was to be repaid from the proceeds of a $2,500 face value life insurance policy owned by the president. In January 1994, the beneficiary on the policy was changed to the Company in order to reduce the premium payments required by the Company. As of December 31, 1995, the amount due to the Company for premiums paid exceeded the cash surrender value of the policy by approximately $130. Accordingly, the President has agreed to reimburse the Company for this amount. The receivable and cash surrender value are reflected in other assets in the accompanying consolidated balance sheets.

NOTE 17 UNAUDITED QUARTERLY INFORMATION:

	Three months ended			
	March 31	June 30	September 30	December 31
1995				
Revenues (A)	$ 10,816	$ 11,604	$ 12,095	$ 12,571
Gross margin (A)	4,131	4,458	4,827	4,798
Net income (loss)	285	1,597	192	(1,147)
Net income (loss) per common share	0.02	0.17	0.01	(0.14)
1994				
Revenues	$ 7,896	$ 9,125	$ 14,493	$ 13,853
Gross margin	3,469	4,222	5,833	5,671
Net income	257	703	603	723
Net income per common share	0.03	0.11	0.07	0.06

(A) Quarterly amounts adjusted to reflect equity method reporting for STC

NOTE 18 - SUBSEQUENT EVENTS

On March 13, 1996, the Company increased its authorized number of shares of preferred stock $.01 par value and common stock $.004 par value, to 25,000 and 50,000, respectively.

On March 13, 1996, the Company's stockholders approved and the Company consummated its merger with Fairchild Industries, Inc. ("FII"), following a reorganization transferring all non-communication assets to its parent, RHI Holding, Inc. ("RHI"). The Company changed its name to Shared Technologies Fairchild Inc. ("STFI"). Under the merger agreement, STFI issued to RHI, 6,000 shares of common stock, 250 shares of convertible preferred stock with a $25,000 liquidation preference and 20 shares of special preferred stock with a $20,000 initial liquidation preference. In addition the Company raised in the capital market approximately $111,000, after offering expenses, through the issuance of 12 1/4% Senior Subordinated Notes Due 2006 and approximately $125,000 (of an available $145,000) in loans from a credit facility with financial institutions. The funds were used primarily for the retirement of certain liabilities assumed from FII in connection with the merger, and the retirement of the Company's existing credit facility. In connection with the merger, the Company entered into two year employment agreements with key employees for annual compensation aggregating $1,250, and adopted the 1996 Equity Incentive Plan. The merger will be accounted for using the purchase method of accounting. The total purchase consideration of approximately $69,000, will be allocated to the net tangible and intangible assets of FII based upon their respective fair values. The allocation of the aggregate purchase price included in the following pro forma financial statements is preliminary, and does not reflect the immediate retirement of FII long-term debt, FII Series A Preferred Stock, and FII Series C Preferred Stock, however, the Company does not expect that the final allocation of the purchase price will materially differ from the preliminary allocation that follows:

Assets	
Accounts receivable	$ 23,036
Other current assets	2,773
Equipment	51,010
Other assets	7,184
Goodwill	240,105
Total Assets	$ 324,108
Liabilities and stockholders' equity	
Notes payable, current	$ 514
Accounts payable	14,068
Accrued expenses	6,213
Accrued acquisition costs	7,000
Advance billings	3,581
Long term debt, less current portion	180,501
Post retirement benefits	104
Stockholders' equity	
FII Series A preferred stock	19,112
STFI Convertible preferred stock	25,000
STFI special preferred stock	20,000
FII Series C preferred stock	24,015
STFI common stock	24,000
Total liabilities and stockholders equity	$ 324,108

SHARED TECHNOLOGIES FAIRCHILD INC. AND SUBSIDIARIES

VALUATION AND QUALIFYING ACCOUNTS
Years Ended December 31, 1995, 1994 AND 1993
(In thousands)

Description	Balance at Beginning of Year	Charged to Cost and Expenses	Charged to Other Accounts	Deductions (1)	Balance at End of Year
December 31, 1993:					
Allowance for doubtful accounts and discounts	297	253		240	310
December 31, 1994:					
Allowance for doubtful accounts and discounts	310	413		139	584
December 31, 1995:					
Allowance for doubtful accounts and discounts	584	321	130	625 (2)	410

(1) Represents write off of uncollectible accounts, net of recoveries.

(2) Includes $242 due to the change in accounting, to the equity method for one of the Company's subsidiaries

(c) Exhibits

Exhibit No.	Description of Exhibit
1.0	Purchase Agreement dated March 8, 1996 among the Company, STI, the guarantors named therein and CS First Boston Corporation and Citicorp USA, Inc. Incorporated by reference to the Company's Form 8-K filed on March 27, 1996.
2.1	Agreement and Plan of Merger dated as of November 9, 1995 among Shared Technologies Fairchild Inc. (formerly Shared Technologies Inc.) ("STFI"), Fairchild Industries, Inc. ("FII"), RHI Holdings, Inc. ("RHI") and The Fairchild Corporation ("TFA"). Incorporated by reference to the Company's Form 8-K filed on March 27, 1996.
2.2	First Amendment to Agreement and Plan of Merger dated as of February 2, 1996 among STFI, FII, RHI and TFC. Incorporated by reference to the Company's Form 8-K filed on March 27, 1996.
2.3	Second Amendment to Agreement and Plan of Merger dated as of February 24, 1996 among STFI, RHI and TFC. Incorporated by reference to the Company's Form 8-K filed on March 27, 1996.
2.4	Third Amendment to Agreement and Plan of Merger dated as of March 1, 1996 among STFI. FII, RHI and TFC. Incorporated by reference to the Company's Form 8-K filed on March 27, 1996.
3(i).1	Restated Certificate of Incorporation of the Company. Incorporated by reference to the Company's Form 8-K filed on March 27, 1996.
3(i).2	Certificate of Merger of STI and FII. Incorporated by reference to the Company's Form 8-K filed on March 27, 1996.
3(i).3	Certificate of Incorporation of Shared Technologies Fairchild Communications Corp. ("STAFF"). Incorporated by reference to the Company's Form 8-K filed on March 27, 1996.
3(ii).1	Amended and Restated By-laws of STI. Incorporated by reference to the Company's Form 8-K filed on March 27, 1996.

3(ii).2	Amendment to Amended and Restated By-laws of STI. Incorporated by reference to the Company's Form 8-K filed on March 27, 1996.
3(ii).3	By-laws of STAFF. Incorporated by reference to the Company's Form 8-K filed on March 27, 1996.
4.1	Certificate of Designations of Series G 6% Cumulative Convertible Preferred Stock of STFI. Incorporated by reference to the Company's Form 8-K filed on March 27, 1996.
4.2	Certificate of Designations of Series H Special Preferred Stock of STFI. Incorporated by reference to the Company's Form 8-K filed on March 27, 1996.
4.3	Certificate of Designations of Series I 6% Cumulative Convertible Preferred Stock of STFI. Incorporated by reference to the Company's Form 8-K filed on March 27, 1996.
4.4	Certificate of Designations of Series J Special Preferred Stock of STFI. Incorporated by reference to the Company's Form 8-K filed on March 27, 1996.
4.5	Indenture dated as of March 1, 1996 among the Company, the guarantors named therein and United States Trust Company of New York, as trustee. Incorporated by reference to the Company's Form 8-K filed on March 27, 1996.
4.6	First Supplemental Indenture dated as of March 13, 1996 among the Company, the guarantors named therein and United States Trust Company of New York, as trustee. Incorporated by reference to the Company's Form 8-K filed on March 27, 1996.
10.1	Registration Rights Agreement dated March 8, 1996 among the Company, STFI, the guarantors named therein and CS First Boston Corporation and Citicorp USA, Inc. Incorporated by reference to the Company's Form 8-K filed on March 27, 1996.
10.2	Registration Rights Agreement dated March 13, 1996 among STI, RHI and TFC. Incorporated by reference to the Company's Form 8-K filed on March 27, 1996.

10.3	Credit Agreement dated as of March 12, 1996 among the Company, STFI, Credit Suisse, Citicorp USA, Inc., NationsBand and the other lenders named therein. Incorporated by reference to the Company's Form 8-K filed on March 27, 1996.
10.4	Security Agreement dated as of March 13, 1996 among STAFF, STFI, each subsidiary of STAFF named therein and Credit Suisse, as collateral agent for the secured parties. Incorporated by reference to the Company's Form 8-K filed on March 27, 1996.
10.5	Pledge Agreement dated as of March 13, 1996 among STFCC, STFI, each subsidiary of STFCC named therein and Credit Suisse, as collateral agent for the secured parties Incorporated by reference to the Company's Form 8-K filed on March 27, 1996.
10.6	Pledge Agreement dated as of March 13, 1996 among STFI, RHI and Gadsby & Hannah, as interim pledge agent.
10.7	Parent Guarantee Agreement dated as March 12, 1996 between STI and Credit Suisse, as collateral agent for the secured parties. Incorporated by reference to the Company's Form 8-K filed on March 27, 1996.
10.8	Subsidiary Guarantee Agreement dated as of March 12, 1996 among the subsidiaries of STFCC and STFI named therein and Credit Suisse, as collateral agent for the secured parties. Incorporated by reference to the Company's Form 8-K filed on March 27, 1996.
10.9	Agreement to Exchange 6% Cumulative Convertible Preferred Stock and Special Preferred Stock dated as of March 1, 1996 among STI FII, RHI and TFC. Incorporated by reference to the Company's Form 8-K filed on March 27, 1996.
10.10	Shareholders' Agreement dated as of March 13, 1996 among STI, RHI and Anthony D, Autorino. Incorporated by reference to the Company's Form 8-K filed on March 27, 1996.
10.11	Tax Sharing Agreement dated as of March 13, 1996 between STI and RHI. Incorporated by reference to the Company's Form 8-K filed on March 27, 1996.

10.12	Indemnification Agreement dated as of March 13, 1996 between STI and Incorporated by reference to the Company's Form 8-K filed on March 27, 1996.
10.13	Indemnification Agreement dated as of March 13, 1996 among STI, TFC and RHI. Incorporated by reference to the Company's Form 8-K filed on March 27, 1996.
10.14	Indemnity Subrogation and Contribution Agreement dated as of March 12, 1996 between STFCC and Credit Suisse as collateral agent for the secured parties. Incorporated by reference to the Company's Form 8-K filed on March 27, 1996.
21	List of subsidiaries of the Registrant.
27	Financial Data Schedule
99	Pursuant to Regulation S-X Rule 3-09 the Company is including as an exhibit audited consolidated financial statements for Shared Technologies Cellular, Inc.

SIGNATURES

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

SHARED TECHNOLOGIES INC.
(Registrant)

By /s/ Anthony D. Autorino
Anthony D. Autorino
Chairman, Chief Executive
Officer and Director
Date: March 29, 1996

By /s/ Vincent DiVincenzo
Vincent DiVincenzo
Senior Vice President - Finance and
Administration, Treasurer, Chief
Financial Officer and Director
Date: March 29, 1996

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

By /s/ Anthony D. Autorino
Anthony D. Autorino
Chairman, Chief Executive Officer
and Director
Date: March 29, 1996

By /s/ Jeffrey J. Steiner
Jeffrey J. Steiner
Vice Chairman and Director
March 29, 1996

By /s/ Mel D. Borer
Mel D. Borer, President, Chief
Operating Officer and Director
Date: March 29, 1996

By
Jo McKenzie, Director
March 29, 1996

By /s/ Natalia Hercot
Natalia Hercot, Director
Date: March 29, 1996

By /s/ Thomas H. Decker
Thomas H. Decker, Director
Date: March 29, 1996

By /s/ Ajit Hutheesing
Ajit Hutheesing, Director
March 29, 1996

By /s/ Herbert L. Oakes
Herbert L. Oakes, Jr.,
Director
Date: March 29, 1996

By /s/ Edward J. McCormack
Edward J. McCormack, Jr.
Director
Date: March 29, 1996

By /s/ Vincent DiVincenzo
Vincent DiVincenzo, Director
Date: March 29, 1996

By /s/ William A. DiBella
William A. DiBella, Director
Date: March 29, 1996

Exhibit 5

List of Key Personnel

Exhibit 5

LIST OF KEY PERSONNEL

Anthony Autorino

Mr. Autorino is Chief Executive Officer of the Applicant, and Chairman of its Board of Directors. Since 1986, he also has served as Chairman, President and Chief Executive Officer of Applicant's ultimate parent corporation, Shared Technologies Fairchild Inc., (formerly Shared Technologies Inc.) ("STFI"), a nationwide shared telecommunications and systems provider. Mr. Autorino is a graduate of the University of Connecticut with bachelor's and master's degrees in electrical engineering.

Mel Borer

Mr. Borer is the Applicant's President and a member of the Board of Directors. He was General Manager of Fairchild Communications Services Company ("FCSC") from 1987 and its President from 1989 until FCSC merged into Shared Technologies Inc. in March 1996. He has been involved in the telecommunications industry for more than 20 years and has held managerial positions in the marketing, operations and financial disciplines. He graduated from Drexel Institute of Technology with a Bachelor of Science degree in Business and from George Washington University with a Master of Science degree in Administration.

Vincent DiVincenzo

Mr. DiVincenzo is the Applicant's Treasurer and a member of its Board of Directors. He is Senior Vice President - Administration and Finance, Chief Financial Officer and Director of STFI. He has been a director of STI since May 1992 and Senior Vice President - Administration and Finance, Treasurer and Chief Financial Officer since September 1993. Mr. DiVincenzo joined STFI in July 1988 and served as its Vice President - Finance, Treasurer and Chief Financial Officer until September 1993.

He is a graduate of Iona College with a bachelor's degree in Business Administration and Finance and a MBA in finance.

Kenneth Dorros

Mr. Dorros is Secretary of the Applicant, and is a member of the Board of Directors. He also is Vice President, General Counsel and Secretary of STFI. He has been General Counsel of STFI since June 1986. Mr. Dorros became Secretary in 1987 and he was named a Vice President in 1992 and a Senior Vice President in February 1996. A graduate of Lehigh University, Mr. Dorros received his law degree from the Fordham University School of Law. He is admitted to the Bars of New York and Connecticut.

In addition to the above listed officers of the Applicant, Applicant's parent and affiliate corporations have headquarters and field staffs comprised of several hundred experienced telecommunications managerial, marketing, legal, administrative and technical personnel.

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CHECK SHEET

The sheets listed below, which are inclusive of this price list, are effective as of the date shown at the bottom of the respective sheet(s). Original and revised sheets as named below comprise all changes from the original price list and are currently in effect as of the date on the bottom of this sheet.

Sheet	Revision	Sheet	Revision
1	Original	19	Original
2	Original	20	Original
3	Original	21	Original
4	Original	22	Original
5	Original	23	Original
6	Original	24	Original
7	Original	25	Original
8	Original	26	Original
9	Original	27	Original
10	Original	28	Original
11	Original	29	Original
12	Original	30	Original
13	Original	31	Original
14	Original	32	Original
15	Original	33	Original
16	Original	34	Original
17	Original	35	Original
18	Original		

*Indicates New or Revised Sheet

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EXPLANATION OF SYMBOLS

The following are the only symbols used for the purposes indicated below

(D) Delete or discontinue

(I) Change resulting in an increase to a customer's bill

(M) Moved from another price list location

(N) New

(R) Change resulting in a reduction to a customer's bill

(T) Change in text or regulation but no change in rate or charge

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PRICE LIST FORMAT

A. Sheet Numbering - Sheet numbers appear in the upper right corner of the sheet. Sheets are numbered sequentially. However, new sheets are occasionally added to the price list. When a new sheet is added between sheets already in effect, a decimal is added. For example, a new sheet added between sheets 14 and 15 would be 14.1

B. Sheet Revision Numbers - Revision numbers also appear in the upper right corner of each sheet. These numbers are used to determine the most current sheet version on file with the Commission. For example, the 4th revised Sheet 14 cancels the 3rd Revised Sheet 14. Because of various suspension periods, deferrals, etc., the Commission follows in their price list approval process, the most current sheet number on file with the Commission is not always the sheet in effect. Consult the Check Sheet currently in effect.

C. Paragraph Numbering Sequence - There are nine levels of paragraph coding. Each level of code is subservient to its next higher level.

2
2.1
2.1.1
2.1.1.A
2.1.1.A.1
2.1.1.A.1.(a)
2.1.1.A.1.(a).1
2.1.1.A.1.(a).1.(i)
2.1.1.A.1.(a).1.(i).(1)

D. Check Sheets - When a price list filing is made with the Commission, an updated check sheet accompanies the price list filing. The check sheet lists the sheets contained in the price list, with a cross reference to the current revision number.

When new sheets are added, the check sheet is changed to reflect the revision. All revisions made in a given filing are designated by an asterisk (*). There will be no other symbols used on this sheet if these are the only changes made to it (i.e., the format, etc., remains the same, just revised revision levels on some sheets). The price list user should refer to the latest check sheet to find out if a particular sheet is the most current on file with the Commission.

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EXCHANGE SERVICE LIST

Local exchange service is offered for the origination and termination of calls at locations throughout the State. These locations are identified by the exchange to which the customers local exchange services are connected. Local exchange service is presently available at the exchanges named below and will be made available at other exchanges in the State as warranted by customer demand.

Fort Lauderdale	Miami	Orlando
Tampa-Central Area	Tampa-East Area	Tampa- North Area
Tampa-South Area	Tampa-West Area	

Local Calling Areas

Local exchange service for each exchange listed below consists of service within that exchange area plus the exchanges listed under "Other Exchanges Included in Local Service Area" plus the exchanges listed under "Extended Calling Service Additional Exchanges."

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EXCHANGE SERVICE LIST (continued)

Exchange	Other Exchanges Included in Local Service Area	Extended Calling Service Additional Exchanges
Fort Lauderdale		Boca Raton, Boynton Beach, Delray Beach, Homestead, Miami, North Dade, Perrine
Miami		Big Pine Key, Boca Raton, Coral Springs, Deerfield Beach, Fort Lauderdale, Hollywood, Islamorada, Key Largo, Key West, Marathon, North Key Largo, Pompano Beach, Sugarloaf Key
Orlando		DeBarry, Geneva, Kissimmee, Sanford, St. Cloud, West Kissimmee
Tampa-Central Area	Plant City	Clearwater, Dade City, Mulberry, San Antiono, St. Petersburg, Tarpon Springs, Zephyrhills
Tampa-East Area	Plant City, Zephyrhills	Clearwater, Mulberry, St. Petersburg, Tarpon Springs, Zephyrhills
Tampa-North Area	Plant City	Clearwater, Dade City, Mulberry, New Port Richey, San Antonio, St. Petersburg, Tarpon Springs
Tampa-South Area	Palmetto, Plant City	Clearwater, Mulberry, St. Petersburg, Tarpon Springs, Zephyrhills
Tampa-West Area	Clearwater, Plant City	Clearwater, New Port Richey, St. Petersburg, Tarpon Springs, Zephyrhills

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1. TECHNICAL TERMS AND ABBREVIATIONS

Account Code A numerical code, one or more of which are available to a customer to enable identification of individual users or groups of users on an account and to allocate costs of service accordingly.

Authorized User A person, firm or corporation which is authorized by the Customer or Joint User to be connected to the service of the Customer or Joint User, respectively

Called Station The terminating point of a call

Calling Card A card issued by the Company containing such account numbers assigned to its Customer which enables the charges for calls made to be properly billed on a pre-arranged basis

Company Access Network Services, Inc. ("Access")

Commission The Florida Public Service Commission (the "Commission")

Connection Charge The charge that applies for arranging an exchange trunk line to provide service between the central office and the customer premises.

Customer The person, firm, corporation or other entity which orders or uses service and is responsible for payment of charges and compliance with the Company's regulations.

Deposit A payment required before the start of a service, at the discretion of the Company, in an amount equal to one (1) or two (2) month's estimated Recurring Charges for the services and facilities to be provided by the Company

Disconnect or Disconnection The termination of a circuit connection between the Originating Station and the Called Station or Company's operator

Joint User A person, firm or corporation which is designated by the Customer as a user of the Company's service furnished to the Customer and to whom a portion of the charges for the service will be billed under a joint user arrangement as specified herein

Local Exchange Telephone Company The franchised telephone company within each operating territory in the State of Florida

Local Service Area: That area within which a Customer for local exchange service can make calls without the payment of long distance charges. A local service area may consist of one or more exchange areas.

Non-Recurring Charges The one-time initial charges for services or facilities, including but not limited to, charges for construction, installation, or special fees, for which the Customer becomes liable at the time the Service Order Agreement is executed

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1. TECHNICAL TERMS AND ABBREVIATIONS (continued)

Premises The space occupied by a Customer, Authorized User or Joint User in a building or buildings on contiguous property (except where separated by public streets, highways, railroad rights-of way, etc.) serviced by the Company

Recurring Charges The monthly charges to the Customer for services, facilities and equipment, which continue for the agreed upon duration of service

Service Commencement Date The first day following the date on which the Company notifies the Customer that the requested service or facility is available for use, unless such date is extended by the Customer's refusal to accept service which does not conform to standards set forth in the Service Order Agreement or this price list, in which case the Service Commencement Date is the date of the Customer's acceptance. The parties may mutually agree on a substitute Service Commencement Date

Service Order Agreement The written request for services executed by the Customer and the Company. The signing of a Service Order Agreement by the Customer and acceptance by the Company constitutes a binding agreement and initiates the respective obligations of the parties as set forth therein and pursuant to this price list, but the duration of the service is calculated from the Service Commencement Date

Service Order Charge The charge that applies for receiving, recording and processing customer requests for service

Shared A facility or equipment system or subsystem which can be used simultaneously by several Customers.

Subscriber See "Customer" definition

Verified Account Code A numerical code, one or more of which are available to a customer to enable identification of individual users or groups of users on an account and to allocate costs of service accordingly. Account codes are verified against a predefined list of codes maintained by Company

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2. RULES AND REGULATIONS

2.1 DESCRIPTION OF SERVICE

2.1.1 The Company provides intrastate local exchange message telecommunications service to Customers for their direct transmission and reception of voice, data, and other types of communications.

2.1.2 The Company resells access, switching, transport and termination services provided by local exchange carriers ("LECs").

2.1.3 Service is available on a full-time basis (24 hours per day, 365 days per year).

2.1.4 Local Exchange services provided by the Company under this price list are furnished on the basis of a fixed monthly charge and usage charges that will apply to calls placed to points located within the customers local service area and Extended Calling Service (ECS) exchanges, as described in the Exchange Service List preceding. Calls to points located outside the customers local service area are considered interexchange calls and charges will apply as set forth in the Company's Intrastate Long Distance Tariff.

2.1.5 For additional cost, and subject to availability, the customer may use authorization codes to identify the users or user groups on an account. The numerical composition of the codes shall be set by the Company to assure compatibility with Company's accounting and billing systems and to avoid the duplication of codes.

2.1.6 Service will normally be provided to customers within their premises within commercial and other multi-unit office buildings served by the Company. However, the Company may originate and terminate calls for its customers at any location within the State of Florida which the Commission has authorized it to serve.

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2. REGULATIONS (continued)

2.2 LIMITATIONS OF SERVICE

2.2.1 Service is offered subject to the availability of the necessary facilities and/or equipment and subject to the provisions of this price list

2.2.2 Customers may be required to enter into written Service Order Agreements which shall contain or reference a specific description of the facilities and services ordered, the rates to be charged, the duration of the services, and the terms and conditions in this price list Customer will also be required to execute any other documents as may be reasonably requested by the Company

2.2.3 At the expiration of the initial term specified in each Service Order Agreement, or in any extension thereof, unless otherwise specified in such Service Order Agreement, service shall continue on a month to month basis at the then current rates unless terminated by either party upon 30 days written notice. Any termination shall not relieve Customer of its obligation to pay any charges incurred under the Service Order Agreement and this price list prior to termination. The rights and obligations which by their nature extend beyond the termination of the term of the Service Order Agreement shall survive such termination

2.2.4 In any action by the Company to enforce any provision of this price list, the Company shall be entitled to recover its costs of collection, legal fees and court costs from Customer in addition to other relief a court may award

2.2.5 Company reserves the right immediately to disconnect service without incurring liability when necessitated by conditions beyond the Company's control or when the customer is using the service in violation of either the provisions of this price list or the laws, rules, regulations, or policies of the State of Florida or the Commission

2.2.6 Company reserves the right immediately to discontinue furnishing service to customers without incurring liability

A. For non-payment of any sum owing to the Company on amounts past due upon three days written notice to the Customer, or
B. For failure to maintain any minimum revenue commitment set forth in the Service Order Agreement, or
C. For failure in the performance of any other obligation under the Service Order Agreement, or
D. For customer dissolution or insolvency or subject to the appointment of a receiver or making an assignment for the benefit of creditors, or
E. For insufficient or fraudulent billing information, invalid or unauthorized telephone numbers, or
F. For any violation by a Customer related to the request for such service of either the provisions of this price list or any laws, rules, regulations, or policies of the State of Florida including rules, regulations, and policies of the Commission

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2. REGULATIONS (continued)

2.2 LIMITATIONS OF SERVICE (continued)

G By reason of any order or decision of a court or any other governmental authority which prohibits Company from furnishing such service, or

H If Company deems such refusal necessary to protect itself or third parties against fraud or to otherwise protect its personnel, agents, facilities or services

2.2.7 Upon the Company's discontinuance of service to the Customer under Section 2.2.6, the Company, in addition to all other remedies that may be available to the Company at law or in equity or under any other provision of this price list, may declare all future Recurring Charges and other charges which would have been payable by the Customer during the remainder of the term for which such services would have otherwise been provided to the Customer to be immediately due and payable

2.2.8 This price list shall be interpreted and governed by the laws of the State of Florida without regard for its choice of laws provision

2.2.9 Title to all facilities provided by Company under these regulations remains in Company's name or in the name of the carrier supplying the services and facilities being resold

2.2.10 The Company will provide the Customer reasonable notification of service-affecting activities that may occur in normal operation of its business Such activities may include, but are not limited to, equipment or facilities additions, removals or rearrangements and routine preventative maintenance Generally, such activities are not specific to an individual Customer but affect the services of many Customers No specific advance notification period is applicable to any such service affecting activities The Company will work cooperatively with the Customer to determine the reasonable notification requirements In the case of some emergency or unplanned service-affecting conditions, such as, for example, an outage resulting from cable damage, notification to the Customer may not be possible

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2. REGULATIONS (continued)

2.3 USE OF SERVICE

2.3.1 Service may be used for the transmission of communications by the customer

2.3.2 The services the Company offers shall not be used for any unlawful purpose or for any use as to which the Customer has not obtained all required governmental approvals, authorizations, licenses, consents and permits

2.3.3 The Company may require applicants for service who intend to use the Company's offerings for resale and/or for shared use to file a letter with the Company confirming that their use of the Company's offerings complies with relevant laws and Commission regulations, policies, orders, and decisions

2.3.4 The Company may require a Customer immediately to cease using services if such use is causing interference to others

2.4 INTERCONNECTION

2.4.1 Service furnished by the Company may be interconnected with services or facilities of other authorized communications carriers and with private systems, subject to technical limitations established by the Company. Any special interface equipment or facilities necessary to achieve compatibility between the facilities of the Company and other participating carriers shall be provided at Customer's expense

2.4.2 Interconnection between the facilities or services of other carriers shall be under the applicable terms and conditions of the other carriers' tariffs or price lists. Customer is responsible for taking all necessary legal steps for interconnecting customer provided terminal equipment or communications equipment with Company's facilities. Customer shall secure all licenses, permits, rights-of-way, and other such arrangements necessary for interconnection

2.5 PAYMENTS AND BILLING

2.5.1 Service is provided on the basis of a minimum period of at least one month, 24-hours per day. For the purpose of computing charges in this price list, a month is considered to have 30 days

2.5.2 A. The Customer is responsible for the payment of all charges for services furnished to the customer. Recurring monthly charges will be billed monthly in advance

B. The Customer is responsible for the payment of any sales, use, gross receipts, excise, access or other local, state and Federal taxes, charges or surcharges (however designated) (excluding taxes on the Company's net income) imposed on or based upon the provision, sale or use of services or facilities provided by the Company

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2. REGULATIONS (continued)

2.5 PAYMENTS AND BILLING (continued)

2.5.3 The Customer is responsible for payment of all charges incurred by the Customer or other users of services and facilities furnished to the Customer by the Company

A. All charges are due and payable on Customer receipt of the Company's invoice

B. When service does not begin on the first day of the month, or end on the last day of the month, the charge for the fraction of the month in which service was furnished will be calculated on a pro rata basis. For this purpose, every month is considered to have 30 days

C. Billing of the Customer by the Company will begin on the Service Commencement Date, which is the first day following the date on which the service or facility is available for use, except that the Service Commencement Date may be postponed by mutual agreement of the parties, or if the service or facility does not conform to standards set forth in this price list or the Service Order Agreement. Billing accrues through and includes the day that the service, circuit, arrangement or component is discontinued

D. If any portion of the payment is received by the Company after the date due, or if any portion of the payment is received by the Company in funds which are not immediately available, then a late payment penalty shall be due to the Company. The late payment penalty shall be the portion of the payment not received by the date due, multiplied by a late factor. The late factor shall be the lesser of

1. a rate of one and one-half percent (1½%) per month on the past due amount, or

2. the highest rate of interest which may be applied under Florida State law for commercial transactions

2.5.4 At the Company's discretion, Customer may be required to make an Advance Payment before services and facilities are furnished. The Advance Payment will not exceed an amount equal to the Non-Recurring Charge(s) and one month's Recurring Charges for the service or facility. In addition, where special construction is involved, the Advance Payment may also include an amount equal to the estimated Non-Recurring Charges for the special construction and Recurring Charges (if any) for a period to be agreed by the Company and the Customer. The Advance Payment will be credited to the Customer's initial bill. An Advance Payment may be required in addition to a Deposit

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2. REGULATIONS (continued)

2.5 PAYMENTS AND BILLING (continued)

2.5.5 Deposits

A. The Company does not as a normal course of business require or collect Deposits. However, applicants for services which do not have an account with the Company or whose financial responsibility is not a matter of general knowledge may be required to make a Deposit at the time an application for service is placed with the Company. Also, a Customer who continues to operate under 11 U.S.C. Chapter 11 of the U.S. Bankruptcy Code may be required to place a Deposit with the Company within twenty (20) days after the bankruptcy petition is filed. A Deposit does not relieve the Customer of the responsibility for the prompt payment of bills on presentation. The Deposit will not exceed an amount equal to two (2) month's recurring charges and two month's estimated usage charges.

B. When a service or facility is discontinued, the amount of a Deposit, if any, will be applied to the Customer's account and any credit balance remaining will be refunded. Before the service or facility is discontinued, the Company may, at its option, return the Deposit or credit it to the Customer's account.

C. Deposits will accrue simple interest at an allowable rate annually without deductions for any taxes on such Deposits.

D. Customers have the right to refer billing disputes and any other complaints to the Company at either 777 Brickell Avenue, Suite 708, Miami, Florida 33131 or 101 East Kennedy Boulevard, Suite 3080, Tampa, Florida 33602. The Company's customer service department can be reached by dialing 1-800-754-1422 (toll free).

2.6 CANCELLATION BY CUSTOMER

2.6.1 If Customer orders service requiring special facilities dedicated to Customer's use and then cancels the order before such service begins, before completion of the minimum period, or before completion of some other period mutually agreed with Customer for non-recoverable portions of expenditures or liabilities incurred expressly on behalf of the customer by Company and not fully reimbursed by installation and monthly charges, and, if based on such an order, construction has either begun or has been completed but no service provided, the non-recoverable cost of such expenditures shall be borne by Customer.

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2. REGULATIONS (continued)

2.6 CANCELLATION BY CUSTOMER (continued)

2.6.2 If Customer terminates service after start of service but before the end of the Service Order Agreement for any reason other than termination for cause as set forth in 2.7.3, customer shall immediately pay company (a) for all services performed and/or delivered by company for or to customer, (b) the unpaid balance for all prior invoices (including accrued and unpaid interest), and (c) liquidated damages in an amount equal to the greater of the minimum commitment or the average monthly billing for all services provided by Company for customer times the number of months remaining on agreement

2.6.3 If company materially or repeatedly defaults in the performance of its duties and obligations of the Service Order Agreement, the default must be substantially cured by company within ninety days after company receives written notice of the default. If company fails to cure such default within such time, customer may provide company with a written notice of intent to terminate for cause.

2.6.4 Either party may terminate the Service Order Agreement upon the expiration of the initial and/or extension term of the agreement by providing the other party with ninety days advance written notice of its decision not to renew

2.7 INTERRUPTION OF SERVICE

2.7.1 Credit allowance for interruptions of service which are not due to Company's testing or adjusting, to the negligence of the customer, or to the failure of channels, equipment and/or communications equipment provided by Customer, are subject to the general liability provisions set forth in Section 2.9 in this price list. It shall be the obligation of the customer to notify Company of any interruptions of service. Before giving such notice, Customer shall ascertain that the trouble is not being caused by any action or omission of Customer, not within Customer's control, and is not in the wiring or equipment connected to the terminal of Company.

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2. REGULATIONS (continued)

2.7 INTERRUPTION OF SERVICE (continued)

2.7.2 Interruptions in service, which are not due to the negligence of, or noncompliance with the provisions of this price list, by the Customer, or the operation or malfunction of the facilities, power or equipment provided by the Customer, will be credited to the Customer as set forth in the Service Order Agreement between Customer and Company for the service that the interruption affects.

No credit allowance will be made for:

A. interruptions due to the negligence of, or noncompliance with the provisions of this price list by the Customer, Authorized User, Joint User, or any common carrier providing service connected to the service of the Company.

B. interruptions due to the negligence of any person other than the Company, including but not limited to the Customer or common carriers connected to the Company's facilities.

C. interruptions due to the failure or malfunction of non-Company provided equipment.

D. interruptions of service during any period in which the Company is not given full and free access to its facilities and equipment for the purpose of investigating and correcting interruptions.

E. interruptions of service during a period in which the Customer continues to use the service on an impaired basis.

F. interruptions of service during any period when the Customer has consented to an interruption in service in order to permit the Company to perform maintenance or to implement a Customer order for a change in service, and

G. interruptions of service due to circumstances or causes beyond the control of Company.

2.8 RESTORATION OF SERVICE

The use and restoration of service in emergencies shall be in accordance with Commission Rules and Regulations, which specify the priority system for such activities.

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2. REGULATIONS (continued)

2.9 LIABILITY

2.9.1 The liability of the Company for damages arising out of the furnishing of its services and facilities, including but not limited to mistakes, omissions, interruptions, delays or errors or other defects, representations, or use of these services or arising out of the failure to furnish the services and facilities, whether caused by acts or omission, shall be limited to the extension of allowances for interruption as set forth in Section 2.8. The extension of such allowances for interruption shall be the sole remedy of the Customer and the sole liability of the Company. **THE COMPANY SHALL NOT BE LIABLE FOR ANY INDIRECT, INCIDENTAL, OR CONSEQUENTIAL DAMAGES, INCLUDING, WITHOUT LIMITATION, LOST INCOME OR LOST REVENUE, (WHETHER SUCH DAMAGES WERE FORESEEN OR NOT AT THE TIME THE SERVICE ORDER AGREEMENT WAS ENTERED INTO), SUSTAINED OR INCURRED IN CONNECTION WITH THE EQUIPMENT AND SERVICES FURNISHED UNDER THE SERVICE ORDER AGREEMENT. THIS LIMITATION APPLIES TO CLAIMS FOUNDED ON BREACH OF CONTRACT, BREACH OF WARRANTY, PRODUCTS LIABILITY, TORT, INCLUDING BOTH THE ACTIVE AND PASSIVE NEGLIGENCE OF THE COMPANY, OR ANY OTHER THEORY OF LIABILITY.**

2.9.2 The Company shall not be liable for any damages or loss resulting from unauthorized use of the equipment or services furnished under a Service Order Agreement.

2.9.3 The Company shall not be responsible for any nonperformance or delay in performance of any of the requirements set forth in the Service Order Agreement due to any cause beyond its control.

2.9.4 The Company shall not be liable for (a) any act or omission of any entity furnishing to the Company or to the Company's Customers facilities or equipment used for interconnection with the Company's services, or (b) for the acts or omissions of common carriers or warehousemen.

2.9.5 The Company shall not be liable for any damage or losses due to the fault or negligence of the Customer or due to the failure or malfunction of Customer-provided equipment or facilities.

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2. REGULATIONS (continued)

2.9 LIABILITY (continued)

2.9.6 The Customer indemnifies and holds the Company harmless from any and all losses, claims, demands, suits, or other actions, or any liability whatsoever, whether suffered, made, instituted, or asserted by any other party or person(s), and for any loss, damage, or destruction of any property, whether owned by the Customer or others, caused or claimed to have been caused, directly or indirectly, by acts or omissions of the Customer in the installation, operation, failure to operate, maintenance, removal, presence, condition, location, or use of any installation so provided. The Company reserves the right to require each Customer to sign an agreement acknowledging acceptance of the provisions of this Section 2.9.6 as a condition precedent to such installation.

2.9.7 The Company is not liable for any defacement of or damage to the Customer's Premises resulting from the furnishing of services or equipment on such Premises or the installation or removal thereof, unless such defacement or damage is caused by negligence or willful misconduct of the Company's agents or employees.

2.9.8 The Company shall be indemnified, defended, held harmless by the Customer against any claim, loss or damage arising from Customer's use of services, involving claims for libel, slander, invasion of privacy, or infringement of copyright arising from the Customer's own communications.

2.9.9 The entire liability of the Company for any claim, loss, damage or expense from any cause whatsoever shall in no event exceed sums actually paid Company by Customer for the specific services giving rise to the claim. No action or proceeding against the Company shall be commenced more than one year after the service is rendered.

2.9.10 THE COMPANY MAKES NO WARRANTIES OR REPRESENTATIONS, EXPRESS OR IMPLIED, EITHER IN FACT OR BY OPERATION OF LAW, STATUTORY OR OTHER WISE, INCLUDING WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR USE, EXCEPT THOSE EXPRESSLY SET FORTH HEREIN.

2.10 BINDING NATURE AND ASSIGNMENT

The Service Order Agreement shall bind the parties and their permitted assigns. Customer shall not assign the agreement to any affiliate, subsidiary or other person without prior written consent of Company. Any attempted assignment by customer without prior written consent of Company shall be void. Company may assign all rights and obligations of Company to any affiliate, subsidiary, or other person or entity without consent of Customer.

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2. REGULATIONS (continued)

2.11 NOTICES

Written notices to be given hereunder shall be deemed to have been given when delivered personally or deposited in the United States mails, postage prepaid, addressed to such party at its address set forth in application or at such other address as such party may have subsequently provided in writing. Notwithstanding the foregoing, notices given pursuant to section 2.6.3. and 2.6.4. shall be delivered by certified mail.

2.12 GENERAL

2.12.1 **Severability.** If any term or terms in the Service Order Agreement shall be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining terms shall not, in any way, be affected or impaired thereby.

2.12.2 **Captions.** Captions are for convenience of reference and shall not be deemed or construed in any way as limiting or extending the language of any provision of the Service Order Agreement.

2.12.3 **Amendments.** Any modification of the Service Order Agreement must be in writing and signed by authorized representatives of the parties.

2.12.4 **Waivers.** Waivers, to be binding, must be in writing and signed by the party whose right is waived. No waiver of the terms of the Service Order Agreement or failure by either party to exercise any option, right, or privilege on any occasion or through the course of dealing shall be construed to be a waiver of the same on any other occasion.

2.12.5 **Survival.** Terms of the Service Order Agreement that by their sense and context are intended to survive performance by either or both parties shall so survive the completion, expiration, termination, or cancellation of the Agreement.

2.12.6 **Authorization.** Each party represents that it has full power and authority to enter into and perform the Service Order Agreement, that it knows of no impediment to its performance hereunder, and that the person signing the Service Order Agreement on its behalf has been properly authorized and empowered to enter into the Agreement. Each party further acknowledges that it has read the Agreement, understands it, and agrees to be bound by it.

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2. REGULATIONS (continued)

2.12 GENERAL (continued)

2.12.7 **Regulations.** Customer acknowledges that a portion of the services and/or goods to be provided hereunder may be subject to regulatory authority of local, state, and federal agencies, and customer agrees notwithstanding any other provision hereof, that any price, monthly lease charge, or other charge set forth in orders hereunder will be subject to revision should any ruling of such agency affect the provision of such goods or services. Company may unilaterally modify any service offering, including cancellation thereof, to permit Company to comply with any ruling of any such agency.

2.12.8 **Complete Agreement.** The parties agree that the Service Order Agreement is the complete and exclusive statement of the agreement between the parties and, as such, supersedes all proposals or prior agreements, oral or written, and all other communications between the parties relating to subject matter of the Agreement and any of its Exhibits.

2.12.9 **Non-Disclosure.** Customer shall not disclose to any other person or entity the rates, terms and/or conditions set forth in the Service Order Agreement.

2.13 LOST OR STOLEN CREDIT CARDS

In the event any calling card issued by Company is lost, stolen, or compromised, customer shall notify Company immediately. Customer shall pay for all calls charged to such card up to and including twenty-four hours after notification to Company.

2.14 PROVISION OF EQUIPMENT AND FACILITIES

2.14.1 The Company shall use reasonable efforts to make available equipment, facilities and services to Customer on or before a particular date, subject to the provisions of, and compliance by the Customer with, the regulations contained in this price list. The Company does not guarantee availability by any such date and shall not be liable for any delays in commencing service to any Customer.

2.14.2 The Company shall use reasonable efforts to maintain the facilities and equipment that it furnishes to the Customer. The Customer may not, nor may Customer permit others to, rearrange, disconnect, remove, attempt to repair, or otherwise interfere with any of the facilities or equipment installed by the Company, except upon the written consent of the Company.

2.14.3 The Company may substitute, change or rearrange any equipment or facility at any time and from time to time, but shall not thereby alter the technical parameters of the service provided the Customer.

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2. REGULATIONS (continued)

2.14 PROVISION OF EQUIPMENT AND FACILITIES (continued)

2.14.4 In the event the Company provides or installs any equipment at the Customer's Premises for use in connection with the services the Company offers, such equipment shall not be used by Customer for any purpose other than that for which it was intended by the Company.

2.14.5 The Customer shall be responsible for the payment of service charges as set forth herein for visits by the Company's agents or employees to the Premises of the Customer when the service difficulty or trouble report results from the use of equipment or facilities provided by any party other than the Company, including but not limited to the Customer.

2.14.6 The Company shall not be responsible for the installation, operation, or maintenance of any Customer-provided communications equipment. Where such equipment is connected to the facilities furnished pursuant to this price list, the responsibility of the Company shall be limited to the furnishing of facilities offered under this price list and to the maintenance and operation of such facilities. Subject to this responsibility, the Company shall not be responsible for:

A. the transmission of signals by Customer-provided equipment or for the quality of, or defects in, such transmission; or

B. the reception of signals by Customer-provided equipment.

At the Customer's request, installation and/or maintenance may be performed outside the Company's regular business hours. In such cases, charges based on cost of the actual labor, material, or other costs incurred by or charged to the Company will apply. If installation is started during regular business hours but, at the Customer's request, extends beyond regular business hours into time periods including, but not limited to, weekends, holidays, and/or night hours, additional charges may apply.

2.15 NONROUTINE INSTALLATION

At the Customer's request, installation and/or maintenance may be performed outside the Company's regular business hours. In such cases, charges based on cost of the actual labor, material, or other costs incurred by or charged to the Company will apply. If installation is standard during regular business hours but, at the Customer's request, extends beyond regular business hours into time periods including, but not limited to, weekends, holidays, and/or night hours, additional charges may apply.

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2. REGULATIONS (continued)

2.16 SPECIAL CONSTRUCTION

Subject to an arrangement with the Company and to all of the regulations contained in this price list, special construction of facilities may be undertaken on a reasonable efforts basis at the request of the Customer. Special construction charges will be determined on an individual case basis.

2.17 OWNERSHIP OF FACILITIES AND EQUIPMENT

Unless otherwise specifically agreed by the Company in writing, title to all facilities and equipment provided in accordance with this price list remains in the Company.

2.18 OBLIGATIONS OF THE CUSTOMER

2.18.1 Customer Responsibilities

The Customer shall be responsible for:

A. The payment of all applicable charges pursuant to this price list, including charges incurred as a result of unauthorized use of the Customer's services;

B. Damage to or loss of the Company's facilities or equipment caused by the acts or omissions of the Customer, or the noncompliance by the Customer with these regulations, or by fire or theft or other casualty on the Customer Premises, unless caused by the negligence or willful misconduct of the employees or agents of the Company;

C. Providing at no charge, as specified from time to time by the Company, any needed personnel, equipment, space and power to operate Company facilities and equipment installed on the Customer's Premises, and the level of heating and air conditioning necessary to maintain such Premises;

D. Obtaining, maintaining, and otherwise having full responsibility for all horizontal wiring necessary for installation of equipment used to provide services to the Customer. Any costs associated therewith shall be borne entirely by, or may be charged by the Company to, the Customer.

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2. REGULATIONS (continued)

2.18 OBLIGATIONS OF THE CUSTOMER (continued)

2.18.1 Customer Responsibilities (continued)

E. Providing a safe place to work and complying with all laws and regulations regarding the working conditions on the Premises at which Company employees and agents shall be installing or maintaining the Company's facilities and equipment. The Customer may be required to install and maintain Company facilities and equipment within a hazardous area if, in the Company's opinion, injury or damage to the Company employees or property might result from installation or maintenance by the Company. The Customer shall be responsible for identifying, monitoring, removing and disposing of any hazardous material (e.g., friable asbestos) prior to any construction or installation work.

F. Complying with all laws and regulations applicable to, and obtaining all consents, approvals, licenses and permits as may be required with respect to the location of Company facilities and equipment in any Customer Premises or the conduit or wiring for which Customer is responsible under Section 2.18.1.D, and granting or obtaining permission for Company agents or employees to enter the premises of the Customer at any time for the purpose of installing, inspecting, maintaining, repairing, or upon termination of service as stated herein, removing the facilities or equipment of the Company, and

G. Not creating or allowing to be placed any liens or other encumbrances on the Company's equipment or facilities

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2. REGULATIONS (continued)

2.18 OBLIGATIONS OF THE CUSTOMER (continued)

2.18.2 Claims

With respect to any service or facility provided by the Company, Customer shall indemnify, defend and hold harmless the Company from and against all claims, actions, damages, liabilities, costs and expenses, including reasonable attorneys' fees for

A. Any loss, destruction or damage to property of the Company or any third party, or the death or injury to persons, including, but not limited to, employees or invitees of either party, to the extent caused by or resulting from the negligent or intentional act or omission of the Customer, its employees, agents, representatives or invitees, or

B. Any claim, loss, damage, expense or liability for infringement of any copyright, patent, trade secret, or any proprietary or intellectual property right of any third party, arising from any act or omission by the Customer, including, without limitation, use of the Company's services and facilities in a manner not contemplated by the agreement between Customer and Company.

C. The Company shall not be liable for damages or statutory penalties in any case where a claim is not presented in writing within one hundred and twenty days after the alleged damage occurs.

2.19 CUSTOMER EQUIPMENT AND FACILITIES

2.19.1 In General

A Customer may transmit or receive information or signals via the equipment and facilities of the Company.

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2. REGULATIONS (continued)

2.19 CUSTOMER EQUIPMENT AND FACILITIES (continued)

2.19.2 Station Equipment

A. Customer-provided terminal equipment on the Customer Premises, and the electric power consumed by such equipment shall be provided by and maintained at the expense of the Customer.

B. The Customer is responsible for ensuring that Customer-provided equipment connected to Company equipment and facilities is compatible with such equipment and facilities. The magnitude and character of the voltages and currents impressed on Company-provided equipment and wiring by the connection, operation, or maintenance of such equipment and wiring shall be such as not to cause damage to the Company-provided equipment and wiring or injury to the Company's employees or to other persons. Any additional protective equipment required to prevent such damage or injury shall be provided by the Company at the Customer's expense.

2.19.3 Inspections

A. Upon suitable notification to the Customer, and at a reasonable time, the Company may make such tests and inspections as may be necessary to determine that the Customer is complying with the requirements set forth in Section 2.19.2 for the installation, operation, and maintenance of Customer-provided facilities, equipment, and wiring in the connection of Customer-provided facilities and equipment to Company-owned facilities and equipment.

B. If the protective requirements for Customer-provided equipment are not being complied with, the Company may take such action as it deems necessary to protect its facilities, equipment, and personnel. The Company will notify the Customer promptly if there is any need for further corrective action. Within ten days of receiving this notice, the Customer must take this corrective action and notify the Company of the action taken. If the Customer fails to do this, the Company may take whatever additional action is deemed necessary, including the suspension of service, to protect its facilities, equipment and personnel from harm.

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2. REGULATIONS (continued)

2.20 TRANSFERS AND ASSIGNMENTS

The Customer may not assign or transfer its rights or duties in connection with the services and facilities provided by the Company pursuant to a Service Order Agreement without the written consent of the Company

2.21 NOTICES AND COMMUNICATIONS

2.21.1 The Customer shall designate on the Service Order Agreement the address to which the Company shall mail or deliver all notices and other communications, except that Customer may also designate a separate address to which the Company's bills for service shall be mailed, and the Company may designate a separate address on each bill for service to which the Customer shall mail payment on that bill

2.21.2 All notices or other communications required to be given pursuant to this price list will be in writing. Notices and other communications of either party, and all bills mailed by the Company, shall be presumed to have been delivered to the other party on the third business day following placement of the notice, communication or bill with the U.S. Mail or a private delivery service, prepaid and properly addressed, or when actually received or refused by the addressee, whichever occurs first

2.21.3 The Company or the Customer shall advise the other party of any changes to the addresses designated for notices, other communications or billing, by following the procedures for giving notice set forth herein

3. BASIC SERVICE DESCRIPTIONS AND RATES

3.1 TAMPA EXCHANGES

3.1.1 Individual Business Lines and PBX Trunks

Individual Lines: this service provides the central office line equipment and plant facilities to permit an individual customer station to access the network for local calling.

PBX Trunks: this service provides the central office line equipment and plant facilities to connect a PBX system or other similar equipment arrangement to the network to permit stations connected to the PBX system or other similar equipment arrangement to access the network for local calling.

		Nonrecurring Connection Charge
Flat Rate, per month		
Individual Line	$28.00	$65.00
PBX Trunks	$49.00	$65.00
Message Rate Service, per month		
Individual Line	$17.00	$65.00
PBX Trunks		
PBX Combination Trunk	$30.00	$65.00
PBX Outward Trunk	$30.00	$65.00
PBX Inward Trunk (Including DID)	$30.00	$65.00
Usage Charges		
Call Allowance[1]	0	—
Rate per call over allowance[1]	$0.095	—
Rates for calls to Extended Calling Service (ECS) exchanges		
Rate for each completed call	$0.038	—
Rate for each minute or fraction thereof	$0.057	—

1. Excludes calls to Extended Calling Service (ECS) exchanges

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3. BASIC SERVICE DESCRIPTIONS AND RATES (continued)

3.1 TAMPA EXCHANGES (continued)

3.1.2 Direct Inward Dialing (DID) Service

	Monthly Rate	Nonrecurring Connection Charge
PBX		
1. DID Service, 80 numbers or less		
For establishment of a trunk group and provision of the first block of 20 DID numbers	$95.00	$523.00
For each additional block of 20 DID numbers	$19.00	$95.00
2. DID Service, 200 numbers or less		
For establishment of a trunk group and provision of the first block of 100 DID numbers	$418.00	$523.00
For second block of 100 DID numbers		
For establishment of entire second 100 DID number group	$340.00	$418.00
For establishment of multiples of 20 DID numbers		
For the first 20 DID numbers	$76.00	$418.00
For each additional block of 20 DID numbers	$76.00	$19.00
3. For each additional block of 100 DID numbers over 200	$42.00	$52.00
4. Reserve numbers, per block of 100 DID numbers	$42.00	$52.00

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3. BASIC SERVICE DESCRIPTIONS AND RATES (continued)

3.1 TAMPA EXCHANGES (continued)

3.1.3 Other Features

		Nonrecurring Connection Charge
Monthly Rate		
White Page Directory Listings, each	$1.25	—
Toll Restriction-Sent Paid	$2.40	$14.00
Emergency 911, per trunk or line	$0.39	—
Rate Per Call		
Directory Assistance Direct Dial (after 3 calls)	$0.40	—
Directory Assistance via Operator	$0.60	—
Directory Connect Surcharge	$0.25	—
Operator Assistance Local Calls		
Station-Customer Dialed Calling Card	$0.75	—
Station-All other	$1.50	—
Person-to-Person	$3.00	—
Number Verification	$1.00	—

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3. BASIC SERVICE DESCRIPTIONS AND RATES

3.2 OTHER FLORIDA EXCHANGES

3.2.1 Individual Business Lines and PBX Trunks

Individual Lines: this service provides the central office line equipment and plant facilities to permit an individual customer station to access the network for local calling.

PBX Trunks: this service provides the central office line equipment and plant facilities to connect a PBX system or other similar equipment arrangement to the network to permit stations connected to the PBX system or other similar equipment arrangement to access the network for local calling.

		Nonrecurring Connection Charge
Flat Rate, per month		
Individual Line	$27.00	$53.00
PBX Trunks		
PBX Combination Trunk	$47.00	$53.00
PBX Outward Trunk	$47.00	$53.00
PBX Inward Trunk (Including DID)	$47.00	$53.00
Message Rate Service, per month		
Individual Line	$20.00	$53.00
PBX Trunks		
First Trunk		
PBX Combination Trunk	$21.00	$53.00
PBX Outward Trunk	$21.00	$53.00
Additional Trunks		
PBX Combination Trunk	$10.50	$53.00
PBX Outward Trunk	$10.50	$53.00
Usage Charges		
Call Allowance [1,2]	75	—
Rate per call over allowance[1]	$0.114	—
Rates for calls to ECS exchanges[3]		
Rate for each completed call	$0.095	—
Rate for each minute or fraction thereof	$0.057	—

1 Excludes calls to Extended Calling Service (ECS) exchanges

2 Allowance only applies to first trunk

3 Also applies to Flat Rate Service

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3. BASIC SERVICE DESCRIPTIONS AND RATES (continued)

3.2 OTHER FLORIDA EXCHANGES (continued)

3.2.2 Direct Inward Dialing (DID) Service

	Monthly Rate	Nonrecurring Connection Charge
DID Trunk Termination	$21.00	$85.00
For establishment of a trunk group and provision of the first block of 20 DID numbers	$3.80	$869.00
For each additional block of 20 DID numbers	$3.80	$14.00
For each additional block of 20 DID numbers of non-consecutive numbers	$0.20	—
Dual Tone Multifrequency (DTMF) pulsing option, per trunk[1]	$7.15	—

1 Multifrequency pulsing provides faster signaling on DID lines. The choice of pulsing option depends upon the type of PBX or other equipment used by the customer.

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3. BASIC SERVICE DESCRIPTIONS AND RATES (continued)

3.2 OTHER FLORIDA EXCHANGES (continued)

3.2.3 Other Features

Monthly Rate	
Hunting Service	$9.80
White Page Directory Listings, each	$1.20
Non-listing Directory Charge	$1.75
Magnetic Tape Billing, per tape per revenue accounting office	$73.00
Emergency 911, per trunk or line	$0.50
Rate Per Call	
Directory Assistance Direct Dial (after 3)	$0.25
Directory Connect Surcharge	$0.30
Call Forwarding Variable	$3.40
Operator Assistance Local Calls	
Station-Customer Dialed Calling Card	$0.75
Station-All other	$1.00
Person-to-Person	$2.50
Number Verification	$0.60

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3. RATES AND CHARGES (continued)

3.3 EMERGENCY 911 SERVICE

Message and measured usage charges will not apply for Emergency 911 Service

3.4 PASS THROUGH CHARGES

The local exchange telephone company providing services being resold under this price list may assess nonrecurring service charges in connection with, for example, service orders, location moves, directory listing changes, phone number changes, service restoration after service suspensions, and, on a time and materials basis, for special premises or other work at a customers request (See Section A4 of SBTT's and GTE Florida's G S S T Tariff) In addition, the local exchange telephone company assesses an interstate access charge of $6 00 and a telecommunications relay service fund charge of $0 12 per month for each business line or PBX trunk. In some circumstances, the local exchange telephone company also assesses certain non-regulated charges in association with the regulated services it provides The Company will pass through all such charges to its customers, including associated taxes and franchise fees, at the same level of charge as assessed by the local exchange telephone company

3.5 OTHER RATE AND CHARGE PROVISIONS

3 5 1 Customer may be provided discounts from or be assessed charges below the rates set forth in this tariff based on volume of usage, duration of the term of service for which the customer subscribes, the configuration of services provided, the physical requirements for the provision of those services, and/or the need to meet the rates offered by suppliers of competitive services

3 5 2 When the customer reports trouble to the Company for clearance and no trouble is found, the customer may be responsible for payment of a reasonable charge reflecting the duration of time from dispatch of a technician until the no trouble determination is made

Stuart G Meister
300 West Service Road
P O Box 10804
Chantilly, VA 20153-0804
(703) 478-5888

DEPOSIT TREAS. REF

D410 NOV 27 '96

November 26, 1996

96 1424-

VIA FEDERAL EXPRESS

Mr. Steve Tribble
Secretary
Florida Public Service
Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Re: Application Of Access Network Services, Inc. For Authority To Provide Alternative Local Exchange Service Within The State Of Florida

Dear Mr. Tribble:

Enclosed is an original and six (6) copies of Access Network Services, Inc.'s application to provide Alternative Local Exchange Service within the State of Florida. I also enclose a check in the amount of $250.00 as payment for the prescribed application fee.

An extra copy of this cover letter is enclosed to be date stamped and returned in the envelope enclosed for your convenience. If you have any questions regarding this matter, please call me at (703) 478-5772.

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

Initials of person who forwarded check:

Sincerely,

Allan C. Hubbard
Counsel

Enclosures

SHARED TECHNOLOGIES FAIRCHILD TELECOM, INC.
13873 PARK CENTER ROAD, SUITE 106
HERNDON, VA 22071
PH. 703-318-6868

CITIBANK DELAWARE
NEW CASTLE, DE 19720
62-20-311

97929

DATE	CHECK NO	CHECK AMOUNT
11/22/96	97929	**$250.00**

PAY Two hundred fifty dollars and 00/100----------------------------------

TO THE ORDER OF
The Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

VOID AFTER 60 DAYS
AUTHORIZED SIGNATURE (S)

November [illegible], 1996

VIA FEDERAL EXPRESS

96/434-

Mr. Steve Tribble
Secretary
Florida Public Service
Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

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Sincerely,

Allan C. Hubbard
Counsel

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11/22/96 97929 **$250.00**

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