

# CENTURYTEL INC

## FORM 10-K405

(Annual Report (Regulation S-K, item 405))

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Industry	Communications Services
Sector	Services
Fiscal Year	12/31

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-K**

[ X ] Annual Report Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934

For the fiscal year ended December 31, 1997

or

[ ] Transition Report Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934

*Commission file number 1-7784*

**CENTURY TELEPHONE ENTERPRISES, INC.**

(Exact name of Registrant as specified in its charter)

Louisiana  
(State or other jurisdiction of  
incorporation or organization)

72-0651161  
(IRS Employer  
Identification No.)

100 Century Park Drive, Monroe, Louisiana  
(Address of principal executive offices)

71203  
(Zip Code)

Registrant's telephone number, including area code - (318) 388-9000

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

Title of each class -----	Name of each exchange on which registered -----
Common Stock, par value \$1.00	New York Stock Exchange Berlin Stock Exchange
Preference Share Purchase Rights	New York Stock Exchange Berlin Stock Exchange

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

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. [X]

As of February 28, 1998, the aggregate market value of voting stock held by non-affiliates (affiliates being for these purposes only directors, executive officers and holders of more than five percent of the Company's outstanding voting securities) was \$3.7 billion. As of February 28, 1998, there were 60,989,911 shares of common stock outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE:**

Portions of the Registrant's Proxy Statement prepared in connection with the 1998 annual meeting of shareholders are incorporated in Part III of this Report.

## PART I

### Item 1. Business

General. Century Telephone Enterprises, Inc. ("Century") is a regional diversified communications company engaged primarily in providing local exchange telephone services and cellular telephone services. For the year ended December 31, 1997, telephone (local exchange) operations and wireless (cellular) operations provided 59% and 34%, respectively, of the consolidated revenues of Century and its subsidiaries (the "Company"). All of the Company's telephone and cellular operations are conducted within the continental United States and Alaska.

At December 31, 1997, the Company's local exchange telephone subsidiaries operated over 1.2 million telephone access lines, primarily in rural, suburban and small urban areas in 21 states, with the largest customer bases located in Wisconsin, Washington, Alaska, Michigan, Louisiana, Colorado, Ohio, Oregon and Montana. According to published sources, the Company is the tenth largest local exchange telephone company in the United States based on the number of access lines served.

At December 31, 1997, the Company's majority-owned and operated cellular systems served approximately 570,000 customers in 21 Metropolitan Statistical Areas ("MSAs"), primarily concentrated in Michigan, Louisiana, Arkansas, Mississippi, Wisconsin and Texas, and 23 Rural Service Areas ("RSAs"), most of which are in Michigan, Mississippi, Wisconsin, Louisiana and Arkansas. The Company's ownership interest in these markets represented approximately 8.1 million pops (the estimated population of licensed cellular telephone markets multiplied by the Company's proportionate equity interest in the licensed operators thereof). At December 31, 1997, the Company also owned minority equity interests in 12 MSAs and 22 RSAs, representing approximately 2.2 million pops. Of the Company's 10.3 million aggregate pops, approximately 65% are attributable to the Company's MSA interests, with the balance attributable to its RSA interests. Except for five MSAs and four RSAs, all of the cellular systems operated by the Company are operated under wireline licenses. According to data derived from published sources, the Company is the tenth largest cellular telephone company in the United States based on the Company's 10.3 million pops. See "Wireless Operations-Regulation and Competition-Cellular Licensing Process" for more information on MSAs, RSAs and wireline licenses.

The Company also provides long distance, call center, cable television and interactive services in certain local and regional markets, as well as certain printing and related services.

Recent acquisitions and dispositions. On December 1, 1997 the Company acquired Pacific Telecom, Inc. ("PTI") in exchange for \$1.503 billion cash. As a result of the PTI acquisition, the Company acquired (i) over 660,000 telephone access lines in four midwestern states, seven western states and Alaska, (ii) over 88,000 cellular customers in ten markets located in two midwestern states and Alaska, along with minority equity interests in 12 other cellular markets, and (iii) various wireless, cable television and other communications assets. PTI's aggregate cellular equity interests represent 1.9 million pops. The operations of PTI have been included in the Company's results of operations beginning December 1, 1997.

During late 1997 and early 1998, the Company acquired two security alarm businesses that provide services to approximately 5,900 customers in north central Louisiana, southern Arkansas and northwestern Mississippi.

In December 1997 the Company acquired an additional 76% interest in Wisconsin RSA 8 which is adjacent to the Company's existing cellular operations in southwestern Wisconsin.

During 1997 the Company exchanged its 89% interest in its competitive access subsidiary for approximately 4.3 million shares of publicly traded securities. Approximately 3.8 million shares of such stock were sold in November 1997 for \$203 million and the remaining shares were converted into approximately 1.0 million shares of WorldCom, Inc. in early 1998.

In January 1997 the Company acquired Pecoco, Inc., a provider of local exchange telephone service in four counties in Wisconsin. As a result of the acquisition, the Company acquired (i) more than 7,600 telephone access lines, (ii) a minority interest in two cellular partnerships serving Madison and Milwaukee, Wisconsin, representing approximately 35,000 pops and (iii) certain cable television assets.

For several years prior to 1997, the Company has expanded its operations through an ongoing program of acquisitions. Substantial acquisitions during the last five years include (i) the 1993 acquisition of San Marcos Telephone Company (22,000 telephone access lines and 325,000 pops) and (ii) the 1994 acquisition of Celutel, Inc. (over 1.1 million pops). The Company continually evaluates the possibility of acquiring additional telecommunications assets in exchange for cash, securities or both, and at any given time may be engaged in discussions or negotiations regarding additional acquisitions. Although the Company's primary focus will continue to be on acquiring telephone and wireless interests that are proximate to its properties or that serve a customer base large enough for the Company to operate efficiently, other communications interests may also be acquired.

In March 1998 the Company entered into a definitive agreement to acquire certain local exchange and directory publishing assets from Ameritech for approximately \$225 million. Under such agreement, the Company would acquire, among other things, 85,000 telephone access lines in northern and central Wisconsin. The transaction is expected to close in the fourth quarter of 1998 subject to, among other things, regulatory approvals.

Other. As of December 31, 1997, the Company had approximately 5,700 employees, approximately 1,100 of whom were members of eight different bargaining units represented by the International Brotherhood of Teamsters, the International Brotherhood of Electrical Workers, Communications Workers of America, or the NTS Employee Committee. Relations with employees continue to be generally good.

Century was incorporated under Louisiana law in 1968 to serve as a holding company for several telephone companies acquired over the previous 15 to 20 years. Century's principal executive offices are located at 100 Century Park Drive, Monroe, Louisiana 71203 and its telephone number is (318) 388-9000.

### TELEPHONE OPERATIONS

According to published sources, the Company is the tenth largest local exchange telephone company in the United States, based on the more than 1.2 million access lines it served at December 31, 1997. All of the Company's access lines are digitally switched. Through its operating telephone subsidiaries, the Company provides services to predominately rural, suburban and small urban markets in 21 states. The table below sets forth certain information with respect to the Company's access lines as of December 31, 1997 and 1996, and illustrates the substantial impact the PTI acquisition had on the Company's telephone operations:

	December 31, 1997		December 31, 1996	
State	Number of access lines	Percent of access lines	Number of access lines	Percent of access lines
Wisconsin	245,091	20%	105,252	21%
Washington	166,611	14	-	-
Alaska	124,869	10	-	-
Michigan	104,440	9	88,483	18
Louisiana	94,432	8	92,677	18
Colorado	81,206	7	7,420	1
Ohio	77,987	7	75,103	15
Oregon	71,544	6	-	-
Montana	57,390	5	-	-
Arkansas	42,193	4	40,673	8
Texas	41,852	4	38,327	8
Minnesota	29,029	2	-	-
Tennessee	24,578	2	23,507	5
Mississippi	17,839	2	16,211	3
Idaho	5,746	-	4,162	1
New Mexico	5,559	-	5,168	1
Indiana	4,975	-	4,827	1
Wyoming	4,447	-	-	-
Iowa	1,801	-	189	-
Arizona	1,624	-	1,563	-
Nevada	437	-	-	-
	1,203,650	100%	503,562	100%

As indicated in the following table, the Company has experienced growth in its telephone operations over the past several years, a substantial portion of which was attributable to the acquisition of PTI and other telephone companies and to the expansion of services:

	Year ended or as of December 31,				
	1997	1996	1995	1994	1993
	(Dollars in thousands)				
Access lines	1,203,650	503,562	480,757	454,963	434,691
% Residential	74%	77	78	79	80
% Business	26%	23	22	21	20
Operating revenues	\$ 530,597	451,538	419,242	391,265	350,330
Capital expenditures	\$ 115,854	110,147	136,006	152,336	131,180

Future growth in telephone operations is expected to be derived from (i) acquiring additional telephone companies, (ii) providing service to new customers, (iii) increasing network usage and (iv) providing additional services made possible by advances in technology and changes in regulation. For information on developing competitive trends, see "-Regulation and Competition."

In connection with its acquisition of PTI, the Company has reorganized its telephone operations into three operating regions, including a new western region headquartered in Vancouver, Washington. Substantially all of the new western region is comprised of local exchange companies ("LECs"), located in seven western states and Alaska, which were acquired in the acquisition of PTI. As soon as practical, the Company plans to offer long distance, Internet and certain other services in most of the local exchange markets acquired in the PTI acquisition.

### Services

The Company's local exchange telephone subsidiaries derive revenue from providing (i) local telephone services, (ii) network access services and (iii) other related services. The following table reflects the percentage of telephone operating revenues derived from these respective services:

	1997	1996	1995
-----	-----	-----	-----
Local service	27.8%	26.9	26.6
Network access	60.2	61.2	61.7
Other	12.0	11.9	11.7
-----	-----	-----	-----
	100.0%	100.0	100.0
=====	=====	=====	=====

Local service revenues are derived from the provision of local exchange telephone services in the Company's service areas. Internal access line growth during 1997, 1996 and 1995 was 4.4%, 4.3% and 4.4%, respectively. The Company believes that access line growth in the future will benefit from population growth in its service areas, acquisitions and the increase in the number of households maintaining more than one access line. The Company markets local Internet access in 340 communities in 12 states, which the Company believes has led to an increase in orders for second lines.

Network access revenues primarily relate to services provided by the Company to long distance carriers and other customers in connection with the use of the Company's facilities to originate and terminate interstate and intrastate long distance telephone calls. Access charges to long distance carriers and other customers are based on tariffed access rates filed with the Federal Communications Commission ("FCC") for interstate services and with the respective state regulatory agency for intrastate services. Certain of the Company's interstate network access revenues are based on access charges filed directly with the FCC; the remainder of such revenues are derived under revenue sharing arrangements with other LECs administered by the National Exchange Carrier Association ("NECA").

Certain of the Company's intrastate network access revenues are derived through access charges billed by the Company to intrastate long distance carriers and other LEC customers. Such intrastate network access charges are based on access tariffs, which are subject to state regulatory commission approval. Additionally, certain of the Company's intrastate network access revenues, along with intrastate long distance revenues, are derived through revenue sharing arrangements with other LECs.

The installation of digital switches and related software has been an important component of the Company's growth strategy because it allows the Company to offer enhanced services (such as call forwarding, conference calling, caller identification, selective call ringing and call waiting) and to thereby increase utilization of existing access lines. In 1997 the Company continued to expand its list of premium services (such as voice mail and Internet access) offered in certain service areas and aggressively marketed these services.

The Company is installing fiber optic cable in certain of its high traffic routes and provides alternative routing of telephone service over fiber optic cable networks in several strategic operating areas. At December 31, 1997, the Company's telephone subsidiaries had over 5,100 miles of fiber optic cable in use, of which approximately 2,000 miles were acquired in the PTI acquisition.

Other revenues include revenues related to (i) leasing, selling, installing, maintaining and repairing customer premise telecommunications equipment and wiring, (ii) providing billing and collection services for long distance companies, (iii) participating in the publication of local directories and (iv) providing Internet access. At the end of 1997, the Company offered Internet access in telephone markets representing 61% of its access lines. Certain large communications companies for which the Company currently provides billing and collection services continue to indicate their desire to reduce their billing and collection expenses, which may result in future reductions of the Company's billing and collection revenues.

For further information on the regulation of the Company's revenues, see "-Regulation and Competition."

### **Federal Financing Programs**

Certain of the Company's telephone subsidiaries receive long-term financing from the Rural Utilities Service ("RUS") and the Rural Telephone Bank ("RTB"). The RUS has made long-term loans to telephone companies since 1949 for the purpose of improving telephone service in rural areas. The RUS continues to make new loans at interest rates that range from 5% to 7% based on borrower qualifications and the cost of funds to the United States government. The RTB, established in 1971, makes long-term loans at interest rates based on its average cost of funds as determined by statutory formula (such rates ranged from 5.98% to 6.54% for the fiscal year ended September 30, 1997), and in some cases makes loans concurrently with RUS loans. Most of the Company's telephone plant is pledged or mortgaged to secure obligations of the Company's telephone subsidiaries to the RUS and RTB. The Company's telephone subsidiaries which have borrowed from government agencies generally may not loan or advance any funds to Century, but may pay dividends if certain financial covenants are met.

For additional information regarding the Company's financing, see the Company's consolidated financial statements included in Item 8 herein.

### **Regulation and Competition**

Traditionally, LECs have operated as regulated monopolies. Consequently, the majority of the Company's telephone operations have

traditionally been regulated extensively by various state regulatory agencies (generally called public service commissions or public utility commissions) and by the FCC. As discussed in greater detail below, passage of the Telecommunications Act of 1996 (the "1996 Act"), coupled with state legislative and regulatory initiatives and technological changes, has fundamentally altered the telephone industry by reducing the regulation of LECs and permitting competition in each segment of the telephone industry. Although Century anticipates that these trends towards reduced regulation and increased competition will continue, it is difficult to determine the form or degree of future regulation and competition in the Company's service areas.

**State regulation.** The local service rates and intrastate access charges of substantially all of the Company's telephone subsidiaries are regulated by state regulatory commissions. Most of such commissions have traditionally regulated pricing through "rate of return" regulation that focuses on authorized levels of earnings by LECs. Most of these commissions also (i) regulate the purchase and sale of LECs, (ii) prescribe depreciation rates and certain accounting procedures and (iii) regulate various other matters, including certain service standards and operating procedures.

In recent years, state legislatures and regulatory commissions having jurisdiction over the Company's telephone subsidiaries in several states in which the Company has substantial operations have either begun to reduce the regulation of LECs or have announced their intention to do so, and it is expected that this trend will continue. This reduced regulatory oversight of certain of the Company's telephone operations may allow the Company to offer new and competitive services faster than under the traditional regulatory process. Coincident with these efforts, legislative, regulatory and technological changes have introduced competition into the local exchange industry. See "-Developments Affecting Competition."

Substantially all of the state regulatory commissions have statutory authority, the specific limits of which vary, to initiate and conduct earnings reviews of the LECs that they regulate. As part of the movement towards deregulation, several states are moving away from traditional rate of return regulation towards price cap regulation and incentive regulation (which are similar to the FCC regulations discussed below), and are actively encouraging larger LECs to adopt these newer forms of price regulation. The continuation of this trend may lead to fewer earnings reviews in the future. Currently, however, most of the Company's LECs continue to be regulated under rate of return regulation.

During 1995 the Louisiana Public Service Commission ("LPSC") adopted a new regulatory plan for independent telephone companies in Louisiana. For additional information, see "Regulation and Competition" in Item 7 herein. In 1997 the LPSC adopted a consumer Price Protection Plan (the "Louisiana Plan"), effective July 1997, which impacts all of the Company's telephone subsidiaries operating in Louisiana. The new form of regulation will focus on price and quality of service. Under the Louisiana Plan, the Company's Louisiana telephone subsidiaries' local rates will be frozen for a period of three years and access rates will be frozen for a period of two years. Although the Louisiana Plan has no specified term, the LPSC is required to review it by mid-2000. The Company's Louisiana telephone subsidiaries have the option to propose a new plan at any time if the LPSC determines that (i) effective competition exists or (ii) unforeseen events threaten the subsidiary's ability to provide adequate service or impairs its financial health.

The Company's telephone operations in Wisconsin that were acquired in the December 1997 acquisition of PTI have been regulated under an alternative regulation plan (the "Wisconsin Plan") since June 1996. The Wisconsin Plan has a five-year term and includes a provision that allows the Company's subsidiary covered by such plan to adjust rates within specified parameters if certain quality-of-service and infrastructure-development commitments are met. The Wisconsin Plan also includes initiatives designed to promote competition.

The Michigan Public Service Commission regulates the Company's Michigan telephone subsidiaries pursuant to the parameters established by the Michigan Telecommunications Act of 1995 ("MTA"). The MTA focuses on price and quality of service as opposed to traditional methods of regulation.

**FCC regulation.** The FCC regulates the interstate services provided by the Company's telephone subsidiaries primarily by regulating the interstate access charges that are billed to long distance companies and other LEC customers by the Company for use of its local network in connection with the origination and termination of interstate telephone calls. Additionally, the FCC has prescribed certain rules and regulations for telephone companies, including regulations regarding the use of radio frequencies; a uniform system of accounts; and rules regarding the separation of costs between jurisdictions and, ultimately, between interstate services.

Effective January 1, 1991, the FCC adopted price-cap regulation relating to interstate access rates for the Regional Bell Operating Companies ("RBOCs") and GTE Corporation. An annual opportunity to elect price-cap regulation is available for other LECs. Under price-cap regulation, limits imposed on a company's interstate rates will be adjusted periodically to reflect inflation, productivity improvement and changes in certain non-controllable costs. In May 1993 the FCC adopted an optional incentive regulatory plan for LECs not subject to price-cap regulation. A LEC electing the optional incentive regulatory plan would, among other things, file tariffs based primarily on historical costs and not be allowed to participate in the relevant NECA pooling arrangements. The Company has not elected price-cap regulation or the optional incentive regulatory plan, but will continue to evaluate its options on a periodic basis. Either election, if made by the Company, would have to be applicable to all of the Company's telephone subsidiaries. The authorized interstate access rate of return for the Company's telephone subsidiaries is 11.25%, which is the authorized rate established by the FCC for LECs not governed by price-cap regulation or the optional incentive regulatory plan.

In February 1996 the FCC sought public comments on whether it should initiate a rate of return represcription proceeding for LECs that are subject to rate of return regulation for interstate access revenues. The Company is unaware of any significant developments in this proceeding.

In an access charge reform order adopted in May 1997, the FCC changed its system of interstate access charges to make them compatible with

the deregulatory framework established by the 1996 Act. Such changes are primarily applicable to price-cap companies. The Company's telephone subsidiaries determine interstate revenues under rate of return regulation and are, therefore, only minimally impacted by the access charge reform order. The FCC has indicated, however, that a separate access charge reform proceeding would be initiated for rate of return companies.

In October 1997 the FCC issued a Notice of Proposed Rulemaking which would, among other things, create a federal-state joint board to review jurisdictional separations procedures through which the costs of regulated telecommunications services are allocated to the interstate and intrastate jurisdictions.

High-cost support funds, revenue sharing arrangements and related matters. A significant number of the Company's telephone subsidiaries recover a portion of their costs under federal and state cost recovery mechanisms that traditionally have allowed LECs serving small communities and rural areas to provide communications services reasonably comparable to those available in urban areas and at reasonably comparable prices.

The 1996 Act authorized the establishment of new federal and state universal service funds to provide continued support to eligible telecommunications carriers. In May 1997 the FCC adopted an order on universal service, as mandated by the 1996 Act. In the order, the FCC ruled that rural telephone companies which are designated eligible telecommunications carriers will continue to receive universal service funding. Each of the Company's LECs has been so designated by its respective state regulatory agency. As a result, the Company's LECs will continue to receive payments under the federal support mechanisms currently in effect until the FCC adopts funding support mechanisms based on forward-looking economic costs, which it is required to do, but no earlier than January 2001. Although the Company anticipates that it may experience a reduction in its federal support revenues at some point in the future, management believes it is premature to assess or estimate the ultimate impact thereof. During 1997 and 1996 the Company's telephone subsidiaries received \$65.4 million (of which \$4.6 million was applicable to the PTI properties) and \$49.3 million, respectively, from the federal Universal Service Fund.

As part of its universal service order, the FCC also established a new program to provide up to \$2.25 billion of discounted telecommunications services annually to schools and libraries, commencing January 1998. In addition, the FCC established a \$400 million annual fund to provide discounted telecommunications services for rural health care providers. All communications carriers providing interstate telecommunications services, including the Company's LECs and its cellular and long distance operations, are required to contribute to these programs. In December 1997 the FCC, while reserving the right to adjust such amounts if demand increases, modified the amounts to be collected during the first six months of 1998 to no more than \$625 million for schools and libraries and no more than \$50 million for rural health care providers. The FCC has stated that local exchange telephone companies will recover their funding contributions in their rates for interstate services. The Company currently estimates that the contribution by its cellular and long distance operations for 1998 will approximate \$3.5 million.

Some of the Company's telephone subsidiaries operate in states where traditional cost recovery mechanisms, including rate structures, are under evaluation or have been modified. See "-State Regulation." There can be no assurance that these states will continue to provide for cost recovery at current levels.

Substantially all of the Company's LECs concur with the common line tariffs and certain of the Company's LECs concur with the traffic sensitive tariffs filed by the NECA; such LECs participate in the access revenue sharing arrangements administered by the NECA for interstate services. All of the intrastate network access revenues of the Company's LECs are based on access charges, cost separation studies or special settlement arrangements. See "-Services."

Certain long distance carriers continue to request that certain of the Company's LECs reduce intrastate access tariffed rates. There is no assurance that these requests will not result in decreased access revenues.

Developments affecting competition. The communications industry is currently undergoing fundamental changes which may have a significant impact on the future operations and financial performance of all communications companies. Primarily as a result of legislative and regulatory initiatives and technological changes, competition has been introduced and encouraged in each sector of the telephone industry, including, most recently, the local exchange sector. As a result, the number of companies offering competitive services has increased.

As indicated above, in February 1996 Congress enacted the 1996 Act, which obligates LECs to permit competitors to interconnect their facilities to the LEC's network and to take various other steps that are designed to promote competition. The 1996 Act imposes several duties on a LEC if it receives a specific request from another entity which seeks to connect with or provide services using the LEC's network. In addition, each incumbent LEC is obligated to (i) negotiate interconnection agreements in good faith, (ii) provide "unbundled" access to all aspects of the LEC's network, (iii) offer resale of its telecommunications services at wholesale rates and (iv) permit competitors to collocate its physical plant on the LEC's property, or provide virtual collocation if physical collocation is not practicable. Although the 1996 Act provides certain exemptions for rural LECs such as those operated by the Company, the FCC's August 1996 order implementing most of the 1996 Act's interconnection provisions placed the burden of proving the continuing availability of these exemptions on rural LECs. In July 1997 the U.S. Court of Appeals for the Eighth Circuit overturned several provisions of the FCC's August 1996 interconnection order, including the rules placing the burden of proof on rural LECs to retain their rural exemption. This decision has been appealed to the United States Supreme Court. States are permitted to adopt laws or regulations that provide for greater competition than is mandated under the 1996 Act. Management believes that competition in its telephone service areas will ultimately increase as a result of the 1996 Act, although the form and degree of competition cannot be ascertained until such time as the FCC (and, in certain instances, state regulatory commissions) adopts final and nonappealable implementing regulations.

Substantially all of the 21 states in which the Company provides telephone services have taken legislative or regulatory steps to further introduce competition into the LEC business. Largely as a result thereof, several competitive access providers originally organized to provide redundancy or access services have begun, during the past few years, to provide competitive local exchange services, principally in larger urban areas. Moreover, several well-capitalized long distance, cable television and electric utility companies, along with several start-up companies, have also begun to provide competitive local exchange services or announced their intention to do so, and wireless companies and other emerging technology companies are expected to explore their opportunities in this market. While the Company is aware of only a few companies that have requested authorization to provide local exchange service in the Company's service areas, the Company expects to face additional competition in the future from competitive providers, especially in its operating areas located near larger urban areas.

In addition to receiving services directly from companies competing with incumbent LECs, long distance companies and other users of toll service are expected to increasingly seek other means to bypass LECs' switching services and local distribution facilities. Certain interexchange carriers provide services which allow users to divert their traffic from LECs' usage-sensitive services to their flat-rate services. In addition, users or long distance companies may construct, modify or lease facilities to transmit traffic directly from a user to a long distance company. Cable television companies, in particular, may be able to modify their networks to partially or completely bypass the Company's local network. Moreover, users may choose to use wireless services to bypass LECs' switching services. Although certain of the Company's telephone subsidiaries have experienced a loss of traffic to such bypass, the Company believes that the impact of such loss on revenues has not been significant.

Historically, cellular telephone services have complemented traditional LEC services. However, the Company anticipates that existing and emerging wireless technologies will increasingly compete with LEC services. Technological and regulatory developments in cellular telephone, personal communications services, digital microwave, coaxial cable, fiber optics, local-multipoint-distribution services and other wired and wireless technologies are expected to further permit the development of alternatives to traditional landline services. For further information on certain of these developments, see "Wireless Operations Regulation and Competition."

To the extent that the telephone industry increasingly experiences competition, the size and resources of each respective competitor may increasingly influence its prospects. Many companies currently providing or planning to provide competitive communication services have substantially greater financial and marketing resources than the Company, and several are not subject to the same regulatory constraints as the Company.

The Company anticipates that the traditional operations of LECs will be increasingly impacted by continued technological developments as well as legislative and regulatory initiatives affecting the ability of LECs to provide new services and the capability of cable television companies, long distance companies, competitive local exchange providers and others to provide competitive LEC services. Competition relating to services traditionally provided solely by LECs is expected to initially affect large urban areas to a greater extent than rural, suburban and small urban areas such as those in which the Company operates. The Company intends to actively monitor these developments, to observe the effect of emerging competitive trends in initial competitive markets and to continue to evaluate new business opportunities that may arise out of future technological, legislative and regulatory developments.

The Company anticipates that regulatory changes and competitive pressures may result in future revenue reductions in its telephone operations. However, the Company anticipates that such reductions may be minimized by increases in revenues attributable to the continued demand for enhanced services and new product offerings. While the Company expects its telephone revenues to continue to grow, its internal telephone revenue growth rate may slow during upcoming periods.

## **WIRELESS OPERATIONS**

At December 31, 1997, the Company's cellular holdings represented approximately 10.3 million pops, of which 65% were applicable to MSAs and 35% were RSA pops. According to data derived from published sources, the Company is the tenth largest cellular telephone company in the United States based on the Company's 10.3 million pops.

Immediately prior to the Company's acquisition of PTI in December 1997, the Company's ratio of owned cellular pops to telephone access lines was 15:1. As a result of the Company's acquisition of the PTI properties, the Company's ratio of owned cellular pops to telephone access lines has decreased to 8:1. Certain of the Company's cellular markets overlap some of the Company's telephone service areas.

### **Cellular Industry**

The cellular telephone industry has been in existence for approximately 15 years in the United States. The industry has grown significantly during this period and cellular service is now available in substantially all areas of the United States. According to the Cellular Telecommunications Industry Association, at June 1997 there were estimated to be over 48 million cellular customers across the United States.

Cellular telephone service is capable of high-quality, high-capacity communications to and from vehicle-mounted and hand-held telephones. Cellular systems, if properly designed and equipped, are capable of handling thousands of calls at any given time and are capable of providing service to tens of thousands of subscribers in a market.

Until recently, substantially all radio transmissions of cellular systems were conducted on an analog basis. Technological developments involving the application of digital radio technology offer certain advantages over analog technologies, including expanding the capacity of



mobile communications systems, improving voice clarity, permitting the introduction of new services, and making such systems more private. Providers of certain services competitive with cellular have incorporated digital technology into their operations. In recent years most major cellular carriers have installed digital cellular voice transmission facilities in certain of their systems, principally in larger markets. Digital service is now operational in ten of the Company's MSA markets and the Company plans to significantly expand the marketing of such service during 1998. See "-Regulation and Competition-Developments Affecting Wireless Competition."

## **Construction and Maintenance**

The construction and maintenance of cellular systems is capital intensive. Although all of the Company's MSA and RSA systems are operational, the Company has continued to add cell sites to increase coverage, provide additional capacity, expand areas where hand-held cellular phones may be used and improve the quality of these systems. In 1997 the Company completed construction of 49 cell sites in markets operated by the Company and added 155 cell sites through acquisitions. At December 31, 1997, the Company operated 558 cell sites in its majority-owned markets.

During the last few years the Company upgraded certain portions of its cellular systems to be capable of providing digital service. Such service became operational in certain markets during 1996 and 1997 using the TDMA digital standard and the Company plans to install digital voice transmission facilities in other markets in 1998. See "-Regulation and Competition-Developments Affecting Wireless Competition." Capital expenditures related to majority-owned and operated cellular systems totaled approximately \$39 million in 1997. Due partially to previously planned projects carried over from 1997 and the PTI acquisition, such capital expenditures for 1998 are anticipated to be approximately \$90 million.

## **Strategy**

The Company's business development strategy for its cellular telephone operations is to secure operating control of service areas that are geographically clustered. Clustered cellular systems aid the Company's marketing efforts and provide various operating and service advantages. Approximately 43% of the Company's pops in markets operated by the Company are in a single, contiguous cluster of eight MSAs and nine RSAs in Michigan; another 17% are in a cluster of five MSAs and seven RSAs in northern and central Louisiana, southern Arkansas and eastern Texas. See "-The Company's Cellular Interests."

Another component of the Company's strategy for cellular operations includes capturing revenues from roaming service. Roaming service revenues are derived from calls made in one cellular service area by subscribers from other service areas. Roaming service is made possible by technical standards requiring that cellular telephones be functionally compatible with the cellular systems in all United States market areas. The Company charges premium rates (compared to rates charged to the Company's customers) for roaming service provided to most non-Company customers. The Company's Michigan cellular properties include a significant portion of the interstate highway corridor between Chicago and Detroit. Its Louisiana properties include an east-west interstate highway and a north-south interstate highway which intersect in its Louisiana cellular service area. Its Mississippi properties include two east-west interstate highways and two north-south interstate highways. See "-Services, Customers and System Usage."

## **Marketing**

The Company markets its cellular services through several distribution channels, including its direct sales force, retail outlets owned by the Company and independent agents. At December 31, 1997, the Company's cellular sales force consisted of approximately 375 sales employees, which generated approximately one-half of the Company's new subscribers in 1997, and approximately 525 independent agents. Each sales employee and independent agent solicits cellular customers exclusively for the Company. Company sales employees are compensated by salary and commission and independent sales agents are paid commissions. The Company advertises its services through various means, including direct mail, billboard, magazine, radio, television and newspaper advertisements.

The sales and marketing costs of obtaining new subscribers include advertising and a direct expense applicable to most new subscribers, either in the form of a commission payment to an agent or a salary/incentive payment to a direct sales person. In addition, the Company discounts the cost of cellular telephone equipment, and periodically runs promotions which provide some amount of initial activation, access or airtime free to new subscribers. The average cost of acquiring each new customer (\$280 in 1997) remains one of the largest expenses in conducting the Company's cellular operations.

## **Services, Customers and System Usage**

There are a number of different types of cellular telephones, all of which are currently compatible with cellular systems nationwide. The Company sells a full range of vehicle-mounted, transportable, and hand-held portable cellular telephones.

The Company charges its subscribers for access to its systems, for minutes of use and for enhanced services, such as voice mail. A subscriber may purchase certain of these services separately or may purchase rate plans which bundle these services in different ways and are designed to fit different calling patterns. While the Company historically has typically charged its customers separately for custom-calling features, air time in excess of the packaged amount, and toll calls, it currently offers plans which include features such as unlimited toll calls and unlimited weekend calling in certain calling areas. Custom-calling features provided by the Company include call-forwarding, call-waiting, three-way calling and no-answer transfer. The Company offers voice message service in many of its markets. In the Company's markets where digital

service is operational, customers can subscribe to caller ID and other digital enhancements.

Cellular customers come from a wide range of occupations. They typically include a large proportion of individuals who work outside of their office, such as employees in the construction, real estate, wholesale and retail distribution businesses, and professionals. More customers are selecting portable and other transportable cellular telephones as these units become more compact and fully featured, as well as more attractively priced. The Company's average monthly cellular service revenue per customer declined to \$61 in 1997 from \$63 in 1996 and \$66 in 1995. The Company's average service revenue per customer is expected to decline in 1998 as a result of the PTI acquisition (due to PTI's historically lower average monthly service revenue per customer). Such average revenue per customer may further decline (i) as market penetration increases and additional lower usage customers are activated and (ii) as competitive pressures from current and future wireless communications providers intensify. See "-Regulation and Competition."

Most cellular systems allow a customer to place or receive a call in a cellular service area away from the customer's home market area. The Company has entered into "roaming agreements" with operators of other cellular systems covering virtually all markets in the United States; such agreements offer the Company's customers the opportunity to roam in these markets. Also, a customer of a participating non-Company system traveling in a market operated by the Company where this arrangement is in effect is able to automatically make calls on the Company's system. The charge to a non-Company customer for this service is typically at premium rates, and is billed by the Company to the customer's home system, which then bills the customer. In most instances, based on competitive factors and financial considerations, the Company charges an amount to its customers that is equal to or lower than the amount actually charged by the servicing cellular carrier for roaming. The Company anticipates that competitive factors and industry consolidation may place further pressure on charging premium roaming rates. For additional information on roaming revenue, see "-Strategy."

Roamer fraud, a cellular industry problem, occurs when cellular telephone equipment is programmed to conceal the true identity and location of the user. The Company and the industry have implemented extensive fraud control processes in an attempt to minimize roamer fraud.

Churn rate (the average percentage of cellular customers that terminate service each month) is an industry-wide concern. A significant portion of the churn in the Company's markets is due to the Company disconnecting service to cellular customers for nonpayment of their bills. In addition, the Company faces substantial competition from the other cellular provider in certain of its markets and has begun to face competition from PCS providers in a few of its markets. The Company's churn rate was 2.31% in 1997 and 2.37% in 1996. The Company is attempting to lower its churn rate by increasing its proactive customer service efforts and through the implementation of additional customer retention programs.

During recent years, the Company's cellular subsidiaries experienced strong subscriber growth in the fourth quarter, primarily due to holiday season sales.

The following table summarizes, among other things, certain information about the Company's customers and market penetration:

Year ended or at December 31,

1997 1996 1995

Majority-owned and operated MSA and RSA systems (Note 1):

Cellular systems operated	44	34	33
Cell sites	558	354	277
Population of systems operated (Note 2)	9,008,219	7,097,568	6,877,598
Customers (Note 3):			
At beginning of period	368,233	290,075	211,710
Additions	193,623	165,377	139,836
Net acquisitions/dispositions	123,600	4,850	8,699
Disconnects, net of reconnects	115,473	92,069	70,170
At end of period	569,983	368,233	290,075
Market penetration at end of period (Note 4)	6.3%	5.2	4.2
Churn rate (Note 5)	2.31%	2.37	2.42
Average monthly cellular service revenue per customer	\$ 61	63	66
Construction expenditures (in thousands)	\$ 39,102	83,679	41,990
All operated MSA and RSA systems (Note 6):			
Cellular systems operated	50	38	37
Cell sites	656	413	324
Population of systems operated (Note 2)	10,124,759	7,946,442	7,721,569
Customers at end of period (Note 7)	632,446	407,400	313,430
Market penetration at end of period (Note 8)	6.2%	5.1	4.1

**Notes:**

1. Represents the number of systems in which the Company owned at least a 50% interest. The revenues and expenses of these cellular markets, all of which are operated by the Company, are included in the Company's consolidated operating revenues and operating expenses.
2. Based on independent third-party population estimates for each respective year.
3. Represents the approximate number of revenue-generating cellular telephones served by the cellular systems referred to in note 1.
4. Computed by dividing the number of customers at the end of the period by the total population of systems referred to in note 1.
5. Represents the average percentage of customers that are disconnected on a monthly basis.
6. Represents the total number of systems that the Company operated, including systems in which it does not own a majority interest.
7. Represents the approximate number of revenue-generating cellular telephones served by the cellular systems referred to in note 6.
8. Computed by dividing the number of customers at the end of the period by the total population of systems referred to in note 6.

**The Company's Cellular Interests**

The Company obtained the right to provide cellular service through (i) the FCC's licensing process described below, under which it received interests in wireline licenses, and (ii) its acquisition program, under which it has acquired interests in both wireline and non-wireline licenses. The table below sets forth certain information with respect to the interests in cellular systems that the Company owned as of December 31, 1997:

	1997 population (Note 1)	Ownership percentage	The Company's pops at 12/31/97	Other cellular operator (Note 2)
Majority-owned and operated MSAs				
Pine Bluff, AR	82,616	100.00%	82,616	SBC
Texarkana, AR/TX	137,665	89.00	122,522	AT&T
Alexandria, LA	144,523	100.00	144,523	Centennial
Monroe, LA	147,753	87.00	128,545	AT&T
Shreveport, LA	380,333	87.00	330,890	AT&T
Battle Creek, MI	193,965	97.00	188,146	Centennial
Benton Harbor, MI	161,421	97.00	156,578	Centennial
Grand Rapids, MI	758,622	97.00	735,863	AirTouch
Jackson, MI	155,167	97.00	150,512	Centennial
Kalamazoo, MI	305,743	97.00	296,571	Centennial
Lansing-E.Lansing,MI	509,507	97.00	494,222	AirTouch
Muskegon, MI	190,153	97.00	184,448	AirTouch
Saginaw-Bay City- Midland, MI	403,413	91.70	369,930	AirTouch
Biloxi-Gulfport, MS (Note 4)	230,242	96.45	222,071	Cellular South
Jackson, MS (Note 4)	424,152	88.31	374,587	MCTA
Pascagoula, MS (Note 4)	129,421	89.05	115,248	Cellular South
Brownsville- Harlingen, TX (Note 4)	321,534	78.74	253,173	SBC
McAllen-Edinburg- Mission, TX (Note 4)	508,926	69.50	353,691	SBC
Appleton-Oshkosh- Neenah, WI	498,367	98.85	492,624	C-1 Southern Wisconsin and Northern Illinois
Eau Claire, WI	143,834	55.50	79,828	Price Cellular
LaCrosse, WI	102,819	95.00	97,678	U. S. Cellular
	5,930,176		5,374,266	

**Minority-owned MSAs (Note 3)**

Little Rock, AR	552,830	36.00%	199,019
Lafayette, LA	261,276	49.00	128,025
Detroit, MI	4,618,871	3.20	147,711
Flint, MI	509,418	3.20	16,291
Rochester, MN	113,681	2.93	3,331
Austin, TX	987,525	35.00	345,634
Dallas-Ft.Worth,TX	4,548,203	0.50	22,741
Sherman-Denison,TX	101,516	0.50	508
Green Bay/Brown County, WI	215,185	20.11	43,274
Madison, WI	700,610	9.78	68,513
Milwaukee, WI	1,979,672	17.96	355,608

Wausau, WI	122,436	1.00	1,224	
	14,711,223		1,331,879	
Total MSAs	20,641,399		6,706,145	
Operated RSAs				
Alaska 1 (Note 4)	128,044	100.00%	128,044	Mactel
Alaska 3	74,427	100.00	74,427	Mercury
Arkansas 2	86,426	82.00	70,869	SBC
Arkansas 3	103,692	82.00	85,027	SBC
Arkansas 11	66,783	89.00	59,437	SBC
Arkansas 12	187,065	80.00	149,652	SBC
Louisiana 1	113,313	87.00	98,582	AT&T
Louisiana 2	116,256	87.00	101,143	AT&T
Louisiana 3 B2	95,283	87.00	82,896	Centennial
Louisiana 4	72,909	100.00	72,909	Centennial
Michigan 1	198,058	100.00	198,058	Price Cellular
Michigan 2	112,864	100.00	112,864	RFB
Michigan 3	161,448	42.84	69,165	Unitel
Michigan 4	133,783	100.00	133,783	RFB
Michigan 5	159,061	42.84	68,142	Unitel
Michigan 6	139,515	98.00	136,725	Centennial
Michigan 7	240,993	56.07	135,126	Centennial
Michigan 8	100,094	97.00	97,091	Allegan Cellular
Michigan 9	298,548	43.38	129,510	Centennial
Mississippi 2 (Note 4)	247,820	100.00	247,820	Bell South Mobility
Mississippi 6 (Note 4)	183,383	100.00	183,383	Cellular South
Mississippi 7 (Note 4)	181,267	100.00	181,267	MCTA
Texas 7 B6	57,934	89.00	51,561	AT&T
Wisconsin 1	111,767	42.21	47,174	Price Cellular
Wisconsin 2	85,963	99.00	85,103	Price Cellular
Wisconsin 5	95,526	-	-	Price Cellular
Wisconsin 6	116,043	57.14	66,310	U.S. Cellular
Wisconsin 7	290,190	22.70	65,878	U.S. Cellular
Wisconsin 8	236,128	82.00	193,625	U.S. Cellular
	4,194,583		3,125,571	

### Non-operated RSAs (Note 3)

Arizona 2	257,751	21.30%	54,891
Michigan 10	136,216	26.00	35,416
Minnesota 7	171,922	2.93	5,037
Minnesota 8	67,915	2.93	1,990
Minnesota 9	134,921	2.93	3,953
Minnesota 10	230,358	2.93	6,750
Minnesota 11	206,149	2.93	6,040
New Mexico 4W	139,598	35.71	49,856
Oregon 2	74,465	22.00	16,382
Oregon 3	151,017	15.97	24,121
Oregon 6	195,630	37.50	73,361
Texas 16	330,320	9.60	31,711
Washington 5	59,476	8.47	5,039
Washington 8	136,337	7.36	10,028
Wisconsin 3	141,685	42.86	60,722
Wisconsin 4	119,513	30.03	35,887
Wisconsin 10	129,653	22.50	29,172
	2,682,926		450,356
Total RSAs	6,877,509		3,575,927
	27,518,908		10,282,072

### Notes:

1. Based on 1997 independent third-party population estimates. 2. Information provided to the best of the Company's knowledge.
3. Markets not operated by the Company.
4. Represents a non-wireline interest.

### Operations

A substantial number of the cellular systems in MSAs operated by the Company are owned by limited partnerships in which the Company is a

general partner ("MSA Partnerships"). Most of these partnerships are governed by partnership agreements with similar terms, including, among other things, customary provisions concerning capital contributions, sharing of profits and losses, and dissolution and termination of the partnership. Most of these partnership agreements vest complete operational control of the partnership with the general partner. The general partner typically has the power to manage, supervise and conduct the affairs of the partnership, make all decisions appropriate in connection with the business purposes of the partnership, and incur obligations and execute agreements on behalf of the partnership. The general partner also may make decisions regarding the time and amount of cash contributions and distributions, and the nature, timing and extent of construction, without the consent of the other partners. The Company owns more than 50% of all of the MSA Partnerships.

A substantial number of the cellular systems in RSAs operated by the Company are also owned by limited or general partnerships in which the Company is either the general or managing partner (the "RSA Partnerships"). These partnerships are governed by partnership agreements with varying terms and provisions. In many of these partnerships, the noncontrolling partners have the right to vote on major issues such as the annual budget and system design. In a few of these partnerships, the Company's management position is for a limited term (similar to a management contract) and the other partners in the partnership have the right to change managers, with or without cause. The Company owns less than 50% of some of the RSA Partnerships.

The partnership agreements for both the MSA Partnerships and RSA Partnerships generally contain provisions granting all partners a right of first refusal in the event a partner desires to transfer a partnership interest. This restriction on transfer can under certain circumstances make these partnership interests more difficult to sell to a third party.

Revenue

The following table reflects the major revenue categories for the Company's wireless operations as a percentage of wireless operating revenues in 1997, 1996 and 1995.

	1997	1996	1995
Cellular access fees and toll revenues	78.2%	79.7	79.5
Cellular roaming	20.0	18.6	17.7
Equipment sales	1.8	1.7	2.8
	100.0%	100.0	100.0

For further information on these revenue categories, see "-Services, Customers and System Usage."

Regulation and Competition

As discussed below, the FCC and various state public utility commissions regulate, among other things, the licensing, construction, operation, interconnection arrangements, sale and acquisition of cellular telephone systems.

Competition between cellular providers in each market is conducted principally on the basis of services and enhancements offered, the technical quality and coverage of the system, quality and responsiveness of customer service, and price. Competition may be intense. For a listing of the other cellular operator in cellular markets operated by the Company, see "- The Company's Cellular Interests." Under applicable law, the Company is required to permit the reselling of its services. In certain larger markets and in certain market segments, competition from resellers may be significant. There is also substantial competition for sales agents. Certain of the Company's competitors have substantially greater assets and resources than the Company.

Cellular licensing process. The term "MSA" means a Metropolitan Statistical Area for which the FCC has granted a cellular operating license. The term "RSA" means a Rural Service Area for which the FCC has granted a cellular operating license. During the 1980's and early 1990's, the FCC awarded two 10-year licenses to provide cellular service in each market. Initially, one license was reserved for companies offering local telephone service in the market (the wireline carrier) and one license was available for firms unaffiliated with the local telephone company (the non-wireline carrier). Since mid-1986, the FCC has permitted telephone companies or their affiliates to acquire control of non-wireline licenses in markets in which they do not hold interests in the wireline license. The FCC has issued a decision that grants a renewal expectancy during the license renewal period to incumbent licensees that substantially comply with the terms and conditions of their cellular authorizations and the FCC's regulations. The licenses for the MSA markets operated by the Company were initially granted between 1984 and 1987, and licenses for operated RSAs were initially granted between 1989 and 1991. Thus far, the Company has received 10-year extensions of all of its licenses that have become subject to renewal since their original grant dates.

The completion of an acquisition involving the transfer of control of a cellular system requires prior FCC approval and, in certain cases, receipt of other federal and state regulatory approvals. The acquisition of a minority interest generally does not require FCC approval. Whenever FCC approval is required, any interested party may file a petition to dismiss or deny the application for approval of the proposed transfer.

In addition to regulation by the FCC, cellular systems are subject to certain Federal Aviation Administration tower height regulations concerning the siting and construction of cellular transmitter towers and antennas.

Cellular operators are also subject to state and local regulation in some instances. Although the FCC has pre-empted the states from exercising jurisdiction in the areas of licensing, technical standards and market structure, certain states require cellular operators to be certified. In addition, some state authorities regulate certain aspects of a cellular operator's business, including certain aspects of pricing, the resale of long distance service to its customers, the technical arrangements and charges for interconnection with the landline network, and the transfer of interests in cellular systems. The siting and construction of the cellular facilities may also be subject to state or local zoning, land use and other local regulations.

Developments affecting wireless competition. Competition in the cellular industry has increased due to continued and rapid technological advances in the communications field, coupled with legislative and regulatory changes.

Several recent FCC initiatives have resulted in the allocation of additional radio spectrum or the issuance of licenses for emerging mobile communications technologies that are competitive with the Company's cellular and telephone operations, including personal communication services ("PCS"). Although there is no universally recognized definition of PCS, the term is generally used to refer to wireless services to be provided by licensees operating in the 1850 MHz to 1990 MHz radio frequency band using microcells and high-capacity digital technology. In 1996 and early 1997 the FCC auctioned up to six PCS licenses per market. Two 30MHz frequency blocks were awarded for each of the 51 Rand McNally Major Trading Areas ("MTAs"), while one 30MHz and three 10MHz frequency blocks were awarded for each of the 493 Rand McNally Basic Trading Areas ("BTAs").

PCS technology permits PCS operators to offer wireless data, image and multimedia services. The largest PCS providers commenced initial operations in late 1996 and increased their operations in 1997. These providers have initially focused on larger markets, and have generally marketed PCS as being a competitive service to cellular. Thus far the Company has experienced PCS competition in only a few of its cellular markets. The extent to which PCS will offer services in the Company's markets that are complementary or competitive with cellular services is uncertain, and is expected to be influenced by continuing developments in PCS and cellular technologies.

In addition to PCS, users and potential users of cellular systems may find their communication needs satisfied by other current and developing technologies. Several years ago the FCC authorized the licensees of certain specialized mobile radio service ("SMR") systems (which historically have generally been used by taxicabs and tow truck operators) to configure their systems into digital networks that operate in a manner similar to cellular systems. Such systems are commonly referred to as enhanced specialized mobile radio service ("ESMR") systems. The Company believes that ESMR systems are operating in a few of its cellular markets. One well-established ESMR provider has constructed a nationwide digital mobile communications system to compete with cellular systems. Other similar communication services that have the technical capability to handle wireless telephone calls may provide competition in certain markets, although these services currently lack the subscriber capacity of cellular systems. Paging or beeper services that feature text message and data display as well as tones may be adequate for potential subscribers who do not need to communicate with the caller. Mobile satellite systems, in which transmissions are between mobile units and satellites, may ultimately be successful in obtaining market share from cellular systems that communicate directly to land-based stations.

Recently, several large cellular providers have merged with other companies or formed joint ventures. Several of these joint ventures pooled their resources to purchase PCS licenses and to develop the associated markets. Many current or potential competitors of the Company have substantially greater financial and marketing resources than the Company.

Although it is uncertain how PCS, SMR, ESMR, mobile satellites and other emerging technologies will ultimately affect the Company, the Company anticipates that it will face increased competition in some of its markets in the near term. However, management believes that providing digital services and applying new microcellular technologies should permit its cellular systems to provide services comparable with the emerging technologies described above, although no assurances can be given that this will happen or that future technological advances or legislative or regulatory changes will not create additional sources of competition.

## **OTHER OPERATIONS**

The Company provides long distance, call center, cable television and interactive services in certain local and regional markets, as well as certain printing and related services. The results of these operations, which accounted for 7.0% and 2.4%, respectively, of the Company's consolidated revenues and operating income during 1997, are reflected for financial reporting purposes in the "Other operations" section in operating income.

Long distance. In 1996 the Company began marketing long distance service in all of its equal access telephone operating areas. At December 31, 1997, the Company provided long distance services to approximately 172,000 customers. Although the Company owns and operates long distance switches in LaCrosse, Wisconsin and San Marcos, Texas, it anticipates that most of its future long distance service revenues will be provided by reselling service purchased from other facilities-based long distance providers. The Company intends to continue to expand its long distance business, principally through reselling arrangements.

Call center. The Company provides certain operator services for retail and wholesale markets. The retail market consists primarily of the hospitality and payphone industries. The wholesale market consists of other independent telephone companies and interexchange carriers.

PCS. In early 1997 the Company was awarded 12 PCS licenses, 11 of which are in Michigan, in connection with the FCC's auctions of 10MHz PCS licenses. The licenses cover areas with a population of approximately 4.0 million. As a result of the PTI acquisition, the Company acquired PCS licenses that cover areas with a population of approximately 4.1 million. Such licenses should allow the Company to provide

PCS as a fixed wireless local loop alternative to the LEC's service in the areas covered by the PCS licenses. Approximately \$20 million of the Company's 1998 capital expenditure budget is for development of certain of the Company's PCS networks.

Other. The Company, through one or more of its subsidiaries, provides audiotext services; printing, database management and direct mail services; cable television services; and security alarm services. The Company also holds minority equity investments in certain communications companies.

Certain service subsidiaries of the company provide installation and maintenance services, materials and supplies, and managerial, technical and accounting services to the telephone and wireless operating subsidiaries. In addition, Century provides and bills management services to subsidiaries and in certain instances makes interest-bearing advances to finance construction of plant and purchases of equipment. These transactions are recorded by the Company's regulated telephone subsidiaries at their cost to the extent permitted by regulatory authorities. Intercompany profit on transactions with regulated affiliates is limited to a reasonable return on investment and has not been eliminated in connection with consolidating the results of operations of Century and its subsidiaries. Such intercompany profit is reflected in operating income in the "Other operations" segment.

## FORWARD-LOOKING STATEMENTS

This report on Form 10-K and other documents filed by the Company under the federal securities laws include, and future oral or written statements of the Company and its management may include, certain forward-looking statements, including without limitation statements with respect to the Company's anticipated future operating and financial performance (including the impact of pending acquisitions), financial position and liquidity, growth opportunities and growth rates, business and competitive outlook, investment and expenditure plans, pricing plans, strategic alternatives, business strategies, and other similar statements of expectations or objectives that are highlighted by words such as "expects," "anticipates," "intends," "plans," "believes," "projects," "seeks," "estimates," "should," and "may," and variations thereof and similar expressions. Such forward-looking statements are subject to uncertainties that could cause the Company's actual results to differ materially from such statements. These uncertainties include but are not limited to those set forth below:

- o the effects of ongoing deregulation in the telecommunications industry as a result of the 1996 Act and other similar federal and state legislation and federal and state regulations enacted thereunder, including without limitation
  - (i) greater than anticipated competition in the Company's predominately rural local exchange telephone markets resulting therefrom, (ii) greater than anticipated reductions in revenues received from the Universal Service Fund or other current or future federal and state support funds designed to compensate LECs that provide services in high-cost markets, (iii) the final outcome of regulatory and judicial proceedings with respect to interconnection agreements and access charge reforms and (iv) future state regulatory actions taken in response to the 1996 Act.
- o the effects of greater than anticipated competition from PCS, SMR, ESMR, satellite or other wireless companies, including without limitation competition requiring new pricing or marketing strategies or new product offerings, and the attendant risk that the Company will not be able to respond on a timely or profitable basis.
- o possible changes in the demand for the Company's products and services, including without limitation (i) lower than anticipated demand for premium telephone services or for additional access lines per household, (ii) lower than anticipated demand for wireless telephone services, whether caused by changes in economic conditions, technology, competition, health concerns or otherwise, and (iii) reduced demand for the Company's access or billing and collection services.
- o the Company's ability to successfully introduce new offerings on a timely and cost-effective basis, including without limitation the Company's ability to
  - (i) expand successfully its long distance and Internet offerings to new markets (including those acquired in December 1997 in the PTI acquisition or to be acquired in connection with future acquisitions), (ii) offer bundled service packages on terms attractive to its customers and (iii) successfully initiate PCS services in its licensed markets.
- o the risks inherent in rapid technological change, including without limitation (i) the lack of assurance that the Company's ongoing wireless network improvements will be sufficient to meet or exceed the capabilities and quality of competing networks, (ii) technological developments that could make the Company's analog and digital wireless networks uncompetitive or obsolete, such as the risk that the Time Division Multiple Access technology used by the Company will be uncompetitive with Code Division Multiple Access or other digital technologies, and (iii) the risk that technologies will not be developed by the Company on a timely or cost-effective basis or perform according to expectations.
- o regulatory limits on the Company's ability to change its prices for telephone services in response to competitive pressures.
- o the Company's ability to effectively manage its growth, including without limitation the Company's ability to (i) integrate the operations of PTI acquired in December 1997 into the Company's operations, (ii) achieve projected economies of scale and cost savings, (iii) meet pro forma cash flow projections developed by management in valuing newly-acquired businesses and (iv) implement necessary internal controls and retain and attract key personnel.
- o any difficulties in the Company's ability to expand through additional acquisitions, whether caused by financing constraints, a decrease in the pool of attractive target companies, or competition for acquisitions from other interested buyers.

o higher than anticipated wireless operating costs due to churn or to fraudulent uses of the Company's networks.

o the lack of assurance that the Company can compete effectively against better-capitalized competitors.

o the future unavailability of SFAS 71 to the Company's telephone subsidiaries.

o the effects of more general factors, including without limitation:

- . changes in general industry and market conditions and growth rates
- . changes in interest rates or other general national, regional or local economic conditions
- . changes in legislation, regulation or public policy, including changes in federal rural financing programs
- . unanticipated increases in capital, operating or administrative costs, or the impact of new business opportunities requiring significant up-front investments
- . the continued availability of financing in amounts, and on terms and conditions, necessary to support the Company's operations
- . changes in the Company's relationships with vendors
- . changes in the Company's senior debt ratings
- . unfavorable outcomes of regulatory or legal proceedings, including rate proceedings
- . changes in accounting policies or practices adopted voluntarily or as required by generally accepted accounting principles.

For additional information, see the description of the Company's business included above, as well as Item 7 to this report. Due to these uncertainties, you are cautioned not to place undue reliance upon the Company's forward-looking statements, which speak only as of the date hereof. The Company undertakes no obligation to update or revise any of its forward-looking statements for any reason.

## OTHER MATTERS

The Company has certain obligations based on federal, state and local laws relating to the protection of the environment. Costs of compliance through 1997 have not been material and the Company currently has no reason to believe that such costs will become material.

For additional information concerning the business and properties of the Company, see notes 2, 3, 6, and 18 of Notes to Consolidated Financial Statements set forth in Item 8 elsewhere herein.

### Item 2. Properties.

The Company's properties consist principally of (i) telephone lines, central office equipment, telephone instruments and related equipment, and land and buildings related to telephone operations, and (ii) switching and cell site equipment related to cellular telephone operations. As of December 31, 1997 and 1996, the Company's gross property, plant and equipment of approximately \$3.8 billion and \$1.7 billion, respectively, consisted of the following:

	December 31,	
	1997	1996
Telephone operations		
Cable and wire	47.9%	43.1
Central office equipment	27.9	23.1
General support	6.7	6.1
Information origination/termination equipment	1.7	1.6
Construction in progress	1.4	2.3
Other	.2	.3
	85.8	76.5
Wireless operations		
Cell site	7.4	12.1
General support	1.7	2.8
Construction in progress	.1	.9
Other	.6	.2
	9.8	16.0
Other	4.4	7.5
	100.0%	100.0

"Cable and wire" facilities consist primarily of buried cable and aerial cable, poles, wire, conduit and drops. "Central office equipment"



consists primarily of switching equipment, circuit equipment and related facilities. "General support" consists primarily of land, buildings, tools, furnishings, fixtures, motor vehicles and work equipment. "Information origination/termination equipment" consists primarily of premise equipment (private branch exchanges and telephones) for official company use. "Cell site" consists primarily of radio frequency channel equipment, switching equipment and towers. "Construction in progress" includes property of the foregoing categories that has not been placed in service because it is still under construction.

Most of the properties of the Company's telephone subsidiaries are subject to mortgages securing the debt of such companies. The Company owns substantially all of the central office buildings, local administrative buildings, warehouses, and storage facilities used in its telephone operations. The Company leases most of the offices used in its cellular operations; certain of its transmitter sites are leased while others are owned by the Company. For further information on the location and type of the Company's properties, see the descriptions of the Company's telephone and wireless operations in Item 1.

### Item 3. Legal Proceedings.

From time to time, the Company is involved in litigation incidental to its business, including administrative hearings of state public utility commissions relating primarily to rate making, actions relating to employee claims, occasional grievance hearings before labor regulatory agencies and miscellaneous third party tort actions. Currently, there are no material legal proceedings.

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

Not applicable.

### Executive Officers of the Registrant

Information concerning Executive Officers, set forth at Item 10 in Part III hereof, is incorporated in Part I of this Report by reference.

## PART II

### Item 5. Market for Registrant's Common Equity and Related Stockholder

#### Matters.

Century's common stock is listed on the New York Stock Exchange and is traded under the symbol CTL. The following table sets forth the high and low sale prices, along with the quarterly dividends, for each of the quarters indicated (adjusted to reflect the March 1998 three-for-two stock split):

	Sale prices		Dividend per common share
	High	Low	
1996:			
First quarter	\$ 23-5/8	20-7/8	.06
Second quarter	\$ 22-7/8	20-1/4	.06
Third quarter	\$ 23	20-3/8	.06
Fourth quarter	\$ 23	19	.06
1997:			
First quarter	\$ 22-5/16	19-3/16	.0617
Second quarter	\$ 22-9/16	19	.0617
Third quarter	\$ 29-5/16	22-1/16	.0617
Fourth quarter	\$ 33-5/8	27-5/16	.0617

Common stock dividends during 1996 and 1997 were paid each quarter. As of February 28, 1998, there were approximately 6,250 stockholders of record of Century's common stock.

### Item 6. Selected Financial Data.

The following table presents certain selected consolidated financial data as of and for each of the years ended in the five-year period ended December 31, 1997:

#### Selected Income Statement Data

Year ended December 31,				
1997	1996	1995	1994	1993

	(Dollars, except per share amounts, and shares expressed in thousands)				
Operating revenues					
Telephone	\$ 530,597	451,538	419,242	391,265	350,330
Wireless	307,742	250,243	197,494	150,802	84,712
Other	63,182	47,896	28,104	22,534	20,633
Total operating revenues	\$ 901,521	749,677	644,840	564,601	455,675
Operating income					
Telephone	\$ 173,285	155,183	143,527	137,992	114,902
Wireless	88,081	67,914	57,009	31,443	9,906
Other	6,404	199	2,383	3,371	3,201
Total operating income	\$ 267,770	223,296	202,919	172,806	128,009
Net income	\$ 255,978	129,077	114,776	100,238	69,004
Diluted earnings per share *	\$ 2.80	1.43	1.31	1.21	.88
Dividends per common share *	\$ .247	.24	.22	.213	.207
Average diluted shares outstanding *	91,608	90,653	88,304	86,828	83,369

\* Adjusted to reflect the March 1998 three-for-two stock split

In the fourth quarter of 1997, the Company adopted Statement of Financial Accounting Standards No. 128 ("SFAS 128"), "Earnings per Share." Earnings per share amounts for prior periods have been restated to conform with SFAS 128.

#### Selected Balance Sheet Data

	December 31,				
	1997	1996	1995	1994	1993
	(Dollars in thousands)				
Net property, plant and equipment	\$ 2,258,563	1,149,012	1,047,808	947,131	827,776
Excess cost of net assets acquired, net	\$ 1,767,352	532,410	493,655	441,436	297,158
Total assets	\$ 4,709,401	2,028,505	1,862,421	1,643,253	1,319,390
Long-term debt	\$ 2,609,541	625,930	622,904	518,603	364,433
Stockholders' equity	\$ 1,300,272	1,028,153	888,424	650,236	513,768

The following table presents certain selected consolidated operating data as of the end of each of the years in the five-year period ended December 31, 1997:

	Year ended December 31,				
	1997	1996	1995	1994	1993
Telephone access lines	1,203,650	503,562	480,757	454,963	434,691
Cellular units in service in majority-owned markets	569,983	368,233	290,075	211,710	116,484

See Items 1 and 2 in Part I and notes 1, 2 and 6 of Notes to Consolidated Financial Statements set forth in Item 8 elsewhere herein for additional information.

#### Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

### RESULTS OF OPERATIONS

#### OVERVIEW

Century Telephone Enterprises, Inc. is a regional diversified communications company engaged primarily in providing local exchange telephone services and cellular telephone services. Century Telephone Enterprises, Inc. and its subsidiaries (the "Company") significantly expanded its operations by acquiring Pacific Telecom, Inc. ("PTI") on December 1, 1997 in exchange for \$1.503 billion cash. As a result of the acquisition, the Company acquired (i) over 660,000 telephone access lines, (ii) over 88,000 cellular subscribers and (iii) various wireless, cable television and other communications assets. The operations of PTI are included in the Company's results of operations beginning December 1, 1997. See Major Acquisition and Note 2 of Notes to Consolidated Financial Statements for additional information. During the three years ended December 31, 1997, the Company has acquired various other telephone and cellular operations, the impact of which has not been material to the financial position and results of operations of the Company.

In May 1997 the Company sold its majority-owned competitive access subsidiary to Brooks Fiber Properties, Inc. ("Brooks") in exchange for approximately 4.3 million shares of Brooks' common stock. In November 1997 the Company sold approximately 3.8 million shares of such stock. See Gain on Sales of Assets for additional information.

Year ended December 31,	1997	1996	1995
(Dollars, except per share amounts, and shares in thousands)			
Operating income			
Telephone	\$ 173,285	155,183	143,527
Wireless	88,081	67,914	57,009
Other	6,404	199	2,383
Interest expense	267,770	223,296	202,919
Income from unconsolidated cellular entities	(56,474)	(44,662)	(43,615)
Gain on sales of assets, net	27,794	26,952	20,084
Minority interest	169,640	815	6,782
Other income and expense	(5,498)	(6,675)	(8,084)
Income tax expense	5,109	3,916	4,982
	(152,363)	(74,565)	(68,292)
Net income	\$ 255,978	129,077	114,776
Diluted earnings per share*	\$ 2.80	1.43	1.31
Average diluted shares outstanding*	91,608	90,653	88,304

\* Adjusted to reflect stock split. See Note 20 of Notes to Consolidated Financial Statements.

The net income of the Company for 1997 increased to \$256.0 million from \$129.1 million during 1996 and \$114.8 million during 1995. Diluted earnings per share for 1997 increased to \$2.80 from \$1.43 during 1996 and \$1.31 during 1995. Excluding gain on sales of assets, the Company's net income (and diluted earnings per share) for 1997, 1996 and 1995 was \$149.6 million (\$1.64), \$128.6 million (\$1.42) and \$112.2 million (\$1.28), respectively.

The Company's 1997 operating income was \$267.8 million, an increase of \$44.5 million (19.9%) over 1996 operating income of \$223.3 million. During 1997 the operating income of the Company's telephone and wireless segments increased \$18.1 million (11.7%) and \$20.2 million (29.7%), respectively, while the operating income of the Company's other operations increased \$6.2 million. The Company's operating income during 1995 was \$202.9 million.

The Company's wireless operations reflect the operations of the cellular entities in which the Company has a majority ownership interest. For additional information concerning the minority interest owners' share of the income of such entities and the Company's share of earnings from cellular entities in which it has less than a majority interest, see Cellular Operations and Income From Unconsolidated Cellular Entities.

Contributions to operating revenues and operating income by the Company's telephone, wireless, and other operations for each of the years in the three-year period ended December 31, 1997 were as follows:

Year ended December 31,	1997	1996	1995
Operating revenues			
Telephone operations	58.9%	60.2	65.0
Wireless operations	34.1%	33.4	30.6
Other operations	7.0%	6.4	4.4
Operating income			
Telephone operations	64.7%	69.5	70.7
Wireless operations	32.9%	30.4	28.1
Other operations	2.4%	.1	1.2

As indicated by the chart above, the percentage of the Company's total operating revenues and operating income contributed by its wireless operations has increased over the past few years. Immediately prior to the Company's acquisition of PTI in December 1997, the Company's

ratio of owned cellular pops (the population of licensed cellular telephone markets multiplied by the Company's proportionate equity interests in the licensed operators thereof) to telephone access lines was 15:1. As a result of the Company's acquisition of the PTI properties, the Company's ratio of owned cellular pops to telephone access lines has decreased to 8:1.

In addition to historical information, management's discussion and analysis includes certain forward-looking statements regarding events and financial trends that may affect the Company's future operating results and financial position. Such forward-looking statements are subject to uncertainties that could cause the Company's actual results to differ materially from such statements. Such uncertainties include but are not limited to: the effects of ongoing deregulation in the telecommunications industry; the potential effects of greater than anticipated competition in the Company's markets; possible changes in the demand for the Company's products and services; the Company's ability to successfully introduce new product offerings on a timely and cost-effective basis; the risks inherent in rapid technological change; the Company's ability to effectively manage its growth, including integrating the newly-acquired operations of PTI into the Company's operations; and the effects of more general factors such as changes in general market or economic conditions or in legislation, regulation or public policy. These and other uncertainties related to the Company's business are described in detail in Item 1. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date on which they were made. The Company undertakes no obligation to update any of its forward-looking statements for any reason.

## TELEPHONE OPERATIONS

Prior to December 1997 the Company conducted its telephone operations in rural, suburban and small urban communities in 14 states. Subsequent to the PTI acquisition on December 1, 1997, the Company provides local exchange telephone service in similar communities in 21 states. As of December 31, 1997, approximately 85% of the Company's telephone access lines were in Wisconsin, Washington, Alaska, Michigan, Louisiana, Colorado, Ohio, Oregon and Montana. The operating revenues, expenses and income of the Company's telephone operations for 1997, 1996 and 1995 are summarized below.

Year ended December 31,	1997	1996	1995
(Dollars in thousands)			
Operating revenues			
Local service	\$ 147,589	121,728	111,629
Network access	319,301	276,123	258,462
Other	63,707	53,687	49,151
	530,597	451,538	419,242
Operating expenses			
Plant operations	110,220	90,083	86,789
Customer operations	50,819	43,413	38,768
Corporate and other	80,551	67,066	63,834
Depreciation and amortization	115,722	95,793	86,324
	357,312	296,355	275,715
Operating income	\$ 173,285	155,183	143,527
=====			

### Local Service Revenues

Local service revenues are derived from the provision of local exchange telephone services in the Company's service areas. The \$25.9 million (21.2%) increase in such revenues in 1997 included \$17.4 million from properties acquired, of which \$15.0 million was from the PTI properties; \$5.6 million due to the increase in the number of customer access lines; and \$2.8 million due to the provision of custom calling features. An increase in access lines contributed \$6.2 million to the 1996 increase of \$10.1 million; \$3.0 million of the 1996 increase was due to the provision of custom calling features. Internal access line growth during 1997, 1996 and 1995 was 4.4%, 4.3% and 4.4%, respectively.

### Network Access Revenues

Network access revenues are primarily derived from charges to long distance companies and other customers for access to the Company's local exchange carrier ("LEC") networks in connection with the completion of long distance telephone calls. These access charges are based on tariffed access rates filed with the Federal Communications Commission ("FCC") for interstate services and with the respective state regulatory agency for intrastate services. Certain of the Company's interstate network access revenues are based on access charges filed directly with the FCC; the remainder of such revenues are derived under revenue sharing arrangements with other LECs administered by the National Exchange Carrier Association. Intrastate network access revenues are based on access charges or are derived under revenue sharing arrangements with other LECs.

Network access revenues increased \$43.2 million (15.6%) in 1997 and \$17.7 million (6.8%) in 1996 due to the following factors:

1997	1996
increase	increase
(decrease)	(decrease)

	(Dollars in thousands)	
PTI acquisition	\$ 26,040	-
Increased recovery from the federal Universal Service Fund ("USF")	11,314	7,532
Increased minutes of use	5,033	5,432
Acquisitions, excluding PTI	3,465	726
Partial recovery of increased operating costs through revenue sharing arrangements with other telephone companies and return on rate base	2,454	4,063
Other, net	(5,128)	(92)
	\$ 43,178	17,661

Included in "Other, net" in 1997 and 1996 were reductions of \$3.8 million and \$1.7 million, respectively, in access revenues due to the previously announced reductions in intrastate switched access rates mandated by the Louisiana Public Service Commission ("LPSC") which were phased in from July 1995 through July 1997. As a result of the July 1997 rate reduction being in effect for a full twelve months during 1998, such access revenues for 1998 will be reduced approximately \$1.8 million from 1997 levels. Included in "Other, net" in 1996 was approximately \$2.3 million of revenue increases associated with a change in the methodology applied in the network access revenue billing process.

### Other Revenues

Other revenues include revenues related to (i) leasing, selling, installing, maintaining and repairing customer premise telecommunications equipment and wiring ("CPE services"), (ii) providing billing and collection services for long distance carriers, (iii) participating in the publication of local directories and (iv) providing Internet access. The PTI properties contributed \$4.6 million to the \$10.0 million increase in other revenues in 1997. Exclusive of PTI, revenues from CPE services increased \$3.5 million; \$2.5 million of the 1997 increase was attributable to the provision of Internet access to a larger number of customers. Revenues from CPE services and the provision of Internet access contributed \$3.2 million and \$1.4 million, respectively, to the \$4.5 million increase in other revenues in 1996. Billing and collection revenues decreased \$1.0 million and \$606,000 in 1997 and 1996, respectively.

### Operating Expenses

Plant operations expenses during 1997 and 1996 increased \$20.1 million (22.4%) and \$3.3 million (3.8%), respectively. Expenses incurred by the PTI properties in December 1997 were \$12.0 million. Exclusive of PTI, expenses incurred in connection with providing Internet access to a larger number of customers contributed \$3.5 million to the 1997 increase and other acquisitions accounted for \$1.8 million of such increase. Expenses incurred in the provision of Internet access contributed approximately \$2.2 million to the 1996 increase.

Customer operations, corporate, and other expenses increased \$20.9 million (18.9%) in 1997, of which \$11.2 million was incurred by the PTI properties and, exclusive of PTI, \$1.7 million was due to an increase in marketing expenses. Exclusive of PTI and marketing expenses, expenses incurred in the provision of CPE services were up \$1.4 million; operating taxes increased \$1.6 million in 1997. Marketing expenses contributed \$2.0 million to the 1996 increase of \$7.9 million (7.7%) in customer operations, corporate, and other expenses. Exclusive of marketing expenses, expenses incurred in the provision of CPE services increased \$1.9 million in 1996 and operating taxes increased \$1.5 million.

Depreciation and amortization increased \$19.9 million (20.8%) and \$9.5 million (11.0%) in 1997 and 1996, respectively. Approximately \$11.4 million of the 1997 increase was applicable to acquiring and operating PTI, of which \$1.5 million represented amortization of goodwill. \$1.7 million of the 1997 increase was applicable to other acquisitions. Exclusive of acquisitions, depreciation expense included nonrecurring additional depreciation charges approved by regulators in certain jurisdictions which aggregated \$4.4 million in 1997 and \$8.2 million in 1996. In addition, the Company obtained increased depreciation rates in certain jurisdictions which increased depreciation expense by \$4.4 million in 1997. The remaining increases in depreciation and amortization in 1997 and 1996 were due to higher levels of plant in service. The composite depreciation rate for the Company's regulated telephone properties, including the additional depreciation charges, was 7.4% for 1997 and 7.5% for 1996 and 1995.

### Other

The Company anticipates that regulatory changes and competitive pressures may result in future revenue reductions in its telephone operations. However, the Company anticipates that such reductions may be minimized by increases in revenues attributable to the continued demand for enhanced services and new product offerings. While the Company expects its telephone revenues to continue to grow, its internal telephone revenue growth rate may slow during upcoming periods.

For additional information regarding certain matters that have impacted or may impact the Company's telephone operations, see Regulation and Competition.

### CELLULAR OPERATIONS AND INCOME FROM UNCONSOLIDATED CELLULAR ENTITIES

Year ended December 31,	1997	1996	1995
(Dollars in thousands)			
Operating income - wireless operations	\$ 88,081	67,914	57,009
Minority interest	(6,916)	(7,062)	(8,084)
Income from unconsolidated cellular entities	27,794	26,952	20,084
	\$ 108,959	87,804	69,009

The Company's wireless operations reflect 100% of the results of operations of the cellular entities in which the Company has a majority ownership interest. The minority interest owners' share of the income of such entities is reflected in the Company's Consolidated Statements of Income as an expense in "Minority interest." See Minority Interest for additional information. The Company's share of earnings from the cellular entities in which it has less than a majority interest is accounted for using the equity method and is reflected in the Company's Consolidated Statements of Income in "Income from unconsolidated cellular entities." See Income from Unconsolidated Cellular Entities for additional information.

## WIRELESS OPERATIONS

Substantially all of the Company's cellular customers are located in Michigan, Louisiana, Wisconsin, Mississippi, Texas and Arkansas. The operating revenues, expenses and income of the Company's wireless operations for 1997, 1996 and 1995 are summarized below.

Year ended December 31,	1997	1996	1995
(Dollars in thousands)			
Operating revenues			
Service revenues	\$ 302,156	246,037	191,953
Equipment sales	5,586	4,206	5,541
	307,742	250,243	197,494
Operating expenses			
Cost of equipment sold	14,576	12,771	10,235
System operations	47,572	36,301	25,902
General, administrative and customer service	62,258	52,891	39,471
Sales and marketing	54,128	46,793	39,450
Depreciation and amortization	41,127	33,573	25,427
	219,661	182,329	140,485
Operating income	\$ 88,081	67,914	57,009

## Operating Revenues

Cellular service revenues include monthly service fees for providing access and airtime to customers, service fees for providing airtime to other carriers' customers roaming through the Company's service areas, and toll revenue. Cellular service revenues during 1997 increased to \$302.2 million from \$246.0 million in 1996 and \$192.0 million in 1995.

The 1997 and 1996 increases in cellular service revenues were primarily attributable to the increases in cellular customers due to increased demand for wireless services and acquisitions. Cellular units in service in the Company's majority-owned markets increased to 569,983 as of December 31, 1997 from 368,233 as of December 31, 1996 and 290,075 as of December 31, 1995. Included in the 1997 and 1996 increases were 123,600 and 4,850, respectively, of units added through acquisitions, including 88,245 acquired in the PTI acquisition in December 1997. Exclusive of acquisitions, access and usage revenues increased \$29.6 million (16.9%) in 1997 and \$33.9 million (25.6%) in 1996 and roaming and toll revenues increased \$16.6 million (25.1%) and \$11.8 million (24.2%) in 1997 and 1996, respectively. Acquisitions contributed \$11.8 million and \$7.8 million to the increase in cellular service revenues in 1997 and 1996, respectively.

The average monthly cellular service revenue per customer declined to \$61 in 1997 from \$63 in 1996 and \$66 in 1995. It has been an industry-wide trend that early subscribers have normally been the heaviest users and that a higher percentage of new subscribers tend to be lower usage customers. The average monthly service revenue per customer is expected to decline in 1998 as a result of the PTI acquisition (due to PTI's historically lower average monthly service revenue per customer) and may further decline (i) as market penetration increases and additional lower usage customers are activated and (ii) as competitive pressures from current and future wireless communications providers intensify. The Company is responding to such competitive pressures by, among other things, modifying certain of its price plans and implementing certain other plans and promotions, all of which are likely to result in lower average revenue per customer. The Company will continue to focus on customer service and attempt to stimulate cellular usage by promoting the availability of certain enhanced services and by improving the quality of its service through the construction of additional cell sites and other enhancements to its system.

## Operating Expenses

The \$11.3 million (31.0%) increase in system operations expenses in 1997 included a \$4.7 million increase in the amounts paid to other carriers for cellular service provided to the Company's customers who roam in the other carriers' service areas (net of the amounts the Company bills its customers therefor), and a \$974,000 increase in expenses associated with cellular fraud. Expenses incurred by properties acquired were \$2.8 million. The remainder of the increase in system operations expenses in 1997 resulted primarily from the operation of more cell sites.

The Company operated 558 cell sites at December 31, 1997 in entities in which it had a majority interest, compared to 354 at December 31, 1996 and 277 at December 31, 1995. In 1997 and 1996, 155 cell sites and eight cell sites, respectively, were added through acquisitions.

System operations expenses increased \$10.4 million (40.1%) in 1996 primarily due to a \$4.0 million increase in the amounts paid to other carriers for cellular service provided to the Company's customers who roam in the other carriers' service areas (net of the amounts the Company bills its customers therefor), and a \$1.8 million increase in expenses associated with cellular fraud. The remainder of the increase in system operations expenses in 1996 resulted primarily from the operation of new cell sites.

Approximately \$3.0 million of the \$9.4 million (17.7%) increase in general, administrative and customer service expenses in 1997 was applicable to operations acquired. Most of the remainder of the 1997 increase was related to increased expenses resulting from a larger customer base. Customer service and retention costs increased \$2.4 million and billing costs were \$2.4 million higher. Of the \$13.4 million (34.0%) increase in general, administrative and customer service expenses in 1996, \$5.5 million was due to an increase in customer service and retention costs; \$2.2 million was due to an increase in the provision for doubtful accounts; \$1.3 million was due to an increase in billing costs; and \$3.9 million was due to increased general office expenses.

Churn rate (the percentage of cellular customers that terminate service) is an industry-wide concern. The Company faces substantial competition from the other cellular provider in certain of its markets and has begun to face competition from PCS providers in a few of its markets. A significant portion of the churn in the Company's cellular markets is due to the Company disconnecting service to customers for nonpayment. The Company's average monthly churn rate was 2.31% in 1997 and 2.37% in 1996.

During 1997 and 1996, sales and marketing expenses increased \$7.3 million (15.7%) and \$7.3 million (18.6%), respectively. The 1997 increase included a \$4.9 million increase in costs incurred in selling products and services in retail locations, including Company-owned stores. Approximately \$2.8 million of the 1997 increase was applicable to operations acquired. Approximately \$3.7 million of the 1996 increase was due to an increase in advertising and sales promotion expenses. The 1996 increase also included a \$2.8 million increase in costs of operating retail locations.

Depreciation and amortization increased \$7.6 million (22.5%) in 1997 and \$8.1 million (32.0%) in 1996 due primarily to higher levels of plant in service. In 1997 and 1996, \$2.1 million and \$1.7 million, respectively, of the increase was applicable to operations acquired.

## Other

For additional information regarding certain matters that have impacted or may impact the Company's wireless operations, see Regulation and Competition.

## OTHER OPERATIONS

Other operations include the results of operations of subsidiaries of the Company which are not included in the telephone or wireless segments including, but not limited to, the Company's competitive access subsidiary (which was sold to Brooks in May 1997) and the Company's non-regulated long distance and call center operations. The operating revenues, expenses and income of the Company's other operations for 1997, 1996 and 1995 are summarized below.

Year ended December 31,	1997	1996	1995
(Dollars in thousands)			
Operating revenues			
Long distance	\$ 36,550	28,894	15,980
Call center	14,285	8,832	6,129
Competitive access	2,499	2,730	634
Other	9,848	7,440	5,361
	63,182	47,896	28,104
Operating expenses			
Cost of sales and operating expenses	54,132	45,042	23,702
Depreciation and amortization	2,646	2,655	2,019
	56,778	47,697	25,721
Operating income	\$ 6,404	199	2,383

Of the \$15.3 million (31.9%) increase in operating revenues in 1997, \$13.1 million was applicable to the long distance and call center

operations. An increase in operating expenses of \$11.7 million incurred by the long distance and call center operations in 1997 was partially offset by a decrease of \$4.1 million in operating expenses incurred by the Company's competitive access subsidiary. The operating loss of the Company's competitive access subsidiary in 1997 (prior to its sale) was \$2.4 million compared to \$6.2 million in 1996.

In 1996, \$15.6 million of the \$19.8 million increase in operating revenues was due to the long distance and call center operations. Of the \$22.0 million increase in operating expenses in 1996, \$13.8 million was incurred by the long distance and call center operations and \$4.7 million was applicable to the Company's competitive access subsidiary.

Certain of the Company's service subsidiaries provide managerial, operational, technical and accounting services, along with materials and supplies, to the Company's telephone subsidiaries. In accordance with regulatory accounting, intercompany profit on transactions with regulated affiliates has not been eliminated in connection with consolidating the results of operations of the Company. When the regulated operations of the Company no longer qualify for the application of Statement of Financial Accounting Standards No. 71 ("SFAS 71"), "Accounting for the Effects of Certain Types of Regulation," such intercompany profit will be eliminated in subsequent financial statements, the primary result of which will be a decrease in operating expenses applicable to the Company's telephone operations and an increase in operating expenses applicable to the Company's other operations segment. The amount of intercompany profit with regulated affiliates which was not eliminated was approximately \$8.9 million, \$7.7 million and \$8.0 million in 1997, 1996 and 1995, respectively. For additional information applicable to SFAS 71, see Regulation and Competition - Other Matters.

## **INTEREST EXPENSE**

Interest expense increased \$11.8 million (26.4%) in 1997, primarily due to \$7.2 million of interest expense on the borrowings used to fund the PTI acquisition and \$3.5 million of interest expense applicable to PTI's debt.

For additional information, see Liquidity and Capital Resources - Financing Activities and Note 6 of Notes to Consolidated Financial Statements.

## **INCOME FROM UNCONSOLIDATED CELLULAR ENTITIES**

Earnings from unconsolidated cellular entities, net of the amortization of associated goodwill, increased \$842,000 (3.1%) during 1997 and \$6.9 million (34.2%) during 1996. The improvement in profitability in 1997 of most of the cellular entities in which the Company owns less than a majority interest was substantially offset by a \$2.4 million decrease in the Company's portion of the profits of a partnership in which the Company has a significant ownership interest.

## **GAIN ON SALES OF ASSETS**

During 1997 the Company sold its majority-owned competitive access subsidiary to Brooks in exchange for approximately 4.3 million shares of Brooks' common stock. The Company recorded a pre-tax gain in the second quarter of 1997 of approximately \$71 million (\$46 million after-tax; \$.50 per diluted share). In November 1997, the Company sold approximately 3.8 million shares of Brooks' stock and recorded a pre-tax gain of approximately \$108 million (\$66 million after-tax; \$.73 per diluted share).

## **MINORITY INTEREST**

Minority interest is the expense recorded by the Company to reflect the minority interest owners' share of the earnings of the Company's majority-owned and operated cellular entities and majority-owned subsidiaries. Decreases in minority interest of \$1.2 million in 1997 and \$1.4 million in 1996 were due to the effect of the Company's acquisition, during the second quarter of 1996, of an additional 25% interest in a Louisiana cellular partnership which decreased the minority interest owners' share of such partnership. In addition, minority interest decreased \$756,000 during 1997 as a result of allocating thereto a portion of the loss of the Company's majority-owned competitive access subsidiary to the minority shareholders. In 1996, no portion of the loss of such subsidiary was allocated to minority interest. Such decreases were substantially offset by increased minority interest expense due to increased profitability of the Company's majority-owned and operated cellular entities.

## **OTHER INCOME AND EXPENSE**

Other income and expense during 1997 was \$5.1 million compared to \$3.9 million during 1996 and \$5.0 million in 1995. The first quarter of 1996 included a nonrecurring charge of \$1.1 million which related to the Company's withdrawal of its investment in an entity formed to bid on Personal Communications Services ("PCS") licenses after such entity withdrew from the federal auction in 1996.

## **INCOME TAX EXPENSE**

The Company's effective income tax rate was 37.3%, 36.6% and 37.3% in 1997, 1996 and 1995, respectively. For additional information, see Note 10 of Notes to Consolidated Financial Statements.

## **MAJOR ACQUISITION**



On December 1, 1997, the Company acquired PTI in exchange for \$1.503 billion cash. To finance the acquisition, the Company borrowed \$1.288 billion under its \$1.6 billion senior unsecured credit facility with NationsBank of Texas, N.A. and a syndicate of other lenders. This debt matures in five years and carries floating-rate interest based upon London InterBank Offered Rates for short-term periods. As of December 31, 1997, the weighted average interest rate of this debt was 6.17%. The Company paid the remainder of the PTI acquisition price with available cash, most of which consisted of the proceeds of the sale of Brooks' common stock in November 1997. As indicated below under Liquidity and Capital Resources - Financing Activities, the Company repaid approximately \$758 million of this acquisition indebtedness with the net proceeds of a public offering of senior debt securities in January 1998. As a result of the acquisition, the Company acquired (i) over 660,000 telephone access lines located in four midwestern states, seven western states and Alaska, (ii) over 88,000 cellular subscribers in two midwestern states and Alaska and (iii) various wireless, cable television and other communications assets. For additional information, see Note 2 of Notes to Consolidated Financial Statements.

## **ACCOUNTING PRONOUNCEMENTS**

In December 1997 the Company adopted Statement of Financial Accounting Standards No. 128 ("SFAS 128"), "Earnings per Share." SFAS 128 established requirements for the computation of basic earnings per share and diluted earnings per share. The Company previously reported primary earnings per share of \$1.43 and \$1.31 for 1996 and 1995, respectively, and fully diluted earnings per share of \$1.43 and \$1.30 for 1996 and 1995, respectively, in accordance with the provisions of Accounting Principles Board Opinion No. 15, "Earnings per Share."

## **INFLATION**

The effects of increased costs historically have been mitigated by the ability to recover certain costs applicable to the Company's regulated telephone operations through the rate-making process. As operating expenses in the Company's nonregulated lines of business increase as a result of inflation, the Company, to the extent permitted by competition, recovers the costs by increasing prices for its services and equipment. While the rate-making process does not permit the Company to immediately recover the costs of replacing its physical plant, the Company has historically been able to recapture these costs over time. Possible future regulatory changes may alter the Company's ability to recover increased costs in its regulated operations. For additional information regarding the current regulatory environment, see Regulation and Competition.

## **YEAR 2000**

The Company believes that it has identified each of its computer systems that will require modifications to enable it to perform satisfactorily on and after January 1, 2000. The financial impact of making such modifications to the Company's systems is not expected to be material to the Company's consolidated financial position or results of operations. In addition, the Company is currently corresponding with vendors that provide products and systems to the Company in order to determine if such products or systems will be required to be upgraded or replaced. Although management believes the Company has an adequate program in place to address the year 2000 issue, the costs of upgrades to, or replacements of, its purchased products or systems has not been determined and there can be no assurance that the program will ultimately be successful.

## **LIQUIDITY AND CAPITAL RESOURCES**

Excluding cash used for acquisitions, the Company relies on cash provided by operations to provide a substantial portion of its cash needs. The Company's operations have historically provided a stable source of cash flow which has helped the Company continue its long-term program of capital improvements.

### **Operating Activities**

Net cash provided by operating activities was \$297.3 million, \$264.7 million and \$215.7 million in 1997, 1996 and 1995, respectively. The Company's accompanying consolidated statements of cash flows identify major differences between net income and net cash provided by operating activities for each of those years. For additional information relating to the telephone operations, wireless operations, and other operations of the Company, see Results of Operations.

### **Investing Activities**

Net cash used in investing activities was \$1.503 billion, \$241.8 million and \$227.8 million in 1997, 1996 and 1995, respectively. Cash used for acquisitions was \$1.544 billion during 1997, compared to \$46.3 million in 1996 and \$22.1 million in 1995. See Results of Operations - Major Acquisition for additional information. Capital expenditures for 1997 were \$115.9 million for telephone operations, \$39.1 million for wireless operations and \$26.3 million for corporate and other operations. Capital expenditures during 1996 and 1995 were \$222.9 million and \$196.6 million, respectively. Proceeds from the sale of Brooks' common stock were \$202.7 million in 1997. The \$241.8 million of net cash used in investing activities in 1996 was net of the reimbursement of \$18.9 million related to the Company's withdrawal of its equity investment in an entity formed for the purpose of participating in the FCC auction of 30MHz PCS licenses.

### **Financing Activities**

Net cash provided by financing activities was \$1.223 billion during 1997, of which \$1.288 billion was related to the acquisition of PTI. See

Results of Operations - Major Acquisition for additional information. Net cash used in financing activities was \$23.0 million during 1996 and net cash provided by financing activities was \$13.5 million during 1995. Exclusive of amounts borrowed to fund the PTI acquisition, net payments of debt were \$54.7 million during 1997 compared to \$11.6 million during 1996. In November 1995 the Company issued \$150 million of senior notes under its \$400 million shelf registration statement. The net proceeds were used to reduce the Company's borrowings under its credit facilities.

In December 1997, after giving consideration to the PTI acquisition, Standard & Poor's assigned Century's senior unsecured debt a rating of BBB+ and Moody's reaffirmed its rating of Baa1.

In December 1997 the Company filed a shelf registration statement with the United States Securities and Exchange Commission registering \$1.5 billion of senior unsecured debt securities, preferred stock, common stock and warrants, under which the Company issued \$665 million of senior debt securities in January 1998 concurrent with the issuance of the remaining \$100 million under its \$400 million shelf registration statement. The net proceeds of approximately \$758 million (excluding payment obligations of approximately \$39 million related to interest rate hedging effected in connection with the offering) were used to reduce the bank acquisition indebtedness incurred by the Company in connection with its December 1997 acquisition of PTI. The Company's effective weighted average cost of funds for its \$765 million debt issuance is 7.15%, after giving consideration to the payment obligations mentioned above.

## **Other**

Budgeted capital expenditures for 1998 total \$220 million for telephone operations, \$90 million for wireless operations and \$40 million for corporate and other operations. The Company anticipates that capital expenditures in its telephone operations will continue to include the installation of fiber optic cable and the upgrading of its plant and equipment, including its digital switches, to provide enhanced services. Capital expenditures in the wireless operations are expected to continue to focus on constructing additional cell sites (which will provide additional capacity and expanded areas where hand-held cellular phones may be used) and providing digital service.

In early 1997 the Company was awarded 12 PCS licenses in connection with the FCC's D and E block auctions of 10MHz PCS licenses. The licenses cover areas with a population of approximately four million; the Company's investment in the licenses was \$4.6 million. As a result of the PTI acquisition, the Company acquired PCS licenses that cover areas with a population of approximately 4.1 million. Approximately \$20 million of the 1998 capital expenditure budget for corporate and other operations is for development of the Company's PCS networks.

The Company will continue its long-term strategy of pursuing the acquisition of attractive communications properties in exchange for cash, securities or both, and may require additional financing in connection therewith. Approximately 2.7 million shares of Century common stock and 200,000 shares of Century preferred stock remain available for future issuance in connection with acquisitions under an acquisition shelf registration statement.

As of December 31, 1997, the Company's telephone subsidiaries had available for use \$140.9 million of commitments for long-term financing from the Rural Utilities Service and the Company had \$351.1 million of undrawn committed bank lines of credit. The Company also has access to debt and equity capital markets, including its shelf registration statements mentioned above.

Common stockholders' equity as a percentage of total capitalization was 32.6% and 60.8% at December 31, 1997 and 1996, respectively. As of November 30, 1997 (immediately prior to the PTI acquisition), common stockholders' equity as a percentage of total capitalization was 68.5%.

## **REGULATION AND COMPETITION**

The communications industry continues to undergo various fundamental regulatory, competitive and technological changes that make it difficult to determine the form or degree of future regulation and competition affecting the Company's telephone and wireless operations. These changes may have a significant impact on the future financial performance of all communications companies.

### **Events Affecting the Communications Industry**

In February 1996 the United States Congress enacted the Telecommunications Act of 1996 (the "1996 Act"), which obligates LECs to permit competitors to interconnect their facilities to the LEC's network and to take various other steps that are designed to promote competition. Although the 1996 Act provides certain exemptions for rural LECs such as those operated by the Company, the FCC's August 1996 order implementing most of the 1996 Act's interconnection provisions placed the burden of proving the continuing availability of these exemptions on rural LECs. In July 1997 the U.S. Court of Appeals for the Eighth Circuit overturned several provisions of the FCC's August 1996 interconnection order, including the rules placing the burden of proof on rural LECs to retain their rural exemption. This decision has been appealed to the United States Supreme Court.

Prior to and since the enactment of the 1996 Act, the FCC and a number of state legislative and regulatory bodies have taken steps to foster local exchange competition. Coincident with this recent movement toward increased competition has been the gradual reduction of regulatory oversight of LECs. These cumulative changes have led to the continued growth of various companies providing services that compete with LECs' services. Wireless services are also expected to increasingly compete with LECs.

The 1996 Act authorized the establishment of federal and state universal service funds to provide support to eligible telecommunications

carriers. In May 1997 the FCC adopted an order on universal service, as mandated by the 1996 Act. In the order, the FCC ruled that rural telephone companies which are designated eligible telecommunications carriers will continue to receive universal service funding. Each of the Company's LECs has been so designated by its respective state regulatory agency. As a result, the Company's LECs will continue to receive payments under the federal support mechanisms currently in effect until the FCC adopts funding support mechanisms based on forward-looking economic costs, which it is required to do, but no earlier than January 2001.

As part of its universal service order, the FCC also established a new program to provide up to \$2.25 billion of discounted telecommunications services annually to schools and libraries, commencing January 1998. In addition, the FCC established a \$400 million annual fund to provide discounted telecom-munications services for rural health care providers. All communications carriers providing interstate telecommunications services, including the Company's LECs and its cellular and long distance operations, are required to contribute to these programs. In December 1997 the FCC, while reserving the right to adjust such amounts if demand increases, modified the amounts to be collected during the first six months of 1998 to no more than \$625 million for schools and libraries and no more than \$50 million for rural health care providers. The FCC has stated that local exchange telephone companies will recover their funding contributions in their rates for interstate services. The Company currently estimates that the contribution by its cellular and long distance operations for 1998 will approximate \$3.5 million.

In an access charge reform order adopted in May 1997, the FCC changed its system of interstate access charges to make them compatible with the deregulatory framework established by the 1996 Act. Such changes are primarily applicable to price-cap companies. The Company's telephone subsidiaries determine interstate revenues under rate of return regulation and are, therefore, only minimally impacted by the access charge reform order. The FCC stated that a separate access charge reform proceeding would be initiated for rate of return companies.

Numerous petitions for reconsideration or clarification have been filed with the FCC regarding the universal service and access charge reform orders discussed above.

In October 1997 the FCC issued a Notice of Proposed Rulemaking which would, among other things, create a federal-state joint board to review jurisdictional separations procedures through which the costs of regulated telecommunications services are allocated to the interstate and intrastate jurisdictions.

In recent years, the FCC has allocated additional frequency spectrum for wireless technologies that compete or are expected to compete with cellular, including PCS and mobile satellite services. Recently, several major PCS companies began providing services competitive with cellular in selected larger markets, although thus far the Company has experienced competition from PCS companies in only a few of its markets. The FCC has also authorized certain specialized mobile radio service licensees to configure their systems so as to operate in a manner similar to cellular systems.

In February 1996 the FCC sought public comments on whether it should initiate a rate of return prescription proceeding for LECs that are subject to rate of return regulation for interstate access revenues. The Company is unaware of any significant developments in this proceeding.

Competition to provide traditional telephone or wireless services is expected to initially affect large urban areas to a greater extent than rural, suburban and small urban areas such as those in which the Company's operations are located. The Company does not believe such competition is likely to materially affect it in the near term. The Company further believes that it may benefit from having the opportunity to observe the effects of these developments in large urban markets. The Company will continue to monitor ongoing changes in regulation, competition and technology and consider which developments provide the most favorable opportunities for the Company to pursue.

### **Recent Events Affecting the Company**

As mentioned above in Events Affecting the Communications Industry, in May 1997 the FCC adopted an order on universal service. During 1997 the Company's revenues from the USF increased approximately \$16.1 million (of which \$4.6 million was applicable to the PTI properties) to \$65.4 million after increasing \$7.5 million during 1996. Although the Company anticipates that it may experience a reduction in its federal support revenues at some point in the future, management believes it is premature to assess or estimate the ultimate impact thereof. There can be no assurance, however, that such impact will not be material.

During the last few years, several states in which the Company has substantial operations took legislative or regulatory steps to further introduce competition into the LEC business. While the Company is aware of only a few companies which have requested authorization to provide local exchange service in the Company's service areas, it is anticipated that similar action may be taken by others in the future.

In June 1997 the LPSC adopted a Consumer Price Protection Plan (the "Plan"), effective July 1997, which impacts all of the Company's telephone subsidiaries operating in Louisiana. The new form of regulation will focus primarily on price and quality of service. Under the Plan, the Company's Louisiana telephone subsidiaries' local rates will be frozen for a period of three years and access rates will be frozen for a period of two years. Although the Plan has no specified term, the LPSC is required to review it by mid-2000. The Company's Louisiana telephone subsidiaries have the option to propose a new plan at any time if the LPSC determines that (i) effective competition exists or (ii) unforeseen events threaten the subsidiary's ability to provide adequate service or impair its financial health.

During 1995 the LPSC adopted a regulatory plan for independent telephone companies in Louisiana. Under this plan, the Company's access revenues were reduced \$3.8 million in 1997 and \$1.7 million in 1996, and the Company anticipates that its access revenues will be further reduced by approximately \$1.8 million in 1998. See Results of Operations Telephone Operations for additional information.

Certain long distance carriers continue to request that the Company reduce intrastate access tariffed rates for certain of its telephone subsidiaries. There is no assurance that these requests will not result in reduced intrastate access revenues in the future.

## **Other Matters**

The Company's regulated telephone operations are subject to the provisions of SFAS 71, under which the Company is required to account for the economic effects of the rate-making process, including the recognition of depreciation of plant and equipment over lives approved by regulators. The ongoing applicability of SFAS 71 to the Company's regulated telephone operations is being monitored due to the changing regulatory, competitive and legislative environments. When the regulated operations of the Company no longer qualify for the application of SFAS 71, the net adjustments required will result in a material, extraordinary, noncash charge against earnings. While the amount of such charge cannot be precisely estimated at this time, management believes that the noncash, after-tax, extraordinary charge would be between \$250 million and \$300 million. See Note 11 of Notes to Consolidated Financial Statements for additional information.

The Company has certain obligations based on federal, state and local laws relating to the protection of the environment. Costs of compliance through 1997 have not been material, and the Company currently has no reason to believe that such costs will become material.

## **Item 7A. Quantitative and Qualitative Disclosures About Market Risk**

Not applicable for 1997.

## **Item 8. Financial Statements and Supplementary Data**

### **Report of Management**

The Shareholders  
Century Telephone Enterprises, Inc.:

Management has prepared and is responsible for the Company's consolidated financial statements. The consolidated financial statements have been prepared in accordance with generally accepted accounting principles and necessarily include amounts determined using our best judgments and estimates with consideration given to materiality.

The Company maintains internal control systems and related policies and procedures designed to provide reasonable assurance that the accounting records accurately reflect business transactions and that the transactions are in accordance with management's authorization. The design, monitoring and revision of the systems of internal control involve, among other things, our judgment with respect to the relative cost and expected benefits of specific control measures. Additionally, the Company maintains an internal auditing function which independently evaluates the effectiveness of internal controls, policies and procedures and formally reports on the adequacy and effectiveness thereof.

The Company's consolidated financial statements have been audited by KPMG Peat Marwick LLP, independent certified public accountants, who have expressed their opinion with respect to the fairness of the consolidated financial statements. Their audit was conducted in accordance with generally accepted auditing standards, which includes the consideration of the Company's internal controls to the extent necessary to form an independent opinion on the consolidated financial statements prepared by management.

The Audit Committee of the Board of Directors is composed of directors who are not officers or employees of the Company. The Committee meets periodically with the independent certified public accountants, internal auditors and management. The Committee considers the audit scope and discusses internal control, financial and reporting matters. Both the independent and internal auditors have free access to the Committee.

*/s/ R. Stewart Ewing, Jr.*

*R. Stewart Ewing, Jr.  
Senior Vice President and Chief Financial Officer*

### **Independent Auditors' Report**

The Board of Directors  
Century Telephone Enterprises, Inc.:

We have audited the consolidated financial statements of Century Telephone Enterprises, Inc. and subsidiaries as listed in Item 14a(i). In connection with our audits of the consolidated financial statements, we have also audited the financial statement schedules as listed in Item 14a (ii). These consolidated financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedules 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 Century Telephone Enterprises, Inc. and subsidiaries as of December 31, 1997 and 1996, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1997, in conformity with generally accepted accounting principles. Also in our opinion, the related financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

/s/ KPMG Peat Marwick LLP

KPMG PEAT MARWICK LLP

Shreveport, Louisiana

January 28, 1998, except as to the third paragraph of Note 20 which is as of February 25, 1998.

**CENTURY TELEPHONE ENTERPRISES, INC.**  
**Consolidated Statements of Income**

Year ended December 31,

1997 1996 1995

(Dollars in thousands, except per share amounts)

**OPERATING REVENUES**

Telephone	\$ 530,597	451,538	419,242
Wireless	307,742	250,243	197,494
Other	63,182	47,896	28,104
Total operating revenues	901,521	749,677	644,840
-----			
OPERATING EXPENSES			
Cost of sales and operating expenses	474,256	394,360	328,151
Depreciation and amortization	159,495	132,021	113,770
Total operating expenses	633,751	526,381	441,921
-----			
OPERATING INCOME	267,770	223,296	202,919
-----			
OTHER INCOME (EXPENSE)			
Gain on sales of assets, net	169,640	815	6,782
Interest expense	(56,474)	(44,662)	(43,615)
Income from unconsolidated cellular entities	27,794	26,952	20,084
Minority interest	(5,498)	(6,675)	(8,084)
Other income and expense	5,109	3,916	4,982
Total other income (expense)	140,571	(19,654)	(19,851)
-----			
INCOME BEFORE INCOME TAX EXPENSE	408,341	203,642	183,068
Income tax expense	152,363	74,565	68,292
-----			
NET INCOME	\$ 255,978	129,077	114,776
=====			
BASIC EARNINGS PER SHARE*	\$ 2.84	1.45	1.33
=====			
DILUTED EARNINGS PER SHARE*	\$ 2.80	1.43	1.31
=====			
DIVIDENDS PER COMMON SHARE*	\$ .247	.24	.22
=====			

\*Adjusted to reflect stock split. See Note 20.

See accompanying notes to consolidated financial statements.

**CENTURY TELEPHONE ENTERPRISES, INC.**  
**Consolidated Balance Sheets**

December 31,

1997 1996

(Dollars in thousands)

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 26,017	8,402
Accounts receivable		
Customers, less allowance of \$5,954		
and \$3,327	143,613	60,181
Other	83,659	26,263
Materials and supplies, at average cost	21,994	8,222
Other	8,197	6,166
-----		
Total current assets	283,480	109,234
-----		
NET PROPERTY, PLANT AND EQUIPMENT	2,258,563	1,149,012
-----		
INVESTMENTS AND OTHER ASSETS		
Excess cost of net assets acquired, less		
accumulated amortization of \$84,132		
and \$67,061	1,767,352	532,410
Other	400,006	237,849
-----		
Total investments and other assets	2,167,358	770,259
-----		
TOTAL ASSETS	\$ 4,709,401	2,028,505
=====		

**LIABILITIES AND EQUITY**

**CURRENT LIABILITIES**

Current maturities of long-term debt	\$ 55,244	19,919
Accounts payable	83,378	60,548
Accrued expenses and other		
current liabilities		
Salaries and benefits	38,225	20,224
Taxes	74,898	13,913
Interest	20,821	5,581
Other	25,229	8,837
Advance billings and customer deposits	24,213	15,122
-----		
Total current liabilities	322,008	144,144
-----		
LONG-TERM DEBT	2,609,541	625,930
-----		
DEFERRED CREDITS AND OTHER LIABILITIES	477,580	230,278
-----		
STOCKHOLDERS' EQUITY		
Common stock, \$1.00 par value, authorized		
175,000,000 shares, issued and outstanding		
91,103,674* and 59,858,540 shares	91,104	59,859
Paid-in capital	469,586	474,607
Unrealized holding gain on investments,		

net of taxes	11,893	-
Retained earnings	728,033	494,726
Unearned ESOP shares	(8,450)	(11,080)
Preferred stock - non-redeemable	8,106	10,041
<hr/>		
Total stockholders' equity	1,300,272	1,028,153
<hr/>		
TOTAL LIABILITIES AND EQUITY	\$ 4,709,401	2,028,505
<hr/>		

\*Adjusted to reflect stock split. See Note 20.

See accompanying notes to consolidated financial statements.

**CENTURY TELEPHONE ENTERPRISES, INC.**  
**Consolidated Statements of Cash Flows**

Year ended December 31,			
	1997	1996	1995
(Dollars in thousands)			
OPERATING ACTIVITIES			
Net income	\$ 255,978	129,077	114,776
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	159,495	132,021	113,770
Income from unconsolidated cellular entities	(27,794)	(26,952)	(20,084)
Minority interest	5,498	6,675	8,084
Deferred income taxes	16,230	7,935	9,563
Gain on sales of assets	(169,640)	(815)	(6,782)
Changes in current assets and current liabilities:			
Accounts receivable	7,649	(4,353)	(8,949)
Accounts payable	(25,440)	5,103	2,656
Other accrued taxes	58,205	1,285	(4,134)
Other current assets and other current liabilities, net	7,263	6,220	(4,413)
Increase in other noncurrent liabilities	2,173	4,305	5,754
Other, net	7,702	4,151	5,497
Net cash provided by operating activities	297,319	264,652	215,738
INVESTING ACTIVITIES			
Acquisitions, net of cash acquired	(1,543,814)	(46,327)	(22,130)
Payments for property, plant and equipment	(181,225)	(222,885)	(196,592)
Investment in unconsolidated personal communications services entity	-	18,900	(20,000)
Investments in unconsolidated cellular entities	(810)	(744)	(8,013)
Distributions from unconsolidated cellular entities	16,825	15,648	4,957
Proceeds from sales of assets	202,705	-	19,953
Purchase of life insurance investment	(12,962)	(5,944)	(6,418)
Note receivable	22,500	1,667	833
Other, net	(6,346)	(2,106)	(396)
Net cash used in investing activities	(1,503,127)	(241,791)	(227,806)
FINANCING ACTIVITIES			
Proceeds from issuance of long-term debt	1,312,546	59,649	203,987
Payments of long-term debt	(79,203)	(57,021)	(18,377)
Notes payable, net	-	(14,199)	(158,000)
Proceeds from issuance of common stock	14,156	10,089	6,522
Cash dividends	(22,671)	(21,775)	(19,351)
Other, net	(1,405)	258	(1,327)
Net cash provided by (used in) financing activities	1,223,423	(22,999)	13,454

Net increase (decrease) in cash and cash equivalents	17,615	(138)	1,386
Cash and cash equivalents at beginning of year	8,402	8,540	7,154
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 26,017	8,402	8,540

See accompanying notes to consolidated financial statements.

**CENTURY TELEPHONE ENTERPRISES, INC.**  
**Consolidated Statements of Stockholders' Equity**

	Year ended December 31,		
	1997	1996	1995
	(Dollars and shares in thousands)		
COMMON STOCK			
Balance at beginning of year	\$ 59,859	59,114	53,574
Issuance of common stock for acquisitions	75	257	577
Conversion of convertible securities into common stock	237	33	4,541
Issuance of common stock through dividend reinvestment, incentive and benefit plans	565	455	422
Three-for-two stock split	30,368	-	-
Balance at end of year	91,104	59,859	59,114
PAID-IN CAPITAL			
Balance at beginning of year	474,607	453,584	319,235
Issuance of common stock for acquisitions	3,241	8,201	15,981
Conversion of convertible securities into common stock	4,998	163	108,601
Issuance of common stock through dividend reinvestment, incentive and benefit plans	13,591	9,676	6,100
Amortization of unearned compensation and other	3,517	2,983	3,667
Three-for-two stock split	(30,368)	-	-
Balance at end of year	469,586	474,607	453,584
UNREALIZED HOLDING GAIN ON INVESTMENTS, NET OF TAXES			
Balance at beginning of year	-	-	-
Change in unrealized holding gain on investments, net of taxes	11,893	-	-
Balance at end of year	11,893	-	-
RETAINED EARNINGS			
Balance at beginning of year	494,726	387,424	291,999
Net income	255,978	129,077	114,776
Cash dividends declared			
Common stock - \$.247, \$.24 and \$.22 per share*	(22,211)	(21,355)	(19,228)
Preferred stock	(460)	(420)	(123)
Balance at end of year	728,033	494,726	387,424
UNEARNED ESOP SHARES			
Balance at beginning of year	(11,080)	(13,960)	(16,840)
Release of ESOP shares	2,630	2,880	2,880
Balance at end of year	(8,450)	(11,080)	(13,960)
PREFERRED STOCK - NON-REDEEMABLE			
Balance at beginning of year	10,041	2,262	2,268
Issuance of preferred stock for acquisitions	-	7,975	-
Conversion of preferred stock into common stock	(1,935)	(196)	(6)



Balance at end of year	8,106	10,041	2,262
=====			
TOTAL STOCKHOLDERS' EQUITY	\$ 1,300,272	1,028,153	888,424
=====			
COMMON SHARES OUTSTANDING			
Balance at beginning of year	59,859	59,114	53,574
Issuance of common stock for acquisitions	75	257	577
Conversion of convertible securities into common stock	237	33	4,541
Issuance of common stock through dividend reinvestment, incentive and benefit plans	565	455	422
Three-for-two stock split	30,368	-	-
=====			
Balance at end of year	91,104	59,859	59,114
=====			

\*Adjusted to reflect stock split. See Note 20.

See accompanying notes to consolidated financial statements.

## CENTURY TELEPHONE ENTERPRISES, INC.

Notes to Consolidated Financial Statements December 31, 1997

### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Principles of consolidation** - The consolidated financial statements of Century Telephone Enterprises, Inc. and its subsidiaries (the "Company") include the accounts of Century Telephone Enterprises, Inc. ("Century") and its majority-owned subsidiaries and partnerships. The Company's regulated telephone operations are subject to the provisions of Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation." Investments in cellular entities where the Company does not own a majority interest are accounted for using the equity method of accounting.

**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 may differ from those estimates.

**Revenue recognition** - Revenues are recognized when earned. Certain of the Company's telephone subsidiaries participate in revenue sharing arrangements with other telephone companies for interstate revenue and for certain intrastate revenue. Such sharing arrangements are funded by toll revenue and/or access charges within state jurisdictions and by access charges in the interstate market. Revenues earned through the various sharing arrangements are initially recorded based on the Company's estimates.

**Property, plant and equipment** - Telephone plant is stated substantially at original cost of construction. Normal retirements of telephone property are charged against accumulated depreciation, along with the costs of removal, less salvage, with no gain or loss recognized. Renewals and betterments of plant and equipment are capitalized while repairs, as well as renewals of minor items, are charged to operating expense. Depreciation of telephone properties is provided on the straight line method, using class or overall group rates acceptable to the regulatory authorities; such rates range from 1.8% to 25%.

**Non-telephone property** is stated at cost and, when sold or retired, a gain or loss is recognized. Depreciation of such property is provided on the straight line method over estimated service lives ranging from three to 30 years.

**Impairment of long-lived assets and excess cost of net assets acquired (goodwill)** - In 1996 the Company adopted Statement of Financial Accounting Standards No. 121 ("SFAS 121"), "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." SFAS 121 established accounting standards for the impairment of long-lived assets, certain identifiable intangibles, and goodwill related to those assets to be held and used, and for long-lived assets and certain identifiable intangibles to be disposed of. The carrying value of long-lived assets, including allocated goodwill, is reviewed for impairment at least annually, or whenever events or changes in circumstances indicate that such carrying value may not be recoverable, by assessing the recoverability of such carrying value through estimated undiscounted future net cash flows expected to be generated by the assets or the acquired business. The adoption of SFAS 121 did not affect the Company's consolidated financial position or results of operations. The excess cost of net assets acquired of substantially all of the Company's acquisitions accounted for as purchases is being amortized over forty years.

**Affiliated transactions** - Certain service subsidiaries of Century provide installation and maintenance services, materials and supplies, and managerial, technical and accounting services to subsidiaries. In addition, Century provides and bills management services to subsidiaries and

in certain instances makes interest bearing advances to finance construction of plant and purchases of equipment. These transactions are recorded by the Company's telephone subsidiaries at their cost to the extent permitted by regulatory authorities. Intercompany profit on transactions with regulated affiliates is limited to a reasonable return on investment and has not been eliminated in connection with consolidating the results of operations of Century and its subsidiaries. Intercompany profit on transactions with nonregulated affiliates has been eliminated.

**Income taxes** - Century files a consolidated federal income tax return with its eligible subsidiaries. The Company uses the asset and liability method of accounting for income taxes under which deferred tax assets and liabilities are established for the future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Investment tax credits related to telephone plant have been deferred and are being amortized as a reduction of federal income tax expense over the estimated useful lives of the assets giving rise to the credits.

**Derivative financial instruments** - Beginning in late 1997, the Company entered into certain interest rate hedge contracts in anticipation of a public debt issuance, utilizing such hedge contracts to manage interest rate exposure. The hedge contracts are treated as off-balance sheet financial instruments. Gains and losses related to hedges of anticipated transactions are deferred and amortized as interest expense over the life of the underlying debt issuance. The Company does not utilize derivative financial instruments for trading or other speculative purposes.

**Earnings per share** - During 1997 the Company adopted Statement of Financial Accounting Standards No. 128 ("SFAS 128"), "Earnings per Share." SFAS 128 established requirements for the computation of basic earnings per share and diluted earnings per share and was effective for financial statements issued for periods ending after December 15, 1997. Earnings per share amounts for prior periods have been restated to conform with SFAS 128.

**Stock compensation** - During 1996 the Company adopted Statement of Financial Accounting Standards No. 123 ("SFAS 123"), "Accounting for Stock-Based Compensation." As allowed by SFAS 123, the Company accounts for employee stock compensation plans in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees."

**Cash equivalents** - The Company considers short-term investments with a maturity at date of purchase of three months or less to be cash equivalents.

**Reclassifications** - Certain amounts previously reported for prior years have been reclassified to conform with the 1997 presentation.

## (2) MAJOR ACQUISITION

On December 1, 1997, Century acquired Pacific Telecom, Inc. ("PTI") in exchange for \$1.503 billion cash. To finance the acquisition, which was accounted for as a purchase, Century borrowed \$1.288 billion under its \$1.6 billion senior unsecured credit facility dated August 28, 1997 with NationsBank of Texas, N.A. and a syndicate of other lenders. This debt matures in five years and carries floating-rate interest based upon London InterBank Offered Rates for short-term periods. The weighted average interest rate of this debt as of December 31, 1997 was 6.17%. Century paid the remainder of the PTI acquisition price with available cash.

As a result of the acquisition, the Company acquired (i) telephone access lines located in four midwestern states, seven western states and Alaska, (ii) cellular subscribers in two midwestern states and Alaska and (iii) various wireless, cable television and other communications assets.

The purchase price will be allocated to the assets and liabilities of PTI based on their estimated fair value. As of December 31, 1997, a preliminary allocation of the purchase price was made. Such allocation will be refined and finalized, primarily as it relates to noncurrent assets and liabilities, during 1998.

The following pro forma information represents the consolidated results of operations of the Company as if the PTI acquisition had been consummated as of January 1, 1997 and 1996.

Year ended December 31,	1997	1996
	(Dollars in thousands, except per share amounts) (unaudited)	
Operating revenues	\$ 1,392,268	1,245,036
Net income	256,992	120,632
Diluted earnings per share	2.81	1.34

The pro forma information is not necessarily indicative of the operating results that would have occurred if the PTI acquisition had been consummated as of January 1 of each respective period, nor is it necessarily indicative of future operating results. The actual results of operations of PTI are included in the Company's consolidated financial statements only from the date of acquisition.

### (3) PROPERTY, PLANT AND EQUIPMENT

Net property, plant and equipment at December 31, 1997 and 1996 was composed of the following:

December 31,	1997	1996
(Dollars in thousands)		
Telephone, at original cost		
Cable and wire	\$ 1,843,002	726,340
Central office	1,070,477	389,259
General support	256,203	102,667
Information origination/termination	65,304	27,881
Construction in progress	53,382	38,981
Other	7,492	5,161
	3,295,860	1,290,289
Accumulated depreciation	(1,375,835)	(417,497)
	1,920,025	872,792
Wireless, at cost		
Cell site	284,599	203,879
General support	66,400	47,138
Construction in progress	5,555	15,716
Other	23,664	2,656
	380,218	269,389
Accumulated depreciation	(133,357)	(75,666)
	246,861	193,723
Corporate and other, at cost		
General support	148,883	94,042
Other	20,537	31,973
	169,420	126,015
Accumulated depreciation	(77,743)	(43,518)
	91,677	82,497
Net property, plant and equipment	\$ 2,258,563	1,149,012

Depreciation expense was \$142.6 million, \$118.9 million and \$102.1 million

in 1997, 1996 and 1995, respectively. The composite depreciation rate for telephone properties was 7.4% for 1997 and 7.5% for 1996 and 1995.

### (4) INVESTMENTS AND OTHER ASSETS

Investments and other assets at December 31, 1997 and 1996 were composed of the following:

December 31,	1997	1996
(Dollars in thousands)		
Excess cost of net assets acquired, less accumulated amortization	\$ 1,767,352	532,410
Investments in unconsolidated cellular entities	189,363	99,212
Cash surrender value of life insurance contracts, net	78,658	61,750
Marketable equity securities	40,570	8,478
Other	91,415	68,409
	\$ 2,167,358	770,259

As a result of the purchase of PTI, the Company recorded approximately \$1.2 billion of excess cost of net assets acquired.

Goodwill amortization of \$16.6 million, \$12.8 million and \$11.4 million for 1997, 1996 and 1995, respectively, is included in "Depreciation and amortization" in the Company's Consolidated Statements of Income.

The Company's investments in marketable equity securities are classified as available for sale and are reported at fair value with unrealized

holding gains and losses reported, net of taxes, as a separate component of stockholders' equity. As of December 31, 1997, gross unrealized holding gains of the Company's marketable equity securities were \$18.3 million.

#### (5) INVESTMENTS IN UNCONSOLIDATED CELLULAR ENTITIES

The Company's share of earnings from cellular entities in which it does not own a majority interest was \$29.4 million, \$28.2 million and \$21.4 million in 1997, 1996 and 1995, respectively, and is included, net of \$1.6 million, \$1.3 million and \$1.3 million of amortization of goodwill attributable to such investments, in "Income from unconsolidated cellular entities" in the Company's Consolidated Statements of Income. Over 70% of the 1997 income from unconsolidated cellular entities was attributable to the following investments.

	Ownership interest
-----	-----
Alltel Cellular Associates of Arkansas Limited Partnership	36%
Lafayette MSA Limited Partnership	49%
GTE Mobilnet of Austin Limited Partnership	35%
Detroit SMSA Limited Partnership	3%
Michigan RSA #9 Limited Partnership	43%
New Mexico 4 - Santa Fe RSA West Limited Partnership	36%
-----	-----

The following summarizes the unaudited combined assets, liabilities and equity, and the unaudited combined results of operations, of the cellular entities in which the Company's investments (as of December 31, 1997 and 1996) were accounted for by the equity method.

December 31,	1997	1996	
-----	-----	-----	
	(Dollars in thousands)		
			(unaudited)
Assets			
Current assets	\$ 322,863	286,197	
Property and other noncurrent assets	767,123	603,204	
-----	-----	-----	
	\$ 1,089,986	889,401	
=====	=====	=====	
Liabilities and equity			
Current liabilities	\$ 157,492	108,525	
Noncurrent liabilities	25,413	24,564	
Equity	907,081	756,312	
-----	-----	-----	
	\$ 1,089,986	889,401	
=====	=====	=====	
Year ended December 31,	1997	1996	1995
-----	-----	-----	-----
	(Dollars in thousands)		
			(unaudited)
Results of operations			
Revenues	\$ 1,277,524	985,788	743,779
Operating income	\$ 419,246	338,554	266,355
Net income	\$ 395,990	339,040	268,967
-----	-----	-----	-----

At December 31, 1997, \$52.6 million of the Company's consolidated retained earnings represented undistributed earnings of unconsolidated cellular entities.

#### (6) LONG-TERM DEBT

December 31,	1997	1996	
-----	-----	-----	
	(Dollars in thousands)		
Century			
6.17%* Senior Credit Facility, due 2002	\$ 1,535,000	-	
8.25% senior notes, series B, due 2024	100,000	100,000	
7.2% senior notes, series D, due 2025	100,000	100,000	
7.0%* notes payable to banks, due 2000	30,000	62,500	
7.75% senior notes, series A, due 2004	50,000	50,000	
6.55% senior notes, series C, due 2005	50,000	50,000	
9.4% senior notes, due through 2003	21,200	25,800	
6.9%* Employee Stock Ownership Plan commitment, due in installments through 2004	8,450	11,080	

9.9%* notes, due in installments through 2006	304	417
<hr/>		
Total Century	1,894,954	399,797
<hr/>		
Subsidiaries		
First mortgage debt		
6.0%* notes, payable to agencies of the United States government and cooperative lending associations, due in installments through 2027	348,971	208,920
7.9% notes, due through 2002	5,969	-
6.1% bonds	-	1,775
Other debt		
7.5%* unsecured medium-term notes, due through 2008	360,678	-
7.4%* notes, due in installments through 2020	40,805	18,112
6.5% note, due in installments through 2001	12,040	14,605
8.2%* capital lease obligations, due in 1998	1,368	2,640
<hr/>		
Total subsidiaries	769,831	246,052
<hr/>		
Total long-term debt	2,664,785	645,849
Less current maturities	55,244	19,919
<hr/>		
Long-term debt, excluding current maturities	\$ 2,609,541	625,930
<hr/>		

\* weighted average interest rate at December 31, 1997

The approximate annual debt maturities for the five years subsequent to December 31, 1997 are as follows: 1998 - \$55.2 million; 1999 - \$44.8 million; 2000 - \$52.9 million; 2001 - \$72.4 million; and 2002 - \$702.5 million.

Short-term borrowings of \$30.0 million at December 31, 1997 were classified as long-term debt on the accompanying balance sheet as the Company had available an aggregate of \$351.0 million under long-term revolving facilities.

Certain of the Company's loan agreements contain various restrictions, among which are limitations regarding issuance of additional debt, payment of cash dividends, reacquisition of the Company's capital stock and other matters. At December 31, 1997, all of the consolidated retained earnings reflected on the balance sheet was available for the declaration of dividends.

The transfer of funds from certain consolidated subsidiaries to Century is restricted by various loan agreements. Subsidiaries which have loans from government agencies and cooperative lending associations, or have issued first mortgage bonds, generally may not loan or advance any funds to Century, but may pay dividends if certain financial ratios are met. At December 31, 1997, restricted net assets of subsidiaries were \$344.2 million. Subsidiaries' retained earnings in excess of amounts restricted by debt covenants totaled \$684.2 million.

Most of the Company's telephone property, plant and equipment is pledged to secure the long-term debt of subsidiaries.

In August 1997 Century entered into a \$1.6 billion senior unsecured revolving credit facility (the "Senior Credit Facility") with NationsBank of Texas, N.A. and a syndicate of other lenders. Such Senior Credit Facility was initially utilized to finance a substantial portion of the purchase price of PTI. See Note 2 for additional information. At December 31, 1997, the Senior Credit Facility had an outstanding balance of \$1.535 billion. This debt matures in five years and carries floating-rate interest based upon London InterBank Offered Rates for short-term periods.

In December 1997 the Company filed a shelf registration statement with the United States Securities and Exchange Commission registering \$1.5 billion of senior unsecured debt securities, preferred stock, common stock and warrants, under which the Company issued \$665.0 million of senior debt securities in January 1998. The Company concurrently issued the remaining \$100.0 million of senior debt securities under its prior shelf registration statement. See Note 20 for additional information.

Century's telephone subsidiaries had approximately \$140.9 million in commitments for long-term financing from the Rural Utilities Service available at December 31, 1997. Approximately \$351.1 million of additional borrowings were available to the Company through committed lines of credit with various banks.

#### (7) DEFERRED CREDITS AND OTHER LIABILITIES

Deferred credits and other liabilities at December 31, 1997 and 1996 were composed of the following:

December 31,	1997	1996
<hr/>		
(Dollars in thousands)		

Deferred federal and state income taxes	\$ 272,290	111,110
Accrued postretirement benefit costs	99,429	48,515
Minority interest	47,695	32,460
Regulatory liability - income taxes	22,856	22,575
Deferred investment tax credits	6,355	3,882
Other	28,955	11,736
	<hr/>	
	\$ 477,580	230,278
	<hr/>	

## (8) POSTRETIREMENT BENEFITS

The Company sponsors defined benefit health care plans that provide postretirement medical, life and dental benefits to substantially all retired full-time employees.

Net periodic postretirement benefit cost for 1997, 1996 and 1995 included the following components:

Year ended December 31,	1997	1996	1995
	<hr/>		
	(Dollars in thousands)		
Service cost	\$ 2,578	2,354	1,769
Interest cost	5,047	4,212	3,972
Actual return on plan assets	(458)	-	-
Amortization of unrecognized actuarial losses (gains)	292	475	(50)
Amortization of unrecognized prior service cost	121	121	121
	<hr/>		
Net periodic postretirement benefit cost	\$ 7,580	7,162	5,812
	<hr/>		

The following table sets forth the amounts recognized as liabilities for postretirement benefits in the Company's consolidated balance sheets at December 31, 1997 and 1996.

December 31,	1997	1996
	<hr/>	
	(Dollars in thousands)	
Accumulated postretirement benefit obligation		
Retirees and retirees' dependents	\$ 74,148	25,105
Fully eligible active plan participants	22,045	10,512
Other active plan participants	56,439	23,540
	<hr/>	
Accumulated postretirement benefit obligation	152,632	59,157
Plan assets, primarily listed stocks and bonds	(34,618)	-
Unrecognized prior service cost	(1,182)	(1,303)
Unrecognized net loss	(14,622)	(6,986)
	<hr/>	
Accrued postretirement benefit costs	\$ 102,210	50,868
	<hr/>	

For calculation purposes, the ultimate health care cost rate was assumed to range from 4.5% to 6%. If the assumed health care cost rate had been increased by one percentage point in each year, the accumulated postretirement benefit obligation as of December 31, 1997 would have increased \$9.0 million and the net periodic postretirement benefit cost for the year ended December 31, 1997 would have increased \$483,000. The postretirement benefit plan assumed in connection with the PTI acquisition had plan assets of \$34.6 million as of December 31, 1997.

The discount rates used in determining the accumulated postretirement benefit obligation as of December 31, 1997 and 1996 were 7.0% and 7.75%, respectively.

## (9) STOCKHOLDERS' EQUITY

Common stock - At December 31, 1997, unissued shares of Century common stock were reserved as follows:

December 31,	1997
	<hr/>
	(In thousands)
Incentive compensation program	4,951
Acquisitions	3,414
Employee stock purchase plan	759
Conversion of convertible preferred stock	341

Other employee benefit plans	1,929
	-----
	11,394
	=====

Under Century's Articles of Incorporation each share of common stock beneficially owned continuously by the same person since May 30, 1987 generally entitles the holder thereof to ten votes per share. All other shares entitle the holder to one vote per share. At December 31, 1997, the holders of 11.6 million shares of common stock were entitled to ten votes per share. See Note 20 for additional information concerning a stock split in early 1998.

Preferred stock - As of December 31, 1997, Century had 2.0 million shares of preferred stock, \$25 par value per share, authorized. At December 31, 1997 and 1996, there were 324,238 and 401,629 shares, respectively, of outstanding preferred stock. Holders of outstanding Century preferred stock are entitled to receive cumulative dividends, receive preferential distributions equal to \$25 per share plus unpaid dividends upon Century's liquidation and vote as a single class with the holders of common stock.

Shareholders' Rights Plan - In 1996 the Board of Directors declared a dividend of one preference share purchase right for each common share outstanding. Such rights become exercisable if and when a potential acquiror takes certain steps to acquire 15% or more of Century's common stock. Upon the occurrence of such an acquisition, each right held by shareholders other than the acquiror may be exercised to receive that number of shares of common stock or other securities of Century (or, in certain situations, the acquiring company) which at the time of such transaction will have a market value of two times the exercise price of the right.

#### (10) INCOME TAXES

The tax effects of temporary differences that gave rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 1997 and 1996 were as follows:

December 31,	1997	1996
	-----	
	(Dollars in thousands)	
Deferred tax assets		
Postretirement benefit costs	\$ 35,826	16,790
Regulatory support	15,681	-
Net operating loss carryforwards of an acquired subsidiary	8,013	8,367
Regulatory liability	8,000	7,901
Long-term debt	3,957	-
Deferred compensation	2,994	2,435
Other employee benefits	5,287	4,393
Other	8,788	3,362
	-----	
Gross deferred tax assets	88,546	43,248
Less valuation allowance	(8,013)	(8,367)
	-----	
Net deferred tax assets	80,533	34,881
	-----	
Deferred tax liabilities		
Property, plant and equipment, primarily due to depreciation differences	(303,500)	(129,123)
Excess cost of net assets acquired	(7,177)	(6,112)
Assets to be sold	(3,382)	-
Marketable equity securities	(11,840)	(2,167)
Intercompany profits	(3,112)	(3,338)
Other	(23,812)	(5,251)
	-----	
Gross deferred tax liabilities	(352,823)	(145,991)
	-----	
Net deferred tax liability	\$ (272,290)	(111,110)
	=====	

Income tax expense for the years ended December 31, 1997, 1996 and 1995 was as follows:

Year ended December 31,	1997	1996	1995
	-----		
	(Dollars in thousands)		
Federal			
Current	\$ 122,861	60,530	53,554
Deferred	14,768	7,390	9,021
State			
Current	13,272	6,100	5,175
Deferred	1,462	545	542
	-----		
	\$ 152,363	74,565	68,292

Income tax expense was allocated as follows:

Year ended December 31,	1997	1996	1995
(Dollars in thousands)			
Net tax expense in the consolidated statements of income	\$ 152,363	74,565	68,292
Stockholders' equity, primarily for compensation expense for tax purposes in excess of amounts recognized for financial reporting purposes	(2,554)	(1,866)	(2,354)
	\$ 149,809	72,699	65,938

The following is a reconciliation from the statutory federal income tax rate to the Company's effective income tax rate:

Year ended December 31,	1997	1996	1995
(Percentage of pre-tax income)			
Statutory federal income tax rate	35.0%	35.0	35.0
State income taxes, net of federal income tax benefit	2.3	.1	2.0
Amortization of nondeductible excess cost of net assets acquired	1.1	1.8	1.8
Amortization of investment tax credits	(.4)	(1.1)	(1.3)
Amortization of regulatory liability	(.5)	(.9)	(1.0)
Other, net	(.2)	(.3)	.8
Effective income tax rate	37.3%	36.6	37.3

#### (11) ACCOUNTING FOR THE EFFECTS OF REGULATION

The Company's regulated telephone operations are subject to the provisions of Statement of Financial Accounting Standards No. 71 ("SFAS 71"), "Accounting for the Effects of Certain Types of Regulation." Actions of a regulator can provide reasonable assurance of the existence of an asset, reduce or eliminate the value of an asset and impose a liability on a regulated enterprise. Such regulatory assets and liabilities are required to be recorded and, accordingly, reflected in the balance sheet of an entity subject to SFAS 71.

The Company's consolidated balance sheet as of December 31, 1997 included regulatory assets of approximately \$7.0 million and regulatory liabilities of approximately \$22.9 million exclusive of (i) property, plant and equipment, (ii) accumulated depreciation and (iii) deferred income taxes and deferred investment tax credits associated with regulatory assets and liabilities. The \$7.0 million of regulatory assets included assets established in connection with postretirement benefits (\$1.4 million), income taxes (\$2.6 million) and deferred financing costs (\$2.8 million). The \$22.9 million of regulatory liabilities was established in connection with the adoption of Statement of Financial Accounting Standards No. 109, "Accounting For Income Taxes." Net deferred income tax assets related to the regulatory assets and liabilities quantified above were \$5.5 million.

Property, plant and equipment of the Company's regulated telephone operations has been depreciated using generally the straight line method over lives approved by regulators. Such depreciable lives have generally exceeded the depreciable lives used by nonregulated entities. In addition, in accordance with regulatory accounting, retirements of regulated telephone property have been charged to accumulated depreciation, along with the costs of removal, less salvage, with no gain or loss recognized. These accounting policies have resulted in accumulated depreciation being significantly less than if the Company's telephone operations had not been regulated.

Statement of Financial Accounting Standards No. 101 ("SFAS 101"), "Regulated Enterprises - Accounting for the Discontinuance of Application of FASB Statement No. 71," specifies the accounting required when an enterprise ceases to meet the criteria for application of SFAS 71. SFAS 101 requires the elimination of the effects of any actions of regulators that have been recognized as assets and liabilities in accordance with SFAS 71 but would not have been recognized as assets and liabilities by enterprises in general, along with an adjustment of certain accumulated depreciation accounts to reflect the difference between recorded depreciation and the amount of depreciation that would have been recorded had the Company's telephone operations not been subject to rate regulation. SFAS 101 further provides that the carrying amounts of property, plant and equipment are to be adjusted only to the extent the assets are impaired and that impairment shall be judged in the same manner as for enterprises in general. Deferred tax liabilities and deferred investment tax credits will be impacted based on the change in the temporary differences for property, plant and equipment and accumulated depreciation.

The ongoing applicability of SFAS 71 to the Company's regulated telephone operations is being monitored due to the changing regulatory, competitive and legislative environments, and it is possible that changes in regulation, legislation or competition or in the demand for regulated



services or products could result in the Company's telephone operations no longer being subject to SFAS 71 in the near future. When the regulated operations of the Company no longer qualify for the application of SFAS 71, the net adjustments required will result in a material, noncash charge against earnings which will be reported as an extraordinary item. While the effect of implementing SFAS 101 cannot be precisely estimated at this time, management believes that the noncash, after-tax, extraordinary charge would be between \$250 million and \$300 million. For regulatory purposes, the accounting and reporting of the Company's telephone subsidiaries will not be affected by the discontinued application of SFAS 71.

## (12) EARNINGS PER SHARE

Basic earnings per share amounts are determined on the basis of the weighted average number of common shares outstanding during the year. Diluted earnings per share give effect to all potential dilutive common shares that were outstanding during the period. See Note 20 for additional information concerning a stock split in early 1998.

The following is a reconciliation of the numerators and denominators of the basic and diluted earnings per share computations:

Year ended December 31,	1997	1996	1995
(Dollars, except per share amounts, and shares in thousands)			
Income (Numerator):			
Net income	\$ 255,978	129,077	114,776
Dividends applicable to preferred stock	(460)	(420)	(123)
Net income applicable to common stock for computing basic earnings per share	255,518	128,657	114,653
Dividends applicable to preferred stock	460	420	123
Interest on convertible securities, net of taxes	480	579	714
Net income as adjusted for purposes of computing diluted earnings per share	\$ 256,458	129,656	115,490
Shares (Denominator)*:			
Weighted average number of shares outstanding during period	90,425	89,432	87,000
Employee Stock Ownership Plan shares not committed to be released	(435)	(498)	(559)
Weighted average number of shares outstanding during period for computing basic earnings per share	89,990	88,934	86,441
Incremental common shares attributable to dilutive securities:			
Conversion of preferred stock	441	459	309
Conversion of convertible securities	676	846	1,134
Shares issuable under stock option plan	501	414	420
Number of shares as adjusted for purposes of computing diluted earnings per share	91,608	90,653	88,304
Basic earnings per share*	\$ 2.84	1.45	1.33
Diluted earnings per share*	\$ 2.80	1.43	1.31

\*Adjusted to reflect stock split.

The weighted average number of options to purchase shares of common stock that were excluded from the computation of diluted earnings per share because the exercise price of the option was greater than the average market price of the common stock was 732,000, 944,000, and 616,000 for 1997, 1996 and 1995, respectively.

## (13) STOCK OPTION PROGRAM

Century has an incentive compensation program which allows the Board of Directors, through a subcommittee to the Compensation Committee, to grant incentives to employees in any one or a combination of the following forms: incentive and non-qualified stock options; stock appreciation rights; restricted stock; and performance shares. As of December 31, 1997, Century had reserved 5.0 million shares of common stock which may be issued under the incentive compensation program.

Under the program, options have been granted to employees at a price either equal to or exceeding the then-current market price and all of the

options expire ten years after the date of grant.

During 1997 the Company granted 862,606 options (the "1997 Options") at market price. The weighted average fair value of each of the 1997 Options was estimated as of the date of grant to be \$8.52 using an option-pricing model with the following assumptions: dividend yield - .8%; expected volatility - 25%; risk-free interest rate - 6.5%; and expected option life - eight years.

During 1995 the Company granted 951,047 options (the "1995 Options") above market price. The weighted-average fair value of each of the 1995 Options was estimated as of the date of grant to be \$6.62 using an option-pricing model with the following assumptions: dividend yield - 1.1%; expected volatility - 25%; risk-free interest rate - 6.5%; and expected option life - eight years.

Stock option transactions during 1997, 1996 and 1995 were as follows:

	Number of options	Average price
-----	-----	-----
Outstanding December 31, 1994	3,410,200	\$ 14.42
Exercised	(408,450)	6.75
Granted	951,047	24.10
-----	-----	-----
Outstanding December 31, 1995	3,952,797	16.97
Exercised	(438,604)	12.48
Forfeited	(18,826)	19.51
-----	-----	-----
Outstanding December 31, 1996	3,495,367	18.17
Exercised	(592,782)	15.27
Granted	862,606	20.26
Forfeited	(25,904)	20.09
-----	-----	-----
Outstanding December 31, 1997	3,739,287	19.09
=====	=====	=====
Exercisable December 31, 1996	3,476,617	18.17
=====	=====	=====
Exercisable December 31, 1997	3,141,688	18.88
=====	=====	=====

The following tables summarize certain information about Century's stock options at December 31, 1997.

Options outstanding			
Range of exercise prices	Number of options	Weighted average remaining contractual life outstanding	Weighted average exercise price
-----	-----	-----	-----
\$ 5.90-10.67	27,681	.8 years	\$ 10.56
12.50-18.45	2,004,660	4.0	16.45
20.00-26.46	1,706,946	8.1	23.62
-----	-----	-----	-----
5.90-26.46	3,739,287	6.3	19.09
=====	=====	=====	=====
Options exercisable			
Range of exercise prices	Number of options exercisable		Weighted average exercise price
-----	-----		-----
\$ 5.90-10.67	27,681		\$10.56
12.50-18.45	2,004,660		16.45
20.25-26.46	1,109,347		24.25
-----	-----		-----
5.90-26.46	3,141,688		18.88
=====	=====		=====

The Company applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," in accounting for its program. Accordingly, no compensation cost has been recognized for the program. If compensation cost for Century's program had been determined consistent with SFAS 123 for the 1997 Options and the 1995 Options, the Company's net income and earnings per share on a pro forma basis for 1997, 1996 and 1995 would have been as follows:

Year ended December 31,	1997	1996	1995
-----	-----	-----	-----
	(Dollars in thousands, except per share amounts)		
Net income			

As reported	\$	255,978	129,077	114,776
Pro forma	\$	252,773	129,077	110,813
Diluted earnings per share				
As reported	\$	2.80	1.43	1.31
Pro forma	\$	2.76	1.43	1.26

#### (14) SALES OF ASSETS

In May 1997 the Company sold its majority-owned competitive access subsidiary to Brooks Fiber Properties, Inc. ("Brooks") in exchange for approximately 4.3 million shares of Brooks' common stock. The Company recorded a pre-tax gain of approximately \$71 million (\$46 million after-tax; \$.50 per diluted share). In November 1997 the Company sold approximately 3.8 million shares of Brooks' common stock for \$202.7 million cash and recorded a pre-tax gain of approximately \$108 million (\$66 million after-tax; \$.73 per diluted share).

In the first quarter of 1995 the Company sold, for an aggregate of \$17.9 million cash, its ownership interests in certain cellular Rural Service Areas located primarily in western states and three Metropolitan Statistical Areas in the midwest. These transactions resulted in a pre-tax gain of \$5.9 million (\$2.0 million after-tax; \$.02 per diluted share).

#### (15) RETIREMENT AND SAVINGS PLANS

Century sponsors an Outside Directors' Retirement Plan and a Supplemental Executive Retirement Plan to provide directors and officers, respectively, with supplemental retirement, death and disability benefits. In addition, the bargaining unit employees of a subsidiary are provided benefits under a defined benefit pension plan and substantially all of the employees of PTI are covered under a separate defined benefit pension plan.

The following table sets forth the combined plans' funded status and amounts recognized in the Company's consolidated balance sheet at December 31, 1997 and 1996.

December 31,	1997	1996
(In thousands)		
Actuarial present value of benefit obligations:		
Vested benefit obligation	\$ (165,103)	(19,550)
=====		
Accumulated benefit obligation	\$ (174,860)	(19,588)
=====		
Projected benefit obligation	\$ (200,554)	(20,473)
Plan assets at fair value, primarily listed stocks and bonds	237,618	22,158
=====		
Plan assets in excess of projected benefit obligation	37,064	1,685
Unrecognized net loss (gain)	(37,731)	1
Unrecognized net (asset) obligation being recognized over 4-20 years	(1,550)	2,519
=====		
(Accrued) prepaid pension cost	\$ (2,217)	4,205
=====		

Net periodic pension cost for 1997, 1996 and 1995 included the following components:

Year ended December 31,	1997	1996	1995
(In thousands)			
Service cost	\$ 793	466	339
Interest cost	2,508	1,382	1,324
Actual return on plan assets	(5,715)	(2,273)	(3,200)
Net amortization and deferral	2,459	933	2,465
=====			
Net periodic pension cost	\$ 45	508	928
=====			

Assumptions used in accounting for the pension plans as of December 1997 and 1996 were:

	1997	1996
Discount rates	7.0%	7.75
Expected long-term rate of return on assets	8.0-10.0%	8.0

Century sponsors an Employee Stock Bonus Plan ("ESBP") and an Employee Stock Ownership Plan ("ESOP"). These plans cover most employees with one year of service with the Company and are funded by Company contributions determined annually by the Board of Directors.

The Company contributed \$2.8 million, \$1.9 million and \$1.6 million to the ESBP during 1997, 1996 and 1995, respectively. At December 31, 1997, the ESBP owned 5.1 million shares of Century common stock.

The Company's contributions to the ESOP approximate the ESOP's debt service less dividends received by the ESOP applicable to unallocated shares. The ESOP shares initially were pledged as collateral for its debt. As the debt is repaid, shares are released from collateral based on the percentage of principal payment to outstanding debt before applying the principal payment. As of each year end, such released shares are allocated to active employees.

The ESOP had outstanding debt of \$2.0 million at December 31, 1997 which was applicable to shares purchased prior to 1993. Interest incurred by the ESOP on debt applicable to such shares was \$274,000, \$430,000 and \$580,000 in 1997, 1996, and 1995, respectively. The Company contributed and expensed \$1.8 million, \$2.1 million and \$2.3 million during 1997, 1996 and 1995, respectively, with respect to such shares. Dividends on unallocated ESOP shares used for debt service by the ESOP were \$126,000 in 1997, \$189,000 in 1996 and \$170,000 in 1995. ESOP shares as of December 31, 1997 and 1996 which were purchased prior to 1993 were as follows:

December 31,	1997	1996
-----		
	(In thousands)	
Allocated shares	2,198	2,168
Unreleased shares	213	441
-----		
	2,411	2,609
=====		

The Company accounts for shares purchased subsequent to December 31, 1992 in accordance with Statement of Position 93-6 ("SOP 93-6"). Accordingly, as shares are released from collateral, the Company reports compensation expense equal to the current market price of the shares and the shares become outstanding for earnings per share computations. Dividends on allocated ESOP shares are recorded as a reduction of retained earnings; dividends on unallocated ESOP shares are recorded as a reduction of debt. ESOP compensation expense applicable to shares purchased subsequent to 1992 was \$1.5 million for 1997, \$1.4 million for 1996 and \$1.3 million for 1995. The fair value of unreleased ESOP shares accounted for under SOP 93-6 was \$13.5 million and \$9.7 million at December 31, 1997 and December 31, 1996, respectively. ESOP shares purchased subsequent to 1992 totaled 625,275, of which 218,845 were allocated and 406,430 were unreleased as of December 31, 1997.

Century also sponsors a qualified profit sharing plan pursuant to Section 401(k) of the Internal Revenue Code (the "401(k) Plan") which is available to substantially all employees of the Company. The Company's matching contributions to the 401(k) Plan were \$2.8 million in 1997, \$2.3 million in 1996 and \$2.4 million in 1995.

#### (16) SUPPLEMENTAL CASH FLOW DISCLOSURES

The Company paid interest of \$48.8 million, \$45.1 million and \$45.8 million during 1997, 1996 and 1995, respectively. Income taxes paid were \$79.3 million in 1997, \$64.1 million in 1996 and \$62.4 million in 1995.

In addition to the acquisition of PTI, Century has consummated the acquisitions of various telephone and cellular operations, along with certain other assets, during the three years ended December 31, 1997. In connection with these acquisitions, the following assets were acquired, liabilities assumed, and common and preferred stock issued:

Year ended December 31,	1997	1996	1995
-----			
	(Dollars in thousands)		
Property, plant and equipment	\$ 1,106,558	4,963	16,949
Excess cost of net assets acquired	1,204,284	53,220	70,124
Other investments	119,356	-	2,804
Notes payable	(199,824)	-	(14,199)
Long-term debt	(527,937)	(3,273)	(38,147)
Deferred credits and other liabilities	(246,196)	(171)	(1,880)
Other assets and liabilities, excluding cash and cash equivalents	90,889	8,021	3,037
Common stock issued	(3,316)	(8,458)	(16,558)
Preferred stock issued	-	(7,975)	-
-----			
Decrease in cash due to acquisitions	\$ 1,543,814	46,327	22,130
=====			

In May 1997 the Company sold its majority-owned competitive access subsidiary in exchange for approximately 4.3 million shares of publicly-traded common stock. In November 1997 approximately 85% of such stock was sold. See Note 14 for additional information. In addition, Century has consummated the disposition of various cellular operations, along with certain other assets, during the three years ended December 31, 1997. In connection with these dispositions, the following assets were sold, liabilities eliminated, assets received and gain recognized:

Year ended December 31,	1997	1996	1995
(Dollars in thousands)			
Property, plant and equipment	\$ (38,481)	900	(4,399)
Excess cost of net assets acquired	(597)	-	(4,494)
Marketable equity securities	13,795	-	-
Other assets and liabilities, excluding cash and cash equivalents	(7,782)	(85)	(4,278)
Gain on sales of assets	(169,640)	(815)	(6,782)
Increase in cash due to dispositions	\$ (202,705)	-	(19,953)

In February 1995 Century's \$115.0 million of outstanding 6% convertible debentures were converted into Century common stock by the debenture holders at a conversion price of \$16.89 per share.

#### (17) FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table presents the carrying amounts and estimated fair values of certain of the Company's financial instruments at December 31, 1997 and 1996.

	Carrying amount	Fair value	
(Dollars in thousands)			
December 31, 1997			
Financial assets			
Investments			
Marketable equity securities	\$ 40,570	40,570	(2)
Other	\$ 22,455	24,036	(1)
Financial liabilities			
Long-term debt (including current maturities)	\$ 2,664,785	2,677,348	(3)
Other	\$ 24,213	24,213	(1)
Off-balance sheet financial instruments			
Interest rate hedge contracts	\$ -	(16,061)	(4)
December 31, 1996			
Financial assets			
Investments			
Note receivable (including current portion)	\$ 22,500	22,500	(1)
Marketable equity securities	\$ 8,478	7,959	(2)
Other	\$ 16,362	16,362	(1)
Financial liabilities			
Long-term debt (including current maturities)	\$ 645,849	649,756	(3)
Other	\$ 15,122	15,122	(1)
(1) Fair value was estimated by the Company. (2) Fair value was based on quoted market prices.			

(3) Fair value was estimated by discounting the scheduled payment streams to present value based upon rates currently offered to the Company for similar debt.

(4) Fair value represents the estimated amounts the Company would have to pay to settle these contracts.

Cash and cash equivalents, accounts receivable, notes payable, accounts payable and accrued expenses - The carrying amount approximates the fair value due to the short maturity of these instruments.

From October 1997 through December 1997, the Company entered into nine interest rate hedge contracts for an aggregate notional amount of \$800 million in anticipation of a public debt issuance. In early January 1998, the Company entered into two additional hedge contracts for notional amounts of \$100 million each. On January 15, 1998, the Company issued a total of \$765 million of senior notes and debentures under

its shelf registration statements. See Note 20 for additional information.

## (18) BUSINESS SEGMENTS

The Company is engaged primarily in providing local exchange telephone services and cellular telephone services.

The Company's telephone operations are conducted in rural, suburban and small urban communities in 21 states. Approximately 85% of the Company's telephone access lines are in Wisconsin, Washington, Alaska, Michigan, Louisiana, Colorado, Ohio, Oregon and Montana.

The Company's wireless operations reflect the operations of the cellular entities in which the Company has a majority ownership interest. The Company's cellular customers are located primarily in Michigan, Louisiana, Wisconsin, Mississippi, Texas and Arkansas.

	Operating revenues	Depreciation and amortization	Operating income
(Dollars in thousands)			
Year ended December 31, 1997			
Telephone	\$ 530,597	115,722	173,285
Wireless	307,742	41,127	88,081
Other	75,817	2,646	6,404
Eliminations	(12,635)	-	-
Total	\$ 901,521	159,495	267,770
Year ended December 31, 1996			
Telephone	\$ 451,538	95,793	155,183
Wireless	250,243	33,573	67,914
Other	59,561	2,655	199
Eliminations	(11,665)	-	-
Total	\$ 749,677	132,021	223,296
Year ended December 31, 1995			
Telephone	\$ 419,242	86,324	143,527
Wireless	197,494	25,427	57,009
Other	39,580	2,019	2,383
Eliminations	(11,476)	-	-
Total	\$ 644,840	113,770	202,919
Year ended December 31,			
	1997	1996	1995
(Dollars in thousands)			
Operating income	\$ 267,770	223,296	202,919
Gain on sales of assets, net	169,640	815	6,782
Interest expense	(56,474)	(44,662)	(43,615)
Income from unconsolidated cellular entities	27,794	26,952	20,084
Minority interest	(5,498)	(6,675)	(8,084)
Other income and expense	5,109	3,916	4,982
Income before income tax expense	\$ 408,341	203,642	183,068
Capital expenditures			
Telephone	\$ 115,854	110,147	136,006
Wireless	39,102	83,679	41,990
Corporate and other	26,269	29,059	18,596
Total	\$ 181,225	222,885	196,592
Identifiable assets			
Telephone	\$ 3,379,376	1,174,317	1,114,827
Wireless	989,729	644,587	547,260
General corporate	181,413	95,545	109,096

Other	158,883	114,056	91,238
Total assets	\$ 4,709,401	2,028,505	1,862,421

Other accounts receivable are primarily amounts due from various long distance carriers, principally AT&T, and several large local exchange operating companies.

#### (19) COMMITMENTS AND CONTINGENCIES

Construction expenditures and investments in vehicles, buildings and other work equipment during 1998 are estimated to be \$220 million for telephone operations, \$90 million for wireless operations and \$40 million for corporate and other operations.

The Company is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's consolidated financial position or results of operations.

#### (20) SUBSEQUENT EVENTS

**Debt issuance** - On January 15, 1998, Century issued \$100 million of 7-year, 6.15% senior notes (Series E); \$240 million of 10-year, 6.3% senior notes (Series F); and \$425 million of 30-year, 6.875% debentures (Series G) under its shelf registration statements. The net proceeds of approximately \$758 million (excluding payment obligations of approximately \$39 million related to interest rate hedging effected in connection with the offering) were used to reduce the Senior Credit Facility indebtedness incurred by the Company in connection with the acquisition of PTI. In addition, the Senior Credit Facility's committed amount was reduced from \$1.6 billion to \$880 million in accordance with its terms.

In mid-January 1998, the Company settled numerous hedge contracts that had been entered into in anticipation of the debt issuances. The amounts paid by the Company upon settlement of the hedge contracts aggregated \$39 million. Such payment obligations will be amortized as interest expense over the life of the underlying debt instruments. The effective weighted average interest rate of the above-mentioned debt (after giving consideration to the payment obligations) is 7.15%.

**Stock split** - On February 25, 1998, Century's Board of Directors declared a three-for-two common stock split effected as a 50% stock dividend in March 1998. All per share data included in this report has been restated to reflect this stock split. An amount equal to the par value of the additional common shares issued pursuant to the stock split has been reflected as a transfer from paid-in-capital to common stock on the consolidated financial statements for 1997.

### CENTURY TELEPHONE ENTERPRISES, INC. Consolidated Quarterly Income Information

	First quarter	Second quarter	Third quarter	Fourth quarter
(Dollars in thousands, except per share amounts) (unaudited)				
1997				
Operating revenues	\$ 198,985	210,576	218,351	273,609
Operating income	\$ 57,698	62,405	69,815	77,852
Net income	\$ 33,135	83,176	41,433	98,234
Diluted earnings per share*	\$ .37	.91	.45	1.06
1996				
Operating revenues	\$ 175,814	186,538	193,096	194,229
Operating income	\$ 55,515	57,697	59,016	51,068
Net income	\$ 29,665	32,941	36,350	30,121
Diluted earnings per share*	\$ .33	.36	.40	.33

\* Adjusted to reflect stock split. See Note 20 of Notes to Consolidated Financial Statements.

Diluted earnings per share for the second quarter and fourth quarter of 1997 included \$.50 and \$.66 per share, respectively, of gain on sales of assets. The fourth quarter of 1997 includes one month of results of operations of Pacific Telecom, Inc.

In the fourth quarter of 1997, the Company adopted Statement of Financial Accounting Standards No. 128 ("SFAS 128"), "Earnings per Share." Earnings per share amounts for prior periods have been restated to conform with SFAS 128. The Company previously reported fully diluted earnings per share in accordance with the provisions of Accounting Principles Board Opinion No. 15, "Earnings per Share," as follows:

	First quarter	Second quarter	Third quarter	Fourth quarter
	(unaudited)			
1997*	\$ .37	.91	.45	N/A
1996*	.33	.36	.40	.33

\* Adjusted to reflect stock split. See Note 20 of Notes to Consolidated Financial Statements.

**Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.**

None.

**PART III**

**Item 10. Directors and Executive Officers of the Registrant.**

The name, age and office(s) held by each of the Registrant's executive officers are shown below. Each of the executive officers listed below serves at the pleasure of the Board of Directors, except Mr. Williams who has entered into an employment agreement with the Registrant. The agreement's initial term has lapsed, but the agreement remains in effect from year to year, subject to the right of Mr. Williams or the Company to terminate such agreement.

Name ----	Age ---	Office(s) held with Century -----
Clarke M. Williams	76	Chairman of the Board of Directors
Glen F. Post, III	45	Vice Chairman of the Board of Directors, President and Chief Executive Officer
David D. Cole	40	President - Wireless Group
Kenneth R. Cole	50	President - Telephone Group
R. Stewart Ewing, Jr.	46	Senior Vice President and Chief Financial Officer
W. Bruce Hanks	43	Senior Vice President - Corporate Development and Strategy
Harvey P. Perry	53	Senior Vice President, General Counsel and Secretary

Each of the Registrant's executive officers has served as an officer of the Registrant and/or one or more of its subsidiaries in varying capacities for more than the past five years. Mr. David D. Cole has served as President - Wireless Group since October 1996 and as Vice President from 1990 to 1996. Mr. Kenneth R. Cole has served as President - Telephone Group since January 1995 and as Vice President from 1983 to 1994. Mr. Hanks has served as Senior Vice President Corporate Development and Strategy since October 1996 and as President Telecommunications Services or a comparable position from 1989 to 1996.

The balance of the information required by Item 10 is incorporated by reference to the Registrant's definitive proxy statement relating to its 1998 annual meeting of stockholders (the "Proxy Statement"), which Proxy Statement will be filed pursuant to Regulation 14A within 120 days after the end of the last fiscal year.

**Item 11. Executive Compensation.**

The information required by Item 11 is incorporated by reference to the Proxy Statement.

**Item 12. Security Ownership of Certain Beneficial Owners and Management.**

The information required by Item 12 is incorporated by reference to the Proxy Statement.

**Item 13. Certain Relationships and Related Transactions.**



The information required by Item 13 is incorporated by reference to the Proxy Statement.

## **PART IV**

### **Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.**

#### **a. Financial Statements**

##### **(i) Consolidated Financial Statements:**

Independent Auditors' Report on Consolidated Financial Statements and Financial Statement Schedules

Consolidated Statements of Income for the years ended December 31, 1997, 1996 and 1995

#### **Consolidated Balance Sheets - December 31, 1997 and 1996**

Consolidated Statements of Cash Flows for the years ended December 31, 1997, 1996 and 1995

Consolidated Statements of Stockholders' Equity for the years ended December 31, 1997, 1996 and 1995

#### **Notes to Consolidated Financial Statements**

#### **Consolidated Quarterly Income Information (unaudited)**

##### **(ii) Schedules:\***

I Condensed Financial Information of Registrant

#### **II Valuation and Qualifying Accounts**

\* Those schedules not listed above are omitted as not applicable or not required.

#### **b. Reports on Form 8-K.**

(i) The following item was reported in a Form 8-K filed December 1, 1997.

**Item 5. Other Events - News release announcing completion**  
of the acquisition of Pacific Telecom, Inc.

(ii) The following items were reported in a Form 8-K filed December 11, 1997.

**Item 2. Acquisition or Disposition of Assets - Acquisition of**  
**Pacific Telecom, Inc.**

#### **Item 5. Other Events**

(a) Rating assigned to Century's \$1.6 billion unsecured credit facility by Moody's Investors Service and confirmation of rating of Century's senior unsecured debt securities.

(b) Filing of a shelf registration statement on December 11, 1997 with the Securities and Exchange Commission.

#### **Item 7. Financial Statements and Exhibits**

(a) Financial statements of Pacific Telecom, Inc.

(b) Pro Forma consolidated condensed financial information.

(c) Exhibits

(i) Stock Purchase Agreement, dated as of June 11, 1997, by and among PacifiCorp Holdings, Inc., Pacific Telecom, Inc., Century Telephone

Enterprises, Inc. and Century Cellunet, Inc. (incorporated by reference to Exhibit 2.1 to Century's Current Report on Form 8-K dated June 11, 1997 and filed June 24, 1997)

(ii) Amendment, dated November 5, 1997 to Stock Purchase Agreement by and among PacifiCorp Holdings, Inc., Pacific Telecom, Inc., Century Telephone Enterprises, Inc. and Century Cellunet, Inc.

(iii) Press release dated December 11, 1997 relating to Century's filing of a shelf registration statement.

c. Exhibits:

- 3(i) Amended and Restated Articles of Incorporation of Registrant, dated as of December 2, 1996, (incorporated by reference to Exhibit 3(i) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1996).
- 3(ii) Registrant's Bylaws, as amended through November 21, 1996 (incorporated by reference to Exhibit 3.2 of the Company's Registration Statement on Form S-4, Registration No. 333-17015).
- 4.1 Note Purchase Agreement, dated September 1, 1989, between Registrant, Teachers Insurance and Annuity Association of America and the Lincoln National Life Insurance Company (incorporated by reference to Exhibit 4.23 to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1989).
- 4.2 Rights Agreement, dated as of August 27, 1996, between Century Telephone Enterprises, Inc. and Society National Bank, as Rights Agent, including the form of Rights Certificate (incorporated by reference to Exhibit 1 of Registrant's Current Report on Form 8-K filed August 30, 1996).
- 4.3 Form of common stock certificate of the Registrant (incorporated by reference to Exhibit 4.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1993).
- 4.4 Indenture dated as of March 31, 1994 between the Company and Regions Bank of Louisiana (formerly First American Bank & Trust of Louisiana), as Trustee (incorporated by reference to Exhibit 4.1 of the Company's Registration Statement on Form S-3, Registration No. 33-52915).
- 4.5 Resolutions designating the terms and conditions of the Company's 7-3/4% Senior Notes, Series A, due 2004 and 8-1/4% Senior Notes, Series B, due 2024 (incorporated by reference to Exhibit 4.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1994).
- 4.6 Resolutions designating the terms and conditions of the Company's 6.55% Senior Notes, Series C, due 2005 and 7.2% Senior Notes, Series D, due 2025 ("Senior Notes") (incorporated by reference to Exhibit 4.27 to Registrant's Annual Report on Form 10-K for the year ended December 31, 1995).
- 4.7 Form of Senior Notes (incorporated by reference to Exhibit 4.3 of the Company's Registration Statement on Form S-3, Registration No. 33-52915).
- 4.8 Competitive Advance and Revolving Credit Facility Agreement, dated as of August 28, 1997, among Registrant, the lenders named therein, and NationsBank of Texas, N.A. (incorporated by reference to Exhibit 4.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1997).
- 4.9 Resolutions designating the terms and conditions of the Company's 6.15% Senior Notes, Series E, due 2005; 6.30% Senior Notes, Series F, due 2008; and 6.875% Debentures, Series G, due 2028, included elsewhere herein.
- 4.10 Form of Board Resolution to be used in designating and authorizing the terms and conditions of any series of Senior Debt Securities (incorporated by reference to Exhibit 4.3 of the Company's Registration Statement on Form S-3, Registration No. 333-42013).

4.11 Form of Senior Debt Security (incorporated by reference to Exhibit 4.4 of the Company's Registration Statement on Form S-3, Registration No. 333-42013).

10.1 Employee Benefit Plans

(a) Registrant's Employee Stock Ownership Plan and Trust, as amended and restated December 30, 1994 (incorporated by reference to Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1995), amendment thereto dated January 26, 1996 (incorporated by reference to Exhibit 10.1(a) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1995) and amendment thereto dated July 15, 1996 (incorporated by reference to Exhibit 10.2 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1996), and amendment thereto dated December 31, 1996 (incorporated by reference to Exhibit 10.5 to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997), and amendment thereto dated March 18, 1997 (incorporated by

reference to Exhibit 10.6 to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997), and amendments thereto dated January 1, 1997 (incorporated by reference to Exhibit 10.3 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997).

(b) Registrant's Stock Bonus Plan, PAYSOP and Trust, as amended and restated December 30, 1994 (incorporated by reference to Exhibit 10.2 to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1995), amendment thereto dated July 11, 1995 (incorporated by reference to Exhibit 10.4 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1995), amendment thereto dated January 26, 1996 (incorporated by reference to Exhibit 10.1(b) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1995) and amendment thereto dated July 15, 1996 (incorporated by reference to Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1996), and amendment thereto dated December 31, 1996 (incorporated by reference to Exhibit 10.4 to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997), and amendments thereto dated January 1, 1997 (incorporated by reference to Exhibit 10.2 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997).

(c) Registrant's Dollars & Sense Plan and Trust, as amended and restated, generally effective April 1, 1992 (incorporated by reference to Exhibit 10.7 to Registrant's Annual Report on Form 10-K for the year ended December 31, 1994) and amendment thereto dated July 15, 1996 (incorporated by reference to Exhibit 10.3 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1996), and amendment thereto dated June 26, 1997 (incorporated by reference to Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997), and amendment thereto dated June 26, 1997 (incorporated by reference to Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1997).

(d) Registrant's Restated Supplemental Executive Retirement Plan, generally effective as of November 16, 1995 (incorporated by reference to Exhibit 10.1(d) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1995) and amendment thereto dated November 21, 1996 (incorporated by reference to Exhibit 10.1(d) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1996).

(e) Registrant's 1983 Restricted Stock Plan, dated February 21, 1984, as amended and restated as of November 16, 1995 (incorporated by reference to Exhibit 10.1(e) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1995) and amendment thereto dated November 21, 1996, (incorporated by reference to Exhibit 10.1(e) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1996), and amendment thereto dated February 25, 1997 (incorporated by reference to Exhibit 10.3 to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997).

(f) Registrant's Key Employee Incentive Compensation Plan, dated January 1, 1984, as amended and restated as of November 16, 1995 (incorporated by reference to Exhibit 10.1(f) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1995) and amendment thereto dated November 21, 1996 (incorporated by reference to Exhibit 10.1 (f) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1996), and amendment thereto dated February 25, 1997 (incorporated by reference to Exhibit 10.2 to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997).

(g) Registrant's 1988 Incentive Compensation Program as amended and restated August 22, 1989 (incorporated by reference to Exhibit 19.8 to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1989) and amendment thereto dated November 21, 1996 (incorporated by reference to Exhibit 10.1(g) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1996).

(h) Form of Stock Option Agreement entered into in 1988 by the Registrant, pursuant to 1988 Incentive Compensation Program, with certain of its officers (incorporated by reference to Exhibit 10.10 to Registrant's Annual Report on Form 10-K for the year ended December 31, 1988) and amendment thereto (incorporated by reference to Exhibit 4.6 to Registrant's Registration No. 33-31314).

(i) Registrant's 1990 Incentive Compensation Program, dated March 15, 1990 (incorporated by reference to Exhibit 19.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1990) and amendment thereto dated November 21, 1996 (incorporated by reference to Exhibit 10.1(i) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1996).

- (j) Form of Stock Option Agreement entered into in 1990 by the Registrant, pursuant to 1990 Incentive Compensation Program, with certain of its officers (incorporated by reference to Exhibit 19.3 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1990) and amendment thereto dated as of May 22, 1995 (incorporated by reference to Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1995).
- (k) Form of Stock Option Agreement entered into in 1992 by the Registrant, pursuant to 1990 Incentive Compensation Program, with certain of its officers and employees (incorporated by reference to Exhibit 10.17 to Registrant's Annual Report on Form 10-K for the year ended December 31, 1992) and amendment thereto dated as of May 22, 1995 (incorporated by reference to Exhibit 10.2 to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1995).
- (l) Registrant's 1995 Incentive Compensation Plan approved by Registrant's shareholders on May 11, 1995 (incorporated by reference to Exhibit 4.4 to Registration No. 33-60061) and amendment thereto dated November 21, 1996 (incorporated by Reference to Exhibit 10.1 (l) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1996), and amendment thereto dated February 25, 1997 (incorporated by reference to Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997).
- (m) Form of Stock Option Agreement, pursuant to 1995 Incentive Compensation Plan and dated as of May 22, 1995, entered into by Registrant and its officers (incorporated by reference to Exhibit 10.5 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1995).
- (n) Form of Stock Option Agreement, pursuant to 1995 Incentive Compensation Plan and dated as of June 23, 1995, entered into by Registrant and certain key employees (incorporated by reference to Exhibit 10.6 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1995).
- (o) Form of Performance Share Agreement Under the 1990 Incentive Compensation Program, entered into in 1993 with certain of its officers and employees (incorporated by reference to Exhibit 28.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1993) and amendment thereto dated as of May 22, 1995 (incorporated by reference to Exhibit 10.3 to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1995).
- (p) Registrant's Restated Supplemental Defined Contribution Plan, dated as of November 16, 1995 (incorporated by reference to Exhibit 10.1 (q) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1995), amendment thereto dated July 15, 1996 (incorporated by reference to Exhibit 10.4 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1996) and amendment thereto dated November 21, 1996 (incorporated by reference to Exhibit 10.1 (p) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1996).
- (q) Registrant's Amended and Restated Supplemental Dollars & Sense Plan, effective as of January 1, 1995 (incorporated by reference to Exhibit 10.22 to Registrant's Annual Report on Form 10-K for the year ended December 31, 1994), amendment thereto dated July 18, 1995 (incorporated by reference to Exhibit 10.5 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1996) and amendment thereto dated November 21, 1996 (incorporated by reference to Exhibit 10.1(q) of Registrant's Annual Report on Form 10-K for the year ended December 31, 1996).
- (r) Registrant's Amended and Restated Salary Continuation (Disability) Plan for Officers, dated November 26, 1991 (incorporated by reference to Exhibit 10.16 of Registrant's Annual Report on Form 10-K for the year ended December 31, 1991).
- (s) Registrant's Restated Outside Directors' Retirement Plan, dated as of November 16, 1995 (incorporated by reference to Exhibit 10.1(t) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1995).
- (t) Registrant's Restated Deferred Compensation Plan for Outside Directors, dated as of November 16, 1995 (incorporated by reference to Exhibit 10.1(u) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1995).
- (u) Form of Stock Option Agreement, pursuant to 1995 Incentive Compensation Plan and dated as of February 24, 1997 (incorporated by reference to Exhibit 10.4 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997).
- (v) Form of Restricted Stock and Performance Share Agreement, pursuant to Registrant's 1995 Incentive Compensation Program and dated as of February 24, 1997 (incorporated by reference to Exhibit 10.5 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997).
- (w) Registrant's Chairman/Chief Executive Officer Short-Term Incentive Program (incorporated by reference to Exhibit 10.6 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997).

## 10.2 Employment, Severance and Related Agreements

- (a) Employment Agreement, dated May 24, 1993, by and between Clarke M. Williams and Registrant (incorporated by reference to Exhibit 19.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1993) and amendment thereto dated as of February 27, 1996 (incorporated by reference to Exhibit 10.2(a) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1995).

(b) Form of Amended and Restated Severance Agreement, by and between Registrant and each of its executive officers other than Clarke M. Williams, dated as of November 16, 1995 (incorporated by reference to Exhibit 10.2(b) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1995).

(c) Form of Amended and Restated Severance Agreement, by and between Registrant and four of its officers who are not executive officers, dated as of November 16, 1995 (incorporated by reference to Exhibit 10.2(c) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1995).

(d) Agreement, dated December 31, 1994, by and between Jim D. Reppond and Registrant (incorporated by reference to Exhibit 10.24 to Registrant's Annual Report on Form 10-K for the year ended December 31, 1994).

(e) Consulting Agreement, dated as of July 2, 1996, by and

between Century Telephone Enterprises, Inc. and Jim D. Reppond (incorporated by reference to Exhibit 10 to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1996).

10.3 Other Agreement

(a) Stock Purchase Agreement, dated as of June 11, 1997, by and among PacifiCorp Holdings, Inc., Pacific Telecom, Inc., Century Telephone Enterprises, Inc. and Century Cellunet, Inc. (incorporated by reference to Exhibit 2.1 to Registrant's Current Report on Form 8-K filed June 24, 1997) and amendment thereto, dated November 5, 1997 (incorporated by reference to Exhibit 2.2 to Registrant's Current Report on Form 8-K dated December 1, 1997 and filed December 11, 1997).

21 Subsidiaries of the Registrant, included elsewhere herein.

23 Independent Auditors' Consent, included elsewhere herein.

27 Financial Data Schedule, included elsewhere herein.

## 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.

### CENTURY TELEPHONE ENTERPRISES, INC.

Date: March 16, 1998

By: /s/ Clarke M. Williams

-----  
Clarke M. Williams  
Chairman of the Board

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 date indicated.

/s/ Clarke M. Williams

Clarke M. Williams

Chairman of the Board  
of Directors

March 16, 1998

Vice Chairman of the

/s/ Glen F. Post, III

Glen F. Post, III

Board of Directors,  
President, and Chief  
Executive Officer

March 16, 1998

/s/ R. Stewart Ewing, Jr.

R. Stewart Ewing, Jr.

Senior Vice President  
and Chief Financial  
Officer

March 16, 1998

/s/ Harvey P. Perry

Senior Vice President,  
General Counsel,

Harvey P. Perry	Secretary and Director	March 16, 1998
 /s/ W. Bruce Hanks ----- W. Bruce Hanks	Senior Vice President - Corporate Development and Strategy and Director	March 16, 1998
 /s/ Murray H. Greer ----- Murray H. Greer	Controller (Principal Accounting Officer)	March 16, 1998
 /s/ William R. Boles, Jr. ----- William R. Boles, Jr.	Director	March 16, 1998
 /s/ Virginia Boulet ----- Virginia Boulet	Director	March 16, 1998
 /s/ Ernest Butler, Jr. ----- Ernest Butler, Jr.	Director	March 16, 1998
 /s/ Calvin Czeschin ----- Calvin Czeschin	Director	March 16, 1998
 /s/ James B. Gardner ----- James B. Gardner	Director	March 16, 1998
 /s/ R. L. Hargrove, Jr. ----- R. L. Hargrove, Jr.	Director	March 16, 1998
 /s/ Johnny Hebert ----- Johnny Hebert	Director	March 16, 1998
 /s/ F. Earl Hogan ----- F. Earl Hogan	Director	March 16, 1998
 /s/ C. G. Melville, Jr. ----- C. G. Melville, Jr.	Director	March 16, 1998
 /s/ Jim D. Reppond ----- Jim D. Reppond	Director	March 16, 1998

**SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT**  
**CENTURY TELEPHONE ENTERPRISES, INC.**  
(Parent Company)

**STATEMENTS OF INCOME**

	Year ended December 31,		
	1997	1996	1995
-----			
-----			
	(Dollars in thousands)		

REVENUES	\$ 9,666	6,520	5,608
-----			
EXPENSES			
Operating expenses	9,088	6,071	5,165
Depreciation and amortization	9,401	7,286	6,860
-----			
Total expenses	18,489	13,357	12,025
-----			
OPERATING LOSS	(8,823)	(6,837)	(6,417)
-----			
OTHER INCOME (EXPENSE)			
Gain on sales of assets	172,537	-	-
Loss on investment	-	(1,100)	-
Interest expense	(49,738)	(36,709)	(37,467)
Interest income	28,697	28,884	30,930
-----			
Total other income (expense)	151,496	(8,925)	(6,537)
-----			
INCOME (LOSS) BEFORE INCOME TAXES AND EQUITY IN SUBSIDIARIES' EARNINGS	142,673	(15,762)	(12,954)
-----			
Income tax benefit (expense)	(55,591)	4,467	3,769
-----			
INCOME (LOSS) BEFORE EQUITY IN SUBSIDIARIES' EARNINGS	87,082	(11,295)	(9,185)
-----			
Equity in subsidiaries' earnings	168,896	140,372	123,961
-----			
NET INCOME	\$ 255,978	129,077	114,776
=====			

See accompanying notes to condensed financial information of registrant.

**SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT**  
(continued)

**CENTURY TELEPHONE ENTERPRISES, INC.**  
(Parent Company)

**BALANCE SHEETS**

	December 31,	
	1997	1996
	(Dollars in thousands)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 28,300	1,055
Receivables from subsidiaries	76,931	99,506
Other receivables	792	12,527
Prepayments and other	28	1,711
Total current assets	106,051	114,799
PROPERTY, PLANT AND EQUIPMENT		
Property and equipment	1,236	1,028
Accumulated depreciation	(744)	(651)
Net property, plant and equipment	492	377
INVESTMENTS AND OTHER ASSETS		
Investments in subsidiaries (at equity)	2,706,066	1,348,986
Receivables from subsidiaries	655,398	183,333
Other investments	75,546	37,570
Note receivable	-	20,833
Deferred charges	5,878	4,916
Total investments and other assets	3,442,888	1,595,638
TOTAL ASSETS	\$ 3,549,431	1,710,814

LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 11,486	5,122
Payables to subsidiaries	218,993	202,467
Accrued interest	11,088	3,784
Other accrued liabilities	41,628	7,336
Total current liabilities	283,195	218,709
LONG-TERM DEBT	1,883,467	394,675
PAYABLES TO SUBSIDIARIES	46,371	47,618
DEFERRED CREDITS AND OTHER LIABILITIES	36,126	21,659
STOCKHOLDERS' EQUITY		
Common stock, \$1.00 par value, authorized 175,000,000 shares, issued and outstanding 91,103,674* and 59,858,540 shares	91,104	59,859
Paid-in capital	469,586	474,607
Unrealized holding gain on investments, net of taxes	11,893	-
Retained earnings	728,033	494,726
Unearned ESOP shares	(8,450)	(11,080)
Preferred stock - non-redeemable	8,106	10,041
Total stockholders' equity	1,300,272	1,028,153
TOTAL LIABILITIES AND EQUITY	\$ 3,549,431	1,710,814
=====		
* Adjusted to reflect stock split		
See accompanying notes to condensed financial information of registrant.		

**SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT**  
(Continued)

**CENTURY TELEPHONE ENTERPRISES, INC.**  
(Parent Company)

**STATEMENTS OF CASH FLOWS**

Year ended December 31,			
	1997	1996	1995
(Dollars in thousands)			
OPERATING ACTIVITIES			
Net income	\$ 255,978	129,077	114,776
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	9,401	7,286	6,860
Deferred income taxes	8,068	2,934	4,241
Earnings of subsidiaries	(168,896)	(140,372)	(123,961)
Gain on sales of assets	(172,537)	-	-
Changes in current assets and current liabilities:			
Other receivables	11,615	(2,639)	(8,947)
Other accrued liabilities	35,754	329	(3,409)
Other current assets and liabilities, net	8,412	3,998	(4,377)
Other, net	958	3,297	1,558
Net cash provided by (used in) operating activities	(11,247)	3,910	(13,259)
INVESTING ACTIVITIES			
Acquisitions	(1,283,291)	(46,327)	(22,130)
Capital contributions to subsidiaries	(16,634)	(20,179)	(53,050)
Dividends received from subsidiaries	117,499	473	52,423
Receivables from subsidiaries	(235,772)	(45,945)	71,203
Payables to subsidiaries	9,738	97,908	(10,271)
Proceeds from sales of assets	202,705	-	-
Investment in unconsolidated personal communications services entity	-	18,900	(20,000)
Note receivable	22,500	1,667	833
Other, net	(14,959)	(4,425)	(2,546)



Net cash provided by (used in) investing activities	(1,198,214)	2,072	16,462
-----			
FINANCING ACTIVITIES			
Proceeds from issuance of long-term debt	1,297,435	47,500	171,046
Payments of long-term debt	(52,214)	(42,357)	(4,901)
Notes payable, net	-	-	(158,000)
Proceeds from issuance of common stock	14,156	10,089	6,522
Cash dividends paid	(22,671)	(21,775)	(19,351)
-----			
Net cash provided by (used in) financing activities	1,236,706	(6,543)	(4,684)
-----			
Net increase (decrease) in cash and cash equivalents	27,245	(561)	(1,481)
Cash and cash equivalents at beginning of year	1,055	1,616	3,097
-----			
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 28,300	1,055	1,616
=====			

See accompanying notes to condensed financial information of registrant.

## SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT (continued)

### CENTURY TELEPHONE ENTERPRISES, INC. (Parent Company)

## NOTES TO CONDENSED FINANCIAL INFORMATION OF REGISTRANT

### (A) LONG-TERM DEBT

The approximate annual debt maturities for the five years subsequent to December 31, 1997 are as follows:

1998 -	\$	11.5 million
1999 -	\$	31.4 million
2000 -	\$	39.1 million
2001 -	\$	59.2 million
2002 -	\$	691.0 million

### (B) GUARANTEES

As of December 31, 1997, Century has guaranteed a promissory note for a subsidiary of \$2.2 million, as well as the applicable interest and premium. Century has also guaranteed \$675,000 in Industrial Development Revenue Bonds originally issued by a subsidiary; such bonds were assumed by the purchaser of the subsidiary's assets.

### (C) DIVIDENDS FROM SUBSIDIARIES

Dividends paid to Century by consolidated subsidiaries were \$117.5 million, \$472,800 and \$52.4 million during 1997, 1996 and 1995, respectively.

### (D) INCOME TAXES AND INTEREST PAID

Income taxes paid by Century (including amounts reimbursed from subsidiaries) were \$71.8 million, \$56.0 million and \$56.9 million during 1997, 1996 and 1995, respectively.

Interest paid by Century was \$42.4 million, \$37.3 million and \$40.4 million during 1997, 1996 and 1995, respectively.

### (E) AFFILIATED TRANSACTIONS

Century provides and bills management services to subsidiaries and in certain instances makes interest bearing advances to finance construction of plant and purchases of equipment. Century recorded intercompany interest income of \$26.6 million, \$26.4 million and \$28.2 million in 1997, 1996 and 1995, respectively.

**SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS**  
**CENTURY TELEPHONE ENTERPRISES, INC.**

For the years ended December 31, 1997, 1996 and 1995

Description	Balance at beginning of period	Additions charged to costs and expenses	Deductions from allowance(1)	Other changes(2)	Balance at end of period
-----					
(Dollars in thousands)					
Year ended December 31, 1997					
Allowance for					
doubtful accounts	\$ 3,327	11,838	(9,975)	764	5,954
Year ended December 31, 1996					
Allowance for					
doubtful accounts	\$ 2,768	10,155	(9,662)	66	3,327
Year ended December 31, 1995					
Allowance for					
doubtful accounts	\$ 2,360	7,200	(6,946)	154	2,768
(1) Customers' accounts written-off, net of recoveries.					
(2) Allowance for doubtful accounts at the date of acquisition of purchased subsidiaries, net of allowance for doubtful accounts at the date of disposition of subsidiaries sold.					

**Exhibit 4.9**  
**RESOLUTIONS ADOPTED BY THE SPECIAL**  
**PRICING COMMITTEE OF THE BOARD OF DIRECTORS OF**  
**CENTURY TELEPHONE ENTERPRISES, INC.**

January 12, 1998

WHEREAS, the Board of Directors of Century Telephone Enterprises, Inc. (the "Company") has previously authorized (i) the appropriate officers of the Company to take various actions necessary to permit the Company to register, issue and sell various securities of the Company, including senior debt securities, with an aggregate initial offering price not to exceed \$1,600,000,000 and (ii) the Special Pricing Committee of the Board of the Directors to establish the specific terms and conditions of any one or more series of the Company's senior debt securities to be issued and sold from time to time; and

WHEREAS, the Special Pricing Committee, acting pursuant to such authorization, deems it desirable and in the best interest of the Company and its shareholders to authorize the issuance of \$765,000,000 aggregate principal amount of senior debt securities of the Company;

**I. AUTHORIZATION OF TERMS OF OFFERED SECURITIES**

**NOW, THEREFORE, BE IT RESOLVED THAT:**

(1) The Company shall create and issue \$765,000,000 aggregate principal amount of its senior debt securities, consisting of (i) \$100,000,000 aggregate principal amount of senior notes designated as the "Century Telephone Enterprises, Inc. 6.15% Senior Notes, Series E, Due 2005" (the "Series E Notes"), (ii) \$240,000,000 aggregate principal amount of senior notes designated as the "Century Telephone Enterprises, Inc. 6.30% Senior Notes, Series F, Due 2008" (the "Series F Notes") and (iii) \$425,000,000 aggregate principal amount of debentures designated as the "Century Telephone Enterprises Inc. 6.875% Debentures, Series G, Due 2028" (the "Series G Debentures" and, together with the Series E Notes and Series F Notes, the "Offered Securities"), in each case to be sold at the prices described below and in accordance with the Indenture dated as of March 31, 1994 ("Indenture"), between the Company and Regions Bank (successor to Regions Bank of Louisiana and First American Bank & Trust of Louisiana), as Trustee ("Trustee"), all on the terms and conditions set forth below:

(a) The Series E Notes will mature on January 15, 2005, the Series F Notes will mature on January 15, 2008 and the Series G Debentures will mature on January 15, 2028.

(b) The Offered Securities shall bear interest from January 15, 1998 until the principal thereof becomes due and payable at the rate of (i) 6.150% per annum with respect to the Series E Notes, (ii) 6.300% per annum with respect to the Series F Notes and (iii) 6.875% per annum with respect to the Series G Debentures, payable in each case semi-annually on January 15 and July 15 of each year commencing July 15, 1998, and any overdue principal and (to the extent that the payment of such interest is enforceable under applicable law) any overdue installment of interest thereon shall bear interest at the same rate per annum; the principal of and the interest on the Offered Securities shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts, at the office or agency of the Company maintained in accordance with the Indenture. The regular record date with respect to any interest

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payment date for the Offered Securities shall be January 1 or July 1, as the case may be, immediately preceding such interest payment date, whether or not such date is a business day.

(c) Each of the Series E Notes, Series F Notes and Series G Debentures will be redeemable, as a whole or in part, at the option of the Company at any time, at a redemption price equal to the greater of (i) 100% of the principal amount of such series to be redeemed and (ii) the sum of the present values of the Remaining Scheduled Payments (as hereinafter defined) thereon discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as hereinafter defined) plus 15 basis points for the Series E Notes and 20 basis points for the Series F Notes and the Series G Debentures, together in all cases with accrued interest (if any) on the principal amount being redeemed to the redemption date.

"Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity (computed as of the second business day immediately preceding such redemption date) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

"Comparable Treasury Issue" means the United States Treasury security selected by an Independent Investment Banker that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such Series E Notes, Series F Notes or Series G Debentures. "Independent Investment Banker" means one of the Reference Treasury Dealers appointed by the Trustee after consultation with the Company.

"Comparable Treasury Price" means, with respect to any redemption date, (i) the average of the bid and asked prices for the Comparable

Treasury Issue (expressed in each case as a percentage of its principal amount) on the third business day preceding such redemption date, as set forth in the daily statistical release (or any successor release) published by the Federal Reserve Bank of New York and designated "Composite 3:30 p.m. Quotations for U.S. Government Securities" or (ii) if such release (or any successor release) is not published or does not contain such prices on such business day, (A) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (B) if the Trustee obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such Quotations. "Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Trustee by such Reference Treasury Dealer at 3:30 p.m. New York time on the third business day preceding such redemption date.

"Reference Treasury Dealer" means each of Salomon Brothers Inc, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Chase Securities Inc., NationsBanc Montgomery Securities LLC, J.P. Morgan Securities Inc., Credit Suisse First Boston Corporation and Goldman, Sachs & Co., and their respective successors; provided, however, that if any of the foregoing shall cease to be a primary U.S. Government securities dealer in New York City (a "Primary Treasury Dealer"), the Company shall substitute therefor another Primary Treasury Dealer.

"Remaining Scheduled Payments" means the remaining scheduled payments of the principal of the Series E Notes, Series F Notes or Series G Debentures to be redeemed and interest thereon

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that would be due after the related redemption date but for such redemption; provided, however, that if such redemption date is not an interest payment date with respect to such Series E Notes, Series F Notes or Series G Debentures, the amount of the next succeeding scheduled interest payment thereon will be reduced by the amount of interest accrued thereon (if any) to such redemption date.

Notice of any redemption will be mailed at least 30 days but no more than 60 days before the redemption date to each holder of the Series E Notes, Series F Notes or Series G Debentures to be redeemed.

Unless the Company defaults in payment of the redemption price, on and after the applicable redemption date interest will cease to accrue on the Series E Notes, Series F Notes or Series G Debentures, as applicable, or portions thereof called for redemption.

(d) There will be no mandatory sinking fund payments for any series of the Offered Securities.

(e) Each series of the Offered Securities will be issued in the form of fully registered global securities ("Global Securities") which will be deposited with, or on behalf of, The Depository Trust Company, New York, New York ("DTC"), and registered in the name of DTC's nominee. The Offered Securities may only be transferred, in whole and not in part, to another nominee of DTC or to a successor of DTC or its nominee, unless the Offered Securities are subsequently issued in definitive form in the limited circumstances described below. So long as a nominee of DTC is a registered owner of the Offered Securities, such nominee will be considered the sole owner or holder of the Offered Securities for all purposes under the Indenture. Except as provided below, owners of beneficial interests will not be entitled to have Offered Securities registered in their names, will not receive or be entitled to receive physical delivery of Offered Securities in definitive form and will not be considered the owners or holders thereof under the Indenture. If DTC is at any time unwilling or unable to continue as depository and a successor depository is not appointed by the Company within 90 days, the Company will issue Offered Securities in definitive form in exchange for the Global Securities. In addition, the Company may at any time determine not to have the Offered Securities represented by Global Securities and, in such event, will issue Offered Securities in definitive form in exchange for the Global Securities. In either instance, an owner of a beneficial interest in the Global Securities will be entitled to have Offered Securities equal in principal amount to such beneficial interest registered in its name and will be entitled to physical delivery of such Offered Securities in definitive form. Offered Securities so issued in definitive form will be issued in denominations of \$1,000 and integral multiples thereof and will be issued in registered form only, without coupons.

(f) The Series E Notes, Series F Notes and Series G Debentures and the Trustee's Certificate of Authentication to be endorsed thereon are to be substantially in the following form:

(FORM OF FACE OF SECURITY)

This Security is a Registered Global Security and is registered in the name of The Depository Trust Company, a New York corporation ("DTC"), or a nominee thereof. This Security may not be exchanged in whole or in part for a Security in definitive registered form, and no transfer of this Security in whole or in part may be registered in the name of any Person other than DTC or its nominee, except in the limited circumstances described elsewhere herein.

Unless this Security is presented by an authorized representative of DTC to the Company (as defined below) or its agent for registration of transfer, exchange, or payment, and any certificate issued is

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registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE

HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

No. \_\_\_\_\_ \$ \_\_\_\_\_

CUSIP NO. \_\_\_\_\_

Century Telephone Enterprises, Inc.  
6.15% Senior Notes, Series E, Due 2005

OR

Century Telephone Enterprises, Inc.  
6.30% Senior Notes, Series F, Due 2008

OR

Century Telephone Enterprises, Inc.  
6.875% Debentures, Series G, Due 2028

Century Telephone Enterprises, Inc., a corporation duly organized and existing under the laws of the State of Louisiana (herein referred to as the "Company"), for value received, hereby promises to pay to \_\_\_\_\_, or registered assigns, the principal sum of \_\_\_\_\_ Dollars on \_\_\_\_\_ and to pay interest on such principal sum from the most recent interest payment date to which interest has been paid or duly provided for, or, if no interest has been paid or duly provided for, from January 15, 1998, semi-annually on January 15 and July 15 in each year, commencing July 15, 1998, at the rate of \_\_\_\_% per annum until the principal hereof shall have become due and payable, and on any overdue principal and (to the extent that payment of such interest is enforceable under applicable law) on any overdue installment of interest at the same rate per annum. The interest installment so payable, and punctually paid or duly provided for, on any interest payment date will, as provided in the Indenture hereinafter referred to, be paid to the person in whose name this Security (or one or more Predecessor Securities, as defined in such Indenture) is registered at the close of business on the regular record date for such interest installment, which shall be January 1 or July 1, as the case may be (whether or not a Business Day), immediately preceding such interest payment date. Any such interest installment not so punctually paid or duly provided for shall forthwith cease to be payable to the registered holder on such regular record date, and may be paid to the person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on a special record date to be fixed by the Trustee for the payment of such defaulted interest, notice of which shall be given to the registered holders of this series of Security not more than 15 days and not less than 10 days prior to such special record date, or may be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which this Security may be listed, and upon such notice as may be required by such exchange, all as more fully provided in the Indenture hereinafter referred to. The principal of and the interest on this Security shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for payment of public and private debt, at the office or agency of the Company maintained for that purpose in the City of Monroe and State of Louisiana, or the Borough of Manhattan, the City and State of New York.

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This Security shall not be entitled to any benefit under the Indenture hereinafter referred to, or be valid or become obligatory for any purpose, until the Certificate of Authentication hereon shall have been signed by or on behalf of the Trustee.

The provisions of this Security are continued on the following pages hereof and such continued provisions shall for all purposes have the same effect as though fully set forth at this place.

IN WITNESS WHEREOF, the Company has caused this instrument to be executed.

Dated \_\_\_\_\_

**CENTURY TELEPHONE ENTERPRISES, INC.**

By \_\_\_\_\_  
[President/Vice President]

**Attest:**

By \_\_\_\_\_  
[Secretary/Assistant Secretary]

(FORM OF CERTIFICATE OF AUTHENTICATION)

## CERTIFICATE OF AUTHENTICATION

This is one of the Securities of the above-designated series therein referred to in the within-mentioned Indenture.

Regions Bank as Trustee, Authenticating Agent and Security Registrar

By \_\_\_\_\_ Authorized Officer

### (FORM OF ADDITIONAL TERMS OF SECURITY)

This Security is one of a duly authorized series of Security of the Company (herein sometimes referred to as the "Securities"), all issued or to be issued in one or more series under and pursuant to an Indenture dated as of March 31, 1994 duly executed and delivered between the Company and Regions Bank (successor-in-interest to Regions Bank of Louisiana and First American

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Bank & Trust of Louisiana), a corporation organized and existing under the laws of the State of Alabama, as Trustee (herein referred to as the "Trustee") (such Indenture hereinafter referred to as the "Indenture"), to which Indenture reference is hereby made for a description of the rights, limitation of rights, obligations, duties and immunities thereunder of the Trustee, the Company and the holders of the Securities. By the terms of the Indenture, the Securities are issuable in series which may vary as to amount, date of maturity, rate of interest and in other respects as in the Indenture provided. This Security (herein called the "Security") is one of the series designated on the face hereof (herein called the "Series") limited in aggregate principal amount to \$\_\_\_\_,000,000.

In case an Event of Default, as defined in the Indenture, with respect to the Series shall have occurred and be continuing, the principal of all of the Securities of the Series may be declared, and upon such declaration shall become, due and payable, in the manner, with the effect and subject to the conditions provided in the Indenture.

The Indenture contains provisions permitting the Company and the Trustee, with the consent of the holders of not less than a majority in aggregate principal amount of the Securities of each series affected at the time Outstanding, as defined in the Indenture, to execute supplemental indentures for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of any supplemental indenture or of modifying in any manner the rights of the holders of the Securities; provided, however, that no such supplemental indenture shall (i) extend the fixed maturity of any Securities or any series, or reduce the principal amount thereof, or reduce the rate or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof, without the consent of the holder of each Security so affected or (ii) reduce the aforesaid percentage of Securities, the holders of which are required to consent to any such supplemental indenture, without the consent of the holders of each Security then Outstanding and affected thereby. The Indenture also contains provisions permitting the holders of a majority in aggregate principal amount of the Securities of any series at the time Outstanding, on behalf of the holders of Securities of such series, to waive any past default in the performance of any of the covenants contained in the Indenture, or established pursuant to the Indenture with respect to such series, and its consequences, except a default in the payment of the principal of, or premium, if any, or interest on any of the Securities of such series. Any such consent or waiver by the registered holder of this Security (unless revoked as provided in the Indenture) shall be conclusive and binding upon such holder and upon all future holders and owners of this Security and of any Security issued in exchange hereof or in place hereof (whether by registration of transfer or otherwise), irrespective of whether or not any notation of such consent or waiver is made upon this Security.

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and interest on this Security at the times and place and at the rate and in the currency herein prescribed.

The Securities of this Series are subject to redemption, as a whole or in part, at any time, at the option of the Company, upon not less than 30 nor more than 60 days notice by mail, at a redemption price equal to the greater of (i) 100% of the principal amount of the Securities to be redeemed and (ii) the sum of the present values of the Remaining Scheduled Payments (as hereinafter defined) thereon discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as hereinafter defined) plus

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[ ] basis points, together with accrued interest (if any) on the principal amount being redeemed to the redemption date.

"Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity (computed as of the second Business Day immediately preceding such redemption date) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

"Comparable Treasury Issue" means the United States Treasury security selected by an Independent Investment Banker that would be utilized,

at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of this Security. "Independent Investment Banker" means one of the Reference Treasury Dealers appointed by the Trustee after consultation with the Company.

"Comparable Treasury Price" means, with respect to any redemption date, (i) the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) on the third Business Day preceding such redemption date, as set forth in the daily statistical release (or any successor release) published by the Federal Reserve Bank of New York and designated "Composite 3:30 p.m. Quotations for U.S. Government Securities" or (ii) if such release (or any successor release) is not published or does not contain such prices on such Business Day, (A) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (B) if the Trustee obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such Quotations. "Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Trustee by such Reference Treasury Dealer at 3:30 p.m. New York time on the third Business Day preceding such redemption date.

"Reference Treasury Dealer" means each of Salomon Brothers Inc, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Chase Securities Inc., NationsBanc Montgomery Securities LLC, J.P. Morgan Securities Inc., Credit Suisse First Boston Corporation and Goldman, Sachs & Co., and their respective successors; provided, however, that if any of the foregoing shall cease to be a primary U.S. Government securities dealer in New York City (a "Primary Treasury Dealer"), the Company shall substitute therefor another Primary Treasury Dealer.

"Remaining Scheduled Payments" means the remaining scheduled payments of the principal of this Security to be redeemed and interest thereon that would be due after the related redemption date but for such redemption; provided, however, that if such redemption date is not an interest payment date with respect to this Security, the amount of the next succeeding scheduled interest payment thereon will be reduced by the amount of interest accrued thereon (if any) to such redemption date.

Notice of any redemption will be mailed at least 30 days but no more than 60 days before the redemption date to each holder of Securities to be redeemed.

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Unless the Company defaults in payment of the redemption price, on and after the applicable redemption date interest will cease to accrue on this Security, or portions thereof called for redemption.

No recourse shall be had for the payment of the principal of or the interest on this Security, or for any claim based hereon, or otherwise in respect hereof, or based on or in respect of the Indenture, against any incorporator, stockholder, affiliate, officer or director, past, present or future, as such, of the Company or of any predecessor or successor corporation, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise, all such liability being, by the acceptance hereof and as part of the consideration for the issuance hereof, expressly waived and released.

Capitalized terms used herein and not otherwise defined herein shall have the respective meanings set forth in the Indenture.

The Indenture and this Security shall be governed by and construed in accordance with the laws of the State of Louisiana.

(2) The office of Regions Bank located at 1500 North 18th Street, Monroe, Louisiana, is hereby designated and created as the agency of the Company in the City of Monroe and State of Louisiana at which (i) both the principal and the interest on the Offered Securities are payable on the terms and conditions specified in the Indenture and notices, presentations and demands to or upon the Company in respect of the Offered Securities may be given or made, and (ii) the Offered Securities may be surrendered for transfer or exchange and transferred or exchanged in accordance with the terms of the Indenture;

(3) The principal office of Regions Bank in Montgomery, Alabama is hereby designated and created as Security Registrar of the Company at which (i) the Company shall register the Offered Securities, (ii) the Offered Securities may be surrendered for transfer or exchange and transferred or exchanged in accordance with the terms or the Indenture, and (iii) books for the registration and transfer of the Offered Securities shall be kept; and

(4) The Offered Securities hereby authorized by these resolutions shall be in substantially the form and shall have the characteristics provided in the Indenture, and the form of the Offered Securities set forth in these resolutions is hereby approved and adopted.

## II. AUTHORIZATION OF SALE OF OFFERED SECURITIES

### RESOLVED THAT:

(1) The President or any Vice President of the Company is hereby authorized to execute and deliver on behalf of the Company an Underwriting Agreement (the "Underwriting Agreement") in substantially the form of the Underwriting Agreement presented to the members of this

Committee, reflecting the terms of the sale of the Offered Securities to the Underwriters named in such agreement, along with the accompanying Price Determination Agreement that confirms that the sale price of the Series E Notes (after deducting an underwriting discount of 0.625%) shall be 99.223% of the principal amount thereof, the sale price of the Series F Notes (after deducting an underwriting discount of 0.650%) shall be 99.203% of the principal amount thereof; and the sale price of the Series G Debentures (after deducting an underwriting discount of 0.875%) shall be 99.074% of the principal amount thereof;

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(2) The President or any Vice President and the Secretary or any Assistant Secretary of the Company are hereby authorized and directed to deliver to the Trustee a certified record of these resolutions setting forth the terms of the Offered Securities as required by Section 2.01 of the Indenture;

(3) The President or any Vice President of the Company is hereby authorized to execute certificates in such forms as they deem necessary representing \$100,000,000 aggregate principal amount of Series E Notes, \$240,000,000 aggregate principal amount of Series F Notes and \$425,000,000 aggregate principal amount of Series G Debentures on behalf of the Company under its corporate seal or a facsimile attested by the Secretary or any Assistant Secretary, and the signature of the President, or any Vice President, may be in the form of a facsimile signature of the present or any future President or Vice President and the signature of the Secretary or any Assistant Secretary in attestation of the corporate seal may be in the form of a facsimile signature of the present or any future Secretary or Assistant Secretary, and should any officer who signs, or whose facsimile signature appears upon, any of the Offered Securities cease to be such an officer prior to their issuance, the Series E Notes, Series F Notes and Series G Debentures so signed or bearing such facsimile signature shall still be valid, and without prejudice to the use of the facsimile signature of any other officer as hereinabove authorized, the facsimile signature of Glen F. Post, III, President, and the facsimile signature of Harvey P. Perry, Secretary, are hereby expressly approved and adopted;

(4) The officers of the Company are hereby authorized to cause the Offered Securities to be delivered to the Trustee for authentication and delivery by it in accordance with the provisions of the Indenture, and the Trustee is hereby authorized and requested to authenticate the Offered Securities upon compliance by the Company with the provisions of the Indenture and to deliver the same to or upon the written order of the President or any Vice President of the Company, and the President or any Vice President is hereby authorized to apply to the Trustee for the authentication and delivery of the Offered Securities;

(5) The President or any Vice President and the Treasurer or any Assistant Treasurer of the Company are hereby authorized and empowered to endorse, in the name and on behalf of the Company, any and all checks received in connection with the sales of the Offered Securities for application as described in the offering materials prepared and filed, or to be prepared and filed, in connection with the offering of the Offered Securities, or for deposit to the account of the Company in any bank, and that any such endorsement be sufficient to bind the Company;

(6) The officers of the Company are hereby authorized to issue and sell the aggregate principal amounts of the Offered Securities at the price and upon the terms and conditions set forth in the Underwriting Agreement (including the accompanying Price Determination Agreement) covering the sale of the Offered Securities;

(7) The dissemination and filing with the Securities and Exchange Commission of a preliminary prospectus supplement (to the prospectus dated December 29, 1997 forming a part of Registration Statement No. 33-52915 and Registration Statement No. 333-42013) in the form presented to the members of this Committee is hereby ratified, and the officers of the Company are hereby authorized to prepare, disseminate and file with the Securities and Exchange Commission any additional prospectus supplements that may be necessary or appropriate;

(8) The officers of the Company are authorized to execute and deliver all such instruments and documents, to incur on behalf of the Company all such expenses and obligations, to make all such payments, and to do all such other acts and things as they may consider necessary or desirable in connection with the accomplishment of the intent and purposes of the foregoing resolutions, including without limitation

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obtaining all necessary and appropriate CUSIP numbers and debt ratings, retaining all necessary printing companies, depository companies, engraving companies and other agents or advisers, executing and delivering all closing instruments that are contemplated by the Indenture or Underwriting Agreement or that are otherwise customary and appropriate, and issuing any necessary and appropriate press releases; and

(9) All actions heretofore taken by the officers of the Company that would have been authorized hereunder if taken after the adoption of these resolutions are hereby ratified and confirmed in all respects as the acts of the Company.

\* \* \* \* \*

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**EXHIBIT 21**  
**CENTURY TELEPHONE ENTERPRISES, INC.**  
**SUBSIDIARIES OF THE REGISTRANT**  
**AS OF DECEMBER 31, 1997**

Subsidiary	State of incorporation
Alaska RSA #3	Alaska
Brownsville Cellular Telephone Co., Inc. *	Delaware
Cascade Autovon Company	Washington
Celutel of Biloxi, Inc. *	Delaware
Celutel, Inc.	Delaware
Century Area Long Lines (CALL), Inc.	Wisconsin
Century Business Communications, Inc.	Louisiana
Century Cellunet of Alexandria, Inc.	Louisiana
Century Cellunet of La Crosse, Inc.	Louisiana
Century Cellunet of Michigan RSA #4, Inc.	Louisiana
Century Cellunet of Michigan RSAs, Inc.	Louisiana
Century Cellunet of Mississippi RSA #2, Inc.	Mississippi
Century Cellunet of Mississippi RSA #6, Inc.	Mississippi
Century Cellunet of Mississippi RSA #7, Inc.	Mississippi
Century Cellunet of North Arkansas, Inc.	Louisiana
Century Cellunet of North Louisiana, Inc.	Louisiana
Century Cellunet of Pine Bluff, Inc.	Arkansas
Century Cellunet of Saginaw, Inc.	Louisiana
Century Cellunet of Shreveport, Inc.	Louisiana
Century Cellunet of South Arkansas, Inc.	Louisiana
Century Cellunet of Southern Michigan, Inc.	Delaware
Century Cellunet of Texarkana, Inc.	Louisiana
Century Cellunet of Wisconsin RSA #8	Louisiana
Century Cellunet, Inc.	Louisiana
Century Interactive Fax, Inc.	Louisiana
Century Investments, Inc.	Louisiana
Century Paging, Inc.	Louisiana
Century Service Group, Inc.	Louisiana
Century Supply Group, Inc.	Louisiana
Century Telecommunications, Inc.	Texas
Century Telelink, Inc.	Louisiana
Century Telephone Midwest, Inc.	Michigan
Century Telephone of Adamsville, Inc.	Tennessee
Century Telephone of Arkansas, Inc.	Arkansas
Century Telephone of Central Indiana, Inc.	Indiana
Century Telephone of Central Louisiana, Inc.	Louisiana
Century Telephone of Chatham, Inc.	Louisiana
Century Telephone of Chester, Inc.	Iowa
Century Telephone of Claiborne, Inc.	Tennessee
Century Telephone of Colorado, Inc.	Colorado
Century Telephone of East Louisiana, Inc.	Louisiana
Century Telephone of Evangeline, Inc.	Louisiana
Century Telephone of Forestville, Inc.	Wisconsin
Century Telephone of Idaho, Inc.	Delaware
Century Telephone of Lake Dallas, Inc.	Texas
Century Telephone of Larsen-Readfield, Inc.	Wisconsin
Century Telephone of Michigan, Inc.	Michigan
Century Telephone of Monroe County, Inc.	Wisconsin
Century Telephone of Mountain Home, Inc.	Arkansas
Century Telephone of North Louisiana, Inc.	Louisiana
Century Telephone of North Mississippi, Inc.	Mississippi
Century Telephone of Northern Michigan, Inc.	Michigan
Century Telephone of Northern Wisconsin, Inc.	Wisconsin
Century Telephone of Northwest Louisiana, Inc.	Louisiana
Century Telephone of Northwest Wisconsin, Inc.	Wisconsin
Century Telephone of Odon, Inc.	Indiana
Century Telephone of Ohio, Inc.	Ohio
Century Telephone of Ooltewah-Collegedale, Inc.	Tennessee
Century Telephone of Port Aransas, Inc.	Texas
Century Telephone of Redfield, Inc.	Arkansas
Century Telephone of Ringgold, Inc.	Louisiana
Century Telephone of San Marcos, Inc.	Texas
Century Telephone of South Arkansas, Inc.	Arkansas
Century Telephone of Southeast Louisiana, Inc.	Louisiana
Century Telephone of Southwest Louisiana, Inc.	Louisiana
Century Telephone of Southwest, Inc.	New Mexico
Century Telephone of Wisconsin, Inc.	Wisconsin
Chequamegon RSA, Inc.	Colorado
Cowiche Telephone Company	Washington
Eagle Telecommunications, Inc./Colorado	Colorado
Eau Claire Cellular, Inc.	Colorado
Gem State Utilities Corporation	Idaho

Inter Island Telephone Company, Inc.	Washington
Interactive Communications, Inc.	Louisiana
Jackson Cellular Telephone Co., Inc. *	Delaware
Kendall Telephone, Inc.	Wisconsin
Northland Telephone Company	Minnesota
North-West Cellular of Eau Claire, Inc.	Wisconsin
North-West Cellular of RSA #1, Inc.	Wisconsin
North-West Cellular of RSA #2, Inc.	Wisconsin
North-West Cellular of RSA #6, Inc.	Wisconsin
North-West Cellular of Wisconsin, Inc.	Wisconsin
North-West Telephone Company	Wisconsin
Northwestern Telephone Systems, Inc.	Oregon
Pacific Telecom Cable, Inc.	Delaware
Pacific Telecom Cellular of Alaska RSA #1, Inc.	Alaska
Pacific Telecom Cellular of Alaska, Inc.	Alaska
Pacific Telecom Cellular of Michigan, Inc.	Michigan
Pacific Telecom Cellular of Michigan RSA #1, Inc.	Michigan
Pacific Telecom Cellular of Michigan RSA #2, Inc.	Michigan
Pacific Telecom Cellular of Oregon, Inc.	Oregon
Pacific Telecom Cellular of Washington, Inc.	Washington
Pacific Telecom Cellular of Wisconsin, Inc.	Wisconsin
Pacific Telecom Cellular, Inc.	Wisconsin
Pacific Telecom, Inc.	Washington
Pascagoula Cellular Telephone Company, Inc. *	Delaware
Postville Telephone Company	Iowa
PTI Communications of Alaska, Inc.	Alaska
PTI Communications of Michigan, Inc.	Michigan
PTI Entertainment, Inc.	Washington
Remote Access Cellular Telecommunications, Inc.	Texas
Tele-Max, Inc.	Texas
Telephone Utilities of Alaska, Inc.	Alaska
Telephone Utilities of Eastern Oregon, Inc.	Oregon
Telephone Utilities of Oregon, Inc.	Oregon
Telephone Utilities of the Northland, Inc.	Alaska
Telephone Utilities of Washington, Inc.	Washington
Telephone Utilities of Wyoming, Inc.	Wyoming
The McAllen Cellular Telephone Co., Inc. *	Nevada
Thorp Cellular, Inc.	Wisconsin
Universal Telephone, Inc.	Wisconsin
WORLDVOX Corporation	Oregon

\* Conduct business in the name of Century Cellunet

Certain of the Company's smaller subsidiaries have been intentionally omitted from this exhibit pursuant to rules and regulations of the Securities and Exchange Commission.

## EXHIBIT 23

### Independent Auditors' Consent

The Board of Directors  
Century Telephone Enterprises, Inc.:

We consent to incorporation by reference in the Registration Statements (No. 333-27165 and No. 333-42013) on Form S-3, the Registration Statements (No. 33-5836, No. 33-17113, No. 33-46562, No. 33-48554 and No. 33-60061) on Form S-8, the Registration Statements (No. 33-31314 and No. 33-46473) on combined Form S-8 and Form S-3, and the Registration Statements (No. 33-48956 and No. 333-17015) on Form S-4 of Century Telephone Enterprises, Inc. of our report dated January 28, 1998, except as to the third paragraph of Note 20 which is as of February 25, 1998, relating to the consolidated balance sheets of Century Telephone Enterprises, Inc. and subsidiaries as of December 31, 1997 and 1996, and the related consolidated statements of income, stockholders' equity, and cash flows and related financial statement schedules for each of the years in the three-year period ended December 31, 1997, which report appears in the December 31, 1997 annual report on Form 10-K of Century Telephone Enterprises, Inc.

*/s/ KPMG Peat Marwick LLP*

*KPMG PEAT MARWICK LLP*

*Shreveport, Louisiana*

*March 16, 1998*

## ARTICLE 5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE AUDITED CONSOLIDATED BALANCE SHEET OF CENTURY TELEPHONE ENTERPRISES, INC. AND SUBSIDIARIES AS OF DECEMBER 31, 1997 AND THE RELATED AUDITED CONSOLIDATED STATEMENT OF INCOME FOR THE TWELVE MONTH PERIOD THEN ENDED AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

CIK: 0000018926

NAME: CENTURY TELEPHONE ENTERPRISES, INC.

MULTIPLIER: 1,000

PERIOD TYPE	YEAR
FISCAL YEAR END	DEC 31 1997
PERIOD START	JAN 01 1997
PERIOD END	DEC 31 1997
CASH	26,017
SECURITIES	0
RECEIVABLES	149,567
ALLOWANCES	5,954
INVENTORY	21,994
CURRENT ASSETS	283,480
PP&E	3,845,498
DEPRECIATION	1,586,935
TOTAL ASSETS	4,709,401
CURRENT LIABILITIES	322,008
BONDS	2,609,541
PREFERRED MANDATORY	0
PREFERRED	8,106
COMMON	91,104
OTHER SE	1,201,062
TOTAL LIABILITY AND EQUITY	4,709,401
SALES	0
TOTAL REVENUES	901,521
CGS	0
TOTAL COSTS	633,751
OTHER EXPENSES	0
LOSS PROVISION	0
INTEREST EXPENSE	56,474
INCOME PRETAX	408,341
INCOME TAX	152,363
INCOME CONTINUING	255,978
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	255,978
EPS PRIMARY	2.84
EPS DILUTED	2.80

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