

CENTURYTEL INC

FORM S-3

(Securities Registration Statement (simplified form))

Filed 12/11/1997

Address	P O BOX 4065 100 CENTURYTEL DR MONROE, Louisiana 71203
Telephone	318-388-9000
CIK	0000018926
Industry	Communications Services
Sector	Services
Fiscal Year	12/31

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

FORM S-3
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Century Telephone Enterprises, Inc.
(Exact name of registrant as specified in its charter)

Louisiana
(State or other
jurisdiction of incorporation
or organization)

72-0651161
(I.R.S. Employer
Identification Number)

100 Century Park Drive
Monroe, Louisiana 71203
(318) 388-9500

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Harvey P. Perry
Senior Vice President, General Counsel
and Secretary
Century Telephone Enterprises, Inc.
100 Century Park Drive
Monroe, Louisiana 71203
(318) 388-9500

(Name, address, including zip code,
and telephone number, including
area code, of agent for service)

Copy to:
Kenneth J. Najder
Jones, Walker, Waechter,
Poitevent, Carrere & Denegre, L.L.P.
201 St. Charles Avenue, 51st Floor
New Orleans, Louisiana 70170-5100
(504) 582-8000

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC:

From time to time after the effective date of this registration statement

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 (the "Securities Act"), other than securities offered only in connection with dividend or interest reinvestment plans, please check the following box. X

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

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

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. X

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered	Proposed maximum offering price per unit(3)	Proposed maximum aggregate offering price(3)	Amount of registration fee(4)
Senior Debt Securities				
Preferred Stock	\$1,500,000,000(2)	100%	\$1,500,000,000	\$442,500
Common Stock(1)				
Warrants				

(1) Includes Preference Share Purchase Rights, which prior to the occurrence of certain events will not be exercisable or evidenced separate from the registrant's Common Stock.

(2) In the event any Senior Debt Securities are issued at an original discount, the amount registered will equal such principal amount as may be sold for an initial public offering price of \$1,500,000,000.

(3) Estimated solely for the purpose of calculating the registration fee; certain information regarding the proposed maximum offering prices has been omitted pursuant to Instruction II.D of Form S-3 and will be determined, from time to time, by the registrant in connection with its issuance of the securities registered hereunder.

(4) Calculated pursuant to Rule 457(o) promulgated under the Act; does not include the \$34,483 fee previously paid by the registrant with respect to the \$100,000,000 of Senior Debt Securities that remain unsold under the Registration Statement on Form S-3 (Registration No. 33-52915) described further below.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until this registration statement shall become effective on such date as the Commission, acting pursuant to Section 8(a), may determine.

Pursuant to Rule 429 under the Securities Act, the Prospectus included in this Registration Statement is a combined Prospectus and also relates to \$400,000,000 of Senior Debt Securities previously registered under the registrant's Registration Statement on Form S-3 (Registration No. 33-52915), of which \$100,000,000 remain unsold as of the date of this filing.

SUBJECT TO COMPLETION, DATED DECEMBER 11, 1997

\$1,600,000,000

CENTURY TELEPHONE ENTERPRISES, INC.

SENIOR DEBT SECURITIES PREFERRED STOCK COMMON STOCK WARRANTS

Century Telephone Enterprises, Inc. ("Century") may from time to time offer hereunder (i) senior unsecured debt securities (the "Senior Debt Securities"), (ii) shares of preferred stock (the "Preferred Stock"), (iii) shares of common stock and accompanying preference share purchase rights (the "Common Stock"), and (iv) warrants to purchase Senior Debt Securities, Preferred Stock or Common Stock (the "Warrants"), with an aggregate initial offering price of up to \$1,600,000,000. The Senior Debt Securities, Preferred Stock, Common Stock and Warrants (collectively, the "Securities") may be offered, separately or together, in one or more separate series or classes, in amounts, at prices and on terms to be determined at the time of sale and set forth in one or more supplements to this Prospectus (a "Prospectus Supplement").

The specific terms of the Securities in respect to which this Prospectus is being delivered will be set forth in the applicable Prospectus Supplement and will include, where applicable, among other things (i) in the case of Senior Debt Securities, the specific designation, aggregate principal amount, net proceeds, offering price, maturity, interest rate, interest payment dates and terms of any conversion, redemption or sinking fund provisions thereof; (ii) in the case of Preferred Stock, the designation and stated value, any dividend, liquidation, redemption, conversion, voting or other rights, and the initial public offering price thereof; (iii) in the case of Common Stock, the initial public offering price thereof and (iv) in the case of Warrants, the duration, offering price, exercise price and exercise provisions. The Senior Debt Securities will rank equally with all other unsubordinated and unsecured indebtedness of Century.

The Securities may be offered directly or through agents, underwriters or dealers designated from time to time by Century. If any agents,

underwriters or dealers are involved in the sale of any of the Securities, their names, and any applicable purchase price, fee, commission or discount arrangement between or among them, will be set forth in the applicable Prospectus Supplement. See "Plan of Distribution."

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS

A CRIMINAL OFFENSE.

This Prospectus may not be used to consummate sales of Securities unless accompanied by a Prospectus Supplement.

The date of this Prospectus is January ____, 1998.

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

AVAILABLE INFORMATION

Century is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith Century files reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information filed can be inspected and copied at the Commission's Public Reference Section, 450 Fifth Street, N.W., Washington, D.C., 20549, and at the following regional offices of the Commission: Seven World Trade Center, 13th Floor, New York, New York 10048 and 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511. Copies of such material can be obtained from the Public Reference Section of the Commission, 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. The Commission also maintains a World Wide Web site that contains reports, proxy and information statements and other information regarding registrants, such as Century, subsequent to the date when such registrants began filing documents electronically with the Commission. The address of the Commission's site is <http://www.sec.gov>. In addition, Century's Common Stock is listed on the New York Stock Exchange and similar information concerning Century can be inspected and copied at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005.

Pacific Telecom, Inc. ("PTI"), which Century acquired on December 1, 1997, also filed reports, proxy statements, and other information with the Commission through November 10, 1997. Reports filed by PTI pursuant to the Exchange Act can be inspected and copied at each of the locations referenced above and are otherwise available through the Commission's website.

This Prospectus forms a part of Century's Registration Statement (the "Registration Statement") filed with the Commission on Form S-3 (Registration No. 333-_____), pursuant to which Century registered \$1.5 billion of Securities. This Prospectus does not contain all of the information set forth in the Registration Statement, certain portions of which have been omitted as permitted by the rules and regulations of the Commission. The Registration Statement may be inspected and copied at the Commission's offices listed above. Century has filed a similar Registration Statement on Form S-3 (Registration No. 33-52915), pursuant to which Century registered \$400,000,000 of Senior Debt Securities, of which \$100,000,000 remain unsold on the date of this Prospectus. This Prospectus also relates to the \$100,000,000 of unsold Senior Debt Securities registered pursuant to Registration Statement No. 33-52915.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The documents listed below have been filed by Century under the Exchange Act with the Commission and are incorporated herein by reference:

- a. Century's Annual Report on Form 10-K for the year ended December 31, 1996;
- b. Century's Quarterly Reports on Form 10-Q for the quarters ended March 31, June 30, and September 30, 1997;
- c. Century's Current Reports on Form 8-K dated April 15, May 5, June 11, December 1, and December 11, 1997; and

d. Century's Registration Statement filed under the Exchange Act, as amended and restated on Form 8-A/A filed December 2, 1996, which includes a description of the Century's Common Stock and Preference Share Purchase Rights.

All reports filed by Century with the Commission pursuant to Sections

13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of this Prospectus and prior to the termination of the offering made hereby shall be deemed to be incorporated by reference herein and to be made a part hereof from their respective dates of filing. Information appearing herein or in any particular document incorporated herein by reference is not necessarily complete and is qualified in its entirety by the information and financial statements appearing in all of the documents incorporated herein by reference and should be read together therewith. Any statements contained in a document incorporated or deemed to be incorporated by reference shall be deemed to be modified or superseded to the extent that a statement contained herein or in any other document subsequently filed or incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

Century will provide without charge to each person to whom a copy of this Prospectus has been delivered, including any beneficial owner, upon the written or oral request of any such person, a copy of any of the documents incorporated herein by reference, other than certain exhibits to such documents. Requests for such copies should be directed to Harvey P. Perry, Senior Vice President, General Counsel and Secretary, Century Telephone Enterprises, Inc., 100 Century Park Drive, Monroe, Louisiana 71203, telephone (318) 388-9500.

FORWARD-LOOKING STATEMENTS

In addition to historical information, this Prospectus and the documents incorporated herein by reference include 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 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 business are described in detail in Century's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997, which is incorporated herein by reference. 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. Century undertakes no obligation to update any of its forward-looking statements for any reason.

All share and per share data relating to Century's common stock contained or incorporated by reference herein has been adjusted for a stock split effected as a 50% stock dividend distributed in December 1992. Whenever used herein with respect to the operations of the Company or PTI, the term "pops" means the population of licensed markets (based on independent third-party population estimates) multiplied by the Company's or PTI's proportionate equity interests in the licensed operators thereof. When used herein, (i) the term "MSA" means a Metropolitan Statistical Area for which the Federal Communications Commission (the "FCC") has granted a cellular operating license, (ii) the term "RSA" means a Rural Service Area for which the FCC has granted a cellular operating license, (iii) the term "PCS" means Personal Communications Services, a new mobile communications service, (iv) the term "LEC" means a local exchange carrier that provides local telephone service, (v) the term "Series" means any particular series of Senior Debt Securities, (vi) the term "Century" means Century Telephone Enterprises, Inc. and (vii) the term "Company" means Century and its subsidiaries.

THE COMPANY

The Company is a regional diversified telecommunications company that is primarily engaged in providing local telephone and mobile communications services in 21 states. As described further below under "Recent Acquisition," on December 1, 1997, Century acquired Pacific Telecom, Inc. ("PTI"), which substantially expanded the Company's local telephone and mobile communications operations. As a result of this acquisition, the Company's telephone subsidiaries currently serve nearly 1.2 million telephone access lines, primarily in rural, suburban and small urban communities in 21 states, with its largest customer bases located in Wisconsin, Washington, Alaska, Michigan and Louisiana. In addition, through its cellular operations, the Company currently controls over 10 million pops in 31 MSAs and 44 RSAs, primarily concentrated in Michigan, Mississippi, Wisconsin, Louisiana and Arkansas. The Company also provides long distance, operator, Internet and business information services.

Century is incorporated in Louisiana. Its principal executive offices are located at 100 Century Park Drive, Monroe, Louisiana 71203, and its telephone number is (318) 388-9500. The Company currently employs approximately 5,700 persons.

Telephone Operations

According to published sources, the Company is currently the 10th largest local exchange telephone company in the United States, based on the number of telephone access lines served. At September 30, 1997, the Company and PTI served approximately 531,000 and 613,000 access lines, respectively (not including approximately 47,000 access lines acquired by PTI in October 1997). The Company currently operates over 440 central office and remote switching centers in its telephone operating areas. Substantially all of the Company's access lines are served by

digital switching technology, which in conjunction with other technologies allows the Company to offer additional premium services to its customers, including call forwarding, conference calling, caller identification, selective call ringing and call waiting.

Mobile Communications Operations

According to published sources, the Company is currently the 10th largest cellular telephone company in the United States, based on the Company's owned pops. At September 30, 1997, the Company and PTI controlled approximately 8.1 million and 1.9 million cellular pops, respectively. Approximately 45% 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 18% are in a cluster of five MSAs and seven RSAs in northern and central Louisiana, southern Arkansas and eastern Texas. At September 30, 1997, the majority-owned cellular systems of the Company and PTI served approximately 430,000 and 87,000 cellular subscribers, respectively. In addition, as a result of the PTI acquisition, the Company controls approximately 8.1 million PCS pops, up from 4.0 million at September 30, 1997.

Other Operations

The Company also provides long distance, operator, Internet and interactive services in certain local and regional markets, as well as certain printing and related business information services. At September 30, 1997, the Company's long distance business served approximately 165,000 customers in certain of the Company's markets.

Recent Acquisition

On December 1, 1997, Century and its cellular holding company, Century Cellunet, Inc. ("Cellunet"), acquired PTI in exchange for \$1.503 billion cash in a two-step transaction. In the first step, Cellunet purchased substantially all of PTI's cellular operations in exchange for \$240 million, and in the second step Century purchased PTI's capital stock for \$1.263 billion. To finance the acquisition, Century borrowed \$1.288 billion under its \$1.6 billion senior unsecured credit facility with NationsBank of Texas, Inc. 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. Century financed the remainder of the PTI acquisition price with available cash, most of which consisted of the proceeds of Century's sale of common stock of Brooks Fiber Properties, Inc. ("Brooks") in November 1997.

PTI was organized in 1955 to provide local exchange telephone services to suburban and rural communities primarily in the Pacific Northwest. In subsequent years, PTI diversified its operations to provide cellular and other telecommunications services. As a result of Century's acquisition of PTI on December 1, 1997, the Company acquired 660,000 telephone access lines located in four midwestern states, seven western states and Alaska, and approximately 100,000 cellular subscribers in markets operated by PTI in two midwestern states and Alaska. Cellunet intends to integrate the cellular operations that it purchased from PTI into its existing cellular operations. Century will operate the remainder of PTI as a wholly-owned subsidiary, with its headquarters remaining in Vancouver, Washington. In connection with the acquisition, Century has reorganized its telephone operations into three operating regions, including a new western telephone operating region, substantially all of which will be comprised of PTI's LECs in seven western states and Alaska. As soon as practical, the Company plans to offer long distance, Internet and certain other services in most of PTI's local exchange markets on substantially the same terms on which the Company recently began to offer such services to its telephone customers. Other than these new product offerings and the possible sale of non-strategic assets, Century plans to continue to operate PTI in the ordinary course of business.

For additional information regarding PTI, see its annual, quarterly and current reports filed under the Exchange Act, recent copies of which are filed as exhibits to the Registration Statement of which this Prospectus forms a part and which are incorporated by reference into this Prospectus.

Recent Events Affecting the Telecommunications Industry

The telecommunications 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 mobile communications operations. These changes may have a significant impact on the future financial performance of all telecommunications companies.

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 waiver opportunities 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 the rural telephone company exemption 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 is being appealed.

Coincident with the 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 competitive access and other services that compete with LECs' services. Wireless telephone services are also expected to increasingly compete with LECs.

In recent years, the FCC has allocated additional frequency spectrum for mobile communications technologies that are expected to be

competitive with cellular, including PCS and mobile satellite services. In 1996 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 limited number 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.

USE OF PROCEEDS

Unless otherwise indicated in any Prospectus Supplement, the net proceeds from Century's sale of Securities will be used for refinancing outstanding indebtedness and for other general corporate purposes, including the financing of acquisitions or capital expenditures. Century currently anticipates that it may sell Senior Debt Securities in early 1998 to refinance a substantial portion of the bank indebtedness that it incurred in December 1997 in connection with acquiring PTI. See "The Company - Recent Acquisition." Any specific allocation of the net proceeds from the sale of a particular offering of Securities will be determined at the time of the offering thereof and will be described in the Prospectus Supplement relating to that offering.

Century expects that it will from time to time engage in additional private or public financings as market conditions warrant and as the need arises.

CAPITALIZATION

The following table sets forth at September 30, 1997 (i) the actual consolidated capitalization of the Company and (ii) the pro forma capitalization of the Company assuming that the Company sold approximately 3.8 million shares of Brooks' common stock and acquired PTI on September 30, 1997. See "The Company - Recent Acquisition." This table should be read in conjunction with the Company's Consolidated Financial Statements and Pro Forma Consolidated Condensed Financial Information, and the Notes thereto, incorporated by reference herein.

	As Reported	Pro Forma
	-----	-----
	(In thousands)	
Long-term debt, excluding current maturities:		
Century	\$ 325,996	\$ 1,644,828
Subsidiaries.	239,637	718,479
	-----	-----
Total long-term debt, excluding current maturities.	565,633	2,363,307(1)
	-----	-----
Stockholders' equity:		
Common Stock, \$1.00 par value, 175,000,000 shares authorized, 60,519,391 shares issued and outstanding	60,519	60,519
Paid-in capital	490,661	490,661
Unrealized holding gain on investments, net of taxes	62,038	8,689(2)
Retained earnings	635,491	701,705(2)
Unearned ESOP Shares.	(9,200)	(9,200)
Preferred Stock - non-redeemable.	8,106	8,106
	-----	-----
Total stockholders' equity	1,247,615	1,260,480
	-----	-----
Total capitalization	\$ 1,813,248	\$ 3,623,787
	=====	=====

(1)The \$1.8 billion pro forma increase in long-term debt is attributable to (i) Century's borrowing of \$1.3 billion to finance its acquisition of PTI and certain related costs and (ii) the Company's assumption of \$479 million of long-term debt of PTI at September 30, 1997. For additional information, see the Pro Forma Consolidated Condensed Financial Information and notes thereto incorporated by reference herein.

(2)Reflects the gain on the sale of Brooks common stock that will be recorded in Century's 1997 fourth quarter results of operations and the reduction of the associated unrealized holding gain on investments, net of taxes. For additional information, see the Pro Forma Consolidated Condensed Financial Information and notes thereto incorporated by reference herein.

RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth the ratio of earnings to fixed charges for each of the years in the five year period ended December 31, 1996 and for the nine months ended September 30, 1997, which ratios are based on the historical consolidated financial statements of the Company without giving effect to the PTI acquisition. The table also sets forth the pro forma combined data for the year ended December 31, 1996 and for the nine months ended September 30, 1997, which data give effect to the acquisition of PTI as if it had occurred on January 1, 1996. The pro forma combined data are presented for comparative purposes only and are not intended to be indicative of actual results had the PTI acquisition occurred as of such date, nor do they purport to indicate results which may be attained in the future.

	Year Ended December 31,					Nine Months Ended
	1992	1993	1994	1995	1996	September 30,1997
Ratio of earnings to fixed charges	4.25	4.32	4.50	4.74	5.10	7.69(1)
PRO FORMA COMBINED						
	Year Ended December 31, 1996					Nine Months Ended September 30, 1997
Ratio of earnings to fixed charges . . .	2.01					2.72(2)

(1)	5.67 excluding the gain on the sale of Century's competitive access subsidiary in the second quarter of 1997.					
(2)	2.22 excluding the gain on the sale of Century's competitive access subsidiary in the second quarter of 1997.					

For purposes of computing these ratios, (i) earnings consist of income before income taxes and fixed charges, with adjustments primarily for earnings of unconsolidated subsidiaries and (ii) fixed charges consist of interest expense (including amortized debt issuance costs) and preferred stock dividends of subsidiaries.

DESCRIPTION OF SENIOR DEBT SECURITIES

Set forth below are certain general terms and provisions of the Senior Debt Securities, which may be issued from time to time in one or more Series. The particular terms of each Series will be described in a Prospectus Supplement relating thereto. The Senior Debt Securities will be issued under an Indenture, dated as of March 31, 1994 (the "Indenture"), between Century and Regions Bank of Louisiana (successor-in-interest to First American Bank & Trust of Louisiana), as Trustee (the "Trustee"). The particular terms of each Series will be set forth in a resolution of a committee of Century's Board of Directors specifically authorizing such Series (a "Board Resolution") or in one or more supplemental indentures. The following summary does not purport to be complete and is subject in all respects to the provisions of, and is qualified in its entirety by express reference to, the Indenture and Board Resolution, forms of which are filed as exhibits to the Registration Statement. Unless otherwise indicated, each reference italicized in parentheses below or in any Prospectus Supplement applies to section numbers in the Indenture and each capitalized term not otherwise defined herein has the meaning ascribed to it in the Indenture.

General

The Senior Debt Securities will be general unsecured obligations of Century and will rank prior to all subordinated indebtedness of Century and pari passu with all other unsecured indebtedness of Century. For further information on Century's debt, see "Capitalization." Century is a holding company and derives substantially all of its income and operating cash flow from its subsidiaries. As a result, Century relies upon its subsidiaries to generate the funds necessary to meet its obligations, including the payment of principal and interest on any Senior Debt Securities to be issued hereunder. Certain of the subsidiaries' loan agreements contain various restrictions on the transfer of funds to Century, including certain provisions that restrict the amount of dividends that may be paid to Century. At September 30, 1997, after giving effect to the acquisition of PTI, the amount of pro-forma retained earnings of Century's subsidiaries not subject to dividend restrictions was \$510 million. Moreover, Century's rights to receive assets of any subsidiary upon its liquidation or reorganization (and the ability of holders of Senior Debt Securities to benefit indirectly therefrom) are subject to the prior claims of creditors of that subsidiary.

Except to the extent otherwise provided below or in any Prospectus Supplement, neither the Indenture nor the Senior Debt Securities to be offered thereby (i) limit the amount of secured or unsecured indebtedness that may be issued or incurred by Century or any of its subsidiaries, (ii) restrict the payment of dividends by Century or the sale or transfer of Century's assets or (iii) contain provisions that would afford holders of Senior Debt Securities protection in the event of a change in control, highly leveraged transaction, recapitalization or similar transaction involving Century, any of which could adversely affect the holders of Senior Debt Securities.

The Prospectus Supplement relating to any particular Series being offered thereby will set forth a description of such Series, including (i) the title and aggregate principal amount of such Series; (ii) Century's net proceeds from the sale thereof; (iii) the price or prices at which such Series will be issued; (iv) the date or dates of maturity; (v) the rate or rates per annum, if any, at which such Series will bear interest or the method of determining such rate or rates; (vi) the date or dates from which any such interest will accrue and the date or dates at which any such interest will be payable; (vii) the terms of any conversion or exchange rights; (viii) the terms for redemption or early payment, if any, including any mandatory or optional sinking fund or similar provisions; (ix) any special United States federal income tax considerations applicable to such Series; (x) any special provisions relating to the defeasance of such Series; or (xi) any other special considerations or specific provisions applicable to such Series. Reference is also made to such Prospectus Supplement for information regarding any additional covenants that may relate to such Series.

The Senior Debt Securities may bear interest at a fixed or floating rate. Senior Debt Securities bearing no interest or interest at a rate that at the time of issuance is below the prevailing market rate may be sold at a discount below their stated principal amount.

The Indenture is, and the Senior Debt Securities will be, governed by Louisiana law. The Indenture is subject to and governed by the Trust Indenture Act of 1939, as amended.

Denominations, Registration and Transfer

Unless otherwise provided in any Board Resolution and described in the related Prospectus Supplement, the Senior Debt Securities will be issued only in fully registered form and in denominations of \$1,000 or any multiples thereof (Section 2.03). The Trustee will act as the registrar of each Series (Section 2.05). No service charge will be made for any registration of transfer or exchange of Senior Debt Securities, or issue of new Senior Debt Securities in the event of a partial redemption of any Series, but Century may generally require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith (Section 2.05). The Trustee may appoint an authenticating agent for any Series to act on the Trustee's behalf in connection with authenticating Senior Debt Securities of such Series issued upon the exchange, transfer or partial redemption thereof (Section 2.10). The Trustee may at any time rescind the designation of any such agent (Section 2.10).

Century shall not be required (i) to issue, register the transfer of or exchange the Senior Debt Securities of any Series during a period beginning 15 days before any selection of Senior Debt Securities of that Series to be redeemed and ending at the close of business on the day of mailing of the relevant redemption notice or (ii) to register the transfer of or exchange any Senior Debt Securities of any Series, or portions thereof, called for redemption (Section 2.05).

Payment and Paying Agents

Unless otherwise indicated in any Prospectus Supplement, payment of principal of (and premium, if any) and interest on Senior Debt Securities of any Series will be made in U.S. dollars at the principal office of Century's Paying Agent or, at the option of Century, by check in U.S. dollars mailed or delivered to the person in whose name such Senior Debt Security is registered. Unless otherwise indicated in any Prospectus Supplement and subject to certain exceptions provided for in the Indenture, payment of any installment of interest on any Series will be made to the person in whose name such Senior Debt Security is registered at the close of business on the record date established under the Indenture for the payment of interest (Section 2.03).

Unless otherwise indicated in any Prospectus Supplement, the Trustee will act as Century's sole Paying Agent and the principal office of the Trustee, 1500 North 18th Street, Monroe, Louisiana, will be designated as such agent's office for purposes of payments with respect to Senior Debt Securities. Any other Paying Agents initially designated by Century with respect to any Series will be named in the related Prospectus Supplement. Century may at any time designate additional Paying Agents or rescind the designation of any Paying Agents or approve a change in the office through which any Paying Agent acts, except that Century will be required to maintain a Paying Agent in the Borough of Manhattan, City and State of New York, or Monroe, Louisiana. (Sections 4.02 and 4.03).

Any money set aside by Century for the payment of principal of (and premium, if any) or interest on any Senior Debt Securities that remains unclaimed two years after such payment has become due and payable will be repaid to Century on May 31 following the expiration of such two-year period and the holder of such Senior Debt Security may thereafter look only to Century for payment thereof (Section 11.05).

Conversion or Exchange Rights

The terms and conditions, if any, upon which any series of Senior Debt Securities are convertible or exchangeable into Common Stock, Preferred Stock or other securities of Century or any other issues will be set forth in the applicable Prospectus Supplement relating thereto. Such terms will include the type of security into which such Senior Debt Securities are convertible or exchangeable, the conversion or exchange price (or manner of calculation thereof), the conversion or exchange period, the provisions as to whether such conversion or exchange rights will be at the option of the holders of such Senior Debt Securities or Century, the events requiring an adjustment of the conversion or exchange price and any restrictions on conversion or exchange.

Redemption and Sinking Fund Provisions

Each Series may be redeemed, in whole or in part, upon not less than 30 days' and not more than 60 days' notice at the redemption prices and subject to the terms and conditions (including those relating to any sinking fund established with respect to such Series) that will be set forth in a Board Resolution or supplemental indenture and in the Prospectus Supplement relating to such Series (Sections 3.01 and 3.02). If less than all of the Senior Debt Securities of the Series are to be redeemed, the Trustee shall select the Senior Debt Securities of such Series, or portions thereof, to be redeemed pro rata, by lot or by any other method the Trustee shall deem fair and reasonable (Section 3.02).

Replacement of Securities

Any Senior Debt Security that becomes mutilated, destroyed, lost or stolen will be replaced by Century at the expense of the holder upon delivery to Century and the Trustee of the Senior Debt Security or evidence of the destruction, loss or theft thereof satisfactory to Century and the Trustee. An indemnity satisfactory to the Trustee and Century may be required before a replacement security will be issued (Section 2.07).

Events of Default and Notice Thereof

Unless otherwise specified in any Prospectus Supplement, the terms and conditions set forth under this heading will govern defaults under the Indenture.

The Indenture provides that the following described events constitute Events of Default with respect to each Series: (a) failure for 30 Business Days to pay interest on the Senior Debt Securities of that Series when due; (b) failure to pay principal of (or premium, if any, on) the Senior Debt Securities of that Series when due (whether at maturity, upon redemption, by declaration or otherwise) or to make any sinking or analogous fund payment with respect to that Series unless caused solely by a wire transfer malfunction or similar problem outside Century's control; (c) failure to observe or perform any other covenant of that Series for 60 days after written notice with respect thereto or (d) certain events relating to bankruptcy, insolvency or reorganization (Section 6.01).

If an Event of Default shall occur and be continuing (the default not having been cured or waived) with respect to any Series and if it is known to the Trustee, the Trustee is required to mail to each holder of such Series a notice of the Event of Default within 90 days of such default (Section 6.07).

Upon an Event of Default, the Trustee or the holders of not less than 25% in aggregate outstanding principal amount of any Series, by notice in writing to Century (and to the Trustee if given by such holders), may declare the principal of all Senior Debt Securities of that Series due and payable immediately, but the holders of a majority in aggregate outstanding principal amount of such Series may rescind such declaration and waive the default if the default has been cured and a sum sufficient to pay all matured installments of interest and principal (and premium, if any) has been deposited with the Trustee before any judgment or decree for such payment has been obtained or entered (Section 6.01).

Holders of Senior Debt Securities may not enforce the Indenture except as provided therein. Subject to the provisions of the Indenture relating to the duties of the Trustee, if an Event of Default occurs and is continuing the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any holders of the affected Series, unless, among other things, the holders shall have offered the Trustee indemnity reasonably satisfactory to it. Subject to the indemnification provisions and certain limitations contained in the Indenture, the holders of a majority in aggregate principal amount of the Senior Debt Securities of such Series then outstanding will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee. The holders of a majority in aggregate principal amount of the then outstanding Senior Debt Securities of any Series affected by a default may, in certain cases, waive such default except a default in payment of principal of, or any premium, if any, or interest on, the Senior Debt Securities of that Series or a call for redemption of the Senior Debt Securities of that Series (Sections 6.04 and 6.06).

Century will be required to furnish to the Trustee annually a statement as to the performance by it of certain of its obligations under the Indenture and as to any default in such performance (Section 5.03).

Discharge and Defeasance

The Indenture provides that Century may discharge the Indenture with respect to any Series, subject to certain exceptions, if at any time (i) Century delivers to the Trustee for cancellation all outstanding Senior Debt Securities of such Series previously authenticated and for whose payment money or U.S. Government Obligations have been deposited in trust by Century or (ii) all outstanding Senior Debt Securities of such Series not previously delivered to the Trustee for cancellation by Century shall have become due and payable or are to become due and payable or called for redemption within one year and Century has deposited or caused to be deposited with the Trustee the entire amount in moneys or U.S. Government Obligations sufficient, without reinvestment, to pay at maturity or upon redemption such outstanding Senior Debt Securities, including principal (and premium, if any) and interest due or to become due to such date of maturity or redemption, and if Century shall also pay or cause to be paid all other sums payable thereunder with respect to such Series (Section 11.01).

Additionally, the Indenture provides that Century may discharge all of its obligations under the Indenture with respect to any Series, subject to certain exceptions, if at any time all outstanding Senior Debt Securities of such Series not previously delivered to the Trustee for cancellation by Century or which have not become due and payable as described above shall have been paid by Century by depositing irrevocably with the Trustee moneys or U.S. Government Obligations sufficient to pay at maturity or upon redemption such outstanding Senior Debt Securities, including principal (and premium, if any) and interest due or to become due to such date of maturity or redemption, and if Century shall also pay or cause to be paid all other sums payable thereunder with respect to such Series (Section 11.02).

Merger and Consolidation

Nothing in the Indenture or any of the Senior Debt Securities prevents Century from consolidating or merging with or into, or selling or otherwise disposing of all or substantially all of its assets to, another corporation, subject to Century's agreement (i) to obtain in connection therewith a supplemental indenture pursuant to which the surviving entity or transferee agrees to assume Century's obligations under all outstanding Senior Debt Securities, including the due and punctual payment of the principal of (and premium, if any, on) and interest on such outstanding Senior Debt Securities, and (ii) that such surviving entity or transferee is organized under the laws of the United States, any state thereof or the District of Columbia (Section 10.01).

Modification of Indenture

The Indenture contains provisions permitting Century, when authorized by a Board Resolution, and the Trustee, with the consent of the holders

of not less than a majority in aggregate principal amount of the Senior Debt Securities of any Series at the time outstanding and affected by such modification, to modify the Indenture or any supplemental indenture affecting that Series or the rights of the holders thereof. However, no such modification shall (i) extend the fixed maturity of any Senior Debt Securities of any Series, reduce the principal amount thereof, 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 Senior Debt Security so affected, or (ii) reduce the aforesaid percentage of Senior Debt Securities, the holders of which are required to consent to any such supplemental indenture, without the consent of the holder of each Senior Debt Security then outstanding and affected thereby (Section 9.02).

Century and the Trustee may execute, without the consent of any holder of Senior Debt Securities, any supplemental indenture for certain other usual purposes such as (i) creating a new Series; (ii) evidencing the assumption by any successor to Century of Century's obligations under the Indenture; (iii) adding covenants to the Indenture for the protection of the holders of Senior Debt Securities; (iv) curing any ambiguity or inconsistency in the Indenture; and (v) changing or eliminating any provisions of the Indenture provided that there is no outstanding Senior Debt Security of any Series created prior to such change which would benefit therefrom (Sections 2.01, 9.01 and 10.01).

Limitations on Liens

The Indenture provides that Century will not, while any of the Senior Debt Securities remain outstanding, create or suffer to exist any mortgage, lien, pledge, security interest or other encumbrance (individually, a "Lien" and collectively, "Liens") upon Century's property, whether now owned or hereafter acquired, unless it shall secure the Senior Debt Securities then outstanding by such Lien equally and ratably with all obligations and indebtedness thereby secured so long as such obligations and indebtedness remain so secured. Notwithstanding the foregoing, the Indenture will not restrict Century from creating or suffering to exist:

(i) Liens upon property hereafter acquired by Century or Liens on such property at the time of the acquisition thereof, or conditional sales agreements or title retention agreements with respect to any such property;

(ii) Liens on the stock of a corporation which, when such Liens arise, concurrently becomes a subsidiary of Century, or Liens on all or substantially all of the assets of a corporation arising in connection with Century's purchase thereof;

(iii) Liens for taxes and similar levies; deposits to secure performance or obligations under certain specified circumstances and laws; mechanics' Liens and similar Liens arising in the ordinary course of business; Liens created by or resulting from legal proceedings being contested in good faith; certain specified zoning restrictions and other restrictions on the use of real property; interests of lessors in property subject to any capitalized lease; and certain other similar Liens generally arising in the ordinary course of business;

(iv) Liens existing on the date of the Indenture;

(v) Liens upon Century's property arising in connection with the merger or consolidation of affiliates of Century with or into Century; and

(vi) Liens that replace, extend or renew any Lien otherwise permitted under the Indenture (Sections 4.05 and 4.06).

The restriction in the Indenture described above would not afford the holders of the Senior Debt Securities protection in the event of a highly leveraged transaction in which unsecured indebtedness was incurred or in which the Liens arising in connection therewith were freely permitted under the Indenture, nor would it afford protection in the event of one or more highly leveraged transactions in which secured indebtedness was incurred by Century's subsidiaries. However, in the event of one or more highly leveraged transactions in which secured indebtedness was incurred by Century, these provisions would require the Senior Debt Securities to be secured equally and ratably with such indebtedness, subject to the exceptions described above.

Concerning the Trustee

The Trustee, prior to the occurrence of an Event of Default, undertakes to perform only such duties as are specifically set forth in the Indenture and, after the occurrence of an Event of Default, shall exercise the same degree of care as a prudent person would exercise in the conduct of such person's own affairs (Section 7.01). Subject to such provision, the Trustee is under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request, order or direction of any holders of Senior Debt Securities, unless offered reasonable security or indemnity by such holders against the costs, expenses and liabilities which might be incurred thereby (Section 7.02). The Trustee is not required to expend or risk its own funds or incur personal financial liability in the performance of its duties if the Trustee reasonably believes that repayment of such funds or liability or adequate indemnity is not reasonably assured to it (Section 7.01). Century shall pay the Trustee reasonable compensation and reimburse it for all reasonable expenses incurred in accordance with the Indenture (Section 7.06).

The Trustee may resign with respect to one or more Series and a successor Trustee may be appointed to act with respect to such Series (Section 7.10).

The Trustee also serves as trustee for certain of Century's employee benefit plans and provides revolving credit and other traditional banking services to Century. The following officers and directors of Century act as non-voting advisory directors of the Trustee: Clarke M. Williams, Chairman of the Board, Glen F. Post, III, President, Chief Executive Officer and Vice Chairman of the Board, and William R. Boles, Jr., Director.

DESCRIPTION OF THE PREFERRED STOCK

General

Century's Articles of Incorporation authorize the issuance of 2,000,000 shares of Preferred Stock, par value \$25.00 per share. As of September 30, 1997, Century had outstanding an aggregate of 324,238 shares of its Series H and Series L Preferred Stock. Subject to limitations prescribed by law, the Board of Directors is authorized at any time to issue one or more series of Preferred Stock, to determine the designation and size of any such series; and to establish the rights and preferences of the shares of any such series. The particular terms of any series of Preferred Stock offered hereunder will be described in the applicable Prospectus Supplement. It is anticipated that any series of Preferred Stock issued hereunder will rank pari passu with Century's outstanding Series H and Series L Preferred Stock as to dividend payments and liquidation distributions. However, if so indicated in a Prospectus Supplement, the terms of any such series may differ from the terms set forth herein.

The summary of terms of Century's Preferred Stock contained in this Prospectus does not purport to be complete and is subject to, and qualified in its entirety by, the provisions of Century's Articles of Incorporation and the articles of amendment relating to each series of the Preferred Stock that will be filed as an exhibit to or incorporated by reference in the Registration Statement of which this Prospectus is a part at or prior to the time of issuance of such series.

The Board of Directors is authorized to determine, for each series of Preferred Stock, and the Prospectus Supplement shall set forth with respect to such series: (i) whether the holders thereof shall be entitled to cumulative, noncumulative, or partially cumulative dividends and, with respect to shares entitled to dividends, the dividend rate or rates, including without limitation the methods and procedures for determining such rate or rates, and any other terms and conditions relating to such dividends; (ii) whether, and if so to what extent and upon what terms and conditions, the holders thereof shall be entitled to rights upon the liquidation of, or upon any distribution of the assets of, the Company; (iii) whether, and if so upon what terms and conditions, such shares shall be convertible into Common Stock, Senior Debt Securities, any other series of Preferred Stock, or any other securities of Century, or exchangeable for the securities of any other corporation; (iv) whether, and if so upon what terms and conditions, such shares shall be redeemable; (v) whether the shares shall be subject to any sinking fund provided for the purchase or redemption of such shares and, if so, the terms of such fund; (vi) whether the holders thereof shall be entitled to voting rights and, if so, the terms and conditions for the exercise thereof; and (vii) whether the holders thereof shall be entitled to other preferences or rights, and, if so, the qualifications, limitations, or restrictions of such preferences or rights.

Outstanding Preferred Stock

Series H Preferred Stock. As of September 30, 1997, Century had outstanding 5,238 shares of Preferred Stock, Series H (the "Series H Preferred Stock"). Each share of Series H Preferred Stock that has been beneficially owned by the same person or entity continuously since May 30, 1987 generally entitles the holder to ten votes on all matters duly submitted to a vote of stockholders until transfer of such stock. Otherwise, each share entitles the holder thereof to one vote per share. Holders of Series H Preferred Stock are entitled to receive dividends at the rate of 7% per annum, payable in quarterly installments. Dividends on Series H Preferred Stock are cumulative and dividends cannot be paid with respect to Common Stock unless all cumulative dividends on all shares of Series H Preferred Stock shall have been paid. The Series H Preferred Stock ranks pari passu with the Series L Preferred Stock (defined below) with respect to the payment of the dividends. In the event of liquidation, dissolution or winding up of the Company, holders of Series H Preferred Stock are entitled to receive, pro rata with all other holders of Preferred Stock of whatever series, \$25.00 per share plus accrued and unpaid dividends, before any payment is made to holders of Common Stock. Shares of Series H Preferred Stock are convertible, at the option of the holder, into shares of Common Stock at the rate of one and twelve thirteenths (1- 12/13ths) shares of Common Stock for each share of Series H Preferred Stock converted, subject to adjustment in case of certain corporate events which may have the effect of diluting the shares of Common Stock received upon such conversion (a "Diluting Event").

Series L Preferred Stock. As of September 30, 1997, Century had outstanding 319,000 shares of 5% Cumulative Convertible Series L Preferred Stock (the "Series L Preferred Stock"). Each share of Series L Preferred Stock entitles the holder thereof to one vote on all matters duly submitted to a vote of stockholders. The holder of each share of Series L Preferred Stock is entitled to receive an annual cash dividend of \$1.25, payable in quarterly installments. Dividends on Series L Preferred Stock are cumulative and dividends cannot be paid with respect to Common Stock unless all cumulative dividends on all shares of Series L Preferred Stock shall have been paid. The Series L Preferred Stock ranks pari passu with the Series H Preferred Stock with respect to the payment of dividends. In the event of liquidation, dissolution or winding up of the Company, holders of Series L Preferred Stock are entitled to receive, pro rata with all other holders of Preferred Stock of equal rank, including the Series H Preferred Stock, \$25.00 per share plus accrued and unpaid dividends, before any payment is made to holders of Common Stock. Each share of Series L Preferred Stock is convertible, at the option of the holder, into the number of shares of Common Stock derived by dividing \$25.00 by the "Conversion Price" (defined in the Articles of Incorporation as \$41.25, subject to adjustment upon the occurrence of certain specified Diluting Events).

DESCRIPTION OF THE COMMON STOCK

As of the date of this Prospectus, Century's Articles of Incorporation authorizes the issuance of 175,000,000 shares of Common Stock, \$1.00 par value per share. As of September 30, 1997, 60,519,391 shares of Common Stock were outstanding. The Common Stock is listed for trading on the New York Stock Exchange.

Voting Rights

Under Century's Articles, each share of Common Stock that has been beneficially owned by the same person or entity continuously since May 30, 1987 generally entitles the holder thereof to ten votes on all matters duly submitted to a vote of stockholders. Otherwise, each share entitles the holder thereof to one vote per share. Accordingly, each share issued in connection with this Prospectus will entitle the holder to one vote, and, subject to the possibility of Century issuing ten-vote shares in connection with business combinations accounted for as poolings of interest, each other share of Common Stock issued by Century in the future will entitle the holder to one vote. Holders of Century Stock do not have cumulative voting rights. As a result, the holders of more than 50% of the voting power may elect all of the directors if they so desire. As of March 10, 1997, the trustee for two of Century's employee benefit plans was the record holder of Common Stock having approximately 36.1% of the total voting power of all classes of Century's capital stock. The trustee votes these shares in accordance with the instructions of Century's employees.

Other Rights

Subject to the rights of the holders of any outstanding shares of Preferred Stock, holders of Common Stock are entitled to receive such dividends, in cash, securities, or property, as may from time to time be declared by the Board of Directors. In the event of any liquidation, dissolution, or winding up of the Company, either voluntary or involuntary, after payment shall have been made to the holders of preferred stock of the full amount to which they shall be entitled, the holders of Common Stock shall be entitled to share ratably, according to the number of shares held by them, in all remaining assets of the Company available for distribution. Shares of Common Stock are not redeemable and have no subscription, conversion or preemptive rights.

Preferred Share Purchase Rights

On August 27, 1996, the Board of Directors of Century declared a dividend of one preference share purchase right (a "Right") for each outstanding share of Common Stock. The dividend was payable on November 1, 1996 to stockholders of record on September 30, 1996 (the "Record Date"). Each Right entitles the registered holder to purchase from Century one one-hundredth of a share of Series BB Participating Cumulative Preference Stock, par value \$25 per share (the "Preference Shares"), of Century at a price of \$110 per one one-hundredth of a Preference Share (the "Purchase Price"), subject to adjustment. The description and terms of the Rights are set forth in a Rights Agreement dated as of August 27, 1996 (the "Rights Agreement") between Century and Harris Trust and Savings Bank (successor-in-interest to Society National Bank), as Rights Agent (the "Rights Agent").

The Rights become exercisable upon the earlier to occur of (i) 10 days following a public announcement that a person or group of affiliated or associated persons (an "Acquiring Person") have acquired beneficial ownership of 15% or more of the outstanding Common Stock or (ii) 10 business days (or such later date as may be determined by action of the Board of Directors prior to such time as any person or group of affiliated persons becomes an Acquiring Person) following the commencement of, or announcement of an intention to make, a tender offer or exchange offer the consummation of which would result in the beneficial ownership by a person or group of 15% or more of the outstanding Common Stock (the earlier of such dates being called the "Distribution Date").

The Rights are not exercisable until the Distribution Date. The Rights will expire on November 1, 2006 (the "Final Expiration Date"), unless the Final Expiration Date is extended or unless the Rights are earlier redeemed or exchanged by Century, in each case as described below.

In the event that the Company is acquired in a merger or other business combination transaction or 50% or more of its consolidated assets or earning power are sold after a person or group has become an Acquiring Person, proper provision will be made so that each holder of a Right will thereafter have the right to receive, upon the exercise thereof at the then current exercise price of the Right, that number of shares of common stock of the acquiring company which at the time of such transaction will have a market value of two times the exercise price of the Right. In the event that any person or group of affiliated or associated persons becomes an Acquiring Person, proper provision shall be made so that each holder of a Right, other than Rights beneficially owned by the Acquiring Person (which will thereafter be void), will thereafter have the right to receive upon exercise that number of shares of Common Stock having a market value at the time of such occurrence of two times the exercise price of the Right.

At any time after any person or group becomes an Acquiring Person and prior to the acquisition by such person or group of 50% or more of the outstanding Common Stock, the Board of Directors of Century may exchange the Rights (other than Rights owned by such person or group which will have become void), in whole or in part, at an exchange ratio of one share of Common Stock, or one one-hundredth of a Preference Share, per Right (subject to adjustment).

At any time prior to the acquisition by a person or group of affiliated or associated persons of beneficial ownership of 15% or more of the outstanding Common Stock, the Board of Directors of Century may redeem the Rights in whole, but not in part, at a price of \$.01 per Right (the "Redemption Price"). The redemption of the Rights may be made effective at such time, on such basis and with such conditions as the Board of Directors in its sole discretion may establish. Immediately upon any redemption of the Rights, the right to exercise the Rights will terminate and the only right of the holders of Rights will be to receive the Redemption Price.

Until a Right is exercised, the holder thereof, as such, will have no rights as a stockholder of Century, including, without limitation, the right to vote or to receive dividends.

This summary description of the Rights does not purport to be complete and is qualified in its entirety by reference to the Rights Agreement, which is an exhibit to the Registration Statement of which this Prospectus forms a part.

DESCRIPTION OF THE WARRANTS

Century may issue Warrants for the purchase of Senior Debt Securities, Preferred Stock or Common Stock. Warrants may be issued independently or together with other Securities offered by any Prospectus Supplement and may be attached to or separate from any such Securities. Each series of Warrants will be issued under a separate warrant agreement (a "Warrant Agreement") to be entered into between Century and a bank or trust company, as warrant agent (the "Warrant Agent"). The Warrant Agent will act solely as an agent of Century in connection with the Warrants and will not assume any obligation or relationship of agency or trust for or with any holders or beneficial owners of Warrants. The following summary of certain provisions of the Warrants does not purport to be complete and is subject to, and qualified in its entirety by reference to, the provisions of the Warrant Agreement that will be filed with the Commission in connection with the offering of such Warrants.

The Prospectus Supplement relating to any particular issue of Warrants to issue Senior Debt Securities, Common Stock or Preferred Stock will describe the terms of such Warrants, including the following: (a) the title of such Warrants; (b) the offering price for such Warrants, if any; (c) the aggregate number of such Warrants; (d) the designation and terms of the Senior Debt Securities, Preferred Stock or Common Stock purchasable upon exercise of such Warrants; (e) if applicable, the designation and terms of the Securities with which such Warrants are issued and the number of such Warrants issued with each such Security; (f) if applicable, the date from and after which such Warrants and any Securities issued therewith will be separately transferable; (g) the number of shares of Common Stock or Preferred Stock, or in the case of Warrants to purchase Senior Debt Securities the amount of Senior Debt Securities, purchasable upon exercise of a Warrant and the price at which such Securities may be purchased upon exercise; (h) the date on which the right to exercise such Warrants shall commence and the date on which such right shall expire; (i) if applicable, the minimum or maximum amount of such Warrants that may be exercised at any one time; (j) the currency or currency units in which the offering price, if any, and the exercise price are payable; (k) if applicable, a discussion of material United States federal income tax considerations; (l) the antidilution provisions of such Warrants, if any; (m) the redemption or call provisions, if any, applicable to such Warrants; and (n) any additional terms of the Warrants, including terms, procedures, and limitations relating to the exchange and exercise of such Warrants.

PLAN OF DISTRIBUTION

Century may sell Securities (i) through underwriters or dealers, (ii) directly to one or more purchasers, (iii) through agents, or (iv) through a combination of any such methods of sale. The applicable Prospectus Supplement will set forth the terms of the offering of the Securities offered thereby, including the initial public offering price, the name or names of any underwriters, dealers or agents, any underwriting discounts and other items constituting underwriters' compensation from Century, any agents' commissions and any discounts, concessions or commissions allowed or reallocated or paid by any underwriters to other dealers. Only underwriters so named in the Prospectus Supplement shall be deemed to be underwriters in connection with the Securities offered thereby.

Underwriters may offer and sell any series of Securities at a fixed price or prices, which may be changed, or from time to time at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at negotiated prices. Century also may directly offer and sell any Securities in exchange for, among other things, one or more of its outstanding issues of debt or convertible debt securities. Century also may from time to time authorize agents acting on a best efforts basis to solicit or receive offers to purchase any Securities upon the terms and conditions set forth in the related Prospectus Supplement. In connection with the sale of any Securities, underwriters or agents may be deemed to have received compensation from Century in the form of underwriting discounts or commissions and may also receive commissions from purchasers of such Securities for whom they may act as agents. Underwriters may sell any Securities to or through dealers, and such dealers may receive compensation in the form of discounts, concessions or commissions from the underwriters or commissions from the purchasers for whom they may act as agent, or both.

Underwriters, dealers and agents may be entitled, under agreements entered into with Century, to indemnification against and contributions toward certain civil liabilities, including liabilities under the Securities Act. Century may agree to reimburse underwriters or agents for certain expenses incurred in connection with the distribution of any Securities. Certain of the underwriters, dealers or agents and their respective associates may be customers of, engage in transactions with, and perform services for, Century in the ordinary course of business. The obligations of the underwriters to purchase the Securities offered will be subject to certain conditions precedent, and, unless otherwise indicated in the related Prospectus Supplement, the underwriters will be obligated to purchase all such Securities if any such securities are purchased.

If so indicated in the applicable Prospectus Supplement, Century will authorize agents, underwriters, or dealers to solicit offers by certain institutional investors to purchase Securities providing for payment and delivery on a future date specified in the Prospectus Supplement. There may be limitations on the minimum amount which may be purchased by any such institutional investor or on the portion of the aggregate principal amount of the particular Securities that may be sold pursuant to such arrangements. Institutional investors to which such offers may be made, when authorized, include commercial and savings banks, insurance companies, pension funds, investment companies, educational and charitable institutions, and such other institutions as may be approved by Century. The obligations of any such purchasers pursuant to such delayed delivery and payment arrangements will not be subject to any conditions except (i) the purchase by an institution of the particular Securities shall not at the time of delivery be prohibited under the laws of any jurisdiction in the United States to which such institution is subject and (ii) if the particular Securities are being sold to underwriters, Century shall have sold to such underwriters the total principal amount of such Securities less the principal amount thereof covered by such delayed payment and delivery arrangements. Underwriters will not have any responsibility in respect of the validity of such arrangements or the performance of Century or such institutional investors thereunder.

Except for the Common Stock, none of the Securities when first issued will have an established trading market. Any underwriters or agents to or through whom such Securities are sold by Century for public offering and sale may make a market in such Securities, but such underwriters

or agents will not be obligated to do so and may discontinue any market making at any time without notice. If the Securities are traded after their initial issuance, they may trade at a discount from their initial public offering price, depending on general market conditions, the market for similar securities, the Company's performance and other factors. Other than with respect to the Common Stock, which is currently traded on the New York Stock Exchange, there can be no assurance that an active public market for the Securities will develop or be maintained.

LEGAL MATTERS

Except as may be otherwise specified in the Prospectus Supplement accompanying this Prospectus, the legality of the securities will be passed upon for Century by Jones, Walker, Waechter, Poitevent, Carrere & Denegre, L.L.P. Certain legal matters relating to offerings of Securities will be passed upon on behalf of the applicable underwriters, dealers or agents by counsel named in the Prospectus Supplement.

EXPERTS

The consolidated financial statements and related financial statement schedules of the Company as of December 31, 1995 and 1996, and for each of the years in the three-year period ended December 31, 1996, included in Century's Annual Report on Form 10-K for the fiscal year ended December 31, 1996, incorporated by reference herein, have been incorporated by reference in reliance upon the report of KPMG Peat Marwick LLP, independent certified public accountants, which is also incorporated by reference herein, and upon the authority of such firm as experts in accounting and auditing.

The financial statements from Pacific Telecom, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1996 included in this prospectus and elsewhere in the Registration Statement have been audited by Deloitte & Touche LLP, independent auditors, as stated in their reports appearing herein and elsewhere in the Registration Statement, and are included in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

No person has been
authorized to give any
information or to make any

representations in connection
with an offering of Securities
other than those contained or
incorporated in this \$1,600,000,000 Prospectus or in any related
Prospectus Supplement and, if
given or made, such other
information and representations
must not be relied upon as having
been authorized by the Company or
its representatives, including

any underwriters. The delivery
of this Prospectus shall not,
under any circumstances, create
any implication that there has
been no change in the affairs of
the Company since the date hereof
or that the information contained
herein is correct as of any time
subsequent to its date. This
Prospectus does not constitute an
offer to sell or a solicitation
of an offer to buy any securities
other than the registered
securities to which it relates
and may not be used to consummate
any sales unless accompanied by a
Prospectus Supplement. This
Prospectus does not constitute an
offer to sell or a solicitation
of an offer to buy such
securities in any circumstances
in which such offer or
solicitation is unlawful.

Century Telephone
Enterprises, Inc.

Senior Debt Securities
Preferred Stock
Common Stock
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PROSPECTUS

January ____, 1998

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 14. Other Expenses of Issuance and Distribution.

The estimated fees and expenses payable by Century in connection with the offering described in the Registration Statement are as follows:

Commission registration fee	\$	442,500
Printing and engraving expenses		10,000
Legal fees and expenses		50,000
Accounting fees and expenses.		50,000
Blue Sky fees and expenses (including legal fees)		6,500
Fees and expenses of Trustee (including legal fees).		15,000
Rating agency fees.		610,000
Miscellaneous		10,000
		<hr/>
Total.....	\$	1,194,000

Item 15. Indemnification of Directors and Officers.

Section 83 of the Louisiana Business Corporation Law provides in part that a corporation may indemnify any director, officer, employee or agent of the corporation against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with any action, suit or proceeding to which he is or was a party or is threatened to be made a party (including any action by or in the right of the corporation) if such action arises out of his acts on behalf of the corporation and he acted in good faith not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful.

The indemnification provisions of the Louisiana Business Corporation Law are not exclusive; however, no corporation may indemnify any person for willful or intentional misconduct. A corporation has the power to obtain and maintain insurance, or to create a form of self-insurance on behalf of any person who is or was acting for the corporation, regardless of whether the corporation has the legal authority to indemnify the insured person against such liability.

Article II, Section 10 of Century's by-laws (the "Indemnification By-law") provides for mandatory indemnification for directors and officers or former directors and officers of Century to the fullest extent permitted by Louisiana law.

Century's Articles of Incorporation authorize it to enter into contracts with directors and officers providing for indemnification to the fullest extent permitted by law. Century has entered into indemnification contracts providing contracting directors or officers the procedural and substantive rights to indemnification currently set forth in the Indemnification By-law ("Indemnification Contracts"). The right to indem-

nification provided by each Indemnification Contract applies to all covered claims, whether such claims arose before or after the effective date of the contract.

Century maintains an insurance policy covering the liability of its directors and officers for actions taken in their official capacity. The Indemnification Contracts provide that, to the extent insurance is reasonably available, Century will maintain comparable insurance coverage for each contracting party as long as he serves as an officer or director and thereafter for so long as he is subject to possible personal liability for actions taken in such capacities. The Indemnification Contracts also provide that if Century does not maintain comparable insurance, it will hold harmless and indemnify a contracting party to the full extent of the coverage that would otherwise have been provided for thereunder.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of Century pursuant to the foregoing provisions, or otherwise, Century has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable.

Item 16. Exhibits.

The exhibits to this registration statement are listed in the exhibit index, which appears elsewhere herein and is incorporated herein by reference.

Item 17. Undertakings.

(a) The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of this registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in this registration statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in this registration statement or any material change to such information in this registration statement;

Provided, however, that paragraphs (a)(1)(i) and (a)(1)(ii) do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed by the registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in this registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of Century's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer, or controlling person of the registrant in the successful defense of any action, suit, or proceeding) is asserted by such director, officer, or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Monroe, State of Louisiana, on December 11, 1997.

CENTURY TELEPHONE ENTERPRISES, INC.

By: /s/ GLEN F. POST, III

Glen F. Post, III
President,
Chief Executive Officer
and
Vice Chairman of the
Board of Directors

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears immediately below constitutes and appoints Clarke M. Williams, Glen F. Post, III and Harvey P. Perry, or any one of them, his true and lawful attorney-in-fact and agent, with full power of substitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this Registration Statement, and to file the same with all exhibits thereto, and all supplements and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

<i>Signature</i>	<i>Title</i>	<i>Date</i>
/s/ CLARKE M. WILLIAMS ----- Clarke M. Williams	Chairman of the Board of Directors	December 11, 1997
/s/ GLEN F. POST, III ----- Glen F. Post, III	President, Chief Executive Officer and Vice Chairman of the Board of Directors	December 11, 1997
/s/ R. STEWART EWING, JR. ----- R. Stewart Ewing, Jr.	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	December 11, 1997
/s/ MURRAY H. GREER ----- Murray H. Greer	Controller (Principal Accounting Officer)	December 11, 1997
/s/ W. BRUCE HANKS ----- W. Bruce Hanks	Senior Vice President- Corporate Development and Strategy and Director	December 11, 1997
/s/ HARVEY P. PERRY ----- Harvey P. Perry	Senior Vice President, Secretary, General Counsel and Director	December 11, 1997
/s/ JIM D. REPPOND ----- Jim D. Reppond	Director	December 11, 1997
/s/ WILLIAM R. BOLES, JR. ----- William R. Boles, Jr.	Director	December 11, 1997
/s/ ERNEST BUTLER, JR. ----- Ernest Butler, Jr.	Director	December 11, 1997
/s/ CALVIN CZESCHIN ----- Calvin Czeschin	Director	December 11, 1997
/s/ JAMES. B. GARDNER	Director	December 11, 1997

/s/ R. L. HARGROVE, JR. ----- R. L. Hargrove, Jr.	Director	December 11, 1997
/s/ JOHNNY HEBERT ----- Johnny Hebert	Director	December 11, 1997
/s/ F. EARL HOGAN ----- F. Earl Hogan	Director	December 11, 1997
/s/ C. G. MELVILLE, JR. ----- C. G. Melville, Jr.	Director	December 11, 1997
/s/ VIRGINIA BOULET ----- Virginia Boulet	Director	December 11, 1997

EXHIBIT INDEX

Exhibit No.	Exhibit
1	Form of Underwriting Agreement to be used in connection with sales of Senior Debt Securities.
2.1	Stock Purchase Agreement dated June 11, 1997 by and between, among others, Century and PacifiCorp Holdings, Inc. (incorporated by reference to Exhibit 2.1 of Century's Current Report on Form 8-K dated June 11, 1997), as amended by an instrument dated as of November 5, 1997 (incorporated by reference to Exhibit 2.2 to Century's Current Report on Form 8-K dated December 11, 1997).
3.1	Amended and Restated Articles of Incorporation of Century (incorporated by reference to Exhibit 3(i) to Century's Quarterly Report on Form 10-Q for the quarter ended September 30, 1996).
3.2	By-laws of Century as amended through November 21, 1996 (incorporated by reference to Exhibit 3.2 of Century's Registration Statement on Form S-4, Registration No. 333-17015).
4.1	Rights Agreement dated as of August 27, 1996 between Century and Harris Trust and Savings Bank (successor-in-interest to Society National Bank), as Rights Agent (incorporated by reference to Exhibit 1 to Century's Current Report on Form 8-K filed August 30, 1996).
4.2	Indenture dated as of March 31, 1994 between Century and Regions Bank of Louisiana (successor-in-interest to First American Bank & Trust of Louisiana), as Trustee (incorporated by reference to Exhibit 25 to Century's Registration Statement on Form S-3, Registration No. 33-59215).
4.3	Form of Board Resolution to be used in designating and authorizing the terms and conditions of any series of Senior Debt Securities offered hereunder.
4.4	Form of Senior Debt Security (included within Exhibit 4.3)
4.5	Form of Preferred Stock.*
4.6	Form of Articles of Amendment to Century's Amended and Restated Articles of Incorporation to be used in connection with issuances of Preferred Stock.*
4.7	Form of Common Stock (incorporated by reference to Exhibit 4.1 of Century's Quarterly Report on Form 10-Q for the quarter ended June 30, 1993).
4.8	Form of Warrant Agreement to purchase Senior Debt Securities.*

- 4.9 Form of Senior Debt Security Warrant Certificate (included in Exhibit 4.8).
 - 4.10 Form of Warrant Agreement to purchase Preferred Stock.*
 - 4.11 Form of Preferred Stock Warrant Certificate (included in Exhibit 4.10).
 - 4.12 Form of Warrant Agreement to purchase Common Stock.*
 - 4.13 Form of Common Stock Warrant Certificate (included in Exhibit 4.12).
 - 5 Opinion of Jones, Walker, Waechter, Poitevent, Carrere & Denegre, L.L.P.
 - 12 Statement regarding computation of ratio of earnings to fixed charges.
 - 23.1 Consent of KPMG Peat Marwick LLP.
 - 23.2 Consent of Deloitte & Touche LLP.
 - 23.3 Consent of Jones Walker, Waechter, Poitevent, Carrere & Denegre, L.L.P. (included in Exhibit 5).
 - 24 Power of Attorney (included on the signature pages of this Registration Statement).
 - 25 Statement of Eligibility of Trustee on Form T-1 (incorporated by reference to Exhibit 25 to Century's Registration Statement on Form S-3, Registration No. 33-52915).
 - 99.1 Annual Report on Form 10-K of PTI for the year ended December 31, 1996, not including the exhibits thereto.
 - 99.2 Quarterly Report on Form 10-Q of PTI for the quarter ended March 31, 1997, not including the exhibits thereto.
 - 99.3 Quarterly Report on Form 10-Q of PTI for the quarter ended June 30, 1997, not including the exhibits thereto.
 - 99.4 Quarterly Report on Form 10-Q of PTI for the quarter ended September 30, 1997, not including the exhibits thereto.
 - 99.5 Current Report on Form 8-K of PTI dated April 11, 1997, not including the exhibits thereto.
 - 99.6 Current Report on Form 8-K of PTI dated September 30, 1997, not including the exhibits thereto.
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* To be filed by amendment.

CENTURY TELEPHONE ENTERPRISES, INC.

\$ _____ percent Senior Debt Securities due _____

UNDERWRITING AGREEMENT

_____, 1998

[name]
As Representatives of
the several Underwriters
[address]

Dear Ladies and Gentlemen:

Century Telephone Enterprises, Inc., a Louisiana corporation (the "Company"), proposes to issue and sell an aggregate of \$ _____ principal amount of the Company's _____ percent Senior Debt Securities due _____ (the "Securities") to be issued pursuant to an Indenture dated as of March 31, 1994 (the "Indenture"), between the Company and Regions Bank of Louisiana (successor-in-interest to First American Bank & Trust of Louisiana), as Trustee (the "Trustee"). The Securities will be sold to you and to the other underwriters named in Schedule I (collectively, the "Underwriters") for whom you are acting as representatives (the "Representatives").

The purchase price for the Securities to be paid by the several Underwriters shall be agreed upon by the Company and the Representatives, acting on behalf of the several Underwriters, and such agreement shall be set forth in a separate written instrument substantially in the form of Exhibit A hereto (the "Price Determination Agreement"). The Price Determination Agreement may take the form of an exchange of any standard form of written telecommunication among the Company and the Representatives and shall specify such applicable information as is indicated in Exhibit A hereto. The offering of the Securities will be governed by this Agreement, as supplemented by the Price Determination Agreement. From and after the date of the execution and delivery of the Price Determination Agreement, this Agreement shall be deemed to incorporate, and unless the context otherwise indicates all references contained herein to "this Agreement" and to the phrase "herein" shall be deemed to include, the Price Determination Agreement.

The Company confirms as follows its agreements with the Representatives and the several other Underwriters.

1. Agreement to Sell and Purchase.

(a) On the basis of the representations, warranties and agreements of the Company herein contained and subject to all the terms and conditions of this Agreement, the Company agrees to sell to each Underwriter named below, and each Underwriter agrees, severally and not jointly, to purchase from the Company, the principal amount of the Securities set forth opposite the name of such Underwriter in Schedule I, plus such additional principal amount of Securities which such Underwriter may become obligated to purchase pursuant to Section 8 hereof, all at the purchase price plus accrued interest, if any, from _____, 1998, to the Closing Date (as hereinafter defined), to be agreed upon by the Representatives and the Company in accordance with Section 1(b) and as set forth in the Price Determination Agreement.

(b) The purchase price for the Securities to be paid by the several Underwriters shall be agreed upon and set forth in the Price Determination Agreement, which shall be dated the Execution Date (as hereinafter defined), and a Final Prospectus (as hereinafter defined) containing such price information shall be filed pursuant to 424(b) under the Securities Act of 1933, as amended (the "Act").

2. Delivery and Payment. Delivery of the Securities shall be made to the Representatives for the accounts of the Underwriters against payment of the purchase price by wire transfer in same day funds to the Company or its order at the office of [name & address] or at such other location as the parties may agree. Such payment shall be made at 10:00 a.m., New York City time, on the third business day following the date of this Agreement or at such time on such other date, not later than seven business days after the date of this Agreement, as may be agreed upon by the Company and the Representatives (such date is hereinafter referred to as the "Closing Date").

Certificates evidencing the Securities shall be in temporary or definitive form and shall be registered in such names and in such authorized denominations as the Representatives shall request by written notice to the Company at least two business days prior to the Closing Date. For the purpose of expediting the checking and packaging of certificates for the Securities, the Company agrees to make such certificates available for inspection at least 24 hours prior to the Closing Date.

The cost of original issue tax stamps, if any, in connection with the issuance and sale of the Securities by the Company to the respective Underwriters shall be borne by the Company. The Company will pay and hold each Underwriter and any subsequent holder of the Securities harmless from any and all liabilities with respect to or resulting from any failure or delay in paying federal and state stamp and other issuance taxes, if any, which may be payable or determined to be payable in connection with the original issuance or sale to such Underwriter of the Securities.

3. Representations and Warranties of the Company. The Company represents and warrants to and covenants with each Underwriter that:

(a) The Company meets the requirements for use of Form S-3. A registration statement (Registration No. 333-_____) on Form S-3 relating to the Securities, and the offering thereof from time to time in accordance with Rule 415 under the Act, including a Basic Prospectus (as hereinafter defined) and such amendments to such registration statement as may have been required to the date of this Agreement, has been (i) prepared by the Company under the provisions of the Act, and the rules and regulations thereunder (collectively referred to as the "Rules and Regulations") of the Securities and Exchange Commission (the "Commission"); (ii) filed with the Commission; and (iii) declared effective by the Commission. Copies of such registration statement and amendments, if any, and of any Preliminary Prospectus (as hereinafter defined) used by the Company have been delivered to the Representatives. The offering of the Securities is a Delayed Offering (as hereinafter defined) and, although the Basic Prospectus may not include all the information with respect to the Securities and the offering thereof required by the Act and the Rules and Regulations to be included in the Final Prospectus, such Basic Prospectus includes all such information required by the Act and the Rules and Regulations to be included therein as of the Effective Date (as hereinafter defined). The Company will file the Final Prospectus in accordance with Rule 424(b) of the Rules and Regulations. As filed, the Final Prospectus shall include all required information with respect to the Securities and the offering thereof and, except to the extent the Representatives shall agree in writing to a modification, shall be in all substantive respects in the form furnished to you prior to the Execution Date or, to the extent not completed at the Execution Date, shall contain such specific additional information and other changes (beyond that contained in such Basic Prospectus and any Preliminary Prospectus) as the Company has advised you, prior to the Execution Date.

The term "Registration Statement" means such registration statement as amended or supplemented to the date hereof, including incorporated documents, financial statements and all exhibits, each as amended, and, in the event any post-effective amendment to such registration statement becomes effective prior to the Closing Date, shall also mean such registration statement as so amended. The term "Effective Date" means the later of the date the Registration Statement initially became effective, the date that any post-effective amendment or amendments thereto became or become effective or the date of the filing of the Company's most recent Annual Report on Form 10-K. The term "Execution Date" means the date that this Agreement is executed and delivered by the parties hereto. The term "Basic Prospectus" means the prospectus contained in and forming a part of the Registration Statement, including incorporated documents or documents deemed to be incorporated therein, at the Execution Date. The term "Preliminary Prospectus" means any preliminary prospectus (or any supplement thereto) which describes the Securities and the offering thereof and is used prior to the filing of the Final Prospectus. The term "Final Prospectus" means the prospectus supplement relating to the Securities as first filed with the Commission pursuant to Rule 424(b) of the Rules and Regulations after the Execution Date, together with the Basic Prospectus. The term "Delayed Offering" means an offering of securities pursuant to Rule 415 under the Rules and Regulations which does not commence promptly after the effective date of a registration statement.

(b) On the Effective Date, the Registration Statement did and when the Final Prospectus is first filed with the Commission pursuant to Rule 424(b), the Final Prospectus (and any supplement thereto), including the financial statements included or incorporated by reference in the Final Prospectus, will comply in all material respects with the applicable provisions of the Act, the Rules and Regulations, the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the rules and regulations thereunder (the "Exchange Act Rules and Regulations"), the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act") and the rules and regulations thereunder (the "Trust Indenture Act Rules and Regulations") and will contain all information required to be included therein in accordance with the Act, the Rules and Regulations, the Exchange Act and the Exchange Act Rules and Regulations. On the Effective Date, the Registration Statement did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading. At the date the Final Prospectus (together with any supplement thereto) is first filed with the Commission pursuant to Rule 424(b) and at the Closing Date, the Final Prospectus did not or will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The foregoing representations and warranties in this

Section 3(b) do not apply to any statements or omissions made in reliance on and in conformity with information furnished in writing to the Company by the Representatives specifically for inclusion in the Registration Statement or Final Prospectus (or any supplement thereto). On the Effective Date, the date the Final Prospectus is first filed with the Commission pursuant to Rule 424(b), and at all subsequent times to and including the Closing Date, the Indenture did or will comply with all applicable provisions of the Trust Indenture Act and the Trust Indenture Act Rules and Regulations.

(c) The documents which are incorporated by reference in the Basic Prospectus, any Preliminary Prospectus and the Final Prospectus or from which information is so incorporated by reference, when they became effective or were filed with the Commission, as the case may be, complied in all material respects with the requirements of the Act, the Rules and Regulations, the Exchange Act or the Exchange Act Rules and Regulations, as applicable; and any documents so filed and incorporated by reference subsequent to the Effective Date shall, when they are filed with the Commission, conform in all material respects with the requirements of the Act, the Rules and Regulations, the Exchange Act or the Exchange Act Rules and Regulations, as applicable.

(d) Each of the Company and each of its subsidiaries listed on Schedule II hereto (the "Subsidiaries") is, and at the Closing Date will be, a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation. Each of the Company and each of the Subsidiaries has, and at the Closing Date will have, full corporate power and authority to conduct all the activities conducted by it, to own or lease all the assets owned or leased by it and to conduct its business as described in the Registration Statement and the Final Prospectus. Each of the Company and each of the Subsidiaries is, and at the Closing Date will be, duly licensed or qualified to do business and in good standing as a foreign corporation in all jurisdictions in which the nature of the activities conducted by it or the character of the assets owned or leased by it makes such licensing or qualification necessary except where the failure to be so qualified or licensed would not have a material adverse effect on the Company and its subsidiaries, taken as a whole. For purposes of this Agreement, (i) "subsidiaries" shall mean (a) the Company's directly and indirectly majority-owned corporate subsidiaries, (b) the Company's directly and indirectly majority-owned limited liability companies and (c) the partnerships, joint ventures and other entities of which the Company or any subsidiary is the majority owner and

acts as the managing general partner or in any similar capacity and (ii) the phrase "Company and its subsidiaries, taken as a whole" shall be construed to include minority-owned partnerships in which a corporate subsidiary of the Company is a limited partner, but only to the extent of the Company's equity interests in such partnerships. Complete and correct copies of the certificate of incorporation and of the by-laws of the Company and each of the Subsidiaries and all amendments thereto have been made available to the Representatives, and no changes therein will be made subsequent to the Execution Date and prior to the Closing Date.

(e) The Securities have been duly and validly authorized and, when authenticated by the Trustee and issued, delivered and sold in accordance with this Agreement and the Indenture, will have been duly and validly executed, authenticated, issued and delivered and will constitute valid and binding obligations of the Company, enforceable against the Company in accordance with their respective terms and entitled to the benefits provided by the Indenture except

(i) that such enforcement may be subject to bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other similar laws, now or hereafter in effect, relating to creditors' rights generally and (ii) that the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought.

(f) The description of the Securities in the Registration Statement and the Final Prospectus is, and at the Closing Date will be, complete and accurate in all material respects and, insofar as such description contains statements constituting a summary of the legal matters or documents referred to therein, such description fairly summarizes the information referred to therein.

(g) The financial statements and schedules included or incorporated by reference in the Registration Statement or the Final Prospectus present fairly the consolidated financial condition of the Company as of the respective dates thereof and the consolidated results of operations and cash flows of the Company for the respective periods covered thereby, all in conformity with generally accepted accounting principles applied on a consistent basis throughout the entire period involved, except as otherwise disclosed in the Registration Statement or the Final Prospectus. [The selected consolidated financial data included in the Registration Statement or the Final Prospectus present fairly the information shown therein and have been compiled on a basis consistent with that of the audited consolidated financial statements of the Company included in the Registration Statement or the Final Prospectus.] No other financial statements or schedules of the Company are required by the Act, the Rules and Regulations or the Exchange Act to be included in or incorporated by reference into the Registration Statement or the Final Prospectus. KPMG Peat Marwick LLP ("Peat Marwick") and Deloitte & Touche LLP ("Deloitte & Touche"), who have reported on certain financial statements and schedules of the Company and Pacific Telecom, Inc., respectively, each are or were, as the case may be, independent accountants with respect to the Company and Pacific Telecom, Inc., respectively, as required by the Act and the Rules and Regulations.

(h) Subsequent to the respective dates as of which information is given in the Registration Statement and the Final Prospectus and prior to the Closing Date, except as set forth in or contemplated by the Registration Statement and the Final Prospectus,

(i) there has not been and will not have been any material change in the capitalization of the Company, (ii) there has not been and will not have been any material adverse change in the business, properties, condition (financial or otherwise) or results of operations of the Company and its subsidiaries, taken as a whole, arising for any reason whatsoever, (iii) except in the ordinary course of business, neither the Company nor any of the Subsidiaries has incurred nor will it voluntarily incur any liabilities or obligations, direct or contingent, that are material to the Company and its subsidiaries, taken as a whole, and (iv) the Company has not and will not have paid or declared any dividends or other distributions of any kind on any class of its capital stock except cash dividends paid in the ordinary course of business and consistent with past practice.

(i) The Company is not an "investment company" or an "affiliated person" of, or "promoter" or "principal underwriter" for, an "investment company," as such terms are defined in the Investment Company Act of 1940, as amended.

(j) Except as set forth in the Registration Statement and the Final Prospectus, there are no actions, suits or proceedings pending or, to the best of the Company's knowledge, threatened against or affecting the Company or any of its subsidiaries or any of their respective officers in their capacity as such, before or by any federal or state court, commission, regulatory body, administrative agency or other governmental body, domestic or foreign, that is likely to materially and adversely affect the business, properties, condition (financial or otherwise) or results of operations of the Company and its subsidiaries, taken as a whole. All actions, suits or proceedings now pending against the Company or any of its subsidiaries, or any of their respective officers in their capacities as such, before any Federal or state court, commission, regulatory body, administrative agency or other governmental body, domestic or foreign, if decided or resolved in a manner unfavorable to the Company or any of its subsidiaries, would not be likely to, singly or in the aggregate, materially and adversely affect the business, properties, condition (financial or otherwise) or results of operations of the Company and its subsidiaries, taken as a whole.

(k) The Company and each of the Subsidiaries has, and at the Closing Date, will have (i) such franchises, certificates, authorities or permits issued by the appropriate state, federal or foreign regulatory agencies or bodies necessary to conduct the business now operated by them, other than those the absence of which would not be likely to have a materially adverse effect on the business, properties, condition (financial or otherwise) or results of operations of the Company and its subsidiaries, taken as a whole, and neither the Company nor any of the Subsidiaries has received any notice of proceedings relating to the revocation or modification of any such franchise, certificate, authority or permit which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would be likely to materially and adversely affect the business, properties, condition (financial or otherwise) or results of operations of the Company and its subsidiaries, taken as a whole, (ii) complied in all material respects with all laws, statutes, ordinances, rules, regulations, orders or decrees of any court, governmental body or regulatory authority or administrative agency having jurisdiction over the Company or any Subsidiary or any of the property or assets of the Company or any Subsidiary (including, without limitation, any such laws, statutes, ordinances, rules regulations, orders or decrees with respect to environmental protection or the release, handling, treatment, storage or disposal of hazardous substances or toxic wastes), the failure to comply with which would be likely to materially adversely affect the business, properties, condition (financial or otherwise) or results of operations of the Company and its subsidiaries, taken as a whole, and (iii) performed in all material respects all of its obligations required to be performed by it under any material contract or other instrument to which it is a party or by which its property is bound or affected, and is not,

and at the Closing Date, will not be, in default under any such contract or instrument the effect of which would be likely to materially adversely affect the business, properties, condition (financial or otherwise) or results of operations of the Company and its subsidiaries, taken as a whole. To the best knowledge of the Company, no other party under any material contract or other instrument to which it or any Subsidiary is a party is in default in any respect thereunder, except for any such defaults (alone or collectively) that would not be likely to have a material adverse effect on the Company and its subsidiaries, taken as a whole; provided that it is understood and agreed that neither the Company nor any Subsidiary has undertaken any special investigation to determine compliance by such other parties under any such contract or other instrument. The Company is not, and at the Closing Date, will not be, in violation of any provision of its articles of incorporation or by-laws. The Subsidiaries are not, and at the Closing Date, will not be, in violation of any material provision of their respective articles of incorporation or by-laws (or comparable documents).

(l) No consent, approval, authorization or order of, or any filing, registration, qualification or declaration with, any court or governmental agency or body is required for (i) the execution, delivery or performance of this Agreement, the Securities or the Indenture by the Company, (ii) the authorization, offer, issuance, transfer, sale or delivery of the Securities by the Company in accordance herewith or (iii) the consummation by the Company of the transactions on its part contemplated herein and by the Indenture, except such as may have been obtained under the Act, the Rules and Regulations, the Trust Indenture Act or the Trust Indenture Act Rules and Regulations and such as may be required under foreign or state securities or Blue Sky laws or the by-laws and rules of the National Association of Securities Dealers, Inc. (the "NASD") in connection with the purchase and distribution of the Securities by the Underwriters.

(m) The Company has full corporate power and authority to enter into this Agreement. This Agreement has been duly authorized, executed and delivered by the Company and, when executed and delivered by the Representatives, constitutes a valid and binding agreement of the Company and is enforceable against the Company in accordance with the terms hereof, except (i) that such enforcement may be subject to bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other similar laws, now or hereafter in effect, relating to creditors' rights generally, (ii) that the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought and (iii) rights to indemnity and contribution hereunder may be limited by federal or state laws relating to securities or the policies underlying such laws. The Indenture has been duly authorized and constitutes a valid and binding agreement of the Company and is enforceable against the Company in accordance with its terms, except (i) that such enforcement may be subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws, now or hereafter in effect, relating to creditors' rights generally and (ii) that the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought. The execution, delivery and performance by the Company of this Agreement, the Indenture and the Securities and the consummation of the transactions contemplated hereby and thereby will not result in the creation or imposition of any lien, charge or encumbrance upon any of the assets of the Company or any of the Subsidiaries pursuant to the terms or provisions of, or, except as disclosed in the Registration Statement or the Final Prospectus, result in a breach or violation of any of the terms or provisions of, or constitute a default under, or give any other party a right to terminate any of its obligations under, or result in the acceleration of any obligation under, the articles of incorporation or by-laws (or comparable instruments) of the Company or any of the Subsidiaries, any indenture, mortgage, deed of trust, voting trust agreement, loan agreement, bond, debenture, note agreement or other evidence of indebtedness, lease, contract or other agreement or instrument to which the Company or any of the Subsidiaries is a party or by which the Company or any of the Subsidiaries or any of their respective properties is or are bound or affected, or violate or conflict with any franchise or any judgment, ruling, decree, order, statute, rule or regulation of any court or other governmental agency or body applicable to the business or properties of the Company or any of the Subsidiaries, except for any liens, charges, encumbrances, breaches, violations, defaults, termination rights or accelerations that do not adversely affect the business, properties, condition (financial or otherwise) or results of operations of the Company and its subsidiaries, taken as a whole.

(n) The Company and each of the Subsidiaries has good and marketable title to all franchises, properties and assets owned by it, which are material to the business or operations of the Company and its subsidiaries, taken as a whole, free and clear of all liens, charges, encumbrances or restrictions, except such as are described in the Final Prospectus. The Company and each of the Subsidiaries has valid, subsisting and enforceable leases for the properties leased by it, with such exceptions as would not materially interfere with the business or operations of the Company and its subsidiaries, taken as a whole.

(o) All existing material contracts described in the Final Prospectus to which the Company or any of the Subsidiaries is a party have been duly authorized, executed and delivered by the Company or such Subsidiary, constitute valid and binding agreements of the Company or such Subsidiary and are enforceable against the Company or such Subsidiary in accordance with the terms thereof, except (i) that such enforcement may be subject to bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other similar laws, now or hereafter in effect, relating to creditors' rights generally and (ii) that the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought.

(p) No statement, representation, warranty or covenant made by the Company in this Agreement or the Indenture or made in any certificate or document required by this Agreement to be delivered to the Representatives was or will be, when made, inaccurate, untrue or incorrect in any material respect.

(q) No holder of securities of the Company has rights to the registration of any securities of the Company because of the filing of the Registration Statement.

4. Agreements of the Company. The Company agrees with each of the several Underwriters as follows:

(a) The Company will not, either prior to the Effective Date or thereafter during such period as the Final Prospectus is required by law to be

delivered in connection with sales of the Securities by an Underwriter or dealer, file any amendment or supplement to the Registration Statement or the Final Prospectus, unless a draft thereof shall first have been submitted to the Representatives within a reasonable period of time prior to the filing thereof and the Representatives shall not have objected thereto in good faith.

(b) The Company will notify the Representatives promptly, and will confirm such advice in writing, (1) when any post-effective amendment to the Registration Statement becomes effective, (2) of any request by the Commission for amendments or supplements to the Registration Statement or the Final Prospectus or for additional information, (3) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or the initiation of any proceedings for that purpose or the threat thereof, (4) of the happening of any event during the period mentioned in the second sentence of Section 4(e) that in the judgment of the Company requires the Company to file an amendment or supplement to the Registration Statement and (5) of receipt by the Company, or any representatives or attorney of the Company, of any other communication from the Commission relating to the Registration Statement, the Basic Prospectus, any Preliminary Prospectus or the Final Prospectus or the offering of the Securities. If at any time the Commission shall issue any order suspending the effectiveness of the Registration Statement, the Company will make every reasonable effort to obtain the withdrawal of such order at the earliest possible moment.

(c) The Company will furnish to the Representatives, without charge, one complete copy of the Registration Statement and of any post-effective amendment thereto, including financial statements and schedules, and all exhibits thereto (including any documents filed under the Exchange Act and deemed to be incorporated by reference into the Final Prospectus), and will furnish to the Representatives, without charge, for transmittal to each of the other Underwriters, additional copies of the Registration Statement and any post-effective amendment thereto, but without exhibits and documents incorporated by reference therein.

(d) The Company will comply with all the provisions of any undertakings contained in the Registration Statement.

(e) On the Effective Date, and thereafter from time to time, the Company will deliver to each of the Underwriters, without charge, as many copies of the Final Prospectus or any supplement thereto, as the Representatives may reasonably request. The Company consents to the use of any Preliminary Prospectus and the Final Prospectus or any amendment or supplement thereto by the several Underwriters and by all dealers to whom the Securities may be sold, both in connection with the offering or sale of the Securities and for any period of time thereafter during which a prospectus is required by law to be delivered in connection therewith. If during such period of time, any event shall occur which in the judgment of the Company or counsel to the Underwriters should be set forth in the Final Prospectus in order to make any statement therein, in the light of the circumstances under which it was made when delivered, not misleading, or if it is necessary to supplement the Final Prospectus to comply with law, the Company will forthwith prepare and duly file with the Commission an appropriate supplement thereto, and will deliver to each of the Underwriters, without charge, such number of copies thereof as the Representatives may reasonably request. The Company shall not file any document under the Exchange Act before the termination of the offering of the Securities by the Underwriters if such document would be deemed to be incorporated by reference into any Preliminary Prospectus or the Final Prospectus, unless a draft thereof shall first have been submitted to the Representatives within a reasonable period of time prior to the filing thereof and the Representatives shall not have objected thereto in good faith.

(f) Prior to any public offering of the Securities by the Underwriters, the Company will cooperate with the Representatives and counsel to the Underwriters in connection with the registration or qualification of the Securities for offer and sale under the securities or Blue Sky laws of such jurisdictions as the Representatives may request; provided, that in no event shall the Company be obligated to qualify to do business in any jurisdiction where it is not now so qualified or to take any action which would subject it to general service of process in any jurisdiction where it is not now so subject.

(g) During the period of five years commencing on the Effective Date, the Company will furnish to the Representatives and each other Underwriter who may so request copies of such financial statements and other periodic and special reports as the Company may from time to time distribute generally to the holders of any class of its capital stock, and will furnish to the Representatives and each other Underwriter who may so request a copy of each annual or other report it shall be required to file with the Commission.

(h) The Company will make generally available to holders of its securities as soon as may be practicable but in no event later than the last day of the fifteenth full calendar month following the calendar quarter in which the Execution Date falls, an earnings statement (which need not be audited but shall be in reasonable detail) for a period of 12 months ended commencing after the effective date, within the meaning of and satisfying the provisions of Section 11(a) of the Act (including Rule 158 of the Rules and Regulations).

(i) Whether or not the transactions contemplated by this Agreement are consummated or this Agreement is terminated, the Company will pay, or reimburse if paid by the Representatives, all costs and expenses incident to the performance of the obligations of the Company under this Agreement, including but not limited to costs and expenses of or relating to (1) the preparation, printing and filing of the Registration Statement and exhibits thereto, the Basic Prospectus any Preliminary Prospectus, the Final Prospectus and any amendment or supplement to the Registration Statement or the Final Prospectus, (2) the preparation and delivery of certificates representing the Securities, (3) the printing of this Agreement, any Agreement Among Underwriters, any Dealer Agreements and any Underwriters' Questionnaire, (4) furnishing (including costs of shipping and mailing) such copies of the Registration Statement, the Basic Prospectus, any Preliminary Prospectus and the Final Prospectus, and all amendments and supplements thereto, as may be reasonably requested for use in connection with the offering and sale of the Securities by the Underwriters or by dealers to whom Securities may be sold, (5) any filings required to be made by the Underwriters with the NASD, and the fees, disbursements and other charges of counsel for the Underwriters in connection therewith, (6) the registration or qualification of the Securities for offer and sale under the securities or Blue Sky laws of such jurisdictions designated pursuant to Section 4(f), including the fees, disbursements and other charges of counsel to the Underwriters in connection therewith, and the preparation and printing of

preliminary, supplemental and final Blue Sky memoranda, (7) counsel to the Company, (8) the transfer agent and registrar for the Securities (9) the rating of the Securities by one or more rating agencies and (10) the Trustee and any agent of the Trustee and the fees, disbursements and other charges of counsel for the Trustee in connection with the Indenture and the Securities.

(j) If this Agreement shall be terminated by the Company pursuant to any of the provisions hereof (other than pursuant to Section 8) or if for any reason the Company shall be unable to perform its obligations hereunder, the Company will reimburse the several Underwriters for all out-of-pocket expenses (including the fees, disbursements and other charges of counsel to the Underwriters) reasonably incurred by them in connection herewith.

(k) The Company will not at any time, directly or indirectly, take any action intended, or which might reasonably be expected, to cause or result in, or which will constitute stabilization of the price of the Securities to facilitate the sale or resale of any of the Securities.

(l) The Company will apply the net proceeds from the offering and sale of the Securities in the manner set forth in the Final Prospectus under "Use of Proceeds".

(m) Until sixty (60) days from the Execution Date, the Company will not, without the consent of the Representatives, offer, sell or contract to sell, or otherwise dispose of, by public offering, or announce the public offering of, any other debt securities of the Company other than the Securities.

5. Conditions of Obligations of the Underwriters. In addition to the execution and delivery of the Price Determination Agreement, the obligations of each Underwriter hereunder are subject to the following conditions:

(a) (i) No stop order suspending the effectiveness of the Registration Statement shall have been issued and no proceedings for that purpose shall be pending or threatened by the Commission, (ii) no order suspending the effectiveness of the Registration Statement or the qualification or registration of the Securities under the securities or Blue Sky laws of any jurisdiction shall be in effect and no proceeding for such purpose shall be pending before or threatened or contemplated by the Commission or the authorities of any such jurisdiction, (iii) any request for additional information on the part of the staff of the Commission or any such authorities with respect to the offering of the Securities shall have been complied with to the satisfaction of the staff of the Commission or such authorities and (iv) after the Execution Date no amendment or supplement to the Registration Statement or the Final Prospectus shall have been filed unless a copy thereof was first submitted to the Representatives and the Representatives did not object thereto in good faith, and the Representatives shall have received certificates, dated the Closing Date and signed on behalf of the Company by the Chief Executive Officer or the Chairman of the Board of Directors of the Company and the Chief Financial Officer of the Company (who may, as to proceedings threatened, rely upon the best of their information and belief), to the effect of clauses (i), (ii) and (iii).

(b) Since the respective dates as of which information is given in the Registration Statement and the Final Prospectus (i) there shall not have been a material adverse change in the general affairs, business, properties, management, condition (financial or otherwise) or results of operations of the Company and its subsidiaries, taken as a whole, whether or not arising from transactions in the ordinary course of business, in each case other than as set forth in or contemplated by the Registration Statement and the Final Prospectus and (ii) neither the Company nor any of the Subsidiaries shall have sustained any loss or interference with its business or properties from fire, explosion, flood or other casualty, whether or not covered by insurance, or from any labor dispute or any court or legislative or other governmental action, order or decree, which is not set forth in the Registration Statement and the Final Prospectus, and which in each case in clause (ii) is material to the Company and its subsidiaries, taken as a whole, if in the judgment of the Representatives any such development makes it impracticable or inadvisable to consummate the sale and delivery of the Securities by the Underwriters in accordance with the terms hereof.

(c) Since the respective dates as of which information is given in the Registration Statement and the Final Prospectus, there shall have been no litigation or other proceeding instituted against the Company or any of the Subsidiaries or any of their respective officers or directors in their capacities as such, before or by any federal, state or local court, commission, regulatory body, administrative agency or other governmental body, domestic or foreign, in which litigation or proceeding an unfavorable ruling, decision or finding would materially and adversely affect the business, properties, condition (financial or otherwise) or results of operations of the Company and its subsidiaries, taken as a whole.

(d) Each of the representations and warranties of the Company contained herein shall be true and correct in all material respects at the Closing Date and all covenants and agreements herein contained to be performed on the part of the Company and all conditions herein contained to be fulfilled or complied with by the Company at or prior to the Closing Date shall have been duly performed, fulfilled or complied with.

(e) On the Closing Date, the Representatives shall have received an opinion, dated the Closing Date, and satisfactory in form and substance to counsel for the Underwriters, from Harvey P. Perry, Esq., General Counsel of the Company, and from Jones, Walker, Waechter, Poitevent, Carrere & Denegre, L.L.P., special counsel to the Company, to the effects set forth in Exhibit B and Exhibit C hereto, respectively.

(f) On the Closing Date, the Representatives shall have received an opinion, dated the Closing Date, from [insert name], counsel to the Underwriters, with respect to the Registration Statement, the Final Prospectus and this Agreement, which opinion shall be satisfactory in all respects to the Representatives. In giving such opinion, such counsel may rely, as to all matters governed by the laws of the State of Louisiana, upon the opinion of Jones, Walker, Waechter, Poitevent, Carrere & Denegre, L.L.P. Such counsel may also state that, insofar as such opinion involves factual matters, they have relied, to the extent they deem proper, upon certificates of officers of the Company and its subsidiaries, and certificates of public officials.

(g) Concurrently with the execution and delivery of this Agreement, Peat Marwick and Deloitte & Touche shall have furnished to the Representatives letters, dated the date of this Agreement, addressed to the Representatives and in form and substance satisfactory to the Representatives, confirming that they are or were, as the case may be, independent accountants with respect to the Company and Pacific Telecom, Inc., respectively, as required by the Act and the Rules and Regulations and with respect to the financial and other statistical and numerical information contained or incorporated by reference in the Registration Statement. At the Closing Date, Peat Marwick shall have furnished to the Representatives a letter, dated the date of the Closing Date, which shall confirm, on the basis of a review in accordance with the procedures set forth in the letter from Peat Marwick, that nothing has come to their attention during the period from the date of their letter referred to in the prior sentence to a date (specified in the letter) not more than five days prior to the Closing Date which would require any change in their letter dated the Execution Date if it were required to be dated and delivered at the Closing Date.

(h) Concurrently with the execution and delivery of this Agreement and at the Closing Date, there shall be furnished to the Representatives an accurate certificate, dated the date of its delivery, signed on behalf of the Company by each of the Chief Executive Officer and the Chief Financial Officer of the Company, in form and substance satisfactory to the Representatives, to the effect that:

(i) Each signer of such certificate has carefully examined the Registration Statement and the Final Prospectus and (A) as of the date of such certificate, (i) the Registration Statement is true and correct in all material respects and does not omit to state a material fact required to be stated therein or necessary in order to make the statements therein not untrue or misleading and (ii) the Final Prospectus is true and correct in all material respects and does not omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not untrue or misleading (it being understood that to the extent a statement in the Final Prospectus, including any documents deemed to be incorporated by reference therein, refers to and speaks as of a specific date, each signer of such certificate only represents with respect to such statement that it was true and correct in all material respects as of such date) and (B) in the case of the certificate delivered at the Closing Date, since the Execution Date, no event has occurred as a result of which it is necessary to supplement the Final Prospectus in order to make the statements therein, in light of the circumstances under which they were made, not untrue or misleading in any material respect and there has been no document required to be filed under the Exchange Act and the Exchange Act Rules and Regulations that upon such filing would be deemed to be incorporated by reference into the Final Prospectus that has not been so filed.

(ii) Each of the representations and warranties of the Company contained in this Agreement were, when originally made, and are, at the time such certificate is delivered, true and correct in all material respects.

(iii) Each of the covenants required herein to be performed by the Company on or prior to the delivery of such certificate has been duly, timely and fully performed and each condition herein required to be complied with by the Company on or prior to the date of such certificate has been duly, timely and fully complied with.

(i) The Securities shall be qualified for sale in such states as the Representatives may reasonably request, each such qualification shall be in effect and not subject to any stop order or other proceeding on the Closing Date.

(j) The Company shall have furnished to the Representatives such certificates, in addition to those specifically mentioned herein, as the Representatives may have reasonably requested as to the accuracy and completeness at the Closing Date of any statement in the Registration Statement or the Final Prospectus or any documents filed under the Exchange Act and deemed to be incorporated by reference into the Final Prospectus, as to the accuracy at the Closing Date of the representations and warranties of the Company herein, as to the performance by the Company of its obligations hereunder, or as to the fulfillment of the conditions concurrent and precedent to the obligations hereunder of the Representatives.

6. Indemnification.

(a) The Company will indemnify and hold harmless each Underwriter, the directors, officers, employees and agents of each Underwriter and each person, if any, who controls each Underwriter within the meaning of Section 15 of the Act or Section 20 of the Exchange Act from and against any and all losses, claims, liabilities, expenses and damages (including any and all investigative, legal and other expenses reasonably incurred in connection with, and any amount paid in settlement of, any action, suit or proceeding or any claim asserted), to which they, or any of them, may become subject under the Exchange Act or other federal or state statutory law or regulation, at common law or otherwise, insofar as such losses, claims, liabilities, expenses or damages arise out of or are based on any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, the Basic Prospectus, any Preliminary Prospectus or the Final Prospectus or any amendment or supplement thereto or in any documents filed under the Exchange Act and deemed to be incorporated by reference into the Final Prospectus, or the omission or alleged omission to state in (i) the Registration Statement, any amendment or supplement thereto a material fact required to be stated in it or necessary to make the statements in it not misleading or (ii) the Basic Prospectus, any Preliminary Prospectus or the Final Prospectus a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, provided that the Company will not be liable to the extent that such loss, claim, liability, expense or damage arises from the sale of the Securities in the public offering to any person by an Underwriter and is based on an untrue statement or omission or alleged untrue statement or omission made in reliance on and in conformity with information relating to any Underwriter furnished in writing to the Company by the Representatives on behalf of any Underwriter expressly for inclusion in the Registration Statement, the Basic Prospectus, any Preliminary Prospectus or the Final Prospectus and provided further, that the Company shall not be liable in any such case under the indemnity agreement in this Section 6(a) with respect to any Preliminary Prospectus or Final Prospectus, to the extent that any such loss, claim, liability, expense or damage results from the fact that the Underwriter sold Securities to a person to whom there was not sent or given, at or prior to the written confirmation of such sale, a copy of the Final Prospectus or of the Final Prospectus as then amended or supplemented in any case where such delivery is required by the Act if the Company has previously furnished copies thereof to the Underwriter and the loss, claim, liability, expense or damage of the Underwriter, the directors, officers, employees or agents of the Underwriter or any person who controls the Underwriter results from an untrue statement, alleged untrue statement, omission or alleged omission of a material fact contained in the

Preliminary Prospectus which was corrected in the Final Prospectus (or the Final Prospectus as amended or supplemented). This indemnity agreement is in addition to any liability that the Company might otherwise have.

(b) Each Underwriter will indemnify and hold harmless the Company and its officers, employees and agents and each person, if any, who controls the Company within the meaning of Section 15 of the Act or Section 20 of the Exchange Act, each director of the Company

and each officer of the Company who signs the Registration Statement to the same extent as the foregoing indemnity from the Company to each Underwriter, but only insofar as losses, claims, liabilities, expenses or damages arise out of or are based on any untrue statement or omission or alleged untrue statement or omission made in reliance on and in conformity with information relating to such Underwriter furnished in writing to the Company by the Representatives on behalf of such Underwriter expressly for use in the Registration Statement, the Basic Prospectus, any Preliminary Prospectus or the Final Prospectus. This indemnity is in addition to any liability that each Underwriter might otherwise have.

(c) Any party that proposes to assert the right to be indemnified under this Section 6 will, promptly after receipt of notice of commencement of any action against such party in respect of which a claim is to be made against an indemnifying party or parties under this Section 6, notify each such indemnifying party of the commencement of such action, enclosing a copy of all papers served, but the omission so to notify such indemnifying party will not relieve it from any liability that it may have to any indemnified party under the foregoing provisions of this Section 6 unless, and only to the extent that, such omission results in the forfeiture of substantive rights or defenses by the indemnifying party. If any such action is brought against any indemnified party and it notifies the indemnifying party of its commencement, the indemnifying party will be entitled to participate in and, to the extent that it elects by delivering written notice to the indemnified party promptly after receiving notice of the commencement of the action from the indemnified party, jointly with any other indemnifying party similarly notified, to assume the defense of the action, with counsel satisfactory to the indemnified party, and after notice from the indemnifying party to the indemnified party of its election to assume the defense, the indemnifying party will not be liable to the indemnified party for any legal or other expenses except as provided below and except for the reasonable costs of investigation subsequently incurred by the indemnified party in connection with the defense. The indemnified party will have the right to employ its own counsel in any such action, but the fees, expenses and other charges of such counsel will be at the expense of such indemnified party unless (1) the employment of counsel by the indemnified party has been authorized in writing by the indemnifying party, (2) the indemnified party has reasonably concluded (based on advice of counsel) that there may be legal defenses available to it or other indemnified parties that are different from or in addition to those available to the indemnifying party, (3) a conflict or potential conflict exists (based on advice of counsel to the indemnified party) between the indemnified party and the indemnifying party (in which case the indemnifying party will not have the right to direct the defense of such action on behalf of the indemnified party) or (4) the indemnifying party has not in fact employed counsel to assume the defense of such action within a reasonable time after receiving notice of the commencement of the action, in each of which cases the reasonable fees, disbursements and other charges of counsel will be at the expense of the indemnifying party or parties. It is understood that the indemnifying party or parties shall not, in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the reasonable fees, disbursements and other charges of more than one separate firm

(plus any local counsel retained by you in your reasonable judgment) admitted to practice in such jurisdiction at any one time for all such indemnified party or parties. All such fees, disbursements and other charges will be reimbursed by the indemnifying party promptly as they are incurred. An indemnifying party will not be liable for any settlement of any action or claim effected without its written consent (which consent will not be unreasonably withheld).

(d) In order to provide for just and equitable contribution in circumstances in which the indemnification provided for in the foregoing paragraphs of this Section 6 is applicable in accordance with its terms but for any reason is held to be unavailable from the Company or the Underwriters, the Company and the Underwriters will contribute to the total losses, claims, liabilities, expenses and damages (including any investigative, legal and other expenses reasonably incurred in connection with, and any amount paid in settlement of, any action, suit or proceeding or any claim asserted, but after deducting any contribution received by the Company from persons other than the Underwriters, such as persons who control the Company within the meaning of the Act, officers of the Company who signed the Registration Statement and directors of the Company, who also may be liable for contribution) to which the Company and any one or more of the Underwriters may be subject in such proportion as shall be appropriate to reflect the relative benefits received by the Company on the one hand and the Underwriters on the other. The relative benefits received by the Company on the one hand and the Underwriters on the other shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by the Company bear to the total underwriting discounts and commissions received by the Underwriters, in each case as set forth in the table on the cover page of the Final Prospectus. If, but only if, the allocation provided by the foregoing sentence is not permitted by applicable law, the allocation of contribution shall be made in such proportion as is appropriate to reflect not only the relative benefits referred to in the foregoing sentence but also the relative fault of the Company, on the one hand, and the Underwriters, on the other, with respect to the statements or omissions which resulted in such loss, claim, liability, expense or damage, or action in respect thereof, as well as any other relevant equitable considerations with respect to such offering. Such relative fault shall be determined by reference to whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company or the Representatives on behalf of the Underwriters, the intent of the parties and their relative knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and the Underwriters agree that it would not be just and equitable if contributions pursuant to this Section 6(d) were to be determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take into account the equitable considerations referred to herein. The amount paid or payable by an indemnified party as a result of the loss, claim, liability, expense or damage, or action in respect thereof, referred to above in this

Section 6(d) shall be deemed to include, for purpose of this Section

6(d), any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section

6(d), no Underwriter shall be required to contribute any amount in excess of the underwriting discounts received by it, and no person found guilty of fraudulent misrepresentation (within the meaning of

Section 11(f) of the Act) will be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations to contribute as provided in this Section 6(d) are several in proportion to their respective underwriting obligations and not joint. For purposes of this Section 6(d), any person who controls a party to this Agreement within the meaning of the Act will have the same rights to contribution as that party, and each officer of the Company who signed the Registration Statement will have the same rights to contribution as the Company, subject in each case to the provisions hereof. Any party entitled to contribution, promptly after receipt of notice of commencement of any action against such party in respect of which a claim for contribution may be made under this Section 6(d), will notify any such party or parties from whom contribution may be sought, but the omission so to notify will not relieve the party or parties from whom contribution may be sought from any other obligation it or they may have under this Section 6(d). No party will be liable for contribution with respect to any action or claim settled without its written consent (which consent will not be unreasonably withheld).

(e) The indemnity and contribution agreements contained in this Section 6 and the representations and warranties of the Company contained in this Agreement shall remain operative and in full force and effect regardless of (i) any investigation made by or on behalf of the Underwriters, (ii) acceptance of any of the Securities and payment therefor or (iii) any termination of this Agreement.

7. Termination. The obligations of the several Underwriters under this Agreement may be terminated at any time on or prior to the Closing Date by notice to the Company from the Representatives, without liability on the part of any Underwriter to the Company, if, prior to delivery and payment for the Securities, in the sole judgment of the Representatives, (i) trading in securities generally on the New York Stock Exchange shall have been suspended or limited or minimum or maximum prices shall have been generally established on such exchange, or additional material governmental restrictions, not in force on the date of this Agreement, shall have been imposed upon trading in securities generally by such exchange or by order of the Commission or any court or other governmental authority, and any such suspensions, limitations or restrictions shall continue to remain in effect, (ii) a general banking moratorium shall have been declared by either federal or New York State authorities or (iii) any material adverse change in the financial or securities markets in the United States or in political, financial or economic conditions in the United States or any outbreak or material escalation of hostilities or declaration by the United States of a national emergency or war or other calamity or crisis shall have occurred the effect of any of which is such as to make it, in the sole judgment of the Representatives, impracticable or inadvisable to market the Securities on the terms and in the manner contemplated by the Final Prospectus.

8. Substitution of Underwriters. If any one or more of the Underwriters shall fail or refuse to purchase any of the Securities which it or they have agreed to purchase hereunder, and the aggregate principal amount of Securities which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase is not more than one-tenth of the aggregate principal amount of Securities, the other Underwriters shall be obligated, severally, to purchase the Securities which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase, in the proportions which the principal amount of Securities which they have respectively agreed to purchase pursuant to Section 1 bears to the aggregate principal amount of Securities which all such non-defaulting Underwriters have so agreed to purchase, or in such other proportions as the Representatives may specify; provided that in no event shall the maximum principal amount of Securities which any Underwriter has become obligated to purchase pursuant to Section 1 be increased pursuant to this Section 8 by more than one-ninth of the principal amount of Securities agreed to be purchased by such Underwriter without the prior written consent of such Underwriter. If any Underwriter or Underwriters shall fail or refuse to purchase any Securities and the aggregate principal amount of Securities which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase exceeds one-tenth of the aggregate principal amount of the Securities and arrangements satisfactory to the Representatives and the Company for the purchase of such Securities are not made within 48 hours after such default, this Agreement will terminate without liability on the part of any non-defaulting Underwriter or the Company for the purchase or sale of any Securities under this Agreement. In any such case either the Representatives or the Company shall have the right to postpone the Closing Date, but in no event for longer than seven days, in order that the required changes, if any, in the Registration Statement and in the Final Prospectus or in any other documents or arrangements may be effected. Any action taken pursuant to this Section 8 shall not relieve any defaulting Underwriter from liability in respect of any default of such Underwriter under this Agreement.

9. Miscellaneous. Notice given pursuant to any of the provisions of this Agreement shall be in writing and, unless otherwise specified, shall be mailed or delivered (a) if to the Company, at the office of the Company, 100 Century Park Drive, Monroe, Louisiana 71203, Attention: Harvey P. Perry, Senior Vice President, General Counsel and Secretary or (b) if to the Underwriters, to the Representatives at the offices of _____ . Any such notice shall be effective only upon receipt. Any notice under Section 7 or 8 may be made by telex or telephone, but if so made shall be subsequently confirmed in writing.

This Agreement has been and is made solely for the benefit of the several Underwriters and the Company and of the controlling persons, directors and officers referred to in Section 6, and their respective successors and assigns, and no other person shall acquire or have any right under or by virtue of this Agreement. The term "successors and assigns" as used in this Agreement shall not include a purchaser, as such purchaser, of Securities from any of the several Underwriters.

THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN

ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

This Agreement may be signed in two or more counterparts with the same effect as if the signatures thereto and hereto were upon the same instrument.

In case any provision in this Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

The Company and the Underwriters each hereby irrevocably waive any right they may have to trial by jury in respect of any claim based upon or arising out of this Agreement or the transactions contemplated hereby.

Please confirm that the foregoing correctly sets forth the agreement between the Company and the several Underwriters.

Very truly yours,

CENTURY TELEPHONE ENTERPRISES, INC.

By: _____
Name:
Title:

Confirmed as of the date first
above mentioned:

[names]
Acting on behalf of themselves
and as the Representatives
of the other several Underwriters
named in Schedule I hereof.

[name]

By: _____
Name:
Title:

SCHEDULE I
UNDERWRITERS

Name	Principal Amount of Securities To Be Purchased
----	-----
-----	\$

Total \$

SCHEDULE II
SUBSIDIARIES

- Name
- Central Louisiana Telephone Company, Inc.
 - Evangeline Telephone Company
 - Century Telephone of Arkansas, Inc.
 - Mountain Home Telephone Co., Inc.
 - Century Telephone of Wisconsin, Inc.
 - Century Telephone Midwest, Inc.
 - Century Telephone of Michigan, Inc.
 - Century Cellunet of Southern Michigan, Inc.
 - Century Cellunet, Inc.

Century Investments, Inc.

Century Telephone of San Marcos, Inc.

Century Telephone of Ohio, Inc.

Celutel, Inc.

Pacific Telecom, Inc.

Pacific Telecom Cellular, Inc.

EXHIBIT A

CENTURY TELEPHONE ENTERPRISES, INC.

PRICE DETERMINATION AGREEMENT

_____, 1998

[name]
As Representatives of
the several Underwriters
[address]

Dear Ladies and Gentlemen:

Reference is made to the Underwriting Agreement, dated _____, 1998 (the "Underwriting Agreement"), among Century Telephone Enterprises, Inc., a Louisiana corporation (the "Company"), and the several Underwriters named in Schedule I thereto or hereto (the "Underwriters"), for whom [name] are acting as representatives (the "Representatives"). The Underwriting Agreement provides for the purchase by the Underwriters from the Company, subject to the terms and conditions set forth therein, of an aggregate of \$_____ principal amount of the Company's ____ percent Senior Debt Securities due ____ (the "Securities") to be issued pursuant to an Indenture dated as of March 31, 1994 between the Company and Regions Bank of Louisiana (successor-in-interest to First American Bank & Trust of Louisiana), as Trustee. This Agreement is the Price Determination Agreement referred to in the Underwriting Agreement.

Pursuant to Section 1 of the Underwriting Agreement, the undersigned agree with the Representatives that the purchase price for the Securities to be paid by each of the several Underwriters shall be ____ percent of the aggregate principal amount of the Securities set forth opposite the name of such Underwriter in Schedule I attached hereto.

The Company represents and warrants to each of the Underwriters that the representations and warranties of the Company set forth in Section 3 of the Underwriting Agreement are accurate in all material respects as though expressly made at and as of the date hereof.

As contemplated by the Underwriting Agreement, attached as Schedule I is a completed list of the several Underwriters, which shall be a part of this Agreement and the Underwriting Agreement.

This Agreement shall be governed by the law of the State of New York.

If the foregoing is in accordance with your understanding of the agreement among the Underwriters and the Company, please sign and return to the Company a counterpart hereof, whereupon this instrument along with all counterparts and together with the Underwriting Agreement shall be a binding agreement among the Underwriters and the Company in accordance with its terms and the terms of the Underwriting Agreement.

Very truly yours,

CENTURY TELEPHONE ENTERPRISES, INC.

By: _____
Name:
Title:

Confirmed as of the date
first above mentioned:

[name]
Acting on behalf of themselves
and as the Representatives
of the other several Underwriters
named in Schedule I hereof.

[name]

By: _____
Name:
Title:

[name]

By: _____
Name:
Title:

EXHIBITS B AND C INTENTIONALLY DELETED

CENTURY TELEPHONE ENTERPRISES, INC.

Form of Resolution to be Adopted by the Special Pricing Committee of the Board of Directors (to be used in connection with authorizing the issuance of any series of senior debt securities under the below-referenced Indenture)

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 senior debt securities, preferred stock, common stock and warrants to purchase senior debt securities, preferred stock and common stock, subject to certain limitations, 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 such 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 \$[] aggregate principal amount of its senior debt securities;

NOW, THEREFORE, BE IT RESOLVED THAT:

(1) The Company shall create and issue \$ _____,000,000 aggregate principal amount of its senior debt securities, consisting of senior notes designated as the "Century Telephone Enterprises, Inc. ____ percent Senior Notes, Series ____, Due ____ (the "Series ____ Notes"), with the sales price and terms set forth in the proposal of the purchasers dated _____ (referred to herein as the "Proposal" and attached to and made a part of these minutes) and in accordance with the Indenture dated as of March 31, 1994 ("Indenture"), between the Company and Regions Bank of Louisiana (successor-in-interest to First American Bank & Trust of Louisiana), as Trustee ("Trustee"), to wit:

(a) The Series ____ Notes will mature on _____.

(b) The Series ____ Notes shall bear interest from until the principal thereof becomes due and payable at the rate of _____ per annum with respect to the Series ____ Notes, payable semi-annually on _____ and _____ of each year commencing _____, 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 Series ____ Notes 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, or, at the option of the Company, by check in U.S. dollars mailed or delivered to the person in whose name the Series ____ Notes are registered. The regular record date with respect to any interest payment date for the Series ____ Notes shall be _____ or _____, as the case may be, immediately preceding such interest payment date, whether or not such date is a business day.

(c) The Series ____ Notes will not be redeemable prior to maturity.

OR

The Series ____ Notes may not be redeemed prior to. The Series ____ Notes may be redeemed from time to time on not less than 30 nor more than 60 days' prior notice given as provided in the Indenture, as a whole or in part, at the option of the Company, on any date or dates on or after _____, and prior to maturity, at the applicable percentage of the principal amount thereof to be redeemed as set forth below under the heading "Redemption Price" during the respective twelve-month periods beginning _____ of the years shown below:

Year	Redemption Price
----	-----

together, in each case, with accrued interest to the date fixed for redemption (but if the date fixed for redemption is an interest payment date, the interest installment payable on such date shall be payable to the registered holder at the close of business on the applicable record date).

None of the Series ____ Notes may be called for redemption at the option of the Company prior to _____ if such redemption is for the purpose or in anticipation of refunding any Series A Notes by the application, directly or indirectly, of funds borrowed by the Company at an annual cost of money (calculated in accordance with generally accepted financial practice) less the annual cost of money to the Company resulting from the sale of the Series ____ Notes to the Purchaser. [If applicable].

(d) The Series ____ Notes and the Trustee's Certificate of Authentication to be endorsed thereon are to be substantially in the following form:

(FORM OF FACE OF SECURITY)

No. _____ \$ _____

CUSIP NO. _____

Century Telephone Enterprises, Inc.

____ percent Senior Notes, Series __, Due ____

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 said principal sum from _____, or from the most recent interest payment date to which interest has been paid or duly provided for, semi-annually on _____ and _____ in each year, commencing _____, at the rate of _____ percent 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 said Indenture) is registered at the close of business on the regular record date for such interest installment, which shall be the _____ or _____, 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 Securities 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 the Securities 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, or, at the option of the Company, by check in U.S. dollars mailed or delivered to the person in whose name this Security is registered.

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 reverse side 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 of Louisiana as Trustee, Authenticating Agent and Security Registrar

By _____ Authorized Officer

(FORM OF REVERSE OF SECURITY)

This Security is one of a duly authorized series of Securities 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 of Louisiana (successor-in-interest to First American Bank & Trust of Louisiana), a Louisiana banking corporation organized and existing under the laws of the State of Louisiana, as Trustee (herein referred to as the "Trustee") (said 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 establish 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 are issuable as registered Securities without coupons in denominations of \$1,000 or any integral multiple thereof. Securities may be exchanged, upon presentation thereof for that purpose, at the office or agency of the Company in the City of Monroe and State of Louisiana, for other Securities of authorized denominations, and for a like aggregate principal amount and series, and upon payment of a sum sufficient to cover any tax or other governmental charge in relation thereto.

The Securities will not be redeemable prior to maturity.

OR

The Securities may not be redeemed prior to _____. The Securities may be redeemed from time to time on not less than 30 nor more than 60 days' prior notice given as provided in the Indenture, as a whole or in part, at the option of the Company, on any date or dates on or after _____, and prior to maturity, at the applicable percentage of the principal amount thereof to be redeemed as set forth below under the heading "Redemption Price" during the respective twelve month periods beginning ____ of the years shown below:

Year	Redemption Price
----	-----
	percent

together, in each case, with accrued interest to the date fixed for redemption (but if the date fixed for redemption is an interest payment date, the interest installment payable on such date shall be payable to the registered holder at the close of business on the applicable record date).

As provided in the Indenture and subject to certain limitations therein set forth, this Security is transferable by the registered holder hereof on the Security Register of the Company, upon surrender of this Security for registration of transfer at the office or agency of the Company in the City of Monroe and State of Louisiana accompanied by a written instrument or instruments of transfer in form satisfactory to the Company or the Security Registrar duly executed by the registered holder hereof or his attorney duly authorized in writing, and thereupon one or more new Securities of authorized denominations and for the same aggregate principal amount and series will be issued to the designated transferee or transferees. No service charge will be made for any such transfer, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in relation thereto.

Prior to due presentment for registration of transfer of this Security the Company, the Trustee, any Paying Agent and any Security Registrar may deem and treat the registered holder hereof as the absolute owner hereof (whether or not this Security shall be overdue and notwithstanding any notice of ownership or writing hereon made by anyone other than the Security Registrar) for the purpose of receiving payment of or on account of the principal hereof and interest due hereon and for all other purposes, and neither the Company nor the Trustee nor any paying agent nor any Security Registrar shall be affected by any notice to the contrary.

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 of 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 Senior Notes are payable on the terms and conditions specified in the Indenture and notices, presentations and demands to or upon the Company in respect the Senior Notes may be given or made, (ii) the Senior Notes may be surrendered for transfer or exchange and transferred or exchanged in accordance with the terms of the Indenture and (iii) books for the registration and transfer of the Senior Notes shall be kept;

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

(4) The Senior Notes 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 Senior Notes of each such series set forth in these resolutions is hereby approved and adopted.

FURTHER 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 included as an exhibit to the registration statement of Form S-3 filed by the Company on December 11, 1997 and declared effective _____ (Registration No. 333-_____) (the "Registration Statement"), reflecting the terms of the sale of the Series _____ Notes to the Underwriters named in such agreement, along with the accompanying Price Determination Agreement that confirms that the sale price of the Series _____ Notes (after deducting an underwriting discount of ____ percent) shall be ____ percent of the principal amount thereof;

(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 Series _____ Notes as required by Section 2.01 of the Indenture;

(3) The President or any Vice President of the Company is hereby authorized to execute \$ _____ aggregate principal amount of Series _____ Notes 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 Senior Notes cease to be such an officer prior to their issuance, the Series _____ Notes 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 Series _____ Notes 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 Series _____ Notes 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 Series _____ Notes;

(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 Series _____ Notes for application as described in the offering materials prepared and filed, or to be prepared and filed, in connection with the offering of the Series _____ Notes, 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 Series _____ Notes 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 Series _____ Notes;

(7) The preparation, dissemination and filing with the Securities and Exchange Commission of the preliminary prospectus supplement dated _____ (to the prospectus dated _____ forming a part of the Registration Statement) is hereby ratified and confirmed in all respects, and the officers of the Company are hereby authorized to prepare, disseminate and file with the Securities

and Exchange Commission any additional preliminary or definitive 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 obtaining all necessary and appropriate CUSIP numbers and debt ratings, retaining all necessary printing 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.

Jones, Walker Waechter, Poitevent Carrere & Denegre, L.L.P.

December 11, 1997

Century Telephone Enterprises, Inc.
100 Century Park Drive
Monroe, Louisiana 71203

RE: Registration Statement on Form S-3 Century Telephone Enterprises, Inc.

("Century")

Gentlemen:

We have acted as Century's special counsel in connection with the preparation of the registration statement on Form S-3 (the "Registration Statement") filed by Century with the Securities and Exchange Commission (the "Commission") on the date hereof relating to the registration of senior unsecured debt securities ("Senior Debt Securities"), preferred stock ("Preferred Stock"), common stock and associated preference share purchase rights ("Common Stock") and warrants to purchase Senior Debt Securities, Preferred Stock or Common Stock ("Warrants" and, collectively with the Senior Debt Securities, Preferred Stock and Common Stock, the "Securities") which may be issued from time to time in one or more series as determined by Century's Board of Directors in subsequent resolutions ("Subsequent Resolutions") and as set forth in a supplement to the prospectus (a "Prospectus Supplement") that forms a part of the Registration Statement.

In connection with rendering the opinions expressed below, we have examined original, photostatic or certified copies of (i) the resolutions adopted by the Board of Directors of Century on November 20, 1997 (the "Board Resolutions"), (ii) the Indenture (the "Indenture") dated as of March 31, 1994 between Century and Regions Bank of Louisiana (successor-in-interest to First American Bank & Trust of Louisiana), Monroe, Louisiana, as Trustee (the "Trustee"), and (iii) such other records of Century, certificates of Century's officers and public officials, and such other documents as we have deemed relevant. In our examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such documents.

Based upon the foregoing and subject to the following qualifications and comments, we are of the opinion that:

1. Century is a corporation duly organized, validly existing and in good standing under the laws of the State of Louisiana and has all requisite corporate power to issue the Securities.
2. Each series of Senior Debt Securities will be legally issued and binding obligations of Century when (i) the Registration Statement, as finally amended, shall have become effective under the Act, (ii) any necessary supplemental indenture to the Indenture shall have been duly authorized, executed and delivered by Century and the Trustee, (iii) the terms of such series of Senior Debt Securities shall have been established and approved in accordance with Subsequent Resolutions, as contemplated by the Indenture and the Registration Statement, (iv) a Prospectus Supplement with respect to such series of Senior Debt Securities shall have been filed (or transmitted for filing) with the Commission pursuant to Rule 424(b) of the Act and (v) any required certificates representing such series of Senior Debt Securities shall have been duly authenticated, executed and delivered in accordance with the Indenture, and such Securities shall have been duly delivered to the purchasers thereof against payment of the agreed consideration therefor in accordance with the applicable underwriting, purchase or similar agreement.
3. The Common Stock will be legally issued, fully paid and non-assessable when (i) the Registration Statement, as finally amended, shall have become effective under the Act, (ii) the issuance and sale of the Common Stock shall have been approved, in conformity with applicable law, in accordance with Subsequent Resolutions, as contemplated by the Registration Statement, (iii) a Prospectus Supplement with respect to such shares of Common Stock shall have been filed (or transmitted for filing) with the Commission pursuant to Rule 424(b) of the Act and (iv) certificates representing the Common Stock shall have been duly executed, countersigned and registered and duly delivered to the purchasers thereof against payment of the agreed consideration therefor (but not less than the par value) in accordance with the applicable underwriting, purchase or similar agreement.
4. Each series of Warrants to purchase Senior Debt Securities will be legally issued and binding obligations of Century when (i) the Registration Statement, as finally amended, shall have become effective under the Act, (ii) a Warrant Agreement relating to such Warrants shall have been duly authorized, executed and delivered by Century and the warrant agent or agents thereunder, (iii) the terms of such Warrants shall have been established and approved in accordance with Subsequent Resolutions, as contemplated by the Registration Statement and the Warrant Agreement relating to such Warrants, (iv) a Prospectus Supplement with respect to such Warrants shall have been filed (or transmitted for filing) with the Commission pursuant to Rule 424(b) of the Act, (v) any and all actions required under the Indenture to validly issue the Senior Debt Securities upon exercise of the Warrants shall have been taken and (vi) such Warrants shall have been duly executed and authenticated or countersigned as provided in the Warrant Agreement relating thereto and duly delivered to the purchasers thereof against

payment of the agreed consideration therefor in accordance with the applicable underwriting, purchase or similar agreement.

5. Each series of Preferred Stock will be legally issued, fully paid and non-assessable when (i) the Registration Statement, as finally amended, shall have become effective under the Act, (ii) the terms of such series of Preferred Stock shall have been established and approved, in conformity with applicable law, in accordance with Subsequent Resolutions, as contemplated by the Registration Statement, (iii) Articles of Amendment setting forth the terms of such series of Preferred Stock shall have been duly executed, acknowledged, filed and recorded and shall have become effective in accordance with the Louisiana Business Corporation Law, (iv) a Prospectus Supplement with respect to such series of Preferred Stock shall have been filed (or transmitted for filing) with the Commission pursuant to Rule 424(b) of the Act and (v) certificates representing such series of Preferred Stock shall have been duly executed, countersigned and registered and duly delivered to the purchasers thereof against payment of the agreed consideration therefor (but not less than par value) in accordance with the applicable underwriting, purchase or similar agreement.

6. Each series of Warrants to purchase Common Stock or Preferred Stock will be legally issued and binding obligations of Century when (i) the Registration Statement, as finally amended, shall have become effective under the Act, (ii) a Warrant Agreement relating to such Warrants shall have been duly authorized, executed and delivered by Century and the warrant agent or agents thereunder, (iii) the terms of such Warrants shall have been established and approved in accordance with Subsequent Resolutions, as contemplated by the Registration Statement and the Warrant Agreement relating to such Warrants, (iv) a Prospectus Supplement with respect to such Warrants shall have been filed (or transmitted for filing) with the Commission pursuant to Rule 424(b) of the Act, (v) any and all action required under the Louisiana Business Corporation Law to validly issue Common Stock or Preferred Stock upon exercise of the Warrants shall have been taken and (vi) such series of Warrants shall have been duly executed and authenticated or countersigned as provided in the Warrant Agreement relating thereto and duly delivered to the purchasers thereof against payment of the agreed consideration therefor in accordance with the applicable underwriting, purchase or similar agreement.

In connection with our opinions expressed above, we have assumed that, at or prior to the time of the delivery of any such Security: (i) the Board of Directors of Century shall have duly authorized the issuance and sale of each such Security pursuant to the adoption of Subsequent Resolutions and such authorization shall not have been modified or rescinded; (ii) the Registration Statement shall have been declared effective and such effectiveness shall not have been terminated or rescinded; (iii) the Indenture has been duly authorized, executed and delivered by Century and the Trustee and the Indenture has been and continues to be qualified under the Trust Indenture Act of 1939, as amended; and (iv) there will not have occurred any change in law affecting the validity or enforceability of any such Security. We have also assumed that none of the terms of any Security to be established subsequent to the date hereof nor the issuance and delivery of such Security, nor the compliance by Century with the terms of such Security will violate any applicable law or will result in a violation of any provision of any instrument or agreement then binding upon Century, or any restriction imposed by any court or governmental body having jurisdiction over Century or its assets.

The opinions set forth in paragraphs 2, 4 and 6 hereof are subject to the qualification that enforceability may be limited by (i) applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium or similar laws of general applicability relating to or affecting the enforcement of creditors' rights, (ii) general principles of equity (regardless of whether enforceability is considered in a proceeding in equity or at law) and (iii) governmental authority to limit, delay or prohibit the making of payments outside of the United States or in a foreign currency or currency unit.

The opinions rendered herein are specifically limited to currently applicable United States federal law and the laws of the State of Louisiana as they relate to the opinions expressed herein. We are members of the bar of the State of Louisiana and have neither been admitted to nor purport to be experts on the laws of any other jurisdiction. We express no opinion as to the application of the securities or blue sky laws of the various states to the sale of any Securities.

We consent to the filing of this opinion as an exhibit to the Registration Statement and to the reference to us in the prospectus forming a part thereof under the caption "Legal Matters." In giving this consent, we do not admit that we are within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, as amended, or the general rules and regulations of the Commission.

Yours very truly,

**JONES, WALKER, WAECHTER,
POITEVENT, CARRERE & DENEGRÉ, L.L.P.**

By: /s/ Kenneth J. Najder
Kenneth J. Najder

Exhibit 12 to Registration Statement

RATIO OF EARNINGS TO FIXED CHARGES
(unaudited)

	Year Ended December 31,					Nine Months Ended Sept. 30, 1997	Pro Forma Consolidated	
							For the Year Ended	Nine Months Ended
	1992	1993	1994	1995	1996		Dec. 31, 1996	Sept. 30, 1997
	(Dollars in Thousands)							
Income before the cumulative effect of changes in accounting principles	\$59,973	\$69,004	\$100,238	\$114,776	\$129,077	\$157,744	120,632	158,648
Income taxes.	32,599	37,252	61,300	68,292	74,565	90,251	87,174	104,988
Pretax income	92,572	106,256	161,538	183,068	203,642	247,995	207,806	263,636
Adjustments to Earnings:								
Fixed charges.	27,817	30,275	43,131	44,558	46,388	34,777	187,165	140,729
Capitalized interest .	(547)	(76)	(392)	(746)	(1,063)	(677)	(1,063)	(677)
Preferred dividends of subsidiaries paid to outside parties .	(104)	(50)	(162)	(197)	(663)	(561)	(663)	(561)
Gross earnings from unconsolidated cellular partnerships	(2,526)	(7,004)	(16,049)	(20,155)	(26,952)	(21,750)	(32,099)	(28,386)
Distributed earnings from unconsolidated cellular partnerships. . . .	395	1,587	5,969	4,957	15,648	9,173	15,648	9,173
Gross losses from unconsolidated cellular partnerships. . . .	834	378	351	71	-	-	-	-
Minority losses from majority-owned subsidiaries. . . .	(315)	(625)	(509)	(321)	(239)	(1,507)	-	(1,507)
Earnings as adjusted. . .	118,126	130,741	193,877	211,235	236,761	267,450	376,794	382,407
Fixed charges:								
Interest expense . . .	27,166	30,149	42,577	43,615	44,662	33,539	179,269	134,491
Interest capitalized .	547	76	392	746	1,063	677	1,533	677
Interest portion of rental expense. . .	-	-	-	-	-	-	5,700	5,000
Preferred dividends of subsidiaries paid to outside parties	104	50	162	197	663	561	663	561
	27,817	30,275	43,131	44,558	46,388	34,777	187,165	140,729
Ratio of earnings to fixed charges.	4.25	4.32	4.50	4.74	5.10	7.69(1)	2.01	2.72(2)

- (1) 5.67 excluding the gain on the sale of Century's competitive access subsidiary in the second quarter of 1997.
- (2) 2.22 excluding the gain on the sale of Century's competitive access subsidiary in the second quarter of 1997.

Exhibit 23.1

INDEPENDENT AUDITORS' CONSENT

The Board of Directors
Century Telephone Enterprises, Inc.

We consent to the use of our report dated January 29, 1997, related to the consolidated financial statements and related financial statement schedules of Century Telephone Enterprises, Inc. as of December 31, 1996 and 1995, and for each of the years in the three-year period ended December 31, 1996, incorporated by reference and to the reference to our firm under the heading "Experts" in the prospectus constituting part of the Registration Statement on Form S-3 of Century Telephone Enterprises, Inc. to be filed on or about December 11, 1997.

/s/ KPMG Peat Marwick LLP

KPMG PEAT MARWICK LLP

Shreveport, Louisiana
December 11, 1997

Exhibit 23.2

INDEPENDENT AUDITORS' CONSENT

Pacific Telecom, Inc.:

We consent to the use in this Registration Statement of Century Telephone Enterprises, Inc. on Form S-3 of our report dated January 27, 1997, appearing in the Annual Report on Form 10-K included herein of Pacific Telecom, Inc. for the year ended December 31, 1996.

We also consent to the reference to us under the heading "Experts" in such Prospectus.

/s/ Deloitte & Touche LLP

DELOITTE & TOUCHE LLP

Portland, Oregon

December 11, 1997

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED: DECEMBER 31, 1996

OR

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

FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER: 0-873

PACIFIC TELECOM, INC.
(Exact name of registrant as specified in its charter)

STATE OF WASHINGTON
(State or other jurisdiction of
incorporation or organization)

91-0644974
(I.R.S. Employer
Identification No.)

805 BROADWAY, P.O. BOX 9901, VANCOUVER, WASHINGTON
(Address of principal executive offices)

98668-8701
(Zip Code)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (360)905-5800

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT: None

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 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

☒ 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. ☒

As of March 14, 1997, there were 100 shares of Common Stock outstanding. The aggregate market value of voting stock held by nonaffiliates of the Registrant: None

THIS REGISTRANT MEETS THE CONDITIONS SET FORTH IN GENERAL INSTRUCTION J(1)(A) AND (B) OF FORM 10-K AND IS THEREFORE FILING THIS FORM 10-K WITH THE REDUCED DISCLOSURE FORMAT.

DOCUMENTS INCORPORATED BY REFERENCE: NONE

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DEFINITIONS

When the following terms are used in the text, they will have the meanings indicated:

TERM ----	MEANING -----
Alaska Spur	A portion of the North Pacific Cable that links Alaska and the lower 48 states
AT&T	AT&T Corp.
Alascom	Alascom, Inc., a wholly-owned subsidiary of PTI until its sale to AT&T in August 1995
Company	PTI and its subsidiaries
FCC	Federal Communications Commission
FMUS	Fairbanks Municipal Utility System
GTE	GTE North Incorporated
Holdings	PacifiCorp Holdings, Inc., a wholly-owned subsidiary of PacifiCorp
LEC	Local exchange company
MSA	Metropolitan statistical area
NPC	North Pacific Cable, a submarine fiber optic cable between the U.S. and Japan
PCS	Personal communication services
PTC	Pacific Telecom Cable, Inc., an 80 percent owned subsidiary of PTI
PT Cellular	Pacific Telecom Cellular, Inc., a wholly-owned subsidiary of PTI
PT Transmission	Pacific Telecom Transmission Services, Inc., a wholly-owned subsidiary of PTI
PTI	Pacific Telecom, Inc., a Washington corporation
RSA	Rural service area
U.S.	United States of America
USF	Universal Service Fund
USWC	US WEST Communications, Inc.

PART I

Item 1. BUSINESS

Introduction

PTI was organized in 1955 to provide telephone service to suburban and rural communities principally in the Pacific Northwest. Since that time, the Company has grown significantly through acquisitions and expansion of its service offerings in several areas within the telecommunications industry. This expansion included investments in cellular telephone operations, international communications, including the construction of a trans-Pacific fiber optic cable and, until August 1995, the provision of long distance services in the State of Alaska through Alascom. Over the past few years, the Company's strategy has been to focus on its core business of providing local exchange service to suburban and rural markets and to divest its diversified portfolio of noncore businesses. This strategy has been implemented through the acquisition of LECs, the sale of certain international operations, the consolidation and sale of cellular holdings, and the sale of Alascom to AT&T.

The Company is a wholly-owned subsidiary of Holdings, which is a wholly-owned subsidiary of PacifiCorp. On September 27, 1995, holders of a majority of the approximately 5.3 million shares of outstanding common stock held by minority shareholders voted in favor of the merger of a wholly-owned subsidiary of Holdings into the Company. As a result of the merger, the Company has a liability at December 31, 1996 of \$29.5 million to be paid to dissenters in the merger based on \$30.00 per share fair value for their shares, including interest on the liability accrued at a rate equal to 5.97 percent per annum. The Company also has a receivable from Holdings in the amount of the accrued liability to dissenters. PTI had been a majority-owned subsidiary of PacifiCorp since 1973.

Telecommunications Operations

Local Exchange Companies

The Company's LECs operate under a common business and brand name, PTI Communications. This marketing concept creates a unified identity for the local operations, improves communication with customers and assists in the marketing of new products and services. As one of the major independent telephone companies in the U.S., the Company's LECs provide both local telephone service and access to the long distance network for customers in their respective service areas. The LECs also provide directory advertising and, through contracts with interexchange carriers, billing and collection services. At December 31, 1996, the Company operated 13 LECs within eleven states comprised of 559,500 access lines in 344 exchanges. The average number of access lines per exchange is approximately 1,626, reflecting the lower population density generally found in the Company's service areas. The Company's largest exchange in terms of access lines is in Kalispell, Montana, which had 26,594 access lines at December 31, 1996. Service areas are located primarily in the states of Alaska, Colorado, Montana, Oregon, Washington and Wisconsin. States also served, but to a lesser extent, include Idaho, Iowa, Minnesota, Nevada and Wyoming. (See "Regulation.") The Company provides centralized administrative and support services to field operations from its corporate offices in Vancouver, Washington.

The LECs experienced strong internal access line growth in certain service areas, as evidenced by a 5.5 percent increase in access lines served during 1996. As a result of acquisitions in Colorado, Washington and Oregon, the Company added 90,000 access lines in 1995, an increase of 22 percent. The Company has definitive agreements with USWC and GTE to purchase local exchange telephone properties in Minnesota and Michigan, respectively. The Minnesota properties represent 32 exchanges serving 27,100 access lines and the Michigan properties represent eight exchanges serving 11,300 access lines. The Company has a definitive agreement with the City of Fairbanks to acquire its telephone and cellular operations, FMUS, that have approximately 32,000 access lines and 6,800 cellular customers. These acquisitions are subject to regulatory approval and are expected to close in 1997. The Company has letters of intent to acquire operations representing eight exchanges serving approximately 4,300 access lines. These acquisitions are subject to completion of due diligence investigations, negotiations of definitive purchase agreements and regulatory approval.

Cellular Operations

The Company's wholly-owned subsidiary, PT Cellular, is a holding company with subsidiaries in Alaska, Michigan, Oregon, South Dakota, Washington and Wisconsin. The Company has ownership interests with respect to 24 MSAs and RSAs and manages 10 of these interests in Alaska, Michigan and Wisconsin. The Company also manages one other RSA in Wisconsin in which it has no ownership interest. Revenues from cellular operations represented approximately eight percent of total Company revenues in 1996.

The Company may increase its ownership interests in certain cellular properties in order to achieve ownership control or to consolidate the Company's cellular service areas into larger contiguous units for operating and network efficiencies. This plan may be accomplished through the exchange of existing cellular interests and/or future acquisitions.

Due to the purchase of cellular properties with the pending FMUS acquisition, the Company would own a portion of both the wireline and non wireline channel blocks in Alaska RSA #1. The FCC rules generally prohibit direct or indirect ownership interest in licensees for both blocks in the same cellular geographic service areas. Therefore, the Company will be required to sell one of the channel blocks located in Alaska RSA #1.

On January 14, 1997, the FCC completed its auction of 1,479 licenses to provide broadband PCS on the D, E and F blocks in the two GHz frequency band. Each license authorizes service on 10 MHz of spectrum in one of 493 Basic Trading Areas, with three licenses awarded in each area. The Company, through its wholly-owned subsidiary MVI, Corp., was high bidder on eleven licenses in Wisconsin, eight licenses in Michigan, three licenses each in Minnesota and Alaska and one license each in Montana, Iowa and Colorado. The Company's average bid per POP for these licenses was \$2.17. These licenses overlap the Company's existing cellular and local exchange properties. The Company continues to evaluate the potential services to be offered within each license area, but anticipates initial deployment of services in some areas to commence in late 1997. The FCC requires that an adequate signal be provided to at least one-quarter of the population of the licensed area within five years of the license grant. Funds to be used to purchase the PCS licenses will be provided from the sale of cellular interests in two properties in Wisconsin.

Pacific Telecom Cable

PTC, which is owned 80 percent by PTI and 20 percent by Cable & Wireless plc (C&W), a United Kingdom corporation, is involved in the operation, maintenance and sale of capacity of a submarine fiber optic cable between the U.S. and Japan, known as the NPC. The eastern end of the cable is operated by PTC. The western end is operated by International Digital Communications, Inc. (IDC), a Japanese corporation. Major IDC shareholders include C. Itoh & Co., Ltd, Toyota Motor Corporation, Pacific Telesis International and C&W.

The NPC was the first submarine fiber optic cable to provide direct service between the U.S. and Japan. In addition, through the Alaska Spur, it provides the first and only digital fiber optic link between Alaska and the lower 48 states. Service between the U.S. and Japan is carried on three, 420 Mbit/s digital fiber optic pairs, providing a total capacity of 1,260 Mbit/s. Service between Alaska and the lower 48 states is carried on one, 420 Mbit/s digital fiber optic pair. On the eastern end, the cable lands at Pacific City, Oregon and Seward, Alaska. From the landing stations, traffic is transmitted to carrier access centers near Portland, Oregon and Anchorage, Alaska for interconnection with digital communications facilities serving the lower 48 states and Alaska and with facilities transmitting traffic to foreign countries. On the western end, the cable lands at Miura, Japan, and traffic is transmitted to IDC's carrier access centers in Tokyo, Yokohama and Osaka for interconnection with Japanese domestic service providers. For service to points beyond Japan, IDC has constructed a 75-mile submarine cable from Miura to Chikura where it interconnects with other international cables. IDC also participates in the Asia Pacific Cable system that links Miura with Hong Kong, Singapore, Taiwan and Malaysia. (See Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" for information about cable outages during 1995.) At December 31, 1996, approximately 59 percent of the cable's 17,010 circuit capacity had been sold.

PT Transmission provides restoration services for the eastern end of the NPC under the terms of its tariff. In the event of a cable failure, restoration services are provided via a PT Transmission satellite earth station located at Moores Valley, Oregon.

Regulation

The Company's LECs operate in an industry that is subject to extensive regulation by the FCC and state regulatory agencies. Virtually all services are provided in accordance with tariffs filed with the appropriate regulatory agencies. The telecommunications industry continues to undergo change as a result of a series of regulatory, judicial and Congressional proceedings regarding the deregulation of certain aspects of the industry. The FCC and certain state regulatory agencies are also pursuing alternative forms of regulation that depart from traditional rate-of-return regulation for telecommunications companies such as the Company. These alternatives include opening local exchange franchises to encourage greater competition.

In 1993, the Wisconsin legislature enacted a new model to manage the transition to a competitive telecommunications marketplace. Telecommunication utilities are permitted to file alternatives to traditional rate-of-return regulation, and the Company's Wisconsin LEC operations received approval of an alternative regulation plan effective July 1, 1996. The plan covers a five-year period and includes a provision that allows the Company to adjust rates within specified parameters if certain quality-of-service and infrastructure-development commitments are met. The alternative regulation plan also included proposed open market initiatives designed to facilitate the introduction of local exchange competition in the Company's Wisconsin service territory.

On February 8, 1996, President Clinton signed into law the Telecommunications Act of 1996 (the 1996 Act). The 1996 Act addresses a substantial number of telecommunications matters, with a general goal of promoting the development of competitive service provisioning in all telecommunications markets over time, including local exchange services. Among the many issues comprehended by the 1996 Act are those affecting removal of barriers to entry for various geographic and service markets, universal service standards and mechanisms, eligibility for and access to universal service support funding, interconnection and unbundling of telecommunications networks (including exemption, suspensions, and modifications of requirements pertaining thereto for certain classes of carriers), large carrier (Bell Operating Companies) entry into interstate interexchange communications markets, and infrastructure sharing.

The 1996 Act, which applies generally to the Company, also contains provisions with specific import for the Company's operations. Definitional provisions classify the Company as a "rural telephone company" for certain purposes of the Act. Various of the interconnection and unbundling requirements applicable generally to incumbent local exchange carriers are subject to exemption provisions available to rural telephone companies, which the Company is under the above definition, or to waiver provisions for local exchange companies with less than two percent of the total nationwide access lines, which qualification the Company also meets. The 1996 Act authorizes the establishment of USF to provide support for eligible telecommunications carriers, for which designation the Company believes it will qualify in the future. Management believes these and other provisions will prove consistent with the Company's current and planned operations. The Company recognized USF revenues of \$55.1 million in 1996 and anticipates recognition of approximately \$56.0 million in 1997.

With respect to a number of matters, the 1996 Act permits or requires further proceedings by the FCC, or state regulatory commissions, or both. Following the effective date of the 1996 Act, the FCC initiated more than one hundred separate dockets to address various aspects of the 1996 Act's implementation. Also, a Federal-State Joint Board was convened to examine and to make recommendations concerning issues pertaining to future universal service definitions and the establishment of mechanisms for support funding. Independently, a number of state regulatory commissions overseeing the Company's local exchange operations within the states commenced proceedings relating to both the 1996 Act and specific state statutory initiatives and requirements. The Company has participated actively in all major proceedings which are likely to have an impact upon its future operations and financial performance. Additionally, the Company has helped to organize or has participated, or both, in industry organizations in an effort to communicate its views effectively on these various issues.

The Company believes that the 1996 Act, and the regulatory proceedings deriving therefrom, continue to prove consistent with the long-term strategic plan of the Company. Based in part upon the rural nature of the Company's operations and the recognition currently being accorded to rural serving requirements in the 1996 Act and derivative regulatory proceedings, the Company does not believe that the Act and its associated regulatory interpretations will have a material adverse impact on the Company's financial results of operations.

The Company's cellular interests are regulated by the FCC with respect to the construction, operation and technical standards of cellular systems and the licensing and designation of geographic boundaries of service areas. Certain states also require operators of cellular systems to satisfy a state certification process to serve as cellular operators.

Employees

At December 31, 1996, the Company had 2,187 employees, approximately 32 percent of whom were members of five different bargaining units. These units are represented by the International Brotherhood of Teamsters, the International Brotherhood of Electrical Workers, Communication Workers of America or the NTS Employee Committee. Relations with represented and non-represented employees continue to be generally good.

Item 2. PROPERTIES

The telephone properties of the Company's LECs include central office equipment, microwave and radio equipment, poles, cables, rights of way, land and buildings, customer premise equipment, vehicles and other work equipment. Most of the Company's division headquarters buildings, telephone exchange buildings, business offices, warehouses and storage areas are owned by the Company's LECs. Approximately 39 percent of plant assets are pledged to secure long-term debt. In addition, certain of the LECs' microwave facilities, central office equipment and warehouses are located on leased land. Such leases are not considered material, and their termination would not substantially interfere with the operation of the Company's business. (See "Item 1. Business - Telecommunications Operations - Local Exchange Companies" for information regarding the states in which the Company has LEC operations.)

PT Cellular's subsidiaries are partners in partnerships that own or lease switching facilities, cell site towers, cell site radio equipment and other equipment required to furnish cellular service to the areas they serve. (See "Item 1. Business - Telecommunications Operations - Cellular Operations" for information regarding the states in which the Company has cellular operations.)

The properties of PTC and PT Transmission include a satellite transmit and receive earth station, located at Moores Valley, Oregon, fiber optic cables, land, buildings, operating facilities and business offices, all of which are owned. In addition, PTC leases a duplicate cable for backup between Pacific City, Oregon and Portland, Oregon and business office space. PTC also holds in inventory its portion of the unsold capacity in the NPC and backhaul facilities.

The Company's executive, administrative, purchasing and certain engineering functions are headquartered in Vancouver, Washington. The Company has a 50 percent ownership interest in its headquarters building and, through a long-term lease, occupies approximately 63 percent of the 225,000 square-foot building. The Company owns two mainframe computers and leases most of the other equipment used in conjunction with providing data processing services.

Item 3. LEGAL PROCEEDINGS

The Company is a party to various legal claims, actions and complaints, one of which is described below. Although the ultimate resolution of legal proceedings cannot be predicted with certainty, management believes that disposition of these matters will not have a material adverse effect on the Company's financial position, results of operations or cash flows.

On September 27, 1995, holders of a majority of the approximately 5.3 million shares of outstanding common stock held by minority shareholders of the Company voted in favor of the merger of a wholly-owned subsidiary of Holdings into the Company. As a result of the merger, the common stock held by minority shareholders was converted into the right to receive \$30.00 per share in cash, other than shares as to which dissenters' rights were perfected. Former minority shareholders of the Company who owned approximately 26 percent of the total outstanding shares held by minority shareholders filed notices with the Company asserting dissenters' rights in connection with the merger. Certain of these shareholders have also asserted that the fair value of the Company's common stock, to which they will be entitled under the dissenters' rights provisions of the Washington Business Corporation Act (WBCA), is substantially in excess of the \$30.00 per share paid to the minority shareholders who did not dissent. The process for judicial resolution of dissenting shareholder proceedings is governed by the provisions of the WBCA. On February 12, 1996, the Company filed a petition with the Superior Court of Washington for Clark County in accordance with these provisions (Pacific Telecom, Inc. v. Gabelli Funds, Inc. et. al., Superior Court of Washington for Clark County). Each of the dissenters filed an answer in late March 1996. The dissenters transferred the case to federal district court in Tacoma, Washington, where it is now pending. The number of

shares originally at issue was 1,343,995; however, 13 dissenters, representing 460,800 shares, agreed to accept \$30.00 per share and will be dismissed from the case. As part of the dissenters' pre-trial disclosures, the Company was advised that expert testimony to be offered by the dissenters will be to the effect that the fair value per share of the Company's common stock as of the date of the merger was in the range of \$43.56 to \$50.20. Trial is scheduled for April 14, 1997.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

There is no public market for the Company's common stock. All of the Company's outstanding common stock is owned by Holdings. Dividends are normally declared and paid on a quarterly basis. For 1996 and 1995, dividends paid totalled \$52,816,000 and \$52,267,000, respectively.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *

The Company is continuing with its strategy of focusing resources on providing local exchange telephone services in rural and suburban markets. In late 1995 and during 1996, the Company signed definitive agreements to purchase local exchange telephone properties and operations representing approximately 70,400 access lines and cellular operations representing 6,800 customers. The year ended December 31, 1995 can be best described as a transition year, as the Company successfully exited the long distance business in Alaska and redeployed the proceeds from the divestiture into LEC assets. During 1995, the Company closed three acquisitions of local exchange properties with USWC in Colorado, Washington and Oregon. Assets representing 94 exchanges serving approximately 90,000 access lines were purchased for an aggregate of approximately \$376.3 million. See Note 14 to Consolidated Financial Statements included in Item 8 hereof for information concerning the USWC asset acquisitions.

In August 1995, the Company sold its long distance subsidiary, Alascom, to AT&T in a transaction that provided \$365.5 million in cash. AT&T paid \$290.5 million in cash for the Alascom stock and settlement of all past cost study issues. AT&T also agreed to allow the Company to retain a \$75 million transition payment made by AT&T to Alascom in July 1994 pursuant to an FCC order. See Note 15 to Consolidated Financial Statements included in Item 8 hereof for information concerning the sale of Alascom.

The Company operates predominately in the telecommunications industry through local exchange operations, providing switched and non-switched voice and data communication services, and access to its networks to interexchange carriers. The Company had provided long lines operations until August 7, 1995, when Alascom was sold. The Company is involved with cellular operations which generate revenues from retail and foreign roamer cellular services, as well as from management of cellular properties for other owners. The Company is also engaged in the operation and maintenance of the NPC. Revenues from this cable project are recognized from the sale of capacity on the primary cable and backhaul system and from maintenance and restoration services provided for the system. In 1996, 86 percent of consolidated operating revenues were contributed by local exchange companies, eight percent by cellular operations, five percent by cable and backhaul capacity sales and related cable services and one percent by other activities. Certain revenues from the Company's rate of return regulated operations are based on estimates that are subject to subsequent adjustments in future accounting periods as refined operational information becomes available.

* Pursuant to General Instruction J (1)(a) and (b) of Form 10-K, the Company is substituting a management's narrative analysis of results of operations for Item 7.

The NPC system experienced three outages in 1995. The February and October outages were caused by failure of components covered under existing contractual warranty provisions. NPC's warranty provision requires the contractor to pay for incurred marine operations charges and to replace spares and materials used during the repair. The May outage was caused by an external agency hooking the cable and dragging it on the sea bed until the cable was damaged. During each of the outages, restoration services were provided to customers within three hours after the outage occurred. The NPC system generates positive cash flow for the Company, primarily from the provision of maintenance and restoration services.

The Company's net income for the year ended December 31, 1996 was \$75.3 million, a decrease of 46 percent compared to net income of \$139.6 million in 1995. This decrease was attributable to the after-tax gain on the sale of Alascom of \$66.4 million in 1995. Operating income declined four percent or \$6.6 million in 1996 compared to 1995 due to the \$36.9 million decrease relating to the sale of Alascom. Most of the operating income decline was offset by the acquisition of local exchange assets in Colorado, Washington and Oregon, internal access line growth, revised local exchange revenue estimates for prior years and cellular customer growth. Operating revenues for 1996 were \$521.1 million, a decrease of \$119.0 million, or 19 percent, compared to 1995. Operating expenses in 1996 were \$362.4 million, a decrease of \$112.4 million, or 24 percent, compared to 1995. The local exchange acquisitions completed during 1995 had served to increase both operating revenues and expenses, and substantially replace operating income that had been provided by Alascom. However, with the sale of Alascom, the presentation of long distance network services and access expense tend to distort a year to year comparison of revenue and expenses.

The following table summarizes the effects of the sale of Alascom in August 1995 and the acquisition of LEC assets in 1995 on operating income for the period ended December 31, 1996, when compared to 1995. Other variances are footnoted below:

	Year Ended December 31, 1995	Alascom Seven Months Ended July 31, 1995	Variance due to LEC Acquisitions	Other	Year Ended December 31, 1996
	-----	-----	-----	-----	-----
	(in millions)				
Operating revenues:					
Local network service	\$120.5		\$ 7.5	\$12.9 (a)	\$140.9
Network access service	223.7		32.9	2.5 (b)	259.1
Long distance network service	150.1	\$(148.9)	.3	.1	1.6
Private line service	34.3	(34.3)			-
Sales of cable capacity	3.4			5.0 (c)	8.4
Cellular	33.9			10.1 (d)	44.0
Other	74.2	(9.9)	1.8	1.0	67.1
	-----	-----	-----	-----	-----
Total operating revenues	640.1	(193.1)	42.5	31.6	521.1
	-----	-----	-----	-----	-----
Operating expenses:					
Plant support	112.4	(26.3)	5.1		91.2
Depreciation and amortization	105.8	(19.6)	11.7	4.4 (e)	102.3
Leased circuits	20.9	(16.3)	.1	(2.2) (f)	2.5
Access expense	53.0	(53.0)			-
Other operating expense	37.9	(9.3)	1.1	1.4 (g)	31.1
Cost of cable sales	2.2			4.5 (h)	6.7
Customer operations	58.4	(15.8)	.7	2.1 (i)	45.4
Administrative support	68.3	(14.8)	3.3	6.8 (j)	63.6
Taxes other than income taxes	15.9	(1.1)	2.4	2.4 (k)	19.6
	-----	-----	-----	-----	-----
Total operating expenses	474.8	(156.2)	24.4	19.4	362.4
	-----	-----	-----	-----	-----
Operating income	\$165.3	\$(36.9)	\$18.1	\$12.2	\$158.7
	=====	=====	=====	=====	=====

(a) Revenue from enhanced services, such as caller name and number identification, voice messaging, automatic call back, auto recall and call trace, of \$4.1 million, revenue from LEC access line growth of \$6.1 million, LEC installation related charges of \$1.0 million due to customer growth and certain rate increases and extended area services of \$1.0 million accounted for most of the \$12.9 million increase in local network service revenue.

(b) Network access service revenue grew by \$2.5 million, with \$3.4 million resulting from access line growth and higher minutes of use and \$2.8 million resulting from revised LEC revenue estimates for prior years. This increase was partially offset by decreased Universal Service Fund (USF) support of \$3.9 million. The national average cost per access line to provide service to rural telephone customers (the USF benchmark) increased while the Company's cost per access line increased at a rate below the national average. This caused a slight decrease in the USF support received per access line.

(c) Sales of cable capacity increased \$5.0 million due to additional circuit sales.

(d) Cellular revenue grew \$10.1 million due to growth in customers and increased roamer revenues.

(e) Depreciation expense was higher by \$4.4 million, which included \$3.4 million due to increased LEC depreciable plant balances and \$.7 million due to growth in cellular operations.

(f) Leased circuits expense decreased \$2.2 million in 1996 mainly due to the cable outage restoration services provided in February and May 1995.

(g) Other operating expense increased \$1.4 million primarily due to growth in cellular operations.

(h) Cost of cable sales increased by \$4.5 million due to additional circuit sales.

(i) Customer operations expense grew \$2.1 million, which included \$1.1 million due to growth in cellular operations and \$.9 million due to LEC customer growth.

(j) Administrative support increased \$6.8 million mainly due to customer growth, systems development and acquisition activities.

(k) Taxes other than income taxes increased \$2.4 million mainly due to higher property valuations and growth in excise taxes due to increased LEC revenues.

Other expense - net was \$36.0 million in 1996 compared to other income - net of \$21.3 million in 1995. Gain on sale of subsidiaries and investments included pre-tax gains on cellular properties of \$3.7 million in 1996 and the pre-tax gain on the sale of Alascom of \$66.5 million in 1995. Other expense was lower in 1996 due to higher cellular and LEC equity income of \$2.7 million and because 1995 included \$1.5 million of costs relating to Holdings' offer to purchase the minority interest in the Company.

INCOME TAXES		

(in millions, except percentages)		
	1996	1995
	-----	-----
Income tax expense	\$47.5	\$47.0
Effective income tax rate	38.7%	25.2%

Income tax expense increased due to higher taxable income. The financial statement gain on the sale of Alascom in 1995 was recorded without federal or state income tax expense, because the tax basis in Alascom was greater than the selling price. This caused the effective tax rate to decline in 1995. Excluding the sale of Alascom, the Company's effective tax rate would have been 39.1 percent in 1995. See Note 6 to the Consolidated Financial Statements for an explanation of the tax impact of the gain on the sale of Alascom.

LIQUIDITY AND CAPITAL RESOURCES

(in millions)

	Plan 1997	1996	1995
	-----	----	----
Capital expenditures:			
Local exchange companies	\$126	\$113	\$106
Long Lines	-	-	7
Cellular	7	6	7
Other	4	3	2
	---	---	---
Total capital expenditures	\$137	\$122	\$122
	===	===	===
Acquisitions - LEC	\$432	\$ -	\$368
	===	===	===
Acquisitions - PCS	\$ 10	\$ -	\$ -
	===	===	===

Planned acquisitions during 1997 include the purchase of assets or operations in Minnesota, Michigan, Fairbanks, Alaska and other acquisitions for an aggregate \$252 million, which includes a \$5 million escrow payment made during 1995, escrow payments totalling \$2 million made during 1996, and approximately \$20 million for cash to be acquired in the acquisitions. Also included in planned acquisitions in 1997 are \$200 million for asset purchases not yet identified and that may not be completed before year end. The Company plans to fund these acquisitions with medium-term note issuances, internally generated cash and short-term debt. If all the planned acquisitions close during 1997, debt as a percentage of total capitalization is anticipated to be 53 percent by year end 1997.

CAPITAL EXPENDITURES

The Company's capital expenditures during 1996 were funded through internally generated cash of \$197 million. The acquisitions in 1995 were funded primarily by proceeds from the sale of Alascom and borrowings under the Series B Medium-term Notes program. The Company expects to fund its capital expenditures in 1997 primarily through internally generated cash. Capital expenditures during 1996 related mainly to network upgrades and growth in the Company's operations. Significant network upgrades were made during 1996 to acquired LEC assets.

ACQUISITIONS

The Company has a stated objective of growing its local exchange operations through internal growth and acquisitions. The Company intends to pursue acquisitions of independent telephone companies, and to participate in the rural divestiture strategy of USWC and other large regional holding companies. While the Company's primary goal is to acquire properties in its current operating states, it would consider entering new states if an acquisition opportunity were of sufficient size. The Company believes that significant economies of scale and associated cash flow benefits can be generated by acquiring new properties and integrating them into the Company's administrative and operations structure. See Notes 13 and 14 to Consolidated Financial Statements included in Item 8 hereof for information concerning the asset and operation acquisitions that were completed in 1995 and those that are pending in 1997, respectively.

DISPOSITIONS

In February 1997, the Company sold its cellular interests in Brown County (Wisconsin) and Wisconsin RSA 10 for net cash proceeds of \$10.3 million and a net gain of \$.1 million. Proceeds of the sale will be used to purchase PCS licenses. See Item 1. "Business - Telecommunications Operations - Cellular" for information concerning PCS license purchases.

See Notes 5 and 15 to Consolidated Financial Statements included in Item 8 hereof for information concerning the sales of cellular properties and the sale of Alascom.

LONG-TERM AND SHORT-TERM DEBT		

(in millions, except percentages)		
	December 31,	
	-----	-----
	1996	1995
	----	----
Long-term debt	\$527.9	\$459.5
Short-term debt	18.0	90.0
Currently maturing long-term debt	15.8	5.5
	-----	-----
	\$561.7	\$555.0
	=====	=====
Debt as a percent of total capitalization	41.4%	41.8%
	=====	=====

In January 1996, the Company established a \$200 million Series C Medium-term Notes program. During 1996, the Company issued \$133.5 million of such notes and used the proceeds primarily to repay short-term debt. The remaining \$66.5 million will be used primarily to fund future acquisitions.

The Company has access to funds through its \$300 million revolving credit agreement which terminates in November 1999. At December 31, 1996, no borrowings were outstanding under this agreement. (See Note 11 to Consolidated Financial Statements included in Item 8 hereof.) The revolving credit agreement also serves as backup for a \$100 million commercial paper program, under which no borrowings were outstanding at December 31, 1996. The Company had \$43 million outstanding under other available banking arrangements at December 31, 1996. Short-term borrowings from other available banking arrangements of \$25 million have been classified as long-term debt at December 31, 1996 based on management's intent and the Company's ability to support this debt on a long-term basis. The Company is currently engaged in negotiations to replace the existing credit agreement with a comparable facility.

At December 31, 1996, the Company had approval from the Rural Telephone Bank to borrow \$15.8 million in additional Rural Utilities Service debt for certain construction projects.

Any temporary cash or liquidity requirements during 1997 will be met through utilization of funds available under the revolving credit agreement or temporary advances from Holdings. (See Note 2 to Consolidated Financial Statements included in Item 8 hereof.) Long-term liquidity requirements will be met through utilization of funds available under the revolving credit agreement or the Series C Medium-term Notes program. Cash needed to pay dissenters' rights is to be provided by Holdings. (See Note 2 to Consolidated Financial Statements included in Item 8 hereof.)

REGULATION

See Item 1. "Business - Regulation" for information concerning regulation.

FORWARD-LOOKING STATEMENTS

The information in the tables and text in this document include certain forward-looking statements that involve a number of risks and uncertainties that may influence the financial performance and earnings of the Company and its subsidiaries. When used in this "Management's Discussion and Analysis of Financial Condition and Results of Operations," the words "estimates", "expects", "anticipates", "forecasts", "plans", "intends" and variations of such words, and similar

expressions are intended to identify forward-looking statements that involve risks and uncertainties. There can be no assurance the results predicted will be realized. Actual results will vary from those represented by the forecasts, and those variations may be material.

The following factors are among the factors that could cause actual results to differ materially from the forward-looking statements: utility commission practices; regional economic conditions; environmental, regulatory and tax legislation; technological developments in the telecommunications industry; and the cost of debt and equity capital. Any forward-looking statements issued by the Company should be considered in light of these factors.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEPENDENT AUDITORS' REPORT

To the Directors and Shareholder of Pacific Telecom, Inc.:

We have audited the accompanying consolidated balance sheets of Pacific Telecom, Inc. and its subsidiaries as of December 31, 1996 and 1995, and the related consolidated statements of income, changes in shareholder's equity, and cash flows for each of the three years in the period ended December 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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, such consolidated financial statements represent fairly, in all material respects, the financial position of Pacific Telecom, Inc. and its subsidiaries at December 31, 1996 and 1995, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1996, in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE LLP

Portland, Oregon
January 27, 1997

PACIFIC TELECOM, INC.
CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31,		
	1996	1995	1994
	----	----	----
	(In thousands)		
OPERATING REVENUES:			
Local network service	\$140,870	\$120,512	\$ 96,944
Network access service	259,110	223,723	168,530
Long distance network service	1,606	150,064	271,977
Private line service	-	34,270	58,193
Sales of cable capacity	8,353	3,419	4,567
Cellular	44,043	33,884	23,642
Other	67,148	74,263	72,533
	-----	-----	-----
Total operating revenues	521,130	640,135	696,386
	-----	-----	-----
OPERATING EXPENSES:			
Plant support	91,163	112,350	117,694
Depreciation and amortization (Note 3)	102,292	105,828	100,879
Leased circuits	2,509	20,933	26,618
Access expense (Note 2)	-	53,002	92,929
Other operating expense	31,066	37,876	35,116
Cost of cable sales	6,688	2,205	2,977
Customer operations	45,482	58,486	64,204
Administrative support	63,623	68,294	75,616
Taxes other than income taxes	19,575	15,850	15,712
	-----	-----	-----
Total operating expenses	362,398	474,824	531,745
	-----	-----	-----
OPERATING INCOME	158,732	165,311	164,641
	-----	-----	-----
OTHER INCOME (EXPENSE):			
Interest expense	(40,823)	(42,316)	(34,754)
Interest income	3,471	2,798	1,716
Gain on sale of subsidiaries and investments (Notes 5 and 15)	3,705	66,526	2,073
Minority interest	(2,398)	(1,298)	(975)
Other	44	(4,445)	(10,536)
	-----	-----	-----
Other income (expense) - net	(36,001)	21,265	(42,476)
	-----	-----	-----
INCOME BEFORE INCOME TAXES	122,731	186,576	122,165
INCOME TAXES (NOTE 6)	47,454	47,012	40,766
	-----	-----	-----
NET INCOME	\$ 75,277	\$139,564	\$ 81,399
	=====	=====	=====

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

PACIFIC TELECOM, INC.
CONSOLIDATED BALANCE SHEETS

	December 31,	
	1996	1995
	-----	-----
	(In thousands)	
ASSETS		
Current assets:		
Cash and temporary cash investments	\$ 9,421	\$ 6,331
Accounts receivable	97,705	81,528
Accounts and notes receivable - affiliates (Note 2)	62,345	41,234
Material and supplies (at average cost)	8,676	7,082
Inventory - North Pacific Cable	53,883	60,571
Other	6,428	9,522
	-----	-----
Total current assets	238,458	206,268
Investments (Note 9)	131,621	124,555
Plant in service:		
Telecommunications (Note 3)	1,631,443	1,570,262
Other	22,444	22,655
Less accumulated depreciation	721,462	678,328
	-----	-----
Construction work in progress	932,425	914,589
	16,140	13,970
	-----	-----
Net plant	948,565	928,559
Intangible assets - net	365,451	378,214
Deferred charges	17,713	16,528
	-----	-----
Total assets	\$1,701,808	\$1,654,124
	=====	=====

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

PACIFIC TELECOM, INC.
CONSOLIDATED BALANCE SHEETS

December 31,

1996 1995

(In thousands)

LIABILITIES AND SHAREHOLDER'S EQUITY

Current liabilities:		
Currently maturing long-term debt (Note 11)	\$ 15,813	\$ 5,535
Notes payable (Note 10)	18,000	90,000
Accounts payable	48,138	48,395
Accrued liabilities	52,788	58,736
Dissenters' rights (Note 2)	27,930	27,930
Accrued access and unearned revenue	7,216	8,354
	-----	-----
Total current liabilities	169,885	238,950
Long-term debt (Note 11)	527,906	459,502
Deferred income taxes (Note 6)	152,116	126,539
Unamortized investment tax credits	5,203	6,929
Other long-term liabilities	51,607	48,502
Minority interest	17,216	18,288
Shareholder's equity:		
Common stock - stated value, 1996 and 1995 -		
\$1.00 (Note 2)		
- authorized, 200,000,000 shares		
- outstanding, 1996 and 1995 - 100 shares	-	-
Additional paid-in capital	225,943	225,943
Retained earnings (Note 11)	551,932	529,471
	-----	-----
Total shareholder's equity	777,875	755,414
Commitments and contingencies (Notes 4 and 13)	-	-
	-----	-----
Total liabilities and shareholder's equity	\$1,701,808	\$1,654,124
	=====	=====

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

PACIFIC TELECOM, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN
SHAREHOLDER'S EQUITY

	Common Stock ----- Shares Amount		Additional Paid-in Capital	Unearned Stock Compensation	Retained Earnings	Total Shareholder's Equity
				(In thousands)		
BALANCE, JANUARY 1, 1994	39,609	\$19,805	\$205,985	\$(143)	\$413,064	\$638,711
Shares issued for benefits	13	6	293			299
Share purchases	(2)	(1)	(47)			(48)
Unearned stock compensation (Note 7)				(299)		(299)
Net income					81,399	81,399
Cash dividends					(52,289)	(52,289)
	-----	-----	-----	---	-----	-----
BALANCE, DECEMBER 31, 1994	39,620	19,810	206,231	(442)	442,174	667,773
Shares issued for benefits	26	13	792			805
Share purchases	(30)	(15)	(882)			(897)
Minority buy-out and reverse merger (Note 2)	(39,616)	(19,808)	19,808			-
Share retirements			(16)			(16)
Unearned stock compensation (Note 7)			10	442		452
Net income					139,564	139,564
Cash dividends					(52,267)	(52,267)
	-----	-----	-----	---	-----	-----
BALANCE, DECEMBER 31, 1995	-	-	225,943	-	529,471	755,414
NET INCOME					75,277	75,277
CASH DIVIDENDS					(52,816)	(52,816)
	-----	-----	-----	---	-----	-----
BALANCE, DECEMBER 31, 1996	-	\$ -	\$225,943	\$ -	\$551,932	\$777,875
	=====	=====	=====	===	=====	=====

The Company has 152,000 shares of \$25 stated value, six percent cumulative Preferred Stock authorized, but no shares are outstanding.

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

PACIFIC TELECOM, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	1996	1995	1994
	----	----	----
	(In thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 75,277	\$139,564	\$ 81,399
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	111,508	114,282	107,784
Deferred income taxes and investment tax credits, net	22,296	24,515	(62,329)
Gain on sale of subsidiaries and investments	(3,705)	(66,526)	(2,073)
Gains from unconsolidated entities, net	(6,030)	(3,350)	(3,135)
Accounts receivable and other current assets	(10,868)	(46,165)	(8,089)
Inventory - North Pacific Cable	6,689	2,206	2,977
Accounts payable and accrued liabilities	(3,277)	(5,430)	22,168
Other	5,147	(6,049)	2,666
	-----	-----	-----
Net cash provided by operating activities	197,037	153,047	141,368
	-----	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:			
Construction expenditures	(122,387)	(121,753)	(148,248)
Cost of businesses acquired	-	(368,348)	-
Investments in and advances to affiliates	(5,118)	(7,321)	(4,726)
Proceeds from Alaska restructuring (Note 15)	-	235,076	105,000
Proceeds from sales of assets	5,821	3,985	17,656
	-----	-----	-----
Net cash used by investing activities	(121,684)	(258,361)	(30,318)
	-----	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase (decrease) in short-term debt	(72,000)	82,023	(3,190)
Change in affiliated notes	(26,131)	459	-
Proceeds from issuance of long-term debt	135,239	153,810	8,006
Purchase of common stock	-	(897)	(48)
Dividends paid	(52,816)	(52,267)	(52,289)
Payments of long-term debt	(56,555)	(81,366)	(58,507)
	-----	-----	-----
Net cash provided (used) by financing activities	(72,263)	101,762	(106,028)
	-----	-----	-----
INCREASE (DECREASE) IN CASH AND TEMPORARY CASH INVESTMENTS	3,090	(3,552)	5,022
CASH AND TEMPORARY CASH INVESTMENTS AT BEGINNING OF YEAR	6,331	9,883	4,861
	-----	-----	-----
CASH AND TEMPORARY CASH INVESTMENTS AT END OF YEAR	\$ 9,421	\$ 6,331	\$ 9,883
	=====	=====	=====
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Interest paid during the year	\$40,030	\$40,688	\$ 36,692
Income taxes paid during the year	17,911	33,736	102,324
NONCASH INVESTING ACTIVITIES:			
Liabilities disposed of in connection with the sale of subsidiaries	-	85,668	53
Common stock issued in connection with employee benefits	-	805	299

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

PACIFIC TELECOM, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation -- The consolidated financial statements include the accounts of Pacific Telecom, Inc. (PTI) and its subsidiaries (Company). The equity method is used to account for those affiliated companies in which the Company exerts significant influence through management agreements or ownership of 20 to 50 percent and for all cellular partnerships in which a Company subsidiary is a partner. All appropriate intercompany transactions and balances have been eliminated. The 1995 and 1994 consolidated financial statements reflect certain reclassifications to conform to the 1996 presentations.

(b) Industry segmentation -- Although regulatory requirements impose structural separation in its operations, the Company operates predominately in the telecommunications industry through local exchange operations providing switched and non-switched voice and data communication services.

(c) Regulatory authorities -- The accounting policies of the Company are in conformity with the requirements of the Federal Communications Commission (FCC) and the regulatory agencies of the various states in which the Company operates. The Company prepares its financial statements in accordance with Statement of Financial Accounting Standards (SFAS) No. 71, "Accounting for the Effects of Certain Types of Regulation." Accounting under SFAS 71 is appropriate as long as: rates are established by or subject to approval by independent, third-party regulators; rates are designed to recover the specific enterprise's cost-of-service; and in view of demand for service, it is reasonable to assume that rates are set at levels that will recover costs and can be collected from customers.

(d) Telecommunications plant -- Telecommunications plant is stated at cost. Additions to plant include direct costs and related indirect charges. Depreciation and amortization are provided using the straight-line method based on the estimated service lives of the various classes of depreciable assets. Amounts charged to operations for depreciation expense reflect methods prescribed by regulators in the Company's regulated operations and, given the Company's operating environment, do not materially differ from estimated useful life determinations used to calculate depreciation estimates of the Company's nonregulated operations. These depreciation estimates and methods are applied consistently in both regulated and public financial presentations. The composite depreciation rate for depreciable telecommunications plant was 6.2 percent in 1996, 6.1 percent in 1995 and 6.4 percent in 1994.

(e) Interest during construction -- In accordance with regulatory requirements, the Company's regulated subsidiaries capitalize debt costs applicable to their construction projects. Interest capitalized during 1996 and 1995 was \$470,000 and \$231,000, respectively.

(f) Asset impairments -- In December 1995, the Company adopted SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." SFAS 121 establishes 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 assets to be disposed of. The Company evaluated its assets based on this standard and concluded that no assets qualified as impaired and consequently no adjustments were required.

(g) Cash and cash equivalents -- The Company considers all investments with original maturities less than 90 days to be cash equivalents.

(h) Income taxes -- The Company uses the liability method of accounting for income taxes, which requires that deferred income taxes be provided for all differences between the financial statement and tax bases of assets and liabilities. Deferred income taxes result primarily from differences between the financial statement and tax bases of depreciable assets and certain acquired assets, as well as employment related expenses not currently deductible.

Excess deferred income taxes on regulated assets and liabilities resulting from the decrease in the statutory rates under the Tax Reform Act of 1986, net of an increase arising from the Revenue Reconciliation Act of 1993, are being amortized to income over the composite book life of the related assets as required by regulatory authorities.

Investment tax credits relating to regulated telephone property, plant and equipment have been deferred and are being amortized over the estimated useful lives of the related assets.

(i) Intangible assets -- These costs are primarily for franchises of local exchange and cellular companies acquired and goodwill recorded from such acquisitions and are being amortized generally over 40 years. Accumulated amortization of these costs at December 31, 1996 and 1995 was \$53,359,000 and \$42,703,000, respectively. Intangible assets relating to nonconsolidated investments are included in "Investments" on the balance sheet (Note 9).

(j) Inventory -- Inventory on the North Pacific Cable represents the construction costs for the cable, which are carried at lower of cost or market and charged to income on an average cost per unit basis as capacity in the cable is sold.

(k) Software capitalization -- The Company capitalizes initial operating system software development costs and expenses subsequent additions or modifications to operating system software. The Company also capitalizes application software that is purchased at a cost of \$10,000 or more and with a useful life in excess of one year.

(l) Accrued access and unearned revenue -- Advance billings creditable to revenue accounts in future months and advance payments made by prospective customers prior to establishment of services are recorded in accrued access and unearned revenue until the service is rendered or cleared from this account as refunds are made.

(m) Revenue recognition -- The Company's subsidiaries participate in access revenue pools for certain interstate and intrastate revenues, which are initially recorded based on estimates. Certain network access revenues are estimated under cost separations procedures that base revenues on current operating costs and investments in facilities to provide such services. These estimates are subject to subsequent adjustment in future accounting periods as refined operational information becomes available.

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

(o) Regulatory assets and liabilities -- In accordance with SFAS 71, the Company's LEC operations capitalize certain costs (regulatory assets) in accordance with regulatory authority whereby those costs will be expensed and recovered in future periods. At December 31, 1996 and 1995, the Company had \$502,000 and \$704,000, respectively, in regulatory assets and \$5,873,000 and \$8,900,000, respectively, in regulatory liabilities on its balance sheet. The regulatory assets were included in "Deferred charges" and the regulatory liabilities were included in "Other long-term liabilities." The regulatory assets arose from the income tax benefits provided to current ratepayers for pre-1987 tax deductible expenses that were capitalized on the books of the Company and for which no deferred taxes were provided. These regulatory assets are being reduced as the capitalized amounts are depreciated on the books and those expenses are recovered. The regulatory liabilities are made up of three items. The first relates to the excess deferred taxes that resulted from a reduction in the Federal tax rate from 46 percent to 35 percent. This excess will not be paid to the Federal government, but rather will reduce future revenue requirements from customers over the average life of the assets that generated the difference. The second item in the regulatory liability is the tax savings resulting from this reduced revenue requirement created by the amortization of the excess deferred taxes. The final item is a similar reduction in revenue requirements due to the tax savings resulting from amortization of deferred investment tax credits.

NOTE 2. TRANSACTIONS WITH RELATED PARTIES

The Company is a wholly-owned subsidiary of PacifiCorp Holdings, Inc. (Holdings), which is a wholly-owned subsidiary of PacifiCorp. On September 27, 1995, holders of a majority of the approximately 5.3 million shares of outstanding common stock held by minority shareholders voted in favor of the merger of a wholly-owned subsidiary of Holdings into the Company. As a result of the merger, the common stock held by minority shareholders (other than shares as to which dissenters' rights were perfected) were converted into the right to receive \$30.00 per share in cash, and the Company became a wholly-owned subsidiary of Holdings with 100 shares of no par value common stock outstanding. At December 31, 1996, a liability in the amount of \$27,930,000 included amounts to be paid to dissenters in the merger based on \$30.00 per share fair value for shares and accrued interest at a rate equal to 5.97 percent per annum. The Company also recorded a receivable from Holdings in the amount of the accrued liability to dissenters.

(a) Notes payable -- The Company has an agreement that permits temporary cash advances to or from Holdings at short-term borrowing rates (Note 10). Interest expense on borrowings from Holdings was \$10,000 in 1996. There were no borrowings from Holdings in 1995 and 1994. Interest income related to cash advances to Holdings was \$1,660,000 in 1996, \$577,000 in 1995 and \$777,000 in 1994. Interest income for 1996 and 1995 mainly relates to the note receivable from Holdings for estimated amounts due dissenters.

(b) Long-term debt -- At December 30, 1996, the Company issued Series C Medium-term Notes in the amount of \$33,499,000 to PacifiCorp Environmental Remediation Company, a wholly-owned subsidiary of Holdings. Holding has agreed to pay the Company a fee of \$10,000 annually for each year the notes are outstanding. See Note 11 for additional information relating to these notes.

(c) Accounts and notes receivable - affiliates -- These amounts generally represent billings to affiliates for services provided by the Company. The 1996 and 1995 amounts primarily reflect the amount due from Holdings for estimated amounts due dissenters' and a tax refund receivable from Holdings. In 1996, the amount also represents cash advances to Holdings of \$26,131,000.

(d) Access expense -- The long lines subsidiary sold during 1995 recognized approximately \$10,001,000 for the first seven months of 1995 and \$18,332,000 in 1994 of interstate and intrastate access expense related to the Company's local exchange companies in Alaska. Due to the tariffed nature of these charges, the amounts were recorded as network access service revenues by the local exchange companies and have not been eliminated in the consolidated financial statements.

(e) Income taxes -- The Company participates with PacifiCorp in filing consolidated income tax returns. The Company's income tax provisions are based on a separate company calculation of income taxes.

(f) Management fees -- The Company pays PacifiCorp a management fee for administrative services PacifiCorp provides to the Company. Management fees paid to PacifiCorp were \$2,214,000 in 1996, \$1,289,000 in 1995 and \$871,000 in 1994.

(g) The Company rents its headquarters building from a 50 percent owned partnership. Annual rent was \$1,661,000 in 1996, 1995 and 1994, 50 percent of which was included in administrative support.

NOTE 3. TELECOMMUNICATIONS PLANT IN SERVICE

The balances by category of Telecommunications Plant in Service at December 31 are (in thousands):

	Average Remaining Life	1996	1995
Central Office Equipment	13	\$ 560,841	\$ 520,810
Poles, Cable and Conduit	20	874,308	826,075
Building and Towers	29	85,116	91,331
Other	11	111,178	132,046
		-----	-----
Total Telecommunications Plant in Service		\$1,631,443	\$1,570,262
		=====	=====

Depreciation expense was \$97,131,000, \$101,966,000 and \$97,784,000 for 1996, 1995 and 1994, respectively. Depreciation expense declined in 1996 relating to the sale of Alascom, Inc. (Alascom) in 1995. This was partially offset by increases related to acquisitions.

NOTE 4. LEASE AND MAINTENANCE ARRANGEMENTS

The Company's operating lease and maintenance agreements relate to the use of headquarters buildings, data processing and customer premise equipment, terrestrial communications circuits and cable maintenance and backhaul. These agreements generally contain provisions or options to renew the agreements at fair market rental rates. The Company has no material capital lease obligations at this time. Under these noncancellable operating lease and maintenance agreements, minimum annual rental commitments are as follows (in thousands):

Year Ending December 31,	

1997	\$17,442
1998	11,786
1999	5,423
2000	3,158
2001	2,265
2002 and beyond	4,765

Total minimum lease and maintenance payments	\$44,839
	=====

Rent expense approximated \$16,960,000 in 1996, \$36,591,000 in 1995 and \$41,688,000 in 1994. These amounts included rent expense for Alascom of \$17,939,000 in 1995 and \$28,148,000 in 1994.

NOTE 5. SALE OF SUBSIDIARIES

During 1996, the Company sold several cellular properties. These transactions resulted in proceeds of \$5,286,000 and after-tax gains of \$2,269,000.

See Note 15 for information regarding the sale of Alascom to AT&T Corp. (AT&T) in August 1995.

On April 29, 1994, the Company completed the sale of PTI Harbor Bay, Inc. and Upsouth Corporation, to IntelCom Group, Inc. for 1,183,147 shares of IntelCom common stock and \$200,000 in cash. On October 17, 1994, the Company sold its IntelCom stock. Cash proceeds of \$15,934,000 and a gain of \$1,007,000, net of tax and selling expenses, were recognized in 1994.

NOTE 6. INCOME TAXES

The Company's effective combined state and federal income tax rate was 38.7 percent in 1996, 25.2 percent in 1995 and 33.4 percent in 1994. The difference between taxes calculated as if the statutory federal tax rate of 35 percent were applied to pre-tax income and the recorded tax expense is due to the following:

	Year Ended December 31,		
	1996	1995	1994
	-----	-----	-----
	(in thousands)		
Tax expense at statutory rates	\$42,955	\$65,302	\$42,758
State income taxes	6,639	14,491	1,702
Federal benefit of state income taxes	(2,324)	(5,072)	(596)
Amortization of investment tax credits	(1,714)	(3,098)	(4,355)
Amortization of excess deferred income taxes	(595)	(451)	(1,776)
Amortization of acquisition costs in excess of equity	2,056	2,018	2,086
Alascom gain (a)	-	(23,278)	-
Other	437	(2,900)	947
	-----	-----	-----
Recorded tax expense	\$47,454	\$47,012	\$40,766
	=====	=====	=====
Income tax expense consisted of:			
Taxes currently provided	\$25,158	\$22,497	\$103,095
Deferred income taxes (b)	24,010	27,613	(57,974)
Investment tax credits	(1,714)	(3,098)	(4,355)
	-----	-----	-----
	\$47,454	\$47,012	\$40,766
	=====	=====	=====

(a) The financial statement gain on the sale of Alascom was recorded without federal or state income tax expense, because the tax basis in Alascom was greater than the selling price. The tax basis was significantly greater than the book basis due to Alascom's required tax recognition of the \$150,000,000 in transition payments due from AT&T under a 1994 FCC order. The Company has not historically provided deferred tax liabilities or assets under SFAS 109 for book/tax differences on investments in subsidiaries. As a result, the tax benefit of the higher tax basis in Alascom was realized in 1995 with the sale.

(b) During 1994, prepaid taxes of \$61,500,000 were reported due to the FCC ordered transition payments of \$150,000,000. Also, in 1995, the Company had deferred tax increases associated with book/tax differences on the newly acquired assets from USWC.

The tax effect of significant items comprising the Company's net deferred tax liability are as follows:

	Year Ended December 31,	
	1996	1995
	----	----
	(in thousands)	
Deferred tax liabilities:		
Plant in service	\$124,324	\$ 94,602
Cellular acquisition adjustments	43,388	45,224
Deferred tax assets:		
Employment related liabilities	(13,736)	(12,243)
Valuation adjustments	581	(3,902)
Reserve for self insurance	(2,848)	(3,808)
Other	(2,388)	2,661
	-----	-----
Net deferred tax liability	\$149,321	\$122,534
	=====	=====
Noncurrent tax liabilities	\$152,116	\$126,539
Current tax assets	(2,795)	(4,005)
	-----	-----
	\$149,321	\$122,534
	=====	=====

NOTE 7. PENSION PLAN

Substantially all employees of the Company, except those who are members of one local of the International Brotherhood of Electrical Workers (IBEW), are covered under the Company's pension plan. The Company recognized costs of \$1,173,000, \$1,074,000 and \$1,065,000 in 1996, 1995 and 1994, respectively, for contributions to the IBEW pension plans and \$1,747,000 and \$3,110,000 in 1995 and 1994, respectively, for contributions to the International Brotherhood of Teamsters. With the sale of Alascom in August 1995, the Company has no further obligation to pay for pension benefits of employees represented by the International Brotherhood of Teamsters. The Company's plan provides benefits based upon an employee's total years of service and the highest five years compensation during the last 10 years of service. The Company's policy is to fund annually up to the maximum amount of the unfunded pension liability that can be deducted for federal income tax purposes.

The Company's unrecognized net asset resulting from the initial application of SFAS 87 - "Employer Accounting for Pensions", was amortized over a 10-year period that ended in 1996 for the Company's original plan and is being amortized over a 20-year period ending in 2006 for the North-West Telecommunications, Inc. plan that was merged with the Company's plan on January 1, 1993. Net pension cost and funded status of the pension plan are summarized as follows:

	December 31,		
	1996	1995	1994
	----	----	----
	(in thousands)		
Service cost of benefits earned	\$ 4,163	\$ 3,724	\$ 4,308
Interest cost on the projected benefit obligation	10,697	10,765	9,954
Actual loss (gain) on assets	(13,638)	(32,633)	1,592
Net amortization and deferral	(2,118)	18,947	(15,845)
	-----	-----	-----
Total pension (income) expense	\$ (896)	\$ 803	\$ 9
	=====	=====	=====
Early retirement program	\$ 2,520	-	-
	=====	=====	=====

Actuarial present value of benefit obligations:			
Accumulated benefit obligation	\$133,123	\$141,574	\$112,176
	=====	=====	=====
Portion of accumulated benefit obligation vested	\$131,792	\$140,022	\$111,041
	=====	=====	=====
Projected benefit obligation	\$156,406	\$167,317	\$131,530
Plan assets at fair value, primarily listed stocks and bonds	171,428	154,316	129,582
	-----	-----	-----
Plan assets in excess of (less than) projected benefit obligation	15,022	(13,001)	(1,948)
Unrecognized net loss (gain)	(21,150)	6,749	(4,393)
Unrecognized prior service benefit	(1,784)	(2,029)	(2,291)
Unrecognized net asset remaining from initial application of SFAS 87	(2,663)	(4,536)	(6,409)
	-----	-----	-----
Pension liability at December 31	\$(10,575)	\$(12,817)	\$(15,041)
	=====	=====	=====
Assumptions used to develop pension plan information were:			
Discount rate	7.50%	7.25%	8.50%
Estimated long-term rate of return on assets	9.00	9.00	9.00
Assumed rate of increase in compensation levels	4.50	5.00	5.00

The Company's pension liability at December 31, 1996 and 1995 was included in "Other long-term liabilities" on the balance sheet.

In December 1996, the Company offered an early retirement program to a group of corporate employees. The Company recognized an expense of \$2,520,000 relating to this early retirement program.

In August 1995, the Company sold Alascom to AT&T (Note 15), which resulted in a pre-tax curtailment gain of \$3,401,000. This gain was included in "Gain on sale of subsidiaries and investments."

The Company participates in PacifiCorp's K Plus Employee Stock Ownership and Savings Plan. Under this plan, eligible employees may elect to contribute a portion of their pay, within specified limits, to the Plan. The Company makes a matching contribution of 50 percent of the employee's elective contribution. Employee elective contributions subject to matching are limited to six percent of pay. In addition, the Company makes a fixed contribution of two percent of pay per year. The costs to the Company for these contributions in 1996, 1995 and 1994 were \$2,882,000, \$2,262,000 and \$2,991,000, respectively.

PacifiCorp has a long-term incentive plan for certain executive employees of the Company. Participants are eligible to receive shares of PacifiCorp's common stock, plus dividend equivalents in cash based on a determination of PacifiCorp's Board of Directors. Until September 1995, the Company had its own separate long-term incentive plan for certain executive employees and awards were in the Company's stock. Under this previous plan participants received grants of restricted shares of the Company's common stock based on a determination of the Company's Board of Directors. The costs to the Company for these benefit plans amounted to \$311,000, \$300,000 and \$80,000 in 1996, 1995 and 1994, respectively. Awards granted under these plans that are not yet vested are included as a liability. Upon completion of the merger with a subsidiary of Holdings (Note 2), all unvested shares of the Company's stock were converted to PacifiCorp shares on the basis of the merger consideration.

NOTE 8. OTHER POSTRETIREMENT BENEFITS

The Company provides health care and life insurance benefit to eligible retired employees. Substantially all employees of the Company are covered under the Company's postretirement health care and life insurance plans. The postretirement health care and life insurance plans are noncontributory as long as the Company's cost per retiree remains below \$300 per month (\$600 per family per month). Generally, the health care plan pays stated percentages of most medical expenses, reduced for any deductible and payments made by government programs.

The Company recognizes the cost of postretirement benefits over the active service period of its employees. The Company's policy is to fund annually an amount of the postretirement benefit liability that will systematically reduce that liability using available funds and allow deductibility for federal income tax purposes. Due to income tax regulations that restrict the deductibility of certain contributions for postretirement benefits, the Company has elected to make non-tax deductible contributions to meet funding requirements imposed by state regulatory commissions. The Company funded \$10,458,000, \$13,254,000 and \$2,429,000 in 1996, 1995 and 1994, respectively, through contributions to restricted trust funds and directly paying postretirement benefit costs to third parties. The Company anticipates making additional contributions into 401(h), VEBA and other trusts for 1997 totalling approximately \$5,700,000. The Company recognizes the transition obligation, which represents the previously unrecognized prior service cost, over a period of 20 years.

The net funded status for the combined plans is shown below (in thousands):

	December 31,		
	1996	1995	1994
Accumulated postretirement benefit obligation (APBO):			
Retirees and dependents	\$41,517	\$43,415	\$37,119
Fully eligible active plan participants	12,147	11,677	11,089
Other active plan participants	29,779	26,498	22,198
APBO	83,443	81,590	70,406
Plan assets at fair value, primarily listed stocks and bonds	(31,131)	(21,977)	(8,503)
APBO in excess of plan assets	52,312	59,613	61,903
Unrecognized transition obligation	(27,839)	(29,579)	(34,521)
Unrecognized prior service cost	491	552	675
Unrecognized net loss from changes in assumptions	(2,994)	(6,853)	(1,666)
Accrued postretirement benefit cost	\$21,970	\$23,733	\$26,391
Net periodic postretirement benefit cost included the following components (in thousands):			
	1996	1995	1994
Service cost	\$2,706	\$2,030	\$2,307
Interest cost on accumulated postretirement benefit obligation	5,971	5,891	5,836
Actual return on plan assets	(1,931)	(1,902)	180
Amortization of transition obligation over 20 years	1,740	1,844	1,918
Net amortization and deferral	(40)	1,010	(620)
Expenses	8,446	8,873	9,621
Early retirement program	250	-	-
Net periodic postretirement benefit cost	\$8,696	\$8,873	\$9,621

Assumptions used to develop the accumulated postretirement benefit obligation information were:

	1996	1995	1994
	-----	-----	-----
Discount rate	7.50%	7.25%	8.50%
Estimated long-term rate of return on assets	9.00	9.00	9.00
Health care cost trend rate-under 65	11.00	11.00	11.00
Health care cost trend rate-over 65	10.50	10.00	10.00
Ultimate health care cost trend rate	4.50	4.50	5.50

The assumed health care cost trend rates gradually decrease over nine years. The health care cost trend rate assumptions have a significant effect on the amounts reported. Increasing the assumed health care cost trend rate by one percentage point would increase the postretirement benefit obligation as of December 31, 1996 by \$2,238,000, and the annual net periodic postretirement benefit costs by \$272,000.

In December 1996, the Company offered an early retirement program to a group of corporate employees. The Company recognized an expense of \$250,000 relating to this early retirement program.

In August 1995, the Company sold Alascom to AT&T (Note 15). As a result of this sale, the Company recognized a one time pre-tax curtailment loss of \$1,401,000. This loss was included in "Gain on sale of subsidiaries and investments."

The Company's long-term portion of the accrued postretirement benefit cost appears in "Other long-term liabilities" and the current portion of the accrued postretirement benefit cost appears in "Accrued liabilities" on the balance sheet at December 31, 1996.

NOTE 9. INVESTMENTS

The investment balances, which included interest bearing advances of \$10,037,000 and \$5,000,000 at December 31, 1996 and 1995, respectively, are summarized as follows:

	December 31,	
	1996	1995
	----	----
	(in thousands)	
Equity investments:		
Cellular partnerships (a)	\$111,505	\$110,223
Other equity investees	2,375	1,500
Cost investments:		
Cellular partnerships	657	767
Other	17,084	12,065
	-----	-----
	\$131,621	\$124,555
	=====	=====

(a) Cellular partnerships include goodwill of \$23,383,000 in 1996 and \$23,150,000 in 1995, which is net of accumulated amortization of \$4,284,000 and \$3,432,000, respectively.

NOTE 10. SHORT-TERM DEBT

Short-term debt consisted of outstanding notes payable under borrowing arrangements with various banks and other lenders. Information regarding short-term debt follows:

<CAPTION>	At December 31,		During the Year		
	Balance	Average Interest Rate	Maximum Outstanding	Average Outstanding	Average Interest Rate
	(in thousands, except percentages)				
1996					
NOTES PAYABLE - BANKS	\$18,000	5.6%	\$80,000	\$56,521	5.7%
NOTES PAYABLE - HOLDINGS	-	-	4,869	66	6.1
1995					
Notes payable - banks	\$90,000	5.9%	\$242,166	\$118,874	6.2%
Notes payable - other	-	-	8,845	3,655	8.2
1994					
Notes payable - banks	\$12,000	6.8%	\$20,000	\$9,292	5.0%
Notes payable - other	9,713	8.4	11,713	5,164	5.6

The average interest rate is calculated by dividing the actual short-term interest expense by the average daily weighted balance short-term debt outstanding for the year.

NOTE 11. LONG-TERM DEBT

Long-term debt consisted of the following:

	December 31,	
	1996	1995
	(in thousands)	
2% - 11.8% First mortgage notes payable under U.S. Government-sponsored loan programs, maturities through 2028	\$133,330	\$137,173
9.5% First mortgage notes, maturities through 1999	6,000	6,039
8% - 9.8% Unsecured notes, maturities through 2007	22,390	23,325
6.6% - 9.4% Unsecured medium-term notes, maturities through 2008	323,500	223,500
6% Unsecured medium-term notes, maturities through 2006 (b)	33,499	-
6.1% Commercial paper	-	50,000
5.6% Other available banking arrangements (c)	25,000	25,000
Total	543,719	465,037
Less current maturities	15,813	5,535
Total long-term debt	\$527,906	\$459,502
	=====	=====

(a) The weighted average cost of long-term debt outstanding at December 31, 1996 was 7.2 percent. The Company has small amounts of debt which have higher rates than prevailing interest rates due to prepayment restrictions.

(b) Variable rate debt based on the Company's commercial paper rate is convertible to a fixed rate at the option of the holder after December 30, 1998. Once the debt has been converted to fixed rate debt, Holdings will indemnify the Company for the incremental interest expense incurred for rates exceeding 6.75 percent.

(c) Based upon management's intent and the Company's ability to support the debt on a long-term basis through its revolving credit agreement, \$25,000,000 of borrowings under other available banking arrangements at December 31, 1996, were classified as long-term debt.

The Company has a \$300,000,000 revolving credit agreement. Borrowings under the revolving credit agreement bear interest at rates based on bids from participating banks, certain prime rates, interbank borrowing rates or certificate of deposit rates. The revolving credit agreement has been renewed for a term ending in November 1999. Annual commitment fees on the revolving credit agreement are currently .125 percent of the total authorized amount. Funds that could be borrowed under the revolving credit agreement at December 31, 1996 were \$300,000,000.

At December 31, 1996, approximately \$638,697,000 of "Telecommunications plant in service" was pledged as collateral under various loan agreements. Certain agreements also contain provisions restricting the payment of cash dividends. At December 31, 1996, consolidated retained earnings available for dividends and other distributions were \$242,037,000, all of which were available from the retained earnings of subsidiaries.

Long-term debt maturing annually within each of the four years subsequent to 1997 is as follows: 1998 - \$29,071,000; 1999 - \$48,156,000; 2000 - \$6,574,000; 2001 - \$66,546,000.

NOTE 12. FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair values of the Company's financial instruments are summarized as follows:

	December 31, 1996		December 31, 1995	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
	(in thousands)			
Cash and temporary investments and net trade accounts (a)	\$121,333	\$121,333	\$ 80,698	\$ 80,698
Investments at cost (Note 9) (b)	17,741	17,741	12,832	13,326
Long-term debt and notes payable (Notes 10 and 11) (c)	561,719	569,193	555,037	578,024

(a) The carrying amount approximates fair value because of the short maturity of these instruments.

(b) The fair values of the other investments are estimated based on quoted market prices for these or similar investments, or the investment's ability to return cash to the Company through operations or through the sale of the investment.

(c) The fair value of the Company's long-term debt is estimated using the discounted cash flow method based on the quoted market rates and prices for the same or similar issues of the same remaining maturities. The discount rate is determined using U.S. Treasury rates plus the average spread for the Company quoted by several dealers. Prepayment penalties and other costs of debt retirement are not reflected in these estimates.

NOTE 13. COMMITMENTS AND CONTINGENCIES

The Company has signed agreements with US West Communications, Inc. (USWC), GTE North Incorporated and the City of Fairbanks to purchase certain telephone assets or operations in Minnesota, Michigan and Fairbanks, Alaska for approximately \$248 million in cash, which includes approximately \$20 million for cash to be acquired in the acquisitions. Completion of these transactions will be dependent upon appropriate regulatory approvals, expected to be received during 1997.

Expenditures under the Company's 1997 construction and capital expenditure program are expected to approximate \$137,000,000. There are currently no long-term construction projects underway.

The Company is a party to various legal claims, actions and complaints. Although the ultimate resolution of legal proceedings cannot be predicted with certainty, management believes that disposition of these matters will not have a material adverse effect on the Company's financial position, results of operations or cash flows.

NOTE 14. ACQUISITIONS

During 1995, the Company closed transactions in Colorado, Washington and Oregon to acquire local exchange properties from USWC. On February 15, 1995, the Company purchased assets in Colorado representing 45 local exchanges serving approximately 53,000 access lines for \$202,070,000. On September 30, 1995, the Company purchased assets in Washington representing 26 local exchanges serving approximately 20,000 access lines for \$92,794,000. On October 20, 1995, the Company purchased assets in Oregon representing 23 exchanges serving approximately 17,000 access lines for \$81,500,000. These purchase prices were based on a multiple of net book value of USWC assets acquired with certain purchase price adjustments calculated at closing. Funds used for the purchases were provided from proceeds received in the sale of Alascom (Note 15), issuance of medium-term notes and short-term borrowings.

NOTE 15. SALE OF ALASCOM, INC.

On August 7, 1995, the Company sold its Alaska long distance communication subsidiary, Alascom to AT&T. The Company received total cash proceeds of \$365,500,000 paid in three payments and recognized an after-tax gain of \$66,376,000. In July 1994, AT&T paid a \$75,000,000 transition payment to Alascom that PTI retained. In October 1994, AT&T paid a \$30,000,000 down payment at the time of the signing of the sale agreement. The remaining \$260,500,000 was paid at closing. The Company used the proceeds to fund the asset purchases closed in 1995 (Note 14).

Condensed income information for Alascom is as follows:

	Seven months ended July 31, 1995	Twelve months ended December 31, 1994
	-----	-----
	(in thousands)	
Operating revenues	\$193,126	\$343,506
Operating income	36,914	80,651

NOTE 16. QUARTERLY FINANCIAL DATA (UNAUDITED)

Summarized quarterly financial data for 1996 and 1995 are as follows:

Three Months Ended -----	Dec. 31 -----	Sept. 30 -----	June 30 -----	March 31 -----
	(in thousands)			
1996 ----				
OPERATING REVENUES	\$134,937	\$136,609	\$126,761	\$122,823
OPERATING INCOME	43,908	41,555	37,914	35,355
NET INCOME	20,781	20,435	18,044	16,017
1995 ----				
Operating revenues	\$128,975	\$141,326	\$190,228	\$179,606
Operating income	40,479	39,184	45,493	40,155
Net income	18,175	84,250	20,412	16,727

Decreased revenues and operating income in the first and second quarters of 1996 and decreased net income in the third quarter of 1996 resulted from the sale of Alascom in 1995 (Note 15).

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

No information is required to be reported pursuant to this item.

PART IV

Item 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

Page References

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(a) The following documents are filed under Item 8 of this Report.

(1) Index to Consolidated Financial Statements:

Independent Auditors' Report	13
Consolidated Statements of Income for the years ended December 31, 1996, 1995 and 1994	14
Consolidated Balance Sheets at December 31, 1996 and 1995	15-16
Consolidated Statements of Changes in Shareholder's Equity for the years ended December 31, 1996, 1995 and 1994	17
Consolidated Statements of Cash Flows for the years ended December 31, 1996, 1995 and 1994	18
Notes to Consolidated Financial Statements	19-31

(2) Supplemental Schedules*

* All schedules have been omitted because of the absence of the conditions under which they are required or because the required information is included elsewhere in the financial statements filed under Item 8 in this Report.

(3) Exhibits:

2 Agreement for Purchase and Sale of Exchanges between US WEST Communications, Inc., Northland Telephone Company and the Registrant dated December 15, 1995. (Incorporated by reference to Exhibit 2 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1995, File No. 0-873.)

2A Stock Purchase Agreement by and among AT&T Corp. and the Registrant dated October 1, 1994. (Incorporated by reference to Exhibit 2C of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1994, File No. 0-873.)

2B Asset Purchase Agreement between GTE North Incorporated, PTI Communications of Michigan, Inc. and the Registrant dated March 29, 1996.

2C Asset Purchase Agreement by and between the City of Fairbanks and PTI Communications of Alaska, Inc. dated August 20, 1996.

3 Restated Articles of Incorporation of the Registrant, as amended June 13, 1990. (Incorporated by reference to Exhibit 3A of the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1990, File No. 0-873.)

3A Bylaws of the Registrant, as amended and restated effective April 30, 1994. (Incorporated by reference to Exhibit 3B of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1994, File No. 0-873.)

4 Indenture dated as of September 20, 1991, between the Company and The First National Bank of Chicago, as Trustee for the Series B and C Medium-term Notes. (Incorporated by reference to Exhibit 4 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1991, File No. 0-873.)

In reliance upon Item 601(4)(iii) of Regulation S-K, various instruments defining the rights of holders of long-term debt of the Registrant and its subsidiaries are not being filed because the total amount authorized under each such instrument does not exceed 10 percent of the total assets of the Registrant and its subsidiaries on a consolidated basis. The Registrant hereby agrees to furnish a copy of any such instrument to the Commission upon request.

*10A Executive Bonus Plan, dated October 26, 1990. (Incorporated by reference to Exhibit 10B of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1990, File No. 0-873.)

10B Intercompany Borrowing Agreement between the Registrant, Inner PacifiCorp, Inc. (now PacifiCorp Holdings, Inc.) and certain other affiliated companies dated as of April 1, 1991. (Incorporated by reference to Exhibit 10A of the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1991, File No. 0-873.)

10C Management Services Agreement between the Registrant and Pacific Power & Light Company. (Incorporated by reference to Exhibit 10D of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1980, File No. 0-873.)

*10D PacifiCorp Supplemental Executive Retirement Plan 1988 Restatement. (Incorporated by reference to Exhibit 10(q) of PacifiCorp's Form 10-K for the year ended December 31, 1987, File No. 1-5152.)

*10E PacifiCorp Long-Term Incentive Plan 1994 Restatement.
(Incorporated by reference to Exhibit 10G of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1994, File No. 0-873.)

*10F Form of Restricted Stock Agreement under the PacifiCorp Long-Term Incentive Plan 1994 Restatement. (Incorporated by reference to Exhibit 10H of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1994, File No. 0-873.)

10G Credit Agreement dated as of November 13, 1991. (Incorporated by reference to Exhibit 10M of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1991, File No. 0-873.)

*10H Executive Deferred Compensation Plan dated as of January 1, 1994 as amended. (Incorporated by reference to Exhibit 10L of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1994, File No. 0-873.)

*10I Executive Officer Severance Plan dated as of January 1, 1994.
(Incorporated by reference to Exhibit 10N of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1994, File No. 0-873.)

10J Second Amendment to the Credit Agreement dated November 29, 1994.
(Incorporated by reference to Exhibit 10O of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1994, File No. 0-873.)

12 Statements re Computation of Ratios.

23 Independent Auditors' Consent

* This exhibit constitutes a management contract or compensatory plan or arrangement.

(b) Reports on Form 8-K.
None

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.

PACIFIC TELECOM, INC.

March 20, 1997	By	JAMES H. HUESGEN
-----		-----
(Date)		James H. Huesgen
		Executive Vice President and
		Chief Financial Officer

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

SIGNATURE AND CAPACITY	DATE
-----	----
CHARLES E. ROBINSON	March 20, 1997

(Charles E. Robinson)	
Chairman, President, Chief Executive	
Officer and Director	

JAMES H. HUESGEN March 20, 1997
(James H. Huesgen)

Executive Vice President and
Chief Financial Officer

(Principal Financial Officer)

SIGNATURE AND CAPACITY

DATE

MICHAEL C. HENDERSON

March 20, 1997

(Michael C. Henderson)
Director

NOLAN E. KARRAS March 20, 1997
(Nolan E. Karras)

Director

NANCY WILGENBUSCH March 20, 1997
(Nancy Wilgenbusch)

Director

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES

EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1997

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES

EXCHANGE ACT OF 1934

For the transition period from _____ to _____
Commission file number 0-873
PACIFIC TELECOM, INC.
(Exact name of registrant as specified in its charter)
Washington 91-0644974
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)
805 Broadway, P.O. Box 9901, Vancouver, Washington 98668-8701
(Address of principal executive offices) (Zip Code)
Registrant's telephone number, including area code (360)905-5800

No Change

(Former name, former address and former fiscal year, if changed since last report)

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 the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, no par value 100 shares

(Title of Class) (Outstanding at May 9, 1997)

REGISTRANT MEETS THE CONDITIONS SET FORTH IN GENERAL INSTRUCTION H (1) (A) AND (B) OF FORM 10-Q AND IS THEREFORE FILING THIS FORM WITH THE REDUCED DISCLOSURE FORMAT.

PACIFIC TELECOM, INC.

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PART I FINANCIAL INFORMATION
Item 1. - Financial Statements

PACIFIC TELECOM, INC.
Consolidated Balance Sheets
(Unaudited)

ASSETS

	March 31, 1997	December 31, 1996
	(In thousands)	
Current assets:		
Cash and temporary cash investments	\$ 10,954	\$ 9,421
Accounts receivable	100,873	97,705
Accounts and notes receivable - affiliates (Note 2)	37,791	62,345
Material and supplies (at average cost)	8,421	8,676
Inventory - North Pacific Cable	49,420	53,883
Other	9,335	6,428
Total current assets	216,794	238,458
Investments	112,694	131,621
Plant in service:		
Telecommunications	1,653,128	1,631,443
Other	22,507	22,444
Less accumulated depreciation	743,171	721,462
	932,464	932,425
Construction work in progress	12,373	16,140
Net plant	944,837	948,565
Intangible assets - net	367,105	365,451
Deferred charges	19,671	17,713
Total assets	\$1,661,101	\$1,701,808

LIABILITIES AND SHAREHOLDER'S EQUITY

Current liabilities:		
Currently maturing long-term debt	\$ 15,890	\$ 15,813
Notes payable	-	18,000
Accounts payable	48,247	48,138
Accrued liabilities	51,877	52,788
Dissenters' rights (Note 2)	26,497	27,930
Accrued access and unearned revenue	5,480	7,216
Total current liabilities	147,991	169,885
Long-term debt	501,388	527,906
Deferred income taxes (Note 4)	153,136	152,116
Unamortized investment tax credits	4,851	5,203
Other long-term liabilities	53,244	51,607
Minority interest	17,831	17,216
Shareholder's equity:		
Common stock	-	-
Additional paid-in capital	225,943	225,943
Retained earnings (Note 3)	556,717	551,932
Total shareholder's equity	782,660	777,875
Total liabilities and shareholder's equity	1,661,101	\$1,701,808

See accompanying condensed notes to consolidated financial statements.

PACIFIC TELECOM, INC.
Consolidated Statements of Income
(Unaudited)

	Three Months Ended March 31,	
	1997	1996
	(In thousands)	
Operating revenues:		
Local network service	\$ 36,684	\$ 33,255
Network access service	63,622	63,471
Long distance network service	399	423
Sales of cable capacity	112	75
Cellular	10,219	8,768
Other	16,951	16,291
Total operating revenues	127,987	122,283
Operating expenses:		
Plant support	21,732	22,035
Depreciation and amortization	26,755	25,340
Leased circuits	536	407
Other operating expense	6,863	7,269
Cost of cable sales	54	36
Customer operations	10,373	11,049
Administrative support	16,581	16,004
Taxes other than income taxes	4,935	4,788
Total operating expenses	87,829	86,928
Operating income	40,158	35,355
Other income (expense):		
Interest expense	(10,507)	(10,053)
Interest income	743	605
Gain on sale of subsidiaries and investments	1,317	815
Equity income	1,258	935
Other	(1,660)	(1,444)
Other income (expense) - net	(8,849)	(9,142)
Income before income taxes	31,309	26,213
Income taxes (Note 4)	12,898	10,196
Net income	\$ 18,411	\$ 16,017

See accompanying condensed notes to consolidated financial statements.

PACIFIC TELECOM, INC.
Consolidated Statements of Cash Flows
(Unaudited)

	Three Months Ended March 31,	
	1997	1996
	(In thousands)	
Cash Flows from Operating Activities:		
Net income	\$18,411	\$16,017
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	28,991	27,197
Deferred income taxes and investment tax credits, net	3,350	1,624
Gain on sale of subsidiaries and investments	(1,317)	(815)
Gains from unconsolidated entities, net	(1,259)	(821)
Accounts receivable and other current assets	401	(5,438)
Accounts payable and accrued liabilities	(5,587)	10,784
Other	1,205	3,729
Net cash provided by operating activities	44,195	52,277
Cash Flows from Investing Activities:		
Construction expenditures	(15,928)	(19,892)
Investments in and advances to affiliates	1,304	(1,332)
Proceeds from sales of assets	11,694	1,822
Net cash used by investing activities	(2,930)	(19,402)
Cash Flows from Financing Activities:		
Decrease in short-term debt	(43,000)	(18,000)
Change in affiliated notes	18,336	-
Proceeds from issuance of long-term debt	-	1,740
Dividends paid	(13,625)	(13,066)
Payments of long-term debt	(1,443)	(2,155)
Net cash used by financing activities	(39,732)	(31,481)
Increase in Cash and Temporary Cash Investments	1,533	1,394
Cash and Temporary Cash Investments at Beginning of Period	9,421	6,331
Cash and Temporary Cash Investments at End of Period	\$10,954	\$ 7,725
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the three months ended March 31 for:		
Interest	\$16,242	\$15,121
Income Taxes	7,651	466
See accompanying condensed notes to consolidated financial statements.		

Condensed Notes to Consolidated Financial Statements
(Unaudited)

1. The consolidated financial statements include all normal adjustments which, in the opinion of management, are necessary to present fairly the consolidated financial position at March 31, 1997, and the consolidated results of operations and cash flows for the three months ended March 31, 1997 and 1996. These consolidated financial statements should be read in conjunction with the financial statements and related notes included in the latest annual report filed on Form 10-K of Pacific Telecom, Inc. (Company). The consolidated results of operations presented herein are not necessarily indicative of the results to be expected for the year. The 1996 consolidated financial statements reflect certain reclassifications to conform to the current year presentation. These reclassifications have no effect on previously stated net income.
2. The Company is a wholly-owned subsidiary of PacifiCorp Holdings, Inc.(Holdings), which is a wholly-owned subsidiary of PacifiCorp. See Note 2 to the Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 1996, for information related to the affiliated note for amounts to be paid dissenters relating to the minority buy-out.
3. Certain loan agreements contain provisions restricting the payment of cash dividends. Retained earnings of approximately \$263 million were available for dividends and other distributions at March 31, 1997.

The Company's ratio of earnings to fixed charges for the three months ended March 31, 1997, calculated in accordance with Item 503 of Regulation S-K under the Securities Exchange Act of 1934, was 3.7 to 1.

4. The Company's effective combined state and federal income tax rates were 41.2 percent and 38.9 percent for the three months ended March 31, 1997 and 1996, respectively. The effective tax rate increase in the first quarter of 1997 was due in large part to a deferred intercompany gain triggered by the sale of a subsidiary, Wayside Telcom, Inc., in February. The deferred intercompany gain generated \$740,000 of income tax expense in excess of the statutory rate due to the "Goodwill" investment associated with the telephone and cable television subsidiaries that were spun off from Wayside Telcom in 1994. No deferred taxes were provided on such Goodwill resulting in the higher tax expense. The difference between taxes calculated at the statutory federal rates and the effective combined rates for 1997 and 1996 is reconciled as follows:

	1997	1996
	—	—
Federal statutory rate	35.0%	35.0%
State income taxes, net of federal benefit	3.1	3.6
Amortization of investment tax credits	(1.1)	(1.6)
Amortization of excess deferred income taxes	(.4)	(.6)
Amortization of excess cost	1.8	2.9
Recapture Wayside deferred tax on intercompany gain	2.7	-
Other	.1	(.4)
	—	—
Effective tax rate	41.2%	38.9%
	—	—

Condensed Notes to Consolidated Financial Statements
(Unaudited)

The components of income tax expense are as follows:

	Three Months Ended March 31,	
	1997	1996
	(In thousands)	
Federal income taxes	\$11,387	\$ 8,728
State income taxes	1,511	1,468
	<u>\$12,898</u>	<u>\$10,196</u>
	<u> </u>	<u> </u>
Income taxes currently payable	\$ 9,548	\$ 8,572
Deferred income taxes	3,703	2,056
Amortization of deferred investment tax credits	(353)	(432)
	<u>\$12,898</u>	<u>\$10,196</u>
	<u> </u>	<u> </u>

5. On April 11, 1997, the Company signed a letter of intent with Century Telephone Enterprises, Inc. (Century) whereby the Company will exchange the stock of its wholly-owned subsidiary, Pacific Telecom Cellular, Inc., in return for \$164.4 million in cash and LEC properties representing more than 18,000 of Century's telephone access lines in Arizona, Colorado, Idaho and New Mexico. The Company's cellular ownership interests in its Alaska markets are not included as part of this transaction.

This planned sale is not expected to affect net income when completed. The Company acquired most of this cellular portfolio through various tax deferred transactions. With the completion of this transaction, the deferred income taxes will become due and payable. The tax payments are expected to be approximately \$63 million and will be paid out of the cash proceeds of the sale.

Condensed income information for Pacific Telecom Cellular, Inc., excluding Alaska operations, is as follows:

	Three Months Ended March 31,	
	1997	1996
	(In thousands)	
Operating revenues	\$9,243	\$7,843
Operating income	1,577	895
Net income	597	272

Three Months Ended March 31

Results of Operations

The Company's net income for the three months ended March 31, 1997 was \$18.4 million, an increase of 14.9 percent compared to net income of \$16.0 million for the same period in 1996. Operating income increased 13.6 percent or \$4.8 million in the first quarter of 1997 compared to 1996. Operating income increased due to LEC internal access line growth and higher enhanced services revenue.

Operating revenues for the first quarter of 1997 were \$128.0 million, an increase of \$5.7 million, or 4.7 percent, compared to the same period in 1996. Local network service revenues grew \$3.4 million due to higher LEC enhanced services revenues of \$1.7 million and revenues from internal access line growth of \$1.5 million. Cellular revenues increased \$1.5 million due to customer growth. Other revenue increased \$.7 million due to \$1.1 million received from AT&T relating to services provided to AT&T Alascom.

Operating expenses in the first quarter of 1997 were \$87.8 million, an increase of \$.9 million, or 1.0 percent, compared to the first quarter of 1996. Depreciation expense increased \$1.4 million mainly due to increased LEC plant balances. Administrative support was up \$.6 million compared to 1996 mainly due to \$.8 million for services provided to AT&T Alascom.

Other expense - net for the first quarter of 1997 was \$8.8 million, a decrease of \$.3 million or 3.2 percent from 1996. Gain on sale of subsidiaries and investments includes the sale of cellular properties in 1997 and 1996. Equity earnings from cellular and telephone investments increased \$.3 million in the first quarter of 1997 compared to the same period in 1996.

Income taxes increased \$2.7 million due to the \$1.5 million effect of higher taxable income and the \$1.2 million effect of the sale of cellular properties in February 1997.

Acquisitions

The Company has pending acquisitions of local exchange properties in Minnesota, Michigan and Alaska serving approximately 70,000 access lines. Approvals for the Minnesota and Michigan acquisitions have been received from the public utility commissions in those states. The Company is awaiting approval of those acquisitions from the FCC. Hearings are scheduled before the Alaska Public Utilities Commission during May relating to that acquisition. The Company anticipates that these three acquisitions will receive all final regulatory approvals and close prior to the end of 1997. The Company also has signed letters of intent to acquire additional local exchange operations totaling 4,300 access lines.

*Pursuant to General Instruction H (1)(a) and (b) of Form 10-Q, the Company is substituting a management's narrative analysis of results of operations for Item 2.

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

See Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" under "Acquisitions" and Notes 13 and 14 to the Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 1996, for more information about pending acquisitions.

Dispositions

See Note 5 in "Notes to Condensed Consolidated Financial Statements" in this Form 10-Q and Item 5. "Other Events" in the Company's Current Report on Form 8-K dated April 11, 1997 for information concerning the sale of Pacific Telecom Cellular, Inc. to Century Telephone Enterprises, Inc.

Liquidity and Capital Resources

During the three months ended March 31, 1997, construction expenditures amounted to \$15.9 million. These expenditures pertained mainly to network upgrades and internal growth of the Company's operations. The construction expenditures were funded primarily with cash from operations. In 1997, total construction expenditures, which are estimated at \$137.0 million, are expected to be funded primarily through cash from operations. Included in total estimated construction expenditures is \$22 million relating to the acquisitions that are expected to close during 1997. Cash from operations was lower in the first quarter of 1997 compared to the first quarter of 1996 due to the 1996 receipt of \$10.1 million from the National Exchange Carriers Association (NECA) attributable to certain revenue requirement adjustments related primarily to the transition of acquisition properties.

The Company has access to funds through its \$300 million revolving credit agreement which terminates in November 1999. At March 31, 1997, no borrowings were outstanding under this agreement. The revolving credit agreement also serves as backup for a \$100 million commercial paper program, under which no borrowings were outstanding at March 31, 1997. The Company is currently engaged in negotiations to replace the existing agreement with a comparable facility. The Company has a \$200 million Series C Medium-term Note program under which \$133.5 million of notes were outstanding March 31, 1997. The remaining \$66.5 million will be used primarily to fund future acquisitions. At March 31, 1997, the Company had approval from the Rural Telephone Bank to borrow \$15.8 million in additional Rural Utilities Service debt for certain construction projects.

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

The Company has an agreement that allows temporary cash advances to or from its parent, PacifiCorp Holdings, Inc. (Holdings), at short-term borrowing rates. At March 31, 1997, \$35.3 million was due from Holdings, which includes \$26.5 million to be paid to dissenters relating to the minority buy-out. (See Note 2 to the Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 1996 for more information about this note.)

The Company has definitive agreements with US WEST Communications, Inc., GTE North Incorporated and the City of Fairbanks to purchase certain telephone assets or operations in Minnesota, Michigan and Fairbanks, Alaska, respectively, for approximately \$248 million in cash, which includes approximately \$20 million for cash to be acquired in the acquisitions. These acquisitions are subject to regulatory approvals expected to be received during 1997. The Company has signed letters of intent to acquire operations representing 4,300 access lines for \$22 million. The Company expects to fund these acquisitions through the issuance of external debt, internally generated funds and proceeds from the sale of cellular investments.

Any temporary cash or liquidity requirements during 1997 are expected to be met through utilization of funds available under the revolving credit agreement or temporary advances from Holdings. Long-term liquidity requirements are expected to be met through utilization of funds available under the revolving credit agreement or the Series C Medium-term Note program. Cash needed to pay dissenters' rights will be provided by Holdings.

PART II OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibits
 - 12 Statements re Computation of Ratios
 - 27 Financial Data Schedule (filed electronically only)
- (b) Reports on Form 8-K
 - On Form 8-K dated April 11, 1997, under Item 5. "Other Events" the Company reported information with respect to the pending sale of Pacific Telecom Cellular, Inc. to Century Telephone Enterprises, Inc.

SIGNATURES

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

Pacific Telecom, Inc.

(Registrant)

Date: May 12, 1997

/s/James H. Huesgen

James H. Huesgen
Executive Vice President and
Chief Financial Officer

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 1997

OR

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

For the transition period from _____ to _____
Commission file number 0-873

PACIFIC TELECOM, INC.

(Exact name of registrant as specified in its charter)

Washington 91-0644974

(State or other jurisdiction of
incorporation or organization) (I.R.S. Employer
Identification No.)

805 Broadway, P.O. Box 9901, Vancouver, Washington 98668 - 8701
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (360)905-5800

No Change

(Former name, former address and former fiscal year, if changed since last report)

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 the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, no par value 100 shares

(Title of Class) (Outstanding at August 1, 1997)

REGISTRANT MEETS THE CONDITIONS SET FORTH IN GENERAL INSTRUCTION H (1) (A) AND (B) OF FORM 10-Q AND IS THEREFORE FILING THIS FORM WITH THE REDUCED DISCLOSURE FORMAT.

PACIFIC TELECOM, INC.

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PART I FINANCIAL INFORMATION

Item 1. - Financial Statements

PACIFIC TELECOM, INC. Consolidated Balance Sheets (Unaudited)

ASSETS

	June 30, 1997	December 31, 1996
	(In thousands)	
Current assets:		
Cash and temporary cash investments	\$ 9,762	\$ 9,421
Accounts receivable	105,816	97,705
Accounts and notes receivable - affiliates (Note 2)	22,538	62,345
Material and supplies (at average cost)	10,411	8,676
Inventory - North Pacific Cable	49,420	53,883
Other	9,349	6,428
	<hr/>	<hr/>
Total current assets	207,296	238,458
Investments	123,562	131,621
Plant in service:		
Telecommunications	1,675,477	1,631,443
Other	23,167	22,444
Less accumulated depreciation	764,288	721,462
	<hr/>	<hr/>
Construction work in progress	934,356	932,425
	11,927	16,140
	<hr/>	<hr/>
Net plant	946,283	948,565
Intangible assets - net	359,530	365,451
Deferred charges	25,710	17,713
	<hr/>	<hr/>
Total assets	\$1,662,381	\$1,701,808
	<hr/> <hr/>	<hr/> <hr/>

LIABILITIES AND SHAREHOLDER'S EQUITY

Current liabilities:		
Currently maturing long-term debt	\$ 38,736	\$ 15,813
Notes payable	-	18,000
Accounts payable	48,470	48,138
Accrued liabilities	54,591	52,788
Dissenters' rights (Note 2)	15,043	27,930
Accrued access and unearned revenue	5,945	7,216
	<hr/>	<hr/>
Total current liabilities	162,785	169,885
Long-term debt	477,113	527,906
Deferred income taxes (Note 4)	157,736	152,116
Unamortized investment tax credits	4,498	5,203
Other long-term liabilities	53,716	51,607
Minority interest	18,287	17,216
Shareholder's equity:		
Common stock	-	-
Additional paid-in capital	225,943	225,943
Retained earnings (Note 3)	562,303	551,932
	<hr/>	<hr/>
Total shareholder's equity	788,246	777,875
	<hr/>	<hr/>
Total liabilities and shareholder's equity	\$1,662,381	\$1,701,808
	<hr/> <hr/>	<hr/> <hr/>

[FN]

See accompanying notes to consolidated financial statements.

PACIFIC TELECOM, INC.
Consolidated Statements of Income
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	1997	1996	1997	1996
	(In thousands)			
Operating revenues:				
Local network service	\$ 37,615	\$ 33,801	\$ 73,174	\$ 66,440
Network access service	65,876	62,657	129,498	126,128
Long distance network service	406	339	805	762
Sales of cable capacity	-	2,174	112	2,249
Cellular	12,801	10,609	23,020	19,377
Other	17,471	17,721	35,547	34,628
Total operating revenues	134,169	127,301	262,156	249,584
Operating expenses:				
Plant support	24,461	22,947	46,384	44,973
Depreciation and amortization	26,456	25,548	53,211	50,888
Other operating expense	9,267	7,983	16,475	15,668
Cost of cable sales	-	1,490	54	1,526
Customer operations	11,276	11,425	21,649	22,474
Administrative support	15,543	14,995	32,124	30,999
Taxes other than income taxes	5,197	4,999	10,132	9,787
Total operating expenses	92,200	89,387	180,029	176,315
Operating income	41,969	37,914	82,127	73,269
Other income (expense):				
Interest expense	(9,700)	(10,392)	(20,188)	(20,339)
Interest income	747	596	1,490	1,201
Gain on sale of subsidiaries and investments	-	2,890	1,317	3,705
Equity income	2,433	2,050	3,691	2,985
Other	(3,952)	(3,524)	(5,631)	(5,074)
Other expense - net	(10,472)	(8,380)	(19,321)	(17,522)
Income before income taxes	31,497	29,534	62,806	55,747
Income taxes (Note 4)	12,286	11,490	25,184	21,686
Net income	\$ 19,211	\$ 18,044	\$ 37,622	\$ 34,061

See accompanying notes to consolidated financial statements.

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PACIFIC TELECOM, INC.
Consolidated Statements of Cash Flows
(Unaudited)

	Six Months Ended June 30,	
	1997	1996
	(In thousands)	
Cash Flows from Operating Activities:		
Net income	\$37,622	\$ 34,061
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	57,766	54,951
Deferred income taxes and investment tax credits, net	7,189	3,267
Gain on sale of subsidiaries and investments	(1,317)	(3,705)
Gains from unconsolidated entities, net	(3,476)	(2,991)
Accounts receivable and other current assets	(10,592)	(15,184)
Inventory - North Pacific Cable	54	1,526
Accounts payable and accrued liabilities	(2,289)	25,863
Other	5,983	4,677

Net cash provided by operating activities	90,940	102,465
Cash Flows from Investing Activities:		
Construction expenditures	(51,797)	(46,972)
Investments in and advances to affiliates	(5,709)	(1,928)
Proceeds from sales of assets	11,959	2,255
Net cash used by investing activities	(45,547)	(46,645)
Cash Flows from Financing Activities:		
Decrease in short-term debt	(43,000)	(17,000)
Change in affiliated notes	28,067	-
Proceeds from issuance of long-term debt	-	1,740
Dividends paid	(27,250)	(26,317)
Payments of long-term debt	(2,869)	(3,347)
Net cash used by financing activities	(45,052)	(44,924)
Increase in Cash and Temporary Cash Investments	341	10,896
Cash and Temporary Cash Investments at Beginning of Period	9,421	6,331
Cash and Temporary Cash Investments at End of Period	\$ 9,762	\$ 17,227
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the six months ended June 30 for:		
Interest	\$19,755	\$ 20,080
Income Taxes	\$15,625	\$ 11,081
North Pacific Cable inventory reclassified to Telecommunications - Plant in service	\$ 4,409	\$ -

[FN]

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements
(Unaudited)

1. The consolidated financial statements include all normal adjustments which, in the opinion of management, are necessary to present fairly the consolidated financial position at June 30, 1997, and the consolidated results of operations for the three and six months ended June 30, 1997 and 1996 and cash flows for the six months ended June 30, 1997 and 1996. These consolidated financial statements should be read in conjunction with the financial statements and related notes included in the latest annual report filed on Form 10-K of Pacific Telecom, Inc. (Company). The consolidated results of operations presented herein are not necessarily indicative of the results to be expected for the year. The 1996 consolidated financial statements reflect certain reclassifications to conform to the current year presentation. These reclassifications have no effect on previously stated net income.

2. The Company is a wholly-owned subsidiary of PacifiCorp Holdings, Inc. (Holdings), which is a wholly-owned subsidiary of PacifiCorp. See "Part II, Item 5 - Other Information" for information regarding the pending sale of all Pacific Telecom, Inc. outstanding common stock to Century Telephone Enterprises, Inc.

The current liability for dissenters' rights decreased from the year end balance due to payments made to dissenting shareholders. See Note 2 to the Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 1996, for information related to the affiliated note for amounts to be paid dissenters relating to the minority buy-out. See "Part II, Item 1 - Legal Proceedings" for information relating to a lawsuit involving dissenters' and the Company.

3. Certain loan agreements contain provisions restricting the payment of cash dividends. Retained earnings of approximately \$267 million were available for dividends and other distributions at June 30, 1997.

The Company's ratio of earnings to fixed charges for the six months ended June 30, 1997, calculated in accordance with Item 503 of Regulation S-K under the Securities Exchange Act of 1934, was 3.8 to 1.

4. The Company's effective combined state and federal income tax rates were 40.1 percent and 38.9 percent for the six months ended June 30, 1997 and 1996, respectively. The effective tax rate increase in the first half of 1997 was due in large part to a deferred intercompany gain triggered by the sale of a subsidiary, Wayside Telcom, Inc., in February. The deferred intercompany gain generated \$740,000 of income tax expense in excess of the statutory rate due to the "Goodwill" investment associated with the telephone and cable television subsidiaries that were spun off from Wayside

Notes to Consolidated Financial Statements
(Unaudited)

Telcom in 1994. No deferred taxes were provided on such "Goodwill" resulting in the higher tax expense. The difference between taxes calculated at the statutory federal tax rates and the effective combined rates for 1997 and 1996 is reconciled as follows:

	1997	1996
	<u> </u>	<u> </u>
Federal statutory rate	35.0%	35.0%
State income taxes, net of federal benefit	3.4	4.8
Amortization of investment tax credits	(1.1)	(1.5)
Amortization of excess deferred income taxes	(.4)	(.5)
Amortization of excess cost	1.8	1.9
Recapture Wayside deferred tax on intercompany gain	1.2	-
Other	.2	(.8)
	<u> </u>	<u> </u>
Effective tax rate	40.1%	38.9%
	<u> </u>	<u> </u>

The components of income tax expense are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	1997	1996	1997	1996
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	(In thousands)			
Federal income taxes	\$10,523	\$ 8,870	\$21,910	\$17,598
State income taxes	1,763	2,620	3,274	4,088
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	\$12,286	\$11,490	\$25,184	\$21,686
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Income taxes currently payable	\$ 8,331	\$ 9,744	\$17,879	\$18,361
Deferred income taxes	4,308	2,177	8,011	4,188
Amortization of deferred investment tax credits	(353)	(431)	(706)	(863)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	\$12,286	\$11,490	\$25,184	\$21,686
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

**Item 2. Management's Discussion and Analysis of
Financial Condition and Results of Operations***

Six Months Ended June 30

Results of Operations

The Company's net income for the six months ended June 30, 1997 was \$37.6 million, an increase of 10.5 percent compared to net income of \$34.1 million for the same period in 1996. Operating income increased 12.1 percent or \$8.9 million in the first half of 1997 compared to 1996. Operating income increased due to LEC internal access line growth and higher enhanced services revenues and growth in cellular operations.

Operating revenues for the first half of 1997 were \$262.2 million, an increase of \$12.6 million, or 5.0 percent, compared to the same period in 1996. Local network service revenues grew \$6.7 million due to higher LEC enhanced services revenues of \$2.5 million, revenues from internal access line growth of \$3.1 million and extended area service revenue of \$.6 million. Network access service revenue increased \$3.4 million due to the effect of higher revenue requirements of \$1.7 million and \$2.6 million due to increased minutes of use. This was partially offset by decreases in Universal Service Fund support of \$.8 million. Sales of cable capacity decreased \$2.1 million due to lower circuit sales. Cellular revenues increased \$3.6 million due to customer growth. Other revenue increased \$.9 million due to \$1.6 million received from AT&T relating to services provided to AT&T Alascom, higher LEC nonregulated customer premise equipment revenues of \$.9 million and higher cable lease and restoration revenues of \$.8 million. This was partially offset by \$2.1 million in lower billing and collection revenues due to contract modifications that resulted in service reductions.

Operating expenses in the first half of 1997 were \$180.0 million, an increase of \$3.7 million, or 2.1 percent, compared to the first half of 1996. Plant support increased \$1.4 million due to the \$.8 million effect of LEC access line growth and \$.5 million in increased lease circuits expense on the cable. Depreciation expense increased \$2.3 million mainly due to increased LEC plant balances. Cost of cable sales decreased \$1.5 million due to lower circuit sales. Administrative support was up \$1.1 million compared to 1996 mainly due to \$1.0 million for services provided to AT&T Alascom.

Other expense - net for the first half of 1997 was \$19.3 million, an increase of \$1.8 million or 10.3 percent from 1996. Gain on sale of subsidiaries and investments includes the sale of cellular properties in 1997 and 1996. Equity earnings from cellular and telephone investments increased \$.7 million in the first half of 1997 compared to the same period in 1996.

Income taxes increased \$3.5 million due to the \$2.2 million effect of higher taxable income and the \$1.2 million effect of the sale of cellular properties in February 1997.

Acquisitions

The Company has pending acquisitions of local exchange properties in Minnesota, Michigan and Alaska serving approximately 70,000 access lines. Approvals for the Minnesota and Michigan acquisitions have been received from the public utility commission in those states. The Company is awaiting approval of those acquisitions from the FCC. Hearings before the Alaska Public Utilities Commission for the Alaska acquisition concluded in June and the Company is awaiting an order. The Company anticipates that these three acquisitions will receive all final regulatory approvals and close prior to the end of 1997. The Company also has signed letters of intent or definitive agreements to acquire additional local exchange operations totaling 3,800 access lines.

*Pursuant to General Instruction H (1)(a) and (b) of Form 10-Q, the Company is substituting a management's narrative analysis of results of operations for Item 2.

See "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Acquisitions" and Notes 13 and 14 to the Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 1996, for more information about pending acquisitions.

Dispositions

See "Part II, Item 5 - Other Information" in this Form 10-Q for information concerning the sale of Pacific Telecom Cellular, Inc. to Century Telephone Enterprises, Inc. (Century) being superseded by PacifiCorp's sale of the Company to Century.

Liquidity and Capital Resources

During the six months ended June 30, 1997, construction expenditures amounted to \$51.8 million. These expenditures pertained mainly to network upgrades and internal growth of the Company's operations. The construction expenditures were funded primarily with cash from operations. In 1997, total construction expenditures, which are estimated at \$137.0 million, are expected to be funded primarily through cash from operations. Included in total estimated construction expenditures is \$22 million relating to the acquisitions that are expected to close during 1997. Cash from operations was lower in the first half of 1997 compared to the first half of 1996 due to the 1996 receipt of \$10.1 million from the National Exchange Carrier Association attributable to certain revenue requirement adjustments related primarily to the transition of acquisition properties.

The Company has access to funds through its \$300 million revolving credit agreement which terminates in November 1999. At June 30, 1997, no borrowings were outstanding under this agreement. The revolving credit agreement also serves as backup for a \$100 million commercial paper program, under which no borrowings were outstanding at June 30, 1997. The Company has a \$200 million Series C Medium-term Note program under which \$133.5 million of notes were outstanding on June 30, 1997. The remaining \$66.5 million could be used to fund future acquisitions. However, Century may require the Company to use short-term borrowing facilities for acquisitions prior to closing the sale of the Company to Century. See "Part II, Item 5 - Other Information" for information relating to the sale of the Company to Century. At June 30, 1997, the Company had approval from the Rural Telephone Bank to borrow \$15.8 million in additional Rural Utilities Service debt for certain construction projects.

The Company has an agreement that allows temporary cash advances to or from its parent, PacifiCorp Holdings, Inc. (Holdings), at short-term borrowing rates. At June 30, 1997, \$17.0 million was due from Holdings, which includes \$15.0 million to be paid to dissenters relating to the minority buy-out. (See Note 2 in "Notes to Condensed Consolidated Financial Statements" in this Form 10-Q and Note 2 to the Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 1996, for more information about this transaction.)

The Company has definitive agreements with US WEST Communications, Inc., GTE North Incorporated and the City of Fairbanks to purchase certain telephone assets or operations in Minnesota, Michigan and Fairbanks, Alaska, respectively, for approximately \$248 million in cash, which includes approximately \$20 million for cash to be acquired in the acquisitions. These acquisitions are subject to regulatory approvals expected to be received during 1997. The Company has signed letters

of intent or definitive agreements to acquire operations representing 3,800 access lines for approximately \$24 million. The Company expects to fund these acquisitions through the issuance of external debt and internally generated funds.

Any temporary cash or liquidity requirements during 1997 are expected to be met through utilization of funds available under the revolving credit agreement or temporary advances from Holdings. Long-term liquidity requirements are expected to be met through utilization of funds available under the revolving credit agreement or the Series C Medium-term Note program. Cash needed to pay dissenters' rights will be provided by Holdings.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

The trial in Pacific Telecom, Inc. v. Gabelli Funds, Inc. et al. was held from May 7 to May 14, 1997. On May 15, 1997, the court ruled in favor of the Company, holding that \$30.00 per share was the fair value of the Company's common stock on the date of the merger. On June 10, 1997, the dissenters filed a Notice of Appeal of this action to the United States Court of Appeals for the Ninth Circuit. See "Part I, Item 3. Legal Proceedings" in the Company's Annual Report on Form 10-K for the year ended December 31, 1996, for more information about this lawsuit.

Item 5. Other Information

On June 11, 1997, PacifiCorp entered into an agreement to sell the outstanding common stock of the Company to Century for approximately \$1.5 billion in cash in addition to Century's assumption of the Company's debt. The sale of the Company is subject to certain regulatory approvals which are expected to be received before the end of 1997. This sale supersedes the previously announced letter of intent between the Company and Century relating to the sale of Pacific Telecom Cellular, Inc.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

10 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 of Century Telephone Enterprises, Inc.'s Current Report on Form 8-K dated June 11, 1997, File No. 1-7784.)

12 Statements re Computation of Ratios

27 Financial Data Schedule (filed electronically only)

(b) Reports on Form 8-K On Form 8-K dated April 11, 1997, under Item 5. "Other Events" the Company reported information with respect to the pending sale of Pacific Telecom Cellular, Inc. to Century Telephone Enterprises, Inc.

SIGNATURES

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

Pacific Telecom, Inc.
(Registrant)

Date: August 7, 1997

/s/James H. Huesgen

*James H. Huesgen
Executive Vice President and
Chief Financial Officer*

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE

___ SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 1997

OR

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

For the transition period from _____ to _____

Commission file number 0-873

PACIFIC TELECOM, INC.

(Exact name of registrant as specified in its charter)

Washington	91-0644974
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

805 Broadway, P.O. Box 9901, Vancouver, Washington 98668 - 8701
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (360)905-5800

No Change

(Former name, former address and former fiscal year, if changed since last report)

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 the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, no par value 100 shares

(Title of Class) (Outstanding at October 31, 1997)

**REGISTRANT MEETS THE CONDITIONS SET FORTH IN GENERAL
INSTRUCTION H (1) (A) AND (B) OF FORM 10-Q**

AND IS THEREFORE FILING THIS FORM WITH THE REDUCED DISCLOSURE FORMAT.

PACIFIC TELECOM, INC.

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PART I FINANCIAL INFORMATION

Item 1. - Financial Statements

PACIFIC TELECOM, INC. Consolidated Balance Sheets (Unaudited)

ASSETS

	September 30, 1997	December 31, 1996
	(In thousands)	
Current assets:		
Cash and temporary cash investments	\$ 10,179	\$ 9,421
Accounts receivable	105,486	97,705
Accounts and notes receivable - affiliates (Note 2)	12,650	62,345
Material and supplies (at average cost)	9,842	8,676
Inventory - North Pacific Cable	40,389	53,883
Other	9,318	6,428
Total current assets	187,864	238,458
Investments	120,213	131,621
Plant in service:		
Telecommunications	1,791,298	1,631,443
Other	22,646	22,444
Less accumulated depreciation	819,763	721,462
	994,181	932,425
Construction work in progress	22,508	16,140
Net plant	1,016,689	948,565
Intangible assets - net	409,498	365,451
Deferred charges	26,557	17,713
Total assets	\$1,760,821	\$1,701,808

LIABILITIES AND SHAREHOLDER'S EQUITY

Current liabilities:		
Currently maturing long-term debt	\$ 39,045	\$ 15,813
Notes payable	90,000	18,000
Accounts payable	50,814	48,138
Accrued liabilities	46,443	52,788
Dissenters' rights (Note 2)	15,043	27,930
Accrued access and unearned revenue	5,014	7,216
Total current liabilities	246,359	169,885
Long-term debt	478,842	527,906
Deferred income taxes (Note 4)	157,917	152,116
Unamortized investment tax credits	4,169	5,203
Other long-term liabilities	54,492	51,607
Minority interest	17,157	17,216
Shareholder's equity:		
Common stock	-	-
Additional paid-in capital	225,943	225,943
Retained earnings (Note 3)	575,942	551,932
Total shareholder's equity	801,885	777,875
Total liabilities and shareholder's equity	\$1,760,821	\$1,701,808

[FN]

See accompanying notes to consolidated financial statements.

PACIFIC TELECOM, INC.
Consolidated Statements of Income
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1997	1996	1997	1996
	(In thousands)			
Operating revenues:				
Local network service	\$ 39,545	\$ 35,530	\$112,719	\$101,970
Network access service	69,208	64,244	198,706	190,372
Long distance network service	490	441	1,295	1,203
Sales of cable capacity	12,300	6,030	12,412	8,279
Cellular	15,612	12,990	38,632	32,367
Other	16,854	17,373	52,401	52,001
Total operating revenues	154,009	136,608	416,165	386,192
Operating expenses:				
Plant support	26,408	24,919	72,792	69,892
Depreciation and amortization	27,209	25,644	80,420	76,532
Other operating expense	8,625	8,543	25,100	24,211
Cost of cable sales	9,030	5,126	9,084	6,652
Customer operations	11,538	11,705	33,187	34,179
Administrative support	14,666	14,350	46,790	45,349
Taxes other than income taxes	5,456	4,766	15,588	14,553
Total operating expenses	102,932	95,053	282,961	271,368
Operating income	51,077	41,555	133,204	114,824
Other income (expense):				
Interest expense	(10,052)	(9,765)	(30,240)	(30,104)
Interest income	1,079	995	2,569	2,196
Gain on sale of subsidiaries and investments	-	-	1,317	3,705
Equity income	2,945	1,992	6,636	4,977
Other	(1,171)	(1,331)	(6,802)	(6,405)
Other expense - net	(7,199)	(8,109)	(26,520)	(25,631)
Income before income taxes	43,878	33,446	106,684	89,193
Income taxes (Note 4)	16,613	13,011	41,797	34,697
Net income	\$ 27,265	\$ 20,435	\$ 64,887	\$ 54,496

See accompanying notes to consolidated financial statements.

PACIFIC TELECOM, INC.

Consolidated Statements of Cash Flows (Unaudited)

	Nine Months Ended September 30,	
	1997	1996
	(In thousands)	
Cash Flows from Operating Activities:		
Net income	\$ 64,887	\$ 54,496
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	86,817	83,930
Deferred income taxes and investment tax credits, net	6,189	15,386
Gain on sale of subsidiaries and investments	(1,317)	(3,705)
Gains from unconsolidated entities, net	(6,636)	(4,996)
Accounts receivable and other current assets	(5,474)	(26,498)
Inventory - North Pacific Cable	9,084	6,652
Accounts payable and accrued liabilities	(12,247)	23,877
Other	7,273	(3,173)
Net cash provided by operating activities	148,576	145,969
Cash Flows from Investing Activities:		
Construction expenditures	(84,902)	(79,585)
Cost of businesses acquired	(105,410)	-
Investments in and advances to affiliates	(5,711)	(6,495)
Proceeds from sales of assets	11,968	5,715
Net cash used by investing activities	(184,055)	(80,365)
Cash Flows from Financing Activities:		
Increase (Decrease) in short-term debt	47,000	(56,000)
Change in affiliated notes	34,435	(3,562)
Proceeds from issuance of long-term debt	-	51,740
Dividends paid	(40,875)	(39,567)
Payments of long-term debt	(4,323)	(5,119)
Net cash used by financing activities	36,237	(52,508)
Increase in Cash and Temporary Cash Investments	758	13,096
Cash and Temporary Cash Investments at Beginning of Period	9,421	6,331
Cash and Temporary Cash Investments at End of Period	\$ 10,179	\$ 19,427
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the nine months ended September 30 for:		
Interest	\$ 36,195	\$ 35,727
Income Taxes	25,296	12,489
North Pacific Cable inventory reclassified to Telecommunications - Plant in service	4,409	-
Noncash Investing Activities:		
Liabilities assumed in connection with the acquisition of subsidiaries	4,834	-

[FN]

See accompany notes to consolidated financial statements.

Condensed Notes to Consolidated Financial Statements
(Unaudited)

1. The consolidated financial statements include all normal adjustments which, in the opinion of management, are necessary to present fairly the consolidated financial position at September 30, 1997, and the consolidated results of operations for the three and nine months ended September 30, 1997 and 1996 and cash flows for the nine months ended September 30, 1997 and 1996. These consolidated financial statements should be read in conjunction with the financial statements and related notes included in the latest annual report filed on Form 10-K of Pacific Telecom, Inc. (Company). The consolidated results of operations presented herein are not necessarily indicative of the results to be expected for the year. The 1996 consolidated financial statements reflect certain reclassifications to conform to the current year presentation. These reclassifications have no effect on previously stated net income.

2. The Company is a wholly-owned subsidiary of PacifiCorp Holdings, Inc. (Holdings), which is a wholly-owned subsidiary of PacifiCorp. See "Part II, Item 5 - Other Information" in the Company's Form 10-Q for the quarter ended June 30, 1997, for information regarding the pending sale of all Pacific Telecom, Inc. outstanding common stock to Century Telephone Enterprises, Inc.

The current liability for dissenters' rights decreased from the year end balance due to payments made to dissenting shareholders. See Note 2 to the Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 1996, for information related to the affiliated note for amounts to be paid dissenters relating to the minority buy-out. See "Part II, Item 1 - Legal Proceedings" in the Company's Form 10-Q for the quarter ended June 30, 1997, for information relating to a lawsuit involving dissenters and the Company.

3. Certain loan agreements contain provisions restricting the payment of cash dividends. Retained earnings of approximately \$238.0 million were available for dividends and other distributions at September 30, 1997.

The Company's ratio of earnings to fixed charges for the nine months ended September 30, 1997, calculated in accordance with Item 503 of Regulation S-K under the Securities Exchange Act of 1934, was 4.1 to 1.

4. The Company's effective combined state and federal income tax rates were 39.2 percent and 38.9 percent for the nine months ended September 30, 1997 and 1996, respectively.

Condensed Notes to Consolidated Financial Statements
(Unaudited)

The difference between taxes calculated at the statutory federal tax rates and the effective combined rates for 1997 and 1996 is reconciled as follows:

	1997	1996
	—	—
Federal statutory rate	35.0%	35.0%
State income taxes, net of federal benefit	3.4	3.6
Amortization of investment tax credits	(1.0)	(1.4)
Amortization of excess deferred income taxes	(.4)	(.5)
Amortization of excess cost	1.6	1.8
Other	.6	.4
	—	—
Effective tax rate	39.2%	38.9%
	—	—
	—	—

The components of income tax expense are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1997	1996	1997	1996
	—	—	—	—
	(In thousands)			
Federal income taxes	\$14,155	\$12,104	\$36,065	\$29,702
State income taxes	2,458	907	5,732	4,995
	—	—	—	—
	\$16,613	\$13,011	\$41,797	\$34,697
	—	—	—	—
	—	—	—	—
Income taxes currently payable	\$17,677	\$ 951	\$35,556	\$19,312
Deferred income taxes	(711)	12,492	7,300	16,680
Amortization of deferred investment tax credits	(353)	(432)	(1,059)	(1,295)
	\$16,613	\$13,011	\$41,797	\$34,697
	—	—	—	—
	—	—	—	—

5. On September 30, 1997, the Company acquired local exchange assets in Minnesota representing 32 exchanges serving approximately 27,000 access lines from US WEST Communications, Inc. for approximately \$103 million in cash. "Net Plant" increased \$58.1 million and "Intangibles" increased \$44.9 million as a result of the acquisition. Cash from operations of \$98 million and an escrow account of \$5 million included in "Investments" provided the cash to fund the acquisition.

6. On October 6, 1997, the Company acquired local exchange assets in Fairbanks, Alaska representing a single exchange serving approximately 34,000 access lines from the City of Fairbanks for approximately \$84 million in cash. Additionally, \$8 million were placed into escrow pending Federal Communications Commission approvals for cellular license transfer. Borrowings under other available banking arrangements and an escrow account provided most of the cash to fund the acquisition.

Condensed Notes to Consolidated Financial Statements
(Unaudited)

7. On October 31, 1997, the Company acquired local exchange assets in Michigan representing eight exchanges serving approximately 12,000 access lines from GTE North Incorporated for approximately \$34 million in cash. Borrowings under other available banking arrangements and an escrow account provided most of the cash to fund the acquisition.

**Item 2. Management's Discussion and Analysis of
Financial Condition and Results of Operations***

Nine Months Ended September 30

Results of Operations

The Company's net income for the nine months ended September 30, 1997 was \$64.9 million, an increase of 19 percent compared to net income of \$54.5 million for the same period in 1996. Operating income increased 16 percent or \$18.4 million in the first nine months of 1997 compared to 1996. Operating income increased due to LEC internal access line growth, higher LEC enhanced services revenues, growth in cellular operations and cable operations and increased circuit sales.

Operating revenues for the first nine months of 1997 were \$416.2 million, an increase of \$30.0 million, or 7.8 percent, compared to the same period in 1996. Local network service revenues grew \$10.7 million primarily due to higher LEC enhanced services revenues of \$3.8 million, revenues from internal access line growth of \$5.2 million and extended area service revenue of \$0.9 million. Network access service revenue increased \$8.3 million due to the effect of higher revenue requirements of \$3.2 million, higher LEC prior year revenue adjustments of \$2.6 million and \$3.2 million due to increased minutes of use. This increase was partially offset by decreases in Universal Service Fund support of \$0.9 million. Sales of cable capacity increased \$4.1 million due to higher circuit sales. Cellular revenues increased \$6.3 million due to customer growth. Other revenue increased \$0.4 million primarily due to \$1.6 million received from AT&T relating to services provided to AT&T Alascom, higher LEC nonregulated customer premise equipment revenues of \$1.0 million and higher cable lease and restoration revenues of \$0.8 million. These increases in other revenue were offset by \$3.7 million in lower billing and collection revenues due to contract modifications that resulted in service reductions.

Operating expenses in the first nine months of 1997 were \$283.0 million, an increase of \$11.6 million, or four percent, compared to the first nine months of 1996. Plant support increased \$2.9 million due to the \$2.0 million effect of LEC access line growth and \$0.9 million in increased lease circuits expense relating to frame relay and internet services. Depreciation expense increased \$3.9 million mainly due to increased LEC plant balances. Cost of cable sales increased \$2.4 million due to higher circuit sales. Administrative support was up \$1.4 million compared to 1996 mainly due to \$1.0 million for services provided to AT&T Alascom.

Other expense - net for the nine months of 1997 was \$26.5 million, an increase of \$0.9 million or three percent from 1996. Gain on sale of subsidiaries and investments includes the sale of cellular properties in 1997 and 1996. Equity earnings from cellular and telephone investments increased \$1.7 million in the first nine months of 1997 compared to the same period in 1996.

Income taxes increased \$7.1 million due to the \$6.3 million effect of higher taxable income and the \$1.2 million effect of the sale of cellular properties in February 1997.

Acquisitions

See Notes 5, 6 and 7 of the Condensed Notes to the Consolidated Financial Statements relating to acquisitions closed in Minnesota, Fairbanks, Alaska and Michigan, respectively. Currently, the Company has no material acquisitions pending.

*Pursuant to General Instruction H (1)(a) and (b) of Form 10-Q, the Company is substituting a management's narrative analysis of results of operations for Item 2.

Dispositions

See "Part II, Item 5 - Other Information" in the Company's Form 10-Q for the quarter ended June 30, 1997 for information concerning the sale of Pacific Telecom Cellular, Inc. to Century Telephone Enterprises, Inc. (Century) being superseded by PacifiCorp's sale of the Company to Century.

Liquidity and Capital Resources

During the nine months ended September 30, 1997, construction expenditures amounted to \$84.9 million. These expenditures pertained mainly to network upgrades and internal growth of the Company's operations. The construction expenditures were funded primarily with commercial paper. In 1997, total construction expenditures, which are estimated at \$137.0 million, are expected to be funded primarily through commercial paper. Included in total estimated construction expenditures is \$22 million relating to the acquisitions that have closed during 1997. Cash from operations was slightly higher in the first nine months of 1997 compared to the first nine months of 1996 due to higher income.

The Company has access to funds through its \$300 million revolving credit agreement which terminates in November 1999. At September 30, 1997, no borrowings were outstanding under this agreement. The revolving credit agreement also serves as backup for a \$100 million commercial paper program, under which \$90 million was outstanding at September 30, 1997. The Company has a \$200 million Series C Medium-term Note program under which \$133.5 million of notes were outstanding on September 30, 1997. At September 30, 1997, the Company had approval from the Rural Telephone Bank to borrow \$15.8 million in additional Rural Utilities Service debt for certain construction projects.

The Company has an agreement that allows temporary cash advances to or from its parent, PacifiCorp Holdings, Inc. (Holdings), at short-term borrowing rates. At September 30, 1997, \$10.6 million was due from Holdings, which includes \$15.0 million to be paid to dissenters relating to the minority buy-out, net of borrowings from Holdings of \$4.4 million. (See Note 2 in "Notes to Condensed Consolidated Financial Statements" in this Form 10-Q and Note 2 to the Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 1996, for more information about the dissenters transaction.)

Any temporary cash or liquidity requirements during 1997 are expected to be met through utilization of funds available under the revolving credit agreement or temporary advances from Holdings. Long-term liquidity requirements are expected to be met through utilization of funds available under the revolving credit agreement or the Series C Medium-term Note program. Cash needed to pay dissenters' rights will be provided by Holdings.

PART II OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits 12 Statements re Computation of Ratios 27 Financial Data Schedule (filed electronically only)

(b) Reports on Form 8-K On Form 8-K dated September 30, 1997, under Item 5. "Other Events" the Company reported information with respect to the purchase of local exchange assets in Minnesota and Fairbanks, Alaska from US WEST Communications, Inc. and the City of Fairbanks, respectively.

SIGNATURES

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

Pacific Telecom, Inc.
(Registrant)

Date: November 7, 1997

/s/James H. Huesgen

James H. Huesgen
Executive Vice President and
Chief Financial Officer

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

**CURRENT REPORT PURSUANT TO SECTION 13 OR 15 (d) OF
THE SECURITIES EXCHANGE ACT OF 1934**

Date of report (date of earliest event reported): April 11, 1997

PACIFIC TELECOM, INC.

(Exact name of registrant as specified in Charter)

State of Washington	0-873	91-0644974
(State or other jurisdiction	(Commission	(IRS Employer
of incorporation)	File No.)	Identification No.)

805 Broadway	
Vancouver, Washington	
(Address of principal	98668-8701
executive offices)	(Zip Code)

Registrant's telephone number, including area code: (360)905-5800

No Change

(Former name or former address, if changed since last report)

ITEM 5. OTHER EVENTS

Information with respect to the sale of Pacific Telecom Cellular, Inc., a wholly-owned subsidiary of Pacific Telecom, Inc., in return for \$164.4 million in cash and more than 18,000 telephone access lines contained in a news release of PacifiCorp issued on April 11, 1997, is incorporated herein by reference.

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS

(c) Exhibits

99 PacifiCorp news release issued April 11, 1997.

SIGNATURE

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

PACIFIC TELECOM, INC.

(Registrant)

Dated: April 14, 1997

By: /s/James H. Huesgen

*James H. Huesgen
Executive Vice President
and Chief Financial Officer*

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

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805 Broadway
Vancouver, Washington
(Address of principal
executive offices)

98668-8701
(Zip Code)

Registrant's telephone number, including area code: (360)905-5800

No Change

(Former name or former address, if changed since last report)

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ITEM 5. OTHER EVENTS

On September 30, 1997, Pacific Telecom, Inc. (Company) purchased local exchange assets in Minnesota from US WEST Communications, Inc. (USWC). There are no affiliated relationships between the Company and USWC. The assets acquired from USWC represent 32 exchanges which serve approximately 27,000 access lines, largely in rural Minnesota. The Company combined these assets with its existing local exchange operations in Minnesota and began providing telecommunications services to its new customers immediately after closing. The Company paid approximately \$103 million in cash at closing for these assets. Funds for the purchase were provided mainly from internally generated funds.

On October 6, 1997, the Company purchased local exchange assets in Fairbanks, Alaska from the City of Fairbanks (Fairbanks). There are no affiliated relationships between the Company and Fairbanks. The assets acquired from Fairbanks represent a single exchange which serves approximately 38,000 access lines. The Company combined these assets with its existing local exchange operations in Alaska and began providing telecommunications services to its new customers immediately after closing.

The Company paid approximately \$84 million in cash at closing for the telecommunications assets in Fairbanks. Additionally, cash in the amount of \$8 million was placed in escrow representing the purchase price for the Alaska Rural Service Area (RSA) No. 1 A-side license to be paid to Fairbanks upon receipt of regulatory approvals. Funds for the purchase were provided mainly through available banking arrangements.

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS

(c) Exhibits

2 Agreement of Purchase and Sale of Exchanges between US WEST Communications, Inc., Northland Telephone Company and the Registrant dated December 15, 1995. (Incorporated by reference to Exhibit 2 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1995, File No. 0-873.)

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SIGNATURE

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

PACIFIC TELECOM, INC.
(Registrant)

Dated: October 14, 1997

By: /s/James H. Huesgen

James H. Huesgen
Executive Vice President
and Chief Financial Officer

End of Filing

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