

CENTURYTEL INC

FORM 10-Q (Quarterly Report)

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CIK	0000018926
Industry	Communications Services
Sector	Services
Fiscal Year	12/31

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

☒ Quarterly Report Pursuant to Section 13 or 15(d) of the Securities
Exchange Act of 1934

For the quarterly period ended September 30, 1998

or

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

Commission File Number: 1-7784

CENTURY TELEPHONE ENTERPRISES, INC.

(Exact name of registrant as specified in its charter)

Louisiana
(State or other jurisdiction of
incorporation or organization)

72-0651161
(I.R.S. Employer
Identification No.)

100 Century Park Drive, Monroe, Louisiana 71203
(Address of principal executive offices) (Zip Code)

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

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 ☐ No

As of October 31, 1998, there were 91,938,325 shares of common stock outstanding.

CENTURY TELEPHONE ENTERPRISES, INC.

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PART I. FINANCIAL INFORMATION

CENTURY TELEPHONE ENTERPRISES, INC. CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Three months ended September 30,		Nine months ended September 30,	
	1998	1997	1998	1997
(Dollars, except per share amounts, and shares expressed in thousands)				
OPERATING REVENUES				
Telephone	\$ 275,397	121,934	800,532	359,454
Wireless	106,662	80,163	305,699	220,472
Other	19,890	16,254	55,816	47,986
Total operating revenues	401,949	218,351	1,162,047	627,912
OPERATING EXPENSES				
Cost of sales and operating expenses	192,155	111,462	559,955	329,254
Depreciation and amortization	81,610	37,074	242,288	108,740
Total operating expenses	273,765	148,536	802,243	437,994
OPERATING INCOME	128,184	69,815	359,804	189,918
OTHER INCOME (EXPENSE)				
Gain on sale or exchange of assets, net	-	-	49,859	70,121
Interest expense	(41,904)	(11,175)	(126,785)	(33,539)
Income from unconsolidated cellular entities	9,162	8,371	25,105	21,750
Minority interest	(3,619)	(1,817)	(10,264)	(3,722)
Other income and expense	1,159	1,174	2,454	3,467
Total other income (expense)	(35,202)	(3,447)	(59,631)	58,077
INCOME BEFORE INCOME TAX EXPENSE	92,982	66,368	300,173	247,995
Income tax expense	38,304	24,935	123,610	90,251
NET INCOME	\$ 54,678	41,433	176,563	157,744
BASIC EARNINGS PER SHARE*	\$.60	.46	1.93	1.75
diluted earnings per share*	\$.59	.45	1.90	1.73
Dividends per common share*	\$.065	.0617	.195	.1851
Average basic shares outstanding*	91,471	90,134	91,238	89,802
Average diluted shares outstanding*	93,548	91,710	93,272	91,325

*Reflects March 1998 stock split. See Note 5.

See accompanying notes to consolidated financial statements.

CENTURY TELEPHONE ENTERPRISES, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

	Three months ended September 30,		Nine months ended September 30,	
	1998	1997	1998	1997
(Dollars in thousands)				
Net income	\$ 54,678	41,433	176,563	157,744
Other comprehensive income, net of tax:				
Unrealized holding gains (losses) arising during period, net of tax	(631)	37,473	10,310	62,038
Reclassification adjustment for gains included in net income, net of tax	-	-	(20,478)	-
Other comprehensive income, net of tax	(631)	37,473	(10,168)	62,038
Comprehensive income	\$ 54,047	78,906	166,395	219,782

See accompanying notes to consolidated financial statements.

CENTURY TELEPHONE ENTERPRISES, INC.
CONSOLIDATED BALANCE SHEETS
(UnAUDITED)

	September 30, 1998	December 31, 1997
	(Dollars in thousands)	

ASSETS		

CURRENT ASSETS		
Cash and cash equivalents	\$ 3,940	26,017
Accounts receivable, less allowance of \$4,824 and \$5,954	182,117	227,272
Materials and supplies, at average cost	24,841	21,994
Other	7,442	8,197
	-----	-----
	218,340	283,480
	-----	-----
NET PROPERTY, PLANT AND EQUIPMENT	2,245,445	2,258,563
	-----	-----
INVESTMENTS AND OTHER ASSETS		
Excess cost of net assets acquired, less accumulated amortization of \$119,620 and \$84,132	1,741,491	1,767,352
Other	430,894	400,006
	-----	-----
	2,172,385	2,167,358
	-----	-----
	\$ 4,636,170	4,709,401
=====		
LIABILITIES AND EQUITY		

CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 45,015	55,244
Accounts payable	77,194	83,378
Accrued expenses and other liabilities		
Salaries and benefits	46,737	38,225
Taxes	19,746	74,898
Interest	23,416	20,821
Other	24,506	25,229
Advance billings and customer deposits	28,285	24,213
	-----	-----
	264,899	322,008
	-----	-----
LONG-TERM DEBT	2,392,685	2,609,541
	-----	-----
DEFERRED CREDITS AND OTHER LIABILITIES	509,951	477,580
	-----	-----
STOCKHOLDERS' EQUITY		
Common stock, \$1.00 par value, 175,000,000 shares authorized, 91,924,239 and 91,103,674 shares issued and outstanding	91,924	91,104
Paid-in capital	487,221	469,586
Accumulated other comprehensive income- unrealized holding gain on investments, net of taxes	1,725	11,893
Retained earnings	886,479	728,033
Unearned ESOP shares	(6,820)	(8,450)
Preferred stock-non-redeemable	8,106	8,106
	-----	-----
	1,468,635	1,300,272
	-----	-----
	\$ 4,636,170	4,709,401
=====		
See accompanying notes to consolidated financial statements.		

CENTURY TELEPHONE ENTERPRISES, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(UNAUDITED)

	Nine months ended September 30,	
	1998	1997
	(Dollars in thousands)	
COMMON STOCK		
Balance at beginning of period	\$ 91,104 *	59,859
Issuance of common stock for acquisitions	28	-
Conversion of convertible securities into common stock	169	237
Issuance of common stock through dividend reinvestment, incentive and benefit plans	623	423
Balance at end of period	91,924	60,519
PAID-IN CAPITAL		
Balance at beginning of period	469,586 *	474,607
Issuance of common stock for acquisitions	1,059	-
Conversion of convertible securities into common stock	3,131	4,998
Issuance of common stock through dividend reinvestment, incentive and benefit plans	11,410	10,448
Amortization of unearned compensation and other	2,035	608
Balance at end of period	487,221	490,661
ACCUMULATED OTHER COMPREHENSIVE INCOME		
Balance at beginning of period	11,893	-
Change in unrealized holding gain on investments, net of reclassification adjustment	(10,168)	62,038
Balance at end of period	1,725	62,038
RETAINED EARNINGS		
Balance at beginning of period	728,033	494,726
Net income	176,563	157,744
Cash dividends declared		
Common stock - \$.195 and \$.1851 per share, respectively*	(17,811)	(16,622)
Preferred stock	(306)	(357)
Balance at end of period	886,479	635,491
UNEARNED ESOP SHARES		
Balance at beginning of period	(8,450)	(11,080)
Release of ESOP shares	1,630	1,880
Balance at end of period	(6,820)	(9,200)
PREFERRED STOCK - NON-REDEEMABLE		
Balance at beginning of period	8,106	10,041
Conversion of preferred stock into common stock	-	(1,935)
Balance at end of period	8,106	8,106
TOTAL STOCKHOLDERS' EQUITY	\$ 1,468,635	1,247,615

*Reflects March 1998 stock split. See Note 5.

See accompanying notes to consolidated financial statements.

CENTURY TELEPHONE ENTERPRISES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Nine months ended September 30,	
	1998	1997
	(Dollars in thousands)	
OPERATING ACTIVITIES		
Net income	\$ 176,563	157,744
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	242,288	108,740
Deferred income taxes	30,241	31,667
Income from unconsolidated cellular entities	(25,105)	(21,750)
Minority interest	10,264	3,722
Gain on sales of assets	(49,859)	(70,121)
Changes in current assets and current liabilities:		
Accounts receivable	(15,370)	(12,170)
Accounts payable	(6,184)	(6,110)
Other accrued taxes	(55,152)	8,624
Other current assets and other current liabilities, net	9,364	9,853
Changes in other noncurrent liabilities	3,535	3,259
Other, net	(3,408)	4,040
Net cash provided by operating activities	317,177	217,498
INVESTING ACTIVITIES		
Payments for property, plant and equipment	(204,627)	(123,344)
Acquisitions, net of cash acquired	(5,028)	(30,398)
Proceeds from sales of assets	132,307	-
Distributions from unconsolidated cellular entities	17,715	9,173
Purchase of life insurance investment, net	(2,557)	(12,936)
Proceeds from note receivable	-	22,500
Other, net	2,337	(4,320)
Net cash used in investing activities	(59,853)	(139,325)
FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt	772,894	12,151
Payments of long-term debt	(999,877)	(78,377)
Payment upon settlement of hedge contracts	(40,237)	-
Payment of deferred debt issuance costs	(6,625)	-
Proceeds from issuance of common stock	12,110	10,860
Cash dividends	(18,117)	(16,979)
Other, net	451	(2,947)
Net cash used in financing activities	(279,401)	(75,292)
Net increase (decrease) in cash and cash equivalents	(22,077)	2,881
Cash and cash equivalents at beginning of period	26,017	8,402
Cash and cash equivalents at end of period	\$ 3,940	11,283
Supplemental cash flow information:		
Income taxes paid	\$ 158,365	53,978
Interest paid	\$ 124,190	28,963

See accompanying notes to consolidated financial statements.

CENTURY TELEPHONE ENTERPRISES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 1998

(UNAUDITED)

(1) Basis of Financial Reporting

The consolidated financial statements of Century Telephone Enterprises, Inc. and its subsidiaries (the "Company") include the accounts of Century Telephone Enterprises, Inc. ("Century") and its majority-owned subsidiaries and partnerships. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to rules and regulations of the Securities and Exchange Commission; however, the Company believes the disclosures which are made are adequate to make the information presented not misleading. The financial statements and footnotes included in this Form 10-Q should be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1997. Certain 1997 amounts have been reclassified to be consistent with the 1998 presentation.

The unaudited financial information for the three months and nine months ended September 30, 1998 and 1997 has not been audited by independent public accountants; however, in the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the results of operations for the three-month and nine-month periods have been included therein. The results of operations for the first nine months of the year are not necessarily indicative of the results of operations which might be expected for the entire year.

(2) Net Property, Plant and Equipment

Net property, plant and equipment is composed of the following:

	September 30, 1998	December 31, 1997
----- (Dollars in thousands) -----		
Telephone, at original cost	\$ 3,414,234	3,295,860
Accumulated depreciation	(1,520,474)	(1,375,835)
	----- 1,893,760	----- 1,920,025

Wireless, at cost	421,412	380,218
Accumulated depreciation	(166,949)	(133,357)
	----- 254,463	----- 246,861

Corporate and other, at cost	191,138	169,420
Accumulated depreciation	(93,916)	(77,743)
	----- 97,222	----- 91,677
	----- \$ 2,245,445	----- 2,258,563
	=====	

(3) Earnings from Unconsolidated Cellular Entities

The following summarizes the unaudited combined results of operations of the cellular entities in which the Company's investments (as of September 30, 1998 and 1997) were accounted for by the equity method:

	Nine months ended September 30,	
	1998	1997
----- (Dollars in thousands) -----		
Results of operations		
Revenues	\$ 937,670	930,860
Operating income	\$ 334,405	310,236
Net income	\$ 336,393	277,464

(4) Accounting Pronouncements

In June 1997, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 130 ("SFAS 130"), "Reporting Comprehensive Income" and Statement of Financial Accounting Standards No. 131 ("SFAS 131"), "Disclosures About Segments of an Enterprise and Related Information." SFAS 130 established standards for reporting the components of comprehensive income, which is defined to include all changes in equity during a period except those resulting from investments by and distributions to shareholders. SFAS 131 established standards for reporting information about operating segments in annual financial statements and interim financial reports to shareholders. The Company adopted both statements in the first quarter of 1998; however, the provisions of SFAS 131 need not be applied to interim periods in the initial year of application. SFAS 131 is not expected to materially impact how the Company currently reports its segment information.

In June 1998, the FASB issued Statement of Financial Accounting Standards No. 133 ("SFAS 133"), "Accounting for Derivative Instruments and Hedging Activities." SFAS 133 established accounting and reporting standards for derivative instruments and for hedging activities by requiring that entities recognize all derivatives as either assets or liabilities at fair value on the balance sheet. Based on the Company's current use of derivatives, SFAS 133 is not expected to materially impact the Company's financial position or results of operations.

(5) Stock Split

On March 31, 1998, the Company effected a three-for-two common stock split by means of a 50% stock dividend. Shares outstanding and per share data for the nine months and three months ended September 30, 1997 have been restated to reflect this stock split.

(6) Debt Issuance

On January 15, 1998, Century issued \$100 million of 7-year, 6.15% senior notes (Series E); \$240 million of 10-year, 6.3% senior notes (Series F); and \$425 million of 30-year, 6.875% debentures (Series G) under its shelf registration statements. The net proceeds of approximately \$758 million (excluding payment obligations of approximately \$40 million related to interest rate hedging effected in connection with the offering) were used to reduce the bank indebtedness incurred by the Company in connection with its December 1, 1997 acquisition of Pacific Telecom, Inc. ("PTI").

In mid-January 1998, the Company settled numerous interest rate hedge contracts that had been entered into in anticipation of these debt issuances. The amounts paid by the Company upon settlement of the hedge contracts aggregated approximately \$40 million, which will be amortized as interest expense over the lives of the underlying debt instruments. The effective weighted average interest rate of the above-mentioned debt (after giving consideration to these payment obligations) is 7.15%. In March 1998 the Company paid approximately \$250,000 upon settlement of its remaining interest rate hedge contracts.

(7) Sale or Exchange of Assets

In connection with the first quarter 1998 acquisition of Brooks Fiber Properties, Inc. ("Brooks") by WorldCom, Inc. ("WorldCom"), the Company's 551,000 shares of Brooks' common stock were converted into approximately 1.0 million shares of WorldCom common stock. The Company recorded such conversion at fair value which resulted in a pre-tax gain of approximately \$22.8 million (\$14.8 million after-tax; \$.16 per diluted share). In the second quarter of 1998, the Company sold 750,000 shares of WorldCom common stock for \$35.6 million cash and recorded a pre-tax gain of \$8.7 million (\$5.7 million after tax; \$.06 per diluted share).

In the second quarter of 1998, the Company sold its minority interests in two non-strategic cellular entities for approximately \$31.0 million cash which resulted in a pre-tax gain of \$21.8 million (\$12.3 million after-tax; \$.13 per diluted share). Additionally, in the second quarter the Company wrote off its minority investment in a start-up company.

During the second quarter of 1998, the Company also sold various other properties that were acquired in the PTI acquisition, including, but not limited to, the Company's submarine cable operations. The Company utilized the proceeds from these transactions to reduce its debt associated with the acquisition of PTI. In accordance with purchase accounting, no gain or loss was recorded upon the disposition of these assets.

During the second quarter of 1997, the Company sold its competitive access subsidiary to Brooks and recorded a pre-tax gain of \$71 million (\$46 million after-tax; \$.50 per diluted share).

(8) Pending Acquisition

On March 12, 1998, the Company entered into definitive agreements to purchase from affiliates of Ameritech Corporation ("Ameritech") the assets of certain local telephone and directory operations in parts of northern and central Wisconsin, in exchange for approximately \$225 million cash (subject to adjustments). The assets to be purchased include (i) access lines and related property and equipment in 21 predominantly rural communities in Wisconsin which serve approximately 68,000 customers, (ii) Ameritech's directory publishing operations that relate to nine telephone directories serving such customers, and (iii) approximately \$4 million in net receivables. Subject to the satisfaction of various closing conditions, this transaction is expected to be completed in the fourth quarter of 1998.

(9) Pending Disposition

In August 1998, the Company entered into a definitive agreement to sell the stock of the entities conducting the Company's Alaska operations to ALEC Acquisition Corporation for \$415 million cash, subject to various adjustments. Proceeds from this transaction will be used to reduce debt and to fund the Company's pending acquisition of telephone access lines from Ameritech described in Note 8. The Alaska transaction is anticipated to close in the first quarter of 1999, subject to regulatory approvals and various closing conditions.

CENTURY TELEPHONE ENTERPRISES, INC.

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

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") included herein should be read in conjunction with MD&A and the other information included in the Company's Annual Report on Form 10-K for the year ended December 31, 1997. The results of operations for the three months and nine months ended September 30, 1998 are not necessarily indicative of the results of operations which might be expected for the entire year.

Century Telephone Enterprises, Inc., which operates under the trade name of CenturyTel, and its subsidiaries (the "Company"), is a regional diversified communications company that is primarily engaged in providing local telephone services and cellular telephone communications services. At September 30, 1998, the Company's local exchange telephone subsidiaries operated over 1.2 million telephone access lines primarily in rural, suburban and small urban areas in 21 states, and the Company's majority-owned and operated cellular entities had more than 591,000 cellular subscribers. On December 1, 1997, the Company significantly expanded its operations by acquiring Pacific Telecom, Inc. ("PTI"). As a result of the acquisition, the Company acquired (i) over 660,000 telephone access lines, (ii) over 88,000 cellular subscribers and (iii) various wireless, cable television and other communications assets.

In addition to historical information, management's discussion and analysis includes certain forward-looking statements regarding events and financial trends that may affect the Company's future operating results and financial position. Such forward-looking statements are subject to uncertainties that could cause the Company's actual results to differ materially from such statements. Such uncertainties include but are not limited to: the effects of ongoing deregulation in the telecommunications industry; the 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 operations of PTI into the Company's operations; the success and expense of the remediation efforts of the Company and its vendors in achieving year 2000 compliance; 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 greater detail in Item 1 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The Company undertakes no obligation to update any of its forward-looking statements for any reason.

RESULTS OF OPERATIONS

Three Months Ended September 30, 1998 Compared to Three Months Ended September 30, 1997

Net income for the third quarter of 1998 was \$54.7 million compared to \$41.4 million during the third quarter of 1997. Diluted earnings per share increased to \$.59 during the three months ended September 30, 1998 from \$.45 during the three months ended September 30, 1997, a 31.1% increase.

	Three months ended September 30,	
	1998	1997
	(Dollars, except per share amounts, and shares in thousands)	
Operating income		
Telephone	\$ 88,210	40,114
Wireless	36,693	27,403
Other	3,281	2,298
	128,184	69,815
Interest expense	(41,904)	(11,175)
Income from unconsolidated cellular entities	9,162	8,371
Minority interest	(3,619)	(1,817)
Other income and expense	1,159	1,174
Income tax expense	(38,304)	(24,935)
Net income	\$ 54,678	41,433
Diluted earnings per share*	\$.59	.45
Average diluted shares outstanding*	93,548	91,710

* Reflects March 1998 stock split. See Note 5.

Contributions to operating revenues and operating income by the Company's telephone, wireless, and other operations for the three months ended September 30, 1998 and 1997 were as follows:

	Three months ended September 30,	
	1998	1997
Operating revenues		
Telephone operations	68.5%	55.8
Wireless operations	26.5%	36.7
Other operations	5.0%	7.5
Operating income		
Telephone operations	68.8%	57.5
Wireless operations	28.6%	39.2
Other operations	2.6%	3.3

Telephone Operations

	Three months ended September 30,	
	1998	1997
	(Dollars in thousands)	
Operating revenues		
Local service	\$ 84,082	33,443
Network access	159,422	73,385
Other	31,893	15,106
	275,397	121,934
Operating expenses		
Plant operations	62,402	24,971
Customer operations	22,107	11,931
Corporate and other	37,436	18,679
Depreciation and amortization	65,242	26,239
	187,187	81,820
Operating income	\$ 88,210	40,114

Telephone operating income increased \$48.1 million (119.9%) due to an

increase in operating revenues of \$153.5 million (125.9%) which more than offset an increase in operating expenses of \$105.4 million (128.8%).

Of the \$153.5 million increase in operating revenues, \$139.8 million was attributable to the properties acquired in the PTI acquisition. The remaining \$13.7 million increase in revenues was partially due to a \$2.5 million increase in revenues due to increased minutes of use; a \$2.5 million increase resulting from favorable prior period revenue settlements; a \$3.4 million increase in the partial recovery of increased operating expenses through revenue pools in which the Company participates with other telephone companies; a \$1.9 million increase in amounts received from the federal Universal Service Fund; and a \$1.6 million increase resulting from internal growth in the number of customer access lines.

During the third quarter of 1998, operating expenses, exclusive of depreciation and amortization, increased \$66.4 million, of which \$61.1 million was attributable to the properties acquired in the PTI acquisition. The remainder of the increase in operating expenses was due to increases in general operating expenses.

Depreciation and amortization increased \$39.0 million, of which \$35.2 million (which includes \$6.9 million of amortization of excess cost of net assets acquired) was attributable to the properties acquired in the PTI acquisition. The remainder of the increase was primarily due to higher recurring rates or nonrecurring depreciation charges which have been approved for certain subsidiaries.

Wireless Operations and Income From Unconsolidated Cellular Entities

Three months

	ended September 30,	
	1998	1997
(Dollars in thousands)		
Operating income - wireless operations	\$ 36,693	27,403
Minority interest	(3,619)	(2,044)
Income from unconsolidated cellular entities	9,162	8,371
	\$ 42,236	33,730

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

Wireless Operations		Three months ended September 30,	
		1998	1997
(Dollars in thousands)			
Operating revenues			
Service revenues	\$ 104,527	78,839	
Equipment sales	2,135	1,324	
	106,662	80,163	
Operating expenses			
Cost of equipment sold	3,784	2,987	
System operations	15,326	12,549	
General, administrative and customer service	21,991	15,090	
Sales and marketing	13,312	11,918	
Depreciation and amortization	15,556	10,216	
	69,969	52,760	
Operating income	\$ 36,693	27,403	

Wireless operating income increased \$9.3 million (33.9%) to \$36.7 million in the third quarter of 1998 from \$27.4 million in the third quarter of 1997. Wireless operating revenues increased \$26.5 million (33.1%) while operating expenses increased \$17.2 million (32.6%).

Of the \$25.7 million increase in service revenues, \$23.0 million was attributable to acquisitions. Excluding acquisitions, roaming revenues increased \$3.0 million in the third quarter of 1998. The average number of cellular units in service in majority-owned markets (exclusive of acquisitions) during the third quarter of 1998 and 1997 was 449,600 and 411,300, respectively.

The average monthly cellular service revenue per customer (including acquisitions) declined to \$59 during the third quarter of 1998 from \$64 during the third quarter of 1997 partially due to the continued trend that a higher percentage of new subscribers tend to be lower usage customers. In addition, the properties acquired in the PTI acquisition historically have had a lower average monthly service revenue per customer than the Company's incumbent properties. The average monthly service revenue per customer may further decline (i) as market penetration increases and additional lower usage customers are activated and (ii) as competitive pressures from current and future wireless communications providers intensify. The Company is responding to such competitive pressures by, among other things, modifying certain of its price plans and implementing certain other plans and promotions, all of which are likely to result in lower average revenue per customer. The Company will continue to focus on customer service and attempt to stimulate cellular usage by promoting the availability of certain enhanced services and by improving the quality of its service through the construction of additional cell sites and other enhancements to its system.

System operations expenses increased \$2.8 million (22.1%) in the third quarter of 1998 primarily due to \$4.8 million of expenses attributable to acquisitions. Such increase was partially offset by a \$1.7 million decrease in the amounts paid to other carriers for cellular service provided to the Company's customers who roam in the other carriers' service areas.

General, administrative and customer service expenses increased \$6.9 million (45.7%), of which \$3.4 million was attributable to expenses of entities acquired. The remainder of the increase was primarily due to a \$2.4 million increase in the provision for doubtful accounts.

The Company's average monthly churn rate (the percentage of cellular customers that terminate service) was 2.3% for the third quarter of 1998 and 2.2% for the third quarter of 1997.

Sales and marketing expenses increased \$1.4 million (11.7%) in the third quarter of 1998 primarily due to \$2.8 million of expenses of entities acquired and a \$1.0 million increase in advertising expense. Commissions paid to agents for selling services to new customers decreased \$2.8 million primarily as a result of fewer cellular units added during the third quarter of 1998 compared to the third quarter of 1997. The Company will continue to focus on attracting and retaining higher usage customers.

Depreciation and amortization increased \$5.3 million (52.3%), of which \$3.5 million was attributable to acquisitions. The remainder of the increase was due primarily to a higher level of plant in service.

Other Operations	Three months ended September 30,	
	1998	1997
	(Dollars in thousands)	
Operating revenues		
Long distance	\$ 13,263	9,810
Call center	2,754	3,866
Other	3,873	2,578
	19,890	16,254
Operating expenses		
Cost of sales and operating expenses	15,797	13,337
Depreciation and amortization	812	619
	16,609	13,956
Operating income	\$ 3,281	2,298

Other operations include the results of operations of subsidiaries of the Company which are not included in the telephone or wireless segments, including, but not limited to, the Company's nonregulated long distance and call center operations. The \$3.5 million increase in long distance revenues was primarily attributable to the growth in the number of customers; the \$1.1 million decrease in call center revenues was primarily due to the loss of two major customers in the fourth quarter of 1997. The increase in other revenues was primarily attributable to the PTI acquisition and the acquisition of two security alarm businesses subsequent to the third quarter of 1997.

Operating expenses increased due to (i) an increase of \$3.5 million in expenses of the Company's long distance operations due primarily to an increase in customers and (ii) \$1.9 million of operating expenses applicable to acquisitions. Such increases were substantially offset because (i) the amount of intercompany profit with regulated affiliates which, in accordance with regulatory accounting principles, was not eliminated in connection with consolidating the results of operations (which acts to offset operating expenses) increased \$1.1 million as a result of the PTI acquisition, and (ii) the third quarter of 1997 included \$1.7 million of costs applicable to entities sold during 1997.

Interest Expense

Interest expense increased \$30.7 million in the third quarter of 1998 compared to the third quarter of 1997 primarily due to \$21.9 million of interest expense on the borrowings used to finance the PTI acquisition and \$7.5 million of interest expense applicable to PTI's debt.

Income from Unconsolidated Cellular Entities

Earnings from unconsolidated cellular entities, net of the amortization of associated goodwill, increased \$791,000 (9.4%) primarily due to \$2.2 million of earnings from interests in unconsolidated entities acquired in the PTI acquisition. Such increase was partially offset by a \$1.0 million decrease in income due to the sale of the Company's minority interests in two non-strategic cellular entities during the second quarter of 1998.

Minority Interest

Minority interest is the expense recorded by the Company to reflect the minority interest owners' share of the earnings or loss of the Company's majority-owned and operated cellular entities and majority-owned subsidiaries. Minority interest increased \$1.8 million primarily due to a \$1.0 million increase in expense related to the entities acquired in the PTI acquisition. The remainder of the increase is primarily due to the increased profitability of the Company's majority-owned and operated cellular entities.

Income Tax Expense

Income tax expense increased \$13.4 million in the third quarter of 1998 compared to the third quarter of 1997. The effective income tax rate was 41.2% and 37.6% in the three months ended September 30, 1998 and 1997, respectively. Such increase in the effective income tax rate was primarily due to an increase in non-deductible amortization of excess cost of net assets acquired (goodwill) attributable to the PTI acquisition.

Nine Months Ended September 30, 1998 Compared to Nine Months Ended September 30, 1997

Net income (excluding gain on sale or exchange of assets) for the first nine months of 1998 was \$146.0 million compared to \$112.2 million during the first nine months of 1997. Diluted earnings per share (excluding gain on sale or exchange of assets) increased to \$1.57 during the nine months ended September 30, 1998 from \$1.23 during the nine months ended September 30, 1997, a 27.6% increase.

	Nine months ended September 30,	
	1998	1997
	(Dollars, except per share amounts, and shares in thousands)	
Operating income		
Telephone	\$ 245,007	119,610
Wireless	103,859	65,752
Other	10,938	4,556
	359,804	189,918
Gain on sale or exchange of assets, net	49,859	70,121
Interest expense	(126,785)	(33,539)
Income from unconsolidated cellular entities	25,105	21,750
Minority interest	(10,264)	(3,722)
Other income and expense	2,454	3,467
Income tax expense	(123,610)	(90,251)
Net income	\$ 176,563	157,744
Diluted earnings per share*	\$ 1.90	1.73
Average diluted shares outstanding*	93,272	91,325

* Reflects March 1998 stock split. See Note 5.

Contributions to operating revenues and operating income by the Company's telephone, wireless, and other operations for the nine months ended September 30, 1998 and 1997 were as follows:

	Nine months ended September 30,	
	1998	1997
Operating revenues		
Telephone operations	68.9%	57.2
Wireless operations	26.3%	35.1
Other operations	4.8%	7.7
Operating income		
Telephone operations	68.1%	63.0
Wireless operations	28.9%	34.6
Other operations	3.0%	2.4

Telephone Operations

	Nine months ended September 30,	
	1998	1997
	(Dollars in thousands)	
Operating revenues		
Local service	\$ 243,664	98,749
Network access	462,576	217,407
Other	94,292	43,298
	800,532	359,454

Telephone operating income increased \$125.4 million (104.8%) due to an

Of the \$441.1 million increase in operating revenues, \$410.1 million was attributable to the properties acquired in the PTI acquisition. The remaining \$31.0 million increase in revenues was partially due to a \$6.7 million increase in amounts received from the federal Universal Service Fund; a \$6.5 million increase in revenues due to increased minutes of use; a \$7.3 million increase resulting from internal growth in the number of customer access lines; and a \$6.5 million increase in the partial recovery of increased operating expenses through revenue pools in which the Company participates with other telephone companies.

Depreciation and amortization increased \$117.3 million, of which \$108.7 million (which includes \$20.7 million of amortization of excess cost of net assets acquired) was attributable to the properties acquired in the PTI acquisition. The remainder of the increase was due to higher levels of plant in service and higher recurring rates or nonrecurring depreciation charges which have been approved for certain subsidiaries.

	Nine months ended September 30,	
	1998	1997
	(Dollars in thousands)	
Operating income - wireless operations	\$103,859	65,752
Minority interest	(10,264)	(5,140)
Income from unconsolidated cellular entities	25,105	21,750
	\$118,700	82,362

Wireless Operations		
	Nine months ended September 30,	
	1998	1997
	(Dollars in thousands)	
Operating revenues		
Service revenues	\$ 299,391	216,476
Equipment sales	6,308	3,996
	305,699	220,472
Operating expenses		
Cost of equipment sold	11,182	10,373

System operations	44,211	33,946
General, administrative and customer service	60,435	43,568
Sales and marketing	40,745	37,345
Depreciation and amortization	45,267	29,488
	201,840	154,720
Operating income	\$ 103,859	65,752

Wireless operating income increased \$38.1 million (58.0%) to \$103.9 million in the first nine months of 1998 from \$65.8 million in the first nine months of 1997. Wireless operating revenues increased \$85.2 million (38.7%) while operating expenses increased \$47.1 million (30.5%).

Of the \$82.9 million increase in service revenues, \$62.7 million was attributable to acquisitions. The remainder of the increase in cellular service revenues was primarily due to the increase in the number of cellular customers in the Company's incumbent markets. The average number of cellular units in service in majority-owned markets (exclusive of acquisitions) during the first nine months of 1998 and 1997 was 448,000 and 391,000, respectively. Excluding acquisitions, local and toll revenues increased \$12.1 million in the first nine months of 1998 and roaming revenues increased \$8.2 million.

The average monthly cellular service revenue per customer (including acquisitions) declined to \$57 during the first nine months of 1998 from \$62 during the first nine months of 1997 partially due to the continued trend that a higher percentage of new subscribers tend to be lower usage customers. In addition, the properties acquired in the PTI acquisition historically have had a lower average monthly service revenue per customer than the Company's incumbent properties. The average monthly service revenue per customer may further decline (i) as market penetration increases and additional lower usage customers are activated and (ii) as competitive pressures from current and future wireless communications providers intensify. The Company is responding to such competitive pressures by, among other things, modifying certain of its price plans and implementing certain other plans and promotions, all of which are likely to result in lower average revenue per customer. The Company will continue to focus on customer service and attempt to stimulate cellular usage by promoting the availability of certain enhanced services and by improving the quality of its service through the construction of additional cell sites and other enhancements to its system.

System operations expenses increased \$10.3 million (30.2%) in the first nine months of 1998 primarily due to \$12.5 million of expenses attributable to acquisitions. A \$4.4 million decrease in the amounts paid to other carriers for cellular service provided to the Company's customers who roam in the other carriers' service areas was substantially offset by a \$2.1 million increase in operating expenses due to an increase in the number of cell sites.

General, administrative and customer service expenses increased \$16.9 million (38.7%), of which \$9.9 million was attributable to expenses of entities acquired. The remainder of the increase was primarily due to a \$4.3 million increase in the provision for doubtful accounts.

The Company's average monthly churn rate (the percentage of cellular customers that terminate service) was 2.3% for the first nine months of 1998 and 1997.

Sales and marketing expenses increased \$3.4 million in the first nine months of 1998 primarily due to \$8.1 million of expenses of entities acquired, a \$2.0 million increase in costs incurred in selling products and services in retail locations and a \$1.7 million increase in advertising expenses. Such increases were substantially offset by a \$7.6 million reduction in commissions paid to agents for selling services to new customers primarily as a result of fewer cellular units added during the first nine months of 1998 compared to the first nine months of 1997. The Company will continue to focus on attracting and retaining higher usage customers.

Depreciation and amortization increased \$15.8 million (53.5%), of which \$10.5 million was attributable to acquisitions. The remainder of the increase was due primarily to a higher level of plant in service.

Other Operations	Nine months ended September 30,	
	1998	1997
	(Dollars in thousands)	
Operating revenues		
Long distance	\$ 36,865	26,556
Call center	7,702	12,077
Competitive access	-	2,499
Other	11,249	6,854
	55,816	47,986
Operating expenses		
Cost of sales and operating expenses	42,373	41,419

Depreciation and amortization	2,505	2,011
	-----	-----
	44,878	43,430
	-----	-----
Operating income	\$ 10,938	4,556
	=====	=====

Other operations include the results of operations of subsidiaries of the Company which are not included in the telephone or wireless segments, including, but not limited to, the Company's competitive access subsidiary (which was sold to Brooks Fiber Properties, Inc. ("Brooks") in May 1997) and the Company's nonregulated long distance and call center operations. The \$10.3 million increase in long distance revenues was attributable to the growth in the number of customers; the \$4.4 million decrease in call center revenues was primarily due to the loss of two major customers in the fourth quarter of 1997. The increase in other revenues was primarily attributable to the PTI acquisition and the acquisition of two security alarm businesses subsequent to the third quarter of 1997.

Operating expenses increased due to (i) an increase of \$10.4 million in expenses of the Company's long distance operations due primarily to an increase in customers and (ii) \$5.9 million of operating expenses applicable to acquisitions. Such increases were substantially offset by decreases in operating expenses because (i) the first nine months of 1997 included \$9.2 million of costs applicable to entities sold during 1997, (ii) the amount of intercompany profit with regulated affiliates which, in accordance with regulatory accounting principles, was not eliminated in connection with consolidating the results of operations (which acts to offset operating expenses) increased \$4.4 million as a result of the acquisition of PTI and (iii) operating expenses of the Company's call center business decreased \$1.5 million primarily due to the loss of two major customers in the fourth quarter of 1997.

Interest Expense

Interest expense increased \$93.2 million in the first nine months of 1998 compared to the first nine months of 1997 primarily due to \$68.6 million of interest expense on the borrowings used to finance the PTI acquisition and \$19.0 million of interest expense applicable to PTI's debt.

Gain on Sale or Exchange of Assets, Net

In the first nine months of 1998, the Company recorded pre-tax gains aggregating \$49.9 million (\$30.5 million after-tax; \$.33 per diluted share) primarily due to the conversion of its investment in the common stock of Brooks into common stock of WorldCom, Inc. ("WorldCom"), the subsequent sale of 750,000 shares of WorldCom stock, and the sale of minority interests in two non-strategic cellular entities. See Note 7 of Notes to Consolidated Financial Statements for additional information.

In the first nine months of 1997, the Company sold its competitive access subsidiary to Brooks and recorded a pre-tax gain of \$71 million (\$46 million after tax; \$.50 per diluted share).

Income from Unconsolidated Cellular Entities

Earnings from unconsolidated cellular entities, net of the amortization of associated goodwill, increased \$3.4 million (15.4%) primarily due to \$5.0 million of earnings of the cellular entities acquired in the PTI acquisition. Such increase was partially offset by a \$1.8 million decrease due to the sale of the Company's minority interests in two non-strategic cellular entities during the second quarter of 1998.

Minority Interest

Minority interest is the expense recorded by the Company to reflect the minority interest owners' share of the earnings or loss of the Company's majority-owned and operated cellular entities and majority-owned subsidiaries. Minority interest increased \$6.5 million partially due to a \$2.0 million increase in expense related to the entities acquired in the PTI acquisition. The remainder of the increase is primarily due to the increased profitability of the Company's majority-owned and operated cellular entities.

Income Tax Expense

Income tax expense increased \$33.4 million in the first nine months of 1998 compared to the first nine months of 1997 primarily due to an increase in income before taxes. The effective income tax rate was 41.2% and 36.4% for the nine months ended September 30, 1998 and 1997, respectively. Such increase in the effective income tax rate was primarily due to an increase in non-deductible amortization of excess cost of net assets acquired (goodwill) attributable to the PTI acquisition.

LIQUIDITY AND CAPITAL RESOURCES

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

Net cash provided by operating activities was \$317.2 million during the first nine months of 1998 compared to \$217.5 million during the first nine months of 1997. The Company's accompanying consolidated statements of cash flows identify major differences between net income and net cash provided by operating activities for each of these periods. For additional information relating to the telephone operations, wireless operations, and other operations of the Company, see Results of Operations.

Net cash used in investing activities was \$59.9 million and \$139.3 million for the nine months ended September 30, 1998 and 1997, respectively. Payments for property, plant and equipment were \$81.3 million more in the first nine months of 1998 than in the comparable period during 1997. Capital expenditures for the nine months ended September 30, 1998 were \$142.0 million for telephone, \$42.8 million for wireless and \$24.2 million for other operations. Proceeds from the sales of assets were \$132.3 million in the first nine months of 1998. Cash used in connection with acquisitions was \$30.4 million in the first nine months of 1997, most of which was applicable to the acquisition of telephone properties in Wisconsin.

Net cash used in financing activities was \$279.4 million during the first nine months of 1998 compared to \$75.3 million during the first nine months of 1997. Net payments of long-term debt were \$160.8 million more during the first nine months of 1998 compared to the first nine months of 1997. During the first nine months of 1998, the Company issued an aggregate of \$765 million of senior notes and debentures. The net proceeds of approximately \$758 million were used to reduce the bank indebtedness incurred in connection with the acquisition of PTI. In addition, the Company paid approximately \$40 million to settle numerous interest rate hedge contracts that had been entered into in anticipation of these debt issuances.

Revised budgeted capital expenditures for 1998 total \$220 million for telephone operations, \$65 million for wireless operations and \$42 million for corporate and other operations.

As of September 30, 1998, Century's telephone subsidiaries had available for use \$140.9 million of commitments for long-term financing from the Rural Utilities Service and the Company had \$519.1 million of undrawn committed bank lines of credit.

During the first quarter of 1998, the Company entered into definitive agreements to purchase from affiliates of Ameritech the assets of certain local telephone and directory operations in parts of northern and central Wisconsin, in exchange for approximately \$225 million cash (subject to adjustments). The Company expects to provide initial financing for this acquisition through its committed credit facilities and ultimately finance this transaction with proceeds from the sale of the Company's Alaska operations. In August 1998, the Company entered into a definitive agreement to sell the stock of its Alaska operations for \$415 million cash, subject to various adjustments.

In April 1998 the Company acquired 32 Local Multipoint Distribution System licenses in the Federal Communications Commission's A and B band auction for an aggregate of \$9.7 million. The licenses acquired cover geographic areas with a combined population of approximately 10.6 million. The Company has not finalized capital expenditure or deployment plans for these systems.

OTHER MATTERS

Accounting for the Effects of Regulation

The Company currently accounts for its regulated telephone operations in accordance with the provisions of Statement of Financial Accounting Standards No. 71 ("SFAS 71"), "Accounting for the Effects of Certain Types of Regulation." While the ongoing applicability of SFAS 71 to the Company's telephone operations is being monitored due to the changing regulatory, competitive and legislative environments, the Company believes that SFAS 71 still applies. However, it is possible that changes in regulation or legislation or anticipated changes in competition or in the demand for regulated services or products could result in the Company's telephone operations not being subject to SFAS 71 in the near future. In that event, implementation of Statement of Financial Accounting Standards No. 101 ("SFAS 101"), "Regulated Enterprises - Accounting for the Discontinuance of Application of FASB Statement No. 71," would require the write-off of previously established regulatory assets and liabilities, along with an adjustment of certain accumulated depreciation accounts to reflect the difference between recorded depreciation and the amount of depreciation that would have been recorded had the Company's telephone operations not been subject to rate regulation. Such discontinuance of the application of SFAS 71 would result in a material, noncash charge against earnings which would be reported as an extraordinary item. While the effect of implementing SFAS 101 cannot be precisely estimated at this time, management believes that the noncash, after-tax, extraordinary charge would be between \$250 million and \$300 million.

Year 2000 Readiness Disclosure

The Year 2000 issue concerns the inability of computer systems and certain other equipment to properly recognize and process data that uses two digits rather than four to designate particular years. The Company has initiated a Year 2000 Project Plan ("the Plan") to assess whether its systems that process date sensitive information will perform satisfactorily leading up to and beyond January 1, 2000. The goal of the Plan is to correct, prior to January 1, 2000, any Year 2000-related problem with critical systems, the failure of which could have a material adverse effect on the Company's operations. The Plan includes steps to (i) identify each critical system element that requires date code remediation, (ii) establish a plan to remediate such systems, (iii) implement all required remediations and (iv) selectively test the remediated systems.

Thus far, the identification phase has identified Year 2000 issues in the following critical Company-owned systems: (i) switching and transmission hardware and software used by the Company to route and deliver telephone calls; (ii) network support systems, including customer service systems and (iii) billing and collection systems used by the Company to invoice and

process most of its customer payments. In addition, the Company (i) receives critical services from providers of utilities and other services to facilities that house employees and switching, transmission and other equipment and (ii) is dependent upon outside vendors for, among other things, the provision of critical network components and cellular billing services. The Company is also critically reliant upon the systems of other telecommunication carriers with which the Company's systems interconnect for the routing and delivery of telephone calls. The Company has also identified potential Year 2000-related liability with respect to telephone equipment manufactured by unaffiliated parties that the Company has sold or leased to its customers ("Customer Premises Equipment" or "CPE"). The identification and planning phases of the Plan are materially complete as they relate to Company-owned systems. As they relate to third party vendors, other telecommunications carriers and CPE customers, the identification and planning phases are on-going and are expected to be materially complete by first quarter 1999.

Based on work completed under the Plan to date, the Company currently intends to take the following additional steps under its Plan with respect to Company-owned systems, third-party vendors, other telecommunications carriers, and CPE customers:

- o The Company generally plans to remediate Company-owned switching, transmission, billing and collection and other critical systems through the revision or replacement of current system components. Necessary changes to Company-owned systems are in process and are expected to be completed by mid-year 1999. The selective testing and verification of such changes are expected to be completed during 1999. Due to the large number of system components requiring remediation, the Company does not intend to test every remediated system but will rely upon the results of selective testing to determine the effectiveness of remediation efforts.

- o With respect to critical services provided by utilities and other third parties, the Company is in the process of contacting all such suppliers and plans to have contacted all such suppliers before the end of 1998. Thus far, a majority of those suppliers contacted have responded that their systems and service delivery mechanisms are Year 2000 compliant or can be made so through currently available modifications. The Company plans to continue monitoring all third-party remediation efforts and to make contingency plans for the delivery of such services as necessary.

- o The Year 2000 compliance status of other telecommunications carriers with which the Company's switching systems interconnect is not yet known. The Company is making inquiries with these carriers to determine their compliance status and expects to obtain the results of compliance tests during first quarter 1999, although there can be no assurance that carriers will supply this information.

- o Finally, the Company is in the process of obtaining Year 2000 compliance information from CPE manufacturers and plans to provide this information to the Company's business customers in early 1999. The Company plans to work with CPE manufacturers to encourage the development of remedies for Year 2000 problems in such equipment and to continue working with its customers to identify Year 2000 problems in Customer Premises Equipment. However, there can be no assurance that CPE manufacturers or customers will cooperate with the Company's efforts to address these problems.

While the Company currently believes that it will be able to remediate and selectively test Company-owned systems in time to minimize any detrimental effect on its operations, there can be no assurance that such steps will be successful. Failure by the Company to timely and effectively remediate its systems, or the failure of critical vendors and suppliers and other telecommunications carriers to remediate affected systems, could have a material adverse impact on the Company's business, financial condition, results of operations and prospects. Because the impact of Year 2000 issues on the Company is materially dependent on the mitigation efforts of parties outside the Company's control, the Company cannot assess with certainty the magnitude of any such potential adverse impact. However, based upon risk assessment work conducted thus far, the Company believes that the most reasonably likely worst case scenario of the failure by the Company, its suppliers or other telecommunications carriers with which the Company interconnects to resolve Year 2000 issues would be an inability by the Company (i) to provide telecommunications services to the Company's customers, (ii) to route and deliver telephone calls originating from or terminating with other telecommunications carriers, (iii) to timely and accurately process service requests and (iv) to timely and accurately bill its customers. In addition to lost earnings, these failures could also result in loss of customers due to service interruptions and billing errors, substantial claims by customers and CPE purchasers and increased expenses associated with Year 2000 litigation, stabilization of operations and executing mitigation and contingency plans.

Contingency planning to maintain and restore service in the event of natural disasters, power failures and systems-related problems is a routine part of the Company's operations. The Company believes that such contingency plans will assist the Company in responding to the failure by outside service providers to successfully address Year 2000 issues. In addition, the Company is currently identifying and considering various Year 2000-specific contingency plans, including identification of alternate vendors and service providers and manual alternatives to system operations. These Year 2000-specific contingency plans are expected to be materially completed during the first quarter of 1999, but their review and development will continue into 1999.

Although the total costs to implement the Plan cannot be precisely estimated, the Company incurred costs of \$2.5 million during the first nine months of 1998 (none of which was related to hardware costs) and anticipates spending an aggregate of approximately \$33.8 million during the remainder of 1998 and 1999 (which includes \$20.9 million of hardware costs.) These costs will be expensed as incurred, unless new systems are purchased that should be capitalized in accordance with generally accepted accounting principles. Some of the costs represent ongoing investment in systems upgrades, the timing of which is being accelerated in order to facilitate Year 2000 compliance. In some instances, such upgrades will position the Company to provide more and better-quality services to its customers than they currently receive. The Company expects to fund these costs with cash provided by operations. Cost estimates and statements of the Company's plans discussed above are forward-looking statements that are derived using numerous assumptions of future events, many of which are outside the Company's control, including the availability and future cost of trained personnel and various other resources, third party modification plans, the absence of systems requiring remediation that have not yet been discovered, and other factors.

Regulatory Issues

In September 1998, the Federal Communications Commission ("FCC") initiated a proceeding to represcribe the authorized rate of return for interstate access services provided by local exchange carriers ("LECs"). The FCC periodically represcribes this rate of return to ensure that the service rates filed by incumbent LECs subject to rate of return regulation continue to be just and reasonable. Responses to the FCC regarding the represcription proceeding are due December 3, 1998. It is uncertain whether or by how much the FCC may lower the authorized rate of return.

PART II. OTHER INFORMATION

CENTURY TELEPHONE ENTERPRISES, INC.

Item 5. Other Information

Recently the Company discovered that the trustee of its 401(k) plan has inadvertently over the past several years sold shares of the Company's common stock to plan participants in amounts that substantially exceed the number of shares registered for sale under the Company's 1992 registration statement for such plan filed under the Securities Act of 1933, as amended. The Company is currently evaluating the number of unregistered shares sold, what remedial steps, if any, that it may take, and whether any of the Company's other plans have made any similar unregistered sales.

Item 6. Exhibits and Reports on Form 8-K

A. Exhibits

3(ii) Registrant's Bylaws, as amended through October 7, 1998.

10.1 Purchase Agreement by and among ALEC Acquisition Corporation, CenturyTel of the Northwest, Inc. and CenturyTel Wireless, Inc., dated August 14, 1998.

Pursuant to the regulations of the Securities and Exchange Commission, all schedules and exhibits to the foregoing agreement have been intentionally omitted from this report. The foregoing agreement contains a complete listing of all schedules and exhibits. The registrant agrees to furnish supplementary a copy of any omitted schedule or exhibit to the Securities and Exchange Commission upon request.

10.2 First Supplemental Indenture, dated as of November 2, 1998, to Indenture between CenturyTel of the Northwest, Inc. and The First National Bank of Chicago.

11 Computations of Earnings Per Share.

27.1 Financial Data Schedule as of and for the nine months ended September 30, 1998.

27.2 Restated Financial Data Schedule as of and for the nine months ended September 30, 1997.

B. Reports on Form 8-K

There were no reports on Form 8-K filed during the quarter ended September 30, 1998.

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 thereunto duly authorized.

CENTURY TELEPHONE ENTERPRISES, INC.

Date: November 12, 1998

/s/ R. Stewart Ewing

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

Exhibit 3(ii)

BYLAWS

OF

CENTURY TELEPHONE ENTERPRISES, INC.

(as amended through October 7, 1998)

BYLAWS
CENTURY TELEPHONE ENTERPRISES, INC.

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BYLAWS

(Amended entirely May 23, 1995)

(Amended Article I, Section I, Subsection 1.1(L), added new Subsection 1.1(O), and amended Subsection 1.2 - October 7, 1996) (Amended Article III, Section 1.1(B), Section 1 by adding new Subsection 1.3, Sections 3 and 4 amended in their entirety - November 21, 1996) (Amended Article I, Section I by adding, deleting, revising or renumbering various paragraphs of Subsection 1.1 and by revising Subsection 1.2 - October 7, 1998)

ARTICLE I

OFFICERS

Section 1. Required and Permitted Officers

1.1 Officers. The officers of the Corporation shall be a Chairman of the Board; a Chief Executive Officer; a President; a Secretary; and a Treasurer. The Board may elect such other officers as the Board may determine. An officer need not be a Director and any two or more of the offices may be held by one person, provided, however, that a person holding more than one office may not sign in more than one capacity any certificate or any instrument required to be signed by two officers. The required and permitted officers and duties thereof are as follows:

A. Chairman of the Board (Chairman). The Chairman shall preside at all meetings of the shareholders and Directors, ensure that all orders, policies and resolutions of the Board are carried out and perform such other duties as may be prescribed by the Board of Directors or these Bylaws.

B. Vice Chairman. The Board may from time to time elect one or more Vice Chairmen. The Vice Chairman shall serve in the absence or inability of the Chairman to serve. In the event of the death, resignation or permanent inability of the Chairman to serve, the Vice Chairman shall automatically succeed to the office of Chairman until such time as the Board of Directors duly elects a new Chairman. In the event that there is more than one Vice Chairmen, then the one who has served in that capacity for the longest period of time shall serve in the absence of the Chairman or assume the office of Chairman, as the case may be.

C. Chief Executive Officer (CEO). The CEO, subject to the powers of the Chairman and the supervision of the Board of Directors, shall have general supervision, direction and control of the business and affairs of the Corporation. He may sign, execute and deliver in the name of the Corporation powers of attorney, contracts, bonds and other obligations and shall perform such other duties as may be prescribed from time to time by the Board of Directors or these Bylaws. The CEO shall have general supervision and direction of the officers of the Corporation and all such powers as may be reasonably incident to such responsibilities except where the supervision and direction of an officer is delegated expressly to another by the Board of Directors or these Bylaws. Without limiting the generality of the foregoing the CEO shall establish the annual salaries of each non-executive officer of the Corporation, unless otherwise directed by the Board, and the annual salaries of each officer of the Corporation's subsidiaries, unless otherwise directed by the respective boards of directors of such subsidiaries.

D. President. The President may sign, execute and deliver in the name of the Corporation powers of attorney, contracts, bonds, and other obligations and shall perform such other duties as may be prescribed from time to time by the Board of Directors, the Chairman, the CEO, or these Bylaws.

E. Chief Operating Officer (COO). The COO, subject to the powers of the CEO and the supervision of the Board of Directors, shall manage the day-to-day operations of the Corporation, shall perform such other duties as may be prescribed by the Board of Directors or the CEO, and shall have the general powers and duties usually vested in the chief operating officer of a corporation. Without limiting the generality of the foregoing, the COO shall supervise and direct any other officer designated by the CEO and shall have all such powers as may be reasonably incident to such responsibilities. He may sign, execute and deliver in the name of the Corporation powers of attorney, contracts, and bonds.

F. Chief Financial Officer. The Chief Financial Officer shall be the principal financial officer of the Corporation. He shall manage the financial affairs of the Corporation and direct the activities of the Treasurer, Controller and other officers responsible for the Corporation's finances. He shall be responsible for all internal and external financial reporting. He may sign, execute and deliver in the name of the Corporation powers of attorney, contracts, bonds, and other obligations and shall perform such other duties as may be prescribed from time to time by the Board of Directors or by these Bylaws.

G. General Counsel. The General Counsel shall be directly responsible for advising the Board of Directors, the Corporation, and all its officers and employees in all matters affecting the legal affairs of the Corporation. He shall determine the need for and, if necessary, select outside counsel to represent the Corporation and approve all fees in connection with their representation. He shall also have such other powers, duties and authority as may be prescribed to him from time to time by the CEO, the Board of Directors, or these Bylaws.

H. Treasurer. As directed by the Chief Financial Officer, the Treasurer shall have general custody of all the funds and securities of the Corporation. He may sign, with the CEO, President, Chief Financial Officer or such other person or persons as may be designated for the purpose by the Board of Directors, all bills of exchange or promissory notes of the Corporation. He shall perform such other duties as may be prescribed from time to time by the Chief Financial Officer or these Bylaws.

I. Controller. As directed by the Chief Financial Officer, the Controller shall be responsible for the development and maintenance of the accounting systems used by the Corporation and its subsidiaries. The Controller shall be authorized to implement policies and procedures to ensure that the Corporation and its subsidiaries maintain internal accounting control systems designed to provide reasonable assurance that the accounting records accurately reflect business transactions and that such transactions are in accordance with management's authorization. Additionally, as directed by the Chief Financial Officer, the Controller shall be responsible for internal and external financial reporting for the Corporation and its subsidiaries.

J. Assistant Treasurer. The Assistant Treasurer shall have such powers and perform such duties as may be assigned by the Treasurer. In the absence or disability of the Treasurer, the Assistant Treasurer shall perform the duties and exercise the powers of the Treasurer.

K. Secretary. The Secretary shall keep the minutes of all meetings of the shareholders, the Board of Directors and its committees or subcommittees. He shall cause notice to be given of meetings of shareholders, of the Board of Directors and of any committee or subcommittee of the Board. He shall have custody of the corporate seal and general charge of the records, documents and papers of the Corporation not pertaining to the duties vested in other officers, which shall at all reasonable times be open to the examination of any Director. He may sign or execute contracts with any other officer thereunto authorized in the name of the Corporation and affix the seal of Corporation thereto. He shall perform such other duties as may be prescribed from time to time by the Board of Directors or these Bylaws.

L. Assistant Secretary. The Assistant Secretary shall have powers and perform such duties as may be assigned by the Secretary. In the absence or disability of the Secretary, the Assistant Secretary shall perform the duties and exercise the powers of the Secretary.

M. Executive Vice President(s). The Executive Vice President(s), if any, shall assist the CEO in discharging the duties of that office in any manner requested and perform any other duties as may be prescribed by the CEO, the Board of Directors or these Bylaws.

N. Senior Vice President(s). The Senior Vice President(s) shall perform such duties as may be prescribed from time to time by the Board of Directors, by the CEO, or by these Bylaws (or, with respect to any Senior Vice President(s) who reports to the COO, by the COO).

O. Vice President(s). The Vice President(s) shall have such powers and perform such duties as may be assigned to them by the Board of Directors, the CEO, the President, or any Executive Vice President, Senior Vice President or other officer to whom they report. A Vice President may sign and execute contracts and other obligations pertaining to the regular course of his duties.

P. Assistant Vice President(s). The Assistant Vice President(s) shall have

such powers and perform such duties as may be assigned to them by the Board of Directors, the CEO, the President or the officer to whom they report. An Assistant Vice President may sign and execute contracts and other obligations pertaining to the regular course of his duties.

1.2 Executive Officer Group. The Executive Officer Group shall be comprised of the Chairman of the Board, the Chief Executive Officer, the President, the Chief Operating Officer, and each Executive or Senior Vice President.

Section 2. Election and Removal of Officers

2.1 Election. The officers shall be elected annually by the Board of Directors at its first meeting following the annual meeting of the shareholders and, at any time, the Board may remove any officer (with or without cause, and regardless of any contractual obligation to such officer) and fill a vacancy in any office, but any election to, removal from or appointment to fill a vacancy in any office, and the determination of the terms of employment thereof, shall require the affirmative votes of (a) a majority of the Directors then in office and (b) a majority of the Continuing Directors, voting as a separate group.

2.2 Removal. In addition, the Chief Executive Officer is empowered in his sole discretion to remove or suspend any officer or other employee of the Corporation who (a) fails to respond satisfactorily to the Corporation respecting any inquiry by the Corporation for information to enable it to make any certification required by the Federal Communications Commission under the Anti-Drug Abuse Act of 1988, (b) is arrested or convicted of any offense concerning the distribution or possession of, or trafficking in, drugs or other controlled substances, or (c) the Chief Executive Officer believes to have been engaged in actions that could lead to such an arrest or conviction.

ARTICLE II

BOARD OF DIRECTORS

Section 1. Powers

In addition to the powers and authorities by these Bylaws expressly conferred upon it, the Board of Directors may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by the Articles of Incorporation or by these Bylaws required to be exercised or done by the shareholders.

Section 2. Organizational and Regular Meetings

The Board of Directors shall hold an annual organizational meeting, without notice, immediately following the adjournment of the annual meeting of the shareholders and shall hold a regular meeting on the first Tuesday after the twentieth day in the months of February, May, August and November of each year. The Secretary shall give not less than five days' written notice to each Director of all regular meetings, which notice shall state the time and place of the meeting.

Section 3. Special Meetings

3.1 Call of Special Meetings. Special meetings of the Board of Directors may be called by the Chairman of the Board or, if he is absent or unable or unwilling to act, by the President. Upon the written request of any two Directors delivered to the Chairman of the Board, the President or the Secretary of the Corporation, a special meeting shall be called.

3.2 Notice. Written notice of the time and place of special meetings shall be delivered personally to the Directors or sent to each Director by letter or by telegram, charges prepaid, addressed to him at his address shown in the Corporation's records. In case such notice is mailed or telegraphed, it shall be deposited in the United States mail at least 72 hours prior to the meeting or delivered to an overnight mail delivery service or to the telegraph company in the place in which the principal office of the corporation is located at least 48 hours prior to the meeting. In case such notice is personally delivered as above provided, it shall be so delivered at least 24 hours prior to the meeting. The foregoing notwithstanding, if the Chairman or the President shall determine, in his sole discretion, that the subject of the special meeting is urgent and must be considered by the Board without delay, notice may be given by personal delivery or by telephone not less than 12 hours prior to the time set for the meeting, provided a confirming telegram or overnight letter is sent to the Director contemporaneously. Such mailing, telegraphing, telephoning or personal delivery as above provided shall be due, legal and personal notice to such Director.

Section 4. Waiver of Notice

Any Director may waive notice of a meeting by written waiver executed either before or after the meeting. Directors present at any regular or special meeting shall be deemed to have received due, or to have waived, notice thereof, provided that a director who participates in a meeting by telephone shall not be deemed to have received or waived due notice if, at the beginning of the meeting, he objects to the transaction of any business because the meeting is not lawfully called.

Section 5. Quorum

A majority of the authorized number of Directors as fixed by or pursuant to the Articles of Incorporation shall be necessary to constitute a quorum for the transaction of business, provided, however, that a minority of the Directors, in the absence of a quorum, may adjourn from time to time, but may not transact any business. If a quorum is present when the meeting convened, the directors present may continue to do business, taking action by vote of a majority of a quorum, until adjournment, notwithstanding the withdrawal of enough directors to leave less than a quorum or the refusal of any director present to vote.

Section 6. Notice of Adjournment

Notice of the time and place of holding an adjourned meeting need not be given to absent Directors if the time and place is fixed at the meeting adjourned.

Section 7. Written Consents

Anything to the contrary contained in these Bylaws notwithstanding, any action required or permitted to be taken by the Board of Directors may be taken without a meeting, if all members of the Board of Directors shall individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board. Such action by written consent shall have the same force and effect as a unanimous vote of such Directors at a meeting.

Section 8. Voting

At all meetings of the Board, each Director present shall have one vote. At all meetings of the Board, all questions, the manner of deciding which is not otherwise specifically regulated by law, the Articles of Incorporation or these Bylaws, shall be determined by a majority of the Directors present at the meeting, provided, however, that any shares of other corporations owned by the Corporation shall be voted only pursuant to resolutions duly adopted upon the affirmative votes of (a) 80% of the Directors then in office and (b) a majority of the Continuing Directors, voting as a separate group.

Section 9. Use of Communications Equipment

Meetings of the Board of Directors may be held by means of telephone conference calls or similar communications equipment provided that all persons participating in the meeting can hear and communicate with each other.

Section 10. Indemnification

10.1 Definitions. As used in this Section:

(a) The term "Expenses" shall mean any expenses or costs (including, without limitation, attorney's fees, judgments, punitive or exemplary damages, fines and amounts paid in settlement). If any of the foregoing amounts paid on behalf of Indemnitee are not deductible by Indemnitee for federal or state income tax purposes, the Corporation will reimburse Indemnitee for tax liability with respect thereto by paying to Indemnitee an amount which, after taking into account taxes on such amount, equals Indemnitee's incremental tax liability.

(b) The term "Claim" shall mean any threatened, pending or completed claim, action, suit, or proceeding, whether civil, criminal, administrative or investigative and whether made judicially or extra-judicially, or any separate issue or matter therein, as the context requires.

(c) The term "Determining Body" shall mean (i) those members of the Board of Directors who are not named as parties to the Claim for which indemnification is being sought ("Impartial Directors"), if there are at least three Impartial Directors, or (ii) a committee of at least three directors appointed by the Board of Directors (regardless of whether the members of the Board of Directors voting on such appointment are Impartial Directors) and composed of Impartial Directors or (iii) if there are fewer than three Impartial Directors or if the Board of Directors or a committee appointed thereby so directs (regardless of whether the members thereof are Impartial Directors), independent legal counsel, which may be the regular outside counsel of the Corporation.

(d) The term "Indemnitee" shall mean each director and officer and each former director and officer of the Corporation.

10.2 Indemnity. (a) To the extent any Expenses incurred by Indemnitee are in excess of the amounts reimbursed or indemnified pursuant to policies of liability insurance maintained by the Corporation, the Corporation shall indemnify and hold harmless Indemnitee against any such Expenses actually and reasonably incurred in connection with any Claim against Indemnitee (whether as a subject of or party to, or a proposed or threatened subject of or party to, the Claim) or in which Indemnitee is involved solely as a witness or person required to give evidence, by reason of his position (i) as a director or officer of the Corporation, (ii) as a director or officer of any subsidiary of the Corporation or as a fiduciary with respect to any employee benefit plan of the Corporation, or (iii) as a director, officer, employee or agent of another corporation, partnership, limited liability company, joint venture, trust or other for-profit or not-for-profit entity or enterprise, if such position is or was held at the request of the Corporation, whether relating to service in such position before or after the effective date of this Section 10, if (i) the Indemnitee is successful in his defense of the Claim on the merits or otherwise or (ii) the Indemnitee has been found by the Determining Body (acting in good faith) to have met the Standard of Conduct; provided that (a) the amount of Expenses for which the Corporation shall indemnify Indemnitee may be reduced by the Determining Body to such amount as it deems proper if it determines in good faith that the Claim involved the receipt of a personal benefit by Indemnitee and (b) no indemnification shall be made in respect of any Claim as to which Indemnitee shall have been adjudged by a court of competent jurisdiction, after exhaustion of all appeals therefrom, to be liable for willful or intentional misconduct in the performance of his duty to the Corporation or to have obtained an improper benefit, unless, and only to the extent that, a court shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, the Indemnitee is fairly and reasonably entitled to indemnity for such Expenses as the court shall deem proper; and provided further that, if the Claim involves Indemnitee by reason of his position with an entity or enterprise described in clause (ii) or (iii) of this Section 10.2(a) and if Indemnitee may be entitled to indemnification with respect to such Claim from such entity or enterprise, Indemnitee shall be entitled to indemnification hereunder only (x) if he has applied to such entity or enterprise for indemnification with respect to the Claim and (y) to the extent that indemnification to which he would be entitled hereunder but for this proviso exceeds the indemnification paid by such other entity or enterprise.

(b) For purposes of this Section, the Standard of Conduct is met when conduct by an Indemnitee with respect to which a Claim is asserted was conduct that he reasonably believed to be in, or not opposed to, the best interest of the Corporation, and, in the case of a Claim which is a criminal action or proceeding, conduct that the Indemnitee had no reasonable cause to believe was unlawful. The termination of any Claim by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that Indemnitee did not meet the Standard of Conduct.

(c) Promptly upon becoming aware of the existence of any Claim, Indemnitee shall notify the Chief Executive Officer of the existence of the Claim, who shall promptly advise the members of the Board of Directors thereof and that establishing the Determining Body will be a matter presented at the next regularly scheduled meeting of the Board of Directors. After the Determining Body has been established the Chief Executive Officer shall inform Indemnitee thereof and Indemnitee shall immediately notify the Determining Body of all facts relevant to the

Claim known to such Indemnatee. Within 60 days of the receipt of such notice and information, together with such additional information as the Determining Body may request of Indemnatee, the Determining Body shall report to Indemnatee of its determination whether Indemnatee has met the Standard of Conduct. The Determining Body may extend the period of time for determining whether the Standard of Conduct has been met, but in no event shall such period of time be extended beyond an additional 60 days.

(d) If, after determining that the Standard of Conduct has been met, the Determining Body obtains facts of which it was not aware at the time it made such determination, the Determining Body on its own motion, after notifying the Indemnatee and providing him an opportunity to be heard, may, on the basis of such facts, revoke such determination, provided that, in the absence of actual fraud by Indemnatee, no such revocation may be made later than 30 days after final disposition of the Claim.

(e) Indemnatee shall promptly inform the Determining Body upon his becoming aware of any relevant facts not theretofore provided by him to the Determining Body, unless the Determining Body has obtained such facts by other means.

(f) In the case of any Claim not involving a proposed, threatened or pending criminal proceeding (i) if Indemnatee has, in the good faith judgment of the Determining Body, met the Standard of Conduct, the Corporation may, in its sole discretion, assume all responsibility for the defense of the Claim, and, in any event, the Corporation and Indemnatee each shall keep the other informed as to the progress of the defense of the Claim, including prompt disclosure of any proposals for settlement; provided that if the Corporation is a party to the Claim and Indemnatee reasonably determines that there is a conflict between the positions of the Corporation and Indemnatee with respect to the Claim, then Indemnatee shall be entitled to conduct his defense with counsel of his choice; and provided further that Indemnatee shall in any event be entitled at his expense to employ counsel chosen by him to participate in the defense of the Claim; and (ii) the Corporation shall fairly consider any proposals by Indemnatee for settlement of the Claim. If the Corporation proposes a settlement of the Claim and such settlement is acceptable to the person asserting the Claim or the Corporation believes a settlement proposed by the person asserting the Claim should be accepted, it shall inform Indemnatee of the terms of such proposed settlement and shall fix a reasonable date by which Indemnatee shall respond. If Indemnatee agrees to such terms, he shall execute such documents as shall be necessary to make final the settlement. If Indemnatee does not agree with such terms, Indemnatee may proceed with the defense of the Claim in any manner he chooses, provided that if Indemnatee is not successful on the merits or otherwise, the Corporation's obligation to indemnify such Indemnatee as to any Expenses incurred by following his disagreement shall be limited to the lesser of (A) the total Expenses incurred by Indemnatee following his decision not to agree to such proposed settlement or (B) the amount that the Corporation would have paid pursuant to the terms of the proposed settlement. If, however, the proposed settlement would impose upon Indemnatee any requirement to act or refrain from acting that would materially interfere with the conduct of Indemnatee's affairs, Indemnatee shall be permitted to refuse such settlement and proceed with the defense of the Claim, if he so desires, at the Corporation's expense in accordance with the terms and conditions of these Bylaws without regard to the limitations imposed by the immediately preceding sentence. In any event, the Corporation shall not be obligated to indemnify Indemnatee for an amount paid in settlement that the Corporation has not approved.

(g) In the case of a Claim involving a proposed, threatened or pending criminal proceeding, Indemnatee shall be entitled to conduct the defense of the Claim and to make all decisions with respect thereto, with counsel of his choice; provided that the Corporation shall not be obligated to indemnify Indemnatee for an amount paid in settlement that the Corporation has not approved.

(h) After notification to the Corporation of the existence of a Claim, Indemnatee may from time to time request of the Chief Executive Officer or, if the Chief Executive Officer is a party to the Claim as to which indemnification is being sought, any officer who is not a party to the Claim and who is designated by the Chief Executive Officer (the "Disbursing Officer"), which designation shall be made promptly after receipt of the initial request, that the Corporation advance to Indemnatee the Expenses (other than fines, penalties, judgments or amounts paid in settlement) that he incurs in pursuing a defense of the Claim prior to the time that the Determining Body determines whether the Standard of Conduct has been met. The Disbursing Officer shall pay to Indemnatee the amount requested (regardless of Indemnatee's apparent ability to repay the funds) upon receipt of an undertaking by or on behalf of Indemnatee to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Corporation under the circumstances, provided that if the Disbursing Officer does not believe such amount to be

reasonable, he shall advance the amount deemed by him to be reasonable and Indemnatee may apply directly to the Determining Body for the remainder of the amount requested.

(i) After a determination that the Standard of Conduct has been met, for so long as and to the extent that the Corporation is required to indemnify Indemnatee under these Bylaws, the provisions of Paragraph (h) shall continue to apply with respect to Expenses incurred after such time except that (i) no undertaking shall be required of Indemnatee and (ii) the Disbursing Officer shall pay to Indemnatee the amount of any fines, penalties or judgments against him which have become final for which the Corporation is obligated to indemnify him or any amount of indemnification ordered to be paid to him by a court.

(j) Any determination by the Corporation with respect to settlement of a Claim shall be made by the Determining Body.

(k) The Corporation and Indemnatee shall keep confidential to the extent permitted by law and their fiduciary obligations all facts and determinations provided pursuant to or arising out of the operation of these Bylaws and the Corporation and Indemnatee shall instruct its or his agents and employees to do likewise.

10.3 Enforcement. (a) The rights provided by this Section shall be enforceable by Indemnatee in any court of competent jurisdiction.

(b) If Indemnatee seeks a judicial adjudication of his rights under this Section, Indemnatee shall be entitled to recover from the Corporation, and shall be indemnified by the Corporation against, any and all Expenses actually and reasonably incurred by him in connection with such proceeding, but only if he prevails therein. If it shall be determined that Indemnatee is entitled to receive part but not all of the relief sought, then Indemnatee shall be entitled to be reimbursed for all Expenses incurred by him in connection with such proceeding if the indemnification amount to which he is determined to be entitled exceeds 50% of the amount of his claim. Otherwise, the Expenses sought incurred by Indemnatee in connection with such judicial adjudication shall be appropriately prorated.

(c) In any judicial proceeding described in this subsection, the Corporation shall bear the burden of proving that Indemnatee is not entitled to Expenses sought with respect to any Claim.

10.4 Saving Clause. If any provision of this Section is determined by a court having jurisdiction over the matter to require the Corporation to do or refrain from doing any act that is in violation of applicable law, the court shall be empowered to modify or reform such provision so that, as modified or reformed, such provision provides the maximum indemnification permitted by law and such provision, as so modified or reformed, and the balance of this Section, shall be applied in accordance with their terms. Without limiting the generality of the foregoing, if any portion of this Section shall be invalidated on any ground, the Corporation shall nevertheless indemnify and Indemnatee to the full extent permitted by any applicable portion of this Section that shall not have been invalidated and to the full extent permitted by law with respect to that portion that has been invalidated.

10.5 Non-Exclusivity. (a) The indemnification and payment of Expenses provided by or granted pursuant to this Section shall not be deemed exclusive of any other rights to which Indemnatee is or may become entitled under any statute, article of incorporation, bylaw, authorization of shareholders or directors, agreement or otherwise.

(b) It is the intent of the Corporation by this Section to indemnify and hold harmless Indemnitee to the fullest extent permitted by law, so that if applicable law would permit the Corporation to provide broader indemnification rights than are currently permitted, the Corporation shall indemnify and hold harmless Indemnitee to the fullest extent permitted by applicable law notwithstanding that the other terms of this Section would provide for lesser indemnification.

10.6 Successors and Assigns. This Section shall be binding upon the Corporation, its successors and assigns, and shall inure to the benefit of Indemnitee's heirs, personal representatives, and assigns and to the benefit of the Corporation, its successors and assigns.

10.7 Indemnification of Other Persons. The Corporation may indemnify any person not a director or officer of the Corporation to the extent authorized by the Board of Directors or a committee of the Board expressly authorized by the Board of Directors.

Section 11. Certain Qualifications

No person shall be eligible for nomination, election or service as a director of the Corporation who shall (i) in the opinion of the Board of Directors fail to respond satisfactorily to the Corporation respecting any inquiry of the Corporation for information to enable the Corporation to make any certification required by the Federal Communications Commission under the Anti-Drug Abuse Act of 1988 or to determine the eligibility of such persons under this section; (ii) have been arrested or convicted of any offense concerning the distribution or possession of, or trafficking in, drugs or other controlled substances, provided that in the case of an arrest the Board of Directors may in its discretion determine that notwithstanding such arrest such persons shall remain eligible under this Section; or (iii) have engaged in actions that could lead to such an arrest or conviction and that the Board of Directors determines would make it unwise for such person to serve as a director of the Corporation. Any person serving as a director of the Corporation shall automatically cease to be a director on such date as he ceases to have the qualifications set forth in this Section, and his position shall be considered vacant within the meaning of the Articles of Incorporation of the Corporation.

ARTICLE III

COMMITTEES

Section 1. Committees

1.1 Standing Committees. The Board of Directors shall have six standing committees, the names, functions and powers of each of which shall be as follows:

A. The Executive Committee shall consist of not less than three Directors, one of whom shall be the Chairman of the Board, who shall also serve as chairman of the Executive Committee. To the full extent permitted by law and the Articles of Incorporation, the Executive Committee shall have and may exercise all of the powers of the Board in the management of the business and affairs of the Corporation when the Board is not in session.

B. The Compensation Committee shall consist of two or more Directors (the exact number of which shall be set from time to time by the Board), none of whom shall be a current or former officer or employee of the Corporation or any of its subsidiaries. The Compensation Committee is empowered to:

1. after receiving and considering the recommendations of the Chief Executive Officer, determine from time to time the salary of the Corporation's executive officers (as defined in Section 1.2 of Article I of these Bylaws) and the fees of the Corporation's directors;
2. administer each of the Corporation's incentive compensation plans and stock-based plans (including its 1983 Restricted Stock Plan, Key Employee Incentive Compensation Plan, 1988 Incentive Compensation Program, 1990 Incentive Compensation Program, 1995 Incentive Compensation Plan and any successor plans), and exercise all powers provided for in such plans;
3. approve any (i) proposed plan or arrangement offering or providing any benefits to one or more of the Corporation's executive officers or directors (other than any plan or arrangement offering benefits that do not discriminate in scope, terms or operation in favor of executive officers or directors and that are generally available to all salaried employees) and (ii) proposed amendment or change to any such plan or arrangement;
4. approve any (i) proposed employment or severance contract between the Corporation and an executive officer or proposed executive officer thereof and (ii) proposed extension or material amendment thereto;
5. issue executive compensation reports to the Corporation's shareholders in the manner required under the rules and regulations of the U.S. Securities and Exchange Commission;
6. retain independent consultants and legal advisors who will report directly to the Compensation Committee and be paid with funds of the Corporation; and
7. if requested by the Board, (i) review, determine or approve the compensation of any non-executive officer of the Corporation or any officer of the Corporation's subsidiaries, (ii) review, determine or approve any proposed amendments, contributions or changes to any of the Corporation's employee benefit plans, welfare plans, insurance or other benefit arrangements that are not directly administered or monitored by the Compensation Committee pursuant to the powers granted in paragraphs 2 and 3 above, and (iii) perform such other services as may be delegated to it by the Board.

No action of the type described in paragraphs 1 - 6 shall be valid unless it has been approved by the Compensation Committee or a duly-authorized subcommittee thereof. All actions of the Compensation Committee or any subcommittee thereof shall be subject to ratification by the full Board of Directors unless the Compensation Committee or the subcommittee reasonably determines that submitting a matter to the full Board of Directors for ratification would be

prohibited by, or contrary to the intents and purposes of, any laws, rules, or regulations that require or contemplate that such matter be authorized by independent directors.

C. The Nominating Committee shall consist of two or more Directors and shall perform the following functions:

1. To consider and recommend to the Board nominees for election by shareholders or for appointment by the remaining Directors to fill vacancies on the Board;
2. To review and consider the performance of and to recommend the appointment or reappointment of officers of the Corporation.

D. The Audit Committee shall consist of two or more Directors, none of whom shall otherwise be employed by the Corporation, and shall have the following responsibilities:

1. To recommend to the Board the engagement or discharge of the Corporation's independent auditor of its financial statements;
2. To direct and supervise all investigations into matters relating to or rising from the performance and results of each independent audit;
3. To review with the Corporation's independent auditor the plan and results of each independent audit engagement;
4. To review the scope, adequacy and results of the Corporation's internal auditing procedures;
5. To review and to approve or disapprove each service to be performed for the Corporation by the independent auditor before such service is performed; except that the Committee is authorized to permit the President or the Chief Financial Officer to engage the independent auditor or perform any category of service specified by the Committee under circumstances deemed appropriate by the Audit Committee;
6. To review the degree of independence of the independent auditor;
7. To consider the range of audit and non-audit fees; and
8. To review the adequacy of the Corporation's system of internal accounting controls.

E. The Insurance Evaluation Committee shall consist of two or more Directors, and shall have the following responsibilities:

1. To review periodically the Corporation's insurance programs and to advise and recommend any action deemed appropriate with respect thereto; and
2. To review periodically the Corporation's insurance needs and to advise and recommend any action deemed appropriate with respect thereto.

F. The Shareholder Relations Committee shall consist of three or more non-officer directors and shall have the authority of the Board of Directors with respect to investigating, inquiring into and considering issues related to certain shareholders' interest and rights and considering and acting upon shareholder matters as assigned, from time to time, by the Chairman of the Board.

1.2 Special Purpose Committees. The Board may authorize on an ad hoc basis special pricing committees in connection with the issuance of securities or such other special purpose committees as may be necessary or appropriate in connection with the Board's management of the business and affairs of the Corporation.

1.3 Subcommittees. As necessary or appropriate, each of the standing committees listed in Section 1.1 may organize a standing or ad hoc subcommittee for such purposes within the scope of its powers as it sees fit, and may delegate to such subcommittee any of its powers as may be necessary or appropriate to enable such subcommittee to discharge its duties and responsibilities. Any such subcommittee shall be composed of two or more members of the standing committee. Each subcommittee member shall hold office during the term designated by the standing committee, provided that such term shall automatically lapse if such member ceases to be a member of the standing committee or fails to meet any other qualifications that may be imposed by the standing committee.

Section 2. Appointment and Removal of Committee Members

Subject to Section 5 below, Directors shall be appointed to or removed from a committee only upon the affirmative votes of:

1. A majority of the Directors then in office; and
2. A majority of the Continuing Directors, voting as a separate group.

Each member of a committee shall hold office during the term designated by the Board.

Section 3. Procedures for Committees

Each Committee and subcommittee shall keep written minutes of its meetings. All action taken by a committee or any of its subcommittees shall be reported to the Board of Directors at its next meeting, whether regular or special. Failure to keep written minutes or to make such a report shall not affect the validity of action taken by a committee or subcommittee. Each committee or subcommittee may adopt such regulations (not inconsistent with the Articles of Incorporation, these Bylaws or any regulations specified for such committee by the Board of Directors or for such subcommittee by the standing committee that authorized its organization under Section 1.3) as it shall deem necessary for the proper conduct of its functions and the performance of its responsibilities.

Section 4. Meetings

A majority of the members of any committee or subcommittee shall constitute a quorum and action by a majority (or by any super-majority required by law, the Articles of Incorporation, these Bylaws or any applicable resolution adopted by the Board of Directors) of a quorum at any meeting of a committee or subcommittee shall be deemed action by the committee or subcommittee. The Committee or subcommittee may also take action without meeting if all members thereof consent in writing thereto. Meetings of a committee or subcommittee may be held by telephone conference

calls or other communications equipment provided each person participating may hear and be heard by all other meeting participants.

Section 5. Authority of Chairman to Appoint Committees

Whenever the Board of Directors is not in session, the Chairman may fill vacancies in any committees and may create such new committees as he deems necessary or useful and appoint Directors as members thereof. Any such action by the Chairman, and any action taken by such new committee, shall be subject to ratification or disapproval by the Board at its next meeting.

ARTICLE IV

SHAREHOLDERS' MEETINGS

Section 1. Place of Meetings

Unless otherwise required by law or these By-laws, all meetings of the shareholders shall be held at the principal office of the Corporation or at such other place, within or without the State of Louisiana, as may be designated by the Board of Directors.

Section 2. Annual Meeting

An annual meeting of the shareholders shall be held on the date and at the time as the Board of Directors shall designate for the purpose of electing directors and for the transaction of such other business as may be properly brought before the meeting. If no annual shareholders' meeting is held for a period of 18 months, any shareholder may call such meeting to be held at the registered office of the Corporation as shown on the records of the Secretary of State of the State of Louisiana.

Section 3. Special Meetings

Special meetings of the shareholders, for any purpose or purposes, may be called by the Chairman of the Board, the President or the Board of Directors. Subject to the terms of any outstanding class or series of Preferred Stock that entitles the holders thereof to call special meetings, the holders of a majority of the Total Voting Power shall be required to cause the Secretary of the Corporation to call a special meeting of shareholders pursuant to La. R.S. 12:73B (or any successor provision). Such requests of shareholders must state the specific purpose or purposes of the proposed special meeting, and the business to be brought before such meeting by the shareholders shall be limited to such purpose or purposes.

Section 4. Notice of Meetings

Except as otherwise provided by law, the authorized person or persons calling a shareholders' meeting shall cause written notice of the time and place of the meeting to be given to all shareholders of record entitled to vote at such meeting at least 10 days and not more than 60 days prior to the day fixed for the meeting. Notice of the annual meeting need not state the purpose or purposes thereof, unless action is to be taken at the meeting as to which notice is required by law, the Articles of Incorporation or the Bylaws. Notice of a special meeting shall state the purpose or purposes thereof. Any previously scheduled meeting of the shareholders may be postponed, and (unless provided otherwise by law or the Articles of Incorporation) any special meeting of the shareholders may be canceled, by resolution of the Board of Directors upon public notice given prior to the date previously scheduled for such meeting of shareholders.

Section 5. Notice of Shareholder Nominations and Shareholder Business

5.1 Business Brought Before Meetings. At any meeting of the shareholders, only such business shall be conducted as shall have been properly brought before the meeting. Nominations for the election of directors at a meeting at which directors are to be elected may be made by or at the direction of the Board of Directors, or a committee duly appointed thereby, or by any shareholder of record entitled to vote generally for the election of directors who complies with the procedures set forth below. Other matters to be properly brought before a meeting of the shareholders must be (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, including matters covered by Rule 14a-8 of the Securities and Exchange Commission, (b) otherwise properly brought before the meeting by or at the direction of the Board of Directors, or (c) otherwise properly brought before the meeting by any shareholder of record entitled to vote at such meeting who complies with the procedures set forth below.

5.2 Required Notice. A notice of the intent of a shareholder to make a nomination or to bring any other matter before the meeting shall be made in writing and received by the Secretary of the Corporation not more than 210 days and not less than 70 days in advance of the first anniversary of the preceding year's annual meeting of shareholders or, in the event of a special meeting of shareholders or an annual meeting scheduled to be held either 30 days earlier or later than such anniversary date, such notice shall be received by the Secretary of the Corporation within 15 days of the earlier of the date on which notice of such meeting is first mailed to shareholders or public disclosure of the meeting date is made. In no event shall the public announcement of an adjournment of a shareholders' meeting commence a new time period for the giving of a shareholder's notice as described above.

5.3 Contents of Notice. Every such notice by a shareholder shall set forth:

- (a) the name, age, business address and residential address of the shareholder of record who intends to make a nomination or bring up any other matter, and any beneficial owner or other person acting in concert with such shareholder;
- (b) a representation that the shareholder is a holder of record of shares of the Corporation's capital stock that accord such shareholder the voting rights specified in paragraph 5.1 above and that the shareholder intends to appear in person at the meeting to make the nomination or bring up the matter specified in the notice;
- (c) with respect to notice of an intent to make a nomination, a description of all agreements, arrangements or understandings among the shareholder, any person acting in concert with the shareholder, each proposed nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the shareholder;

(d) with respect to notice of an intent to make a nomination, (i) the name, age, business address and residential address of each person proposed for nomination, (ii) the principal occupation or employment of such person, (iii) the class and number of shares of capital stock of the Corporation of which such person is the beneficial owner, and (iv) any other information relating to such person that would be required to be disclosed in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission had such nominee been nominated by the Board of Directors; and

(e) with respect to notice of an intent to bring up any other matter, a complete and accurate description of the matter, the reasons for conducting such business at the meeting, and any material interest in the matter of the shareholder and the beneficial owner, if any, on whose behalf the proposal is made.

5.4 Other Required Information. Notice of an intent to make a nomination shall be accompanied by the written consent of each nominee to serve as a director of the Corporation if so elected and an affidavit of each such nominee certifying that he meets the qualifications specified in Section 11 of Article II of these Bylaws. The Corporation may require any proposed nominee to furnish such other information or certifications as may be reasonably required by the Corporation to determine the eligibility and qualifications of such person to serve as a director.

5.5 Disqualification of Certain Proposals. With respect to any proposal by a shareholder to bring before a meeting any matter other than the nomination of directors, the following shall govern:

(a) If the Secretary of the Corporation has received sufficient notice of a proposal that may properly be brought before the meeting, a proposal sufficient notice of which is subsequently received by the Secretary and that is substantially duplicative of the first proposal shall not be properly brought before the meeting. If in the judgment of the Board of Directors a proposal deals with substantially the same subject matter as a prior proposal submitted to shareholders at a meeting held within the preceding five years, it shall not be properly brought before any meeting held within three years after the latest such previous submission if (i) the proposal was submitted at only one meeting during such preceding period and it received affirmative votes representing less than 3% of the total number of votes cast in regard thereto, (ii) the proposal was submitted at only two meetings during such preceding period and it received at the time of its second submission affirmative votes representing less than 6% of the total number of votes cast in regard thereto, or (iii) the proposal was submitted at three or more meetings during such preceding period and it received at the time of its latest submission affirmative votes representing less than 10% of the total number of votes cast in regard thereto.

(b) Notwithstanding compliance with all of the procedures set forth above in this Section, no proposal shall be deemed to be properly brought before a meeting of shareholders if, in the judgment of the Board, it is not a proper subject for action by shareholders under Louisiana law.

5.6 Power to Disregard Proposals. At the meeting of shareholders, the chairman shall declare out of order and disregard any nomination or other matter not presented in accordance with the foregoing procedures or which is otherwise contrary to the foregoing terms and conditions.

5.7 Rights of Shareholders Under Federal Proxy Rules. Nothing in this Section shall be deemed to modify any rights or obligations of shareholders with respect to requesting inclusion of proposals in the Corporation's proxy statement or soliciting their own proxies pursuant to the proxy rules of the Securities and Exchange Commission.

5.8 Rights of Preferred Shareholders. Nothing in this Section shall be deemed to modify any rights of holders of any outstanding class or series of Preferred Stock to elect directors or bring other matters before a shareholders' meeting in the manner specified by the terms and conditions governing such stock.

Section 6. Quorum

6.1 Establishment of Quorum. At all meetings of shareholders, the holders of a majority of the Total Voting Power shall constitute a quorum to organize the meeting, provided, however, that at any meeting the notice of which sets forth any matter that, by law or the Articles of Incorporation, must be approved by the affirmative vote of the holders of a specified percentage in excess of a majority of the Total Voting Power present or represented at the shareholders' meeting, the holders of that specified percentage shall constitute a quorum, and further provided that when specified business is to be voted on by a class or series of stock voting as a class, the holders of a majority of the voting power of such class or series shall constitute a quorum of such class or series for the transaction of such business. Shares of Voting Stock as to which the holders have voted or abstained from voting with respect to any matter considered at a meeting, or which are subject to Non-Votes (as defined in Section 6.3 below), shall be counted as present for purposes of constituting a quorum to organize a meeting.

6.2 Withdrawal. If a quorum is present or represented at a duly organized meeting, such meeting may continue to do business until adjournment, notwithstanding the withdrawal of enough shareholders to leave less than a quorum, or the refusal of any shareholders present to vote.

6.3 Non-Votes. As used in these Bylaws, "Non-Votes" shall mean the number of votes as to which the record holder or proxy holder of shares of Capital Stock has been precluded from voting thereon (whether by law, regulations of the Securities and Exchange Commission, rules or bylaws of any national securities exchange or other self-regulatory organization, or otherwise), including without limitation votes as to which brokers may not or do not exercise discretionary voting power under the rules of the New York Stock Exchange with respect to any matter for which the broker has not received voting instructions from the beneficial owner of the voting shares.

Section 7. Voting Power Present or Represented

For purposes of determining the amount of Total Voting Power present or represented at any annual or special meeting of shareholders with respect to voting on any particular matter, shares as to which the holders have abstained from voting, and shares which are subject to Non-Votes (as defined in Section 6.3), will be treated as not present and not cast.

Section 8. Voting Requirements

When a quorum is present at any meeting, the vote of the holders of a majority of the Total Voting Power present in person or represented by proxy shall decide any question brought before such meeting, unless the question is one upon which, by express provision of law or the Articles

of Incorporation, a different vote is required, in which case such express provision shall govern and control the decision of such question. Directors shall be elected by plurality vote.

Section 9. Proxies

At any meeting of the shareholders, every shareholder having the right to vote shall be entitled to vote in person or by proxy appointed by an instrument in writing subscribed by such shareholder and bearing a date not more than 11 months prior to the meeting, unless the instrument provides for a longer period, but in no case will an outstanding proxy be valid for longer than three years from the date of its execution. The person appointed as proxy need not be a shareholder of the Corporation.

Section 10. Adjournments

10.1 Adjournments of Meetings. Adjournments of any annual or special meeting of shareholders may be taken without new notice being given unless a new record date is fixed for the adjourned meeting, but any meeting at which directors are to be elected shall be adjourned only from day to day until such directors shall have been elected.

10.2 Lack of Quorum. If a meeting cannot be organized because a quorum has not attended, those present may adjourn the meeting to such time and place as they may determine, subject, however, to the provisions of Section 10.1 hereof. In the case of any meeting called for the election of directors, those who attend the second of such adjourned meetings, although less than a quorum as fixed in Section 6.1 hereof, shall nevertheless constitute a quorum for the purpose of electing directors.

Section 11. Written Consents

Any action required or permitted to be taken at any annual or special meeting of shareholders may be taken only upon the vote of the shareholders, present in person or represented by duly authorized proxy, at an annual or special meeting duly noticed and called, as provided in these Bylaws, and may not be taken by a written consent of the shareholders pursuant to the Business Corporation Law of the State of Louisiana.

Section 12. List of Shareholders

At every meeting of shareholders, a list of shareholders entitled to vote, arranged alphabetically and certified by the Secretary or by the agent of the Corporation having charge of transfers of shares, showing the number and class of shares held by each shareholder on the record date for the meeting, shall be produced on the request of any shareholder.

Section 13. Procedure at Shareholders' Meetings

The Chairman of the Board, or in his absence, the Vice Chairman, shall preside as chairman at all shareholders' meetings. The organization of each shareholders' meeting and all matters relating to the manner of conducting the meeting shall be determined by the chairman, including the order of business, the conduct of discussion and the manner of voting. Meetings shall be conducted in a manner designed to accomplish the business of the meeting in a prompt and orderly fashion and to be fair and equitable to all shareholders, but it shall not be necessary to follow Roberts' Rules of Order or any other manual of parliamentary procedure.

ARTICLE V

CERTIFICATES OF STOCK

Certificates of stock issued by the Corporation shall be numbered and shall be entered into the books of the Corporation as they are issued. They shall exhibit the holder's name and number of shares and shall be signed by the President or any Vice-President and by the Treasurer, Secretary or any Assistant Secretary, all in the manner required by law.

ARTICLE VI

REGISTERED SHAREHOLDERS

The Corporation shall be entitled to treat the holder of record of any share or shares of stock as the holder in fact thereof and accordingly shall not be bound to recognize any beneficial, equitable or other claim to or interest in such share on the part of any other person, whether or not it shall have express or other notice thereof, except as expressly provided by the laws of Louisiana.

ARTICLE VII

LOSS OF CERTIFICATE

Any person claiming a certificate of stock to be lost or destroyed shall make an affidavit or affirmation of that fact, and the Board of Directors, the General Counsel or the Secretary may, in his or its discretion, require the owner of the lost or destroyed certificate or his legal representative, to give the Corporation a bond, in such sum as the Board of Directors, the General Counsel or the Secretary may require, to indemnify the Corporation against any claim that may be made against the Corporation on account of the alleged loss or destruction of any such certificate; a new certificate of the same tenor and for the same number of shares as the one alleged to be lost or destroyed, may be issued without requiring any bond when, in the judgment of the Board of Directors, the General Counsel or the Secretary, it is proper to do so.

ARTICLE VIII

CHECKS

All checks, drafts and notes of the Corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time designate.

ARTICLE IX

DIVIDENDS

Dividends upon the capital stock of the Corporation, subject to the provisions of the Articles of Incorporation, if any, may be declared by the Board of Directors at any regular or special meetings, pursuant to law.

ARTICLE X

INAPPLICABILITY OF LOUISIANA CONTROL SHARE STATUTE

Effective May 23, 1995, the provisions of La. R.S. 12:135 through 12:140.2 shall not apply to control share acquisitions of shares of the Corporation's Capital Stock.

ARTICLE XI

CERTAIN DEFINITIONS

The terms Capital Stock, Continuing Directors, Total Voting Power and Voting Stock shall have the meanings ascribed to them in the Articles of Incorporation, provided, however, that for purposes of Sections 3 and 6 of Article IV of these Bylaws, Total Voting Power shall mean the total number of votes that holders of Capital Stock are entitled to cast generally in the election of directors.

ARTICLE XII

AMENDMENTS

These Bylaws may only be altered, amended or repealed in the manner specified in the Articles of Incorporation.

Exhibit 10.1

EXECUTION COPY
STRICTLY CONFIDENTIAL

PURCHASE AGREEMENT

BY AND AMONG

**ALEC ACQUISITION CORPORATION,
CENTURYTEL OF THE NORTHWEST, INC.**

AND

CENTURYTEL WIRELESS, INC.

DATED AUGUST 14, 1998

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PURCHASE AGREEMENT

This Purchase Agreement (this "Agreement") is made and entered into as of the 14th day of August, 1998, by and among ALEC Acquisition Corporation, a Delaware corporation ("Buyer"), and CenturyTel of the Northwest, Inc., f/k/a Pacific Telecom, Inc., a Washington corporation ("CNI") and CenturyTel Wireless, Inc., f/k/a Century Cellunet, Inc., a Louisiana corporation ("CWI"), with CNI's and CWI's offices at 100 Century Park Drive, Monroe, Louisiana, 71203. CNI and CWI are sometimes hereinafter referred to individually as "Seller" or collectively as "Sellers".

WITNESSETH:

WHEREAS, Century Telephone Enterprises, Inc., a Louisiana corporation ("Parent"), owns, directly or indirectly, all of the issued and outstanding shares of capital stock of CNI and CWI, and CNI and CWI own all of the issued and outstanding shares of capital stock of Telephone Utilities of Alaska Inc., Telephone Utilities of the Northland, Inc., PTI Communications of Alaska, Inc., Pacific Telecom Cellular of Alaska, Inc. and Pacific Telecom of Alaska PCS, Inc. (collectively the "Alaska Entities");

WHEREAS, Sellers desire to sell and Buyer desires to purchase all of the issued and outstanding shares of capital stock of the Alaska Entities (the "Purchase Transactions");

WHEREAS, the Boards of Directors of CNI, CWI and Buyer have determined that this Agreement is in the best interest of their respective corporations and shareholders.

NOW, THEREFORE, in consideration of the mutual representations, warranties, covenants and agreements contained herein the parties hereto agree as follows:

SECTION 1

DEFINITIONS

1.1 Defined Terms. For all purposes of this Agreement, except as otherwise expressly provided herein, terms defined above in the preamble and recitals shall have the meanings set forth therein and the following terms shall have the meanings set forth below:

"Affiliate" means (unless otherwise provided herein), with respect to any Person, any other Person that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such Person.

"Affiliated Group" means any affiliated group within the meaning of Section 1504(a) of the Code or any similar group defined under a similar provision of state, local or foreign law.

"Alaska Entity" or "Alaska Entities" means, individually, any one of, or collectively, all of, the following corporations listed below:

Telephone Utilities of Alaska, Inc. Telephone Utilities of the Northland, Inc. PTI Communications of Alaska, Inc. ("PTIC") Pacific Telecom Cellular of Alaska, Inc. ("PTC") and its wholly-owned subsidiary:

Pacific Telecom Cellular of Alaska RSA #1, Inc.
Pacific Telecom of Alaska PCS, Inc.

"Alaska Entity Employee" means any employee actively employed by the Alaska Entities as of the Closing Date and shall not include any employee of an Alaska Entity who is retired or who is on long-term disability leave on the Closing Date.

"Alaska PCS Licenses" means, individually, any one of, or collectively, all of, the following PCS Licenses:

BTA	NAME
---	----
B014	Anchorage, Alaska
B136	Fairbanks, Alaska
B221	Juneau-Ketchikan, Alaska

"Alaska Stock" means all of the issued and outstanding capital stock of the Alaska Entities.

"Alaska Telco Entity" or "Alaska Telco Entities" means, individually, any one of, or collectively, all of, the following corporations:

Telephone Utilities of Alaska, Inc. Telephone Utilities of the Northland, Inc. PTI Communications of Alaska, Inc.

"Applicable Law" means any federal, state, or local (domestic or foreign) statute, law, rule, regulation or ordinance or any judgment, order, writ, injunction or decree of any Governmental Entity to which a specified Person or property is subject.

"APUC" means the Alaska Public Utilities Commission.

"APUC Licenses" means all licenses, permits, franchises, certificates, consents, approvals and other authorizations issued by the APUC, and all applications therefor, together with any renewals, extensions or modifications thereof and additions thereto.

"Basic Trading Area" or "BTA" shall mean a service area designated as such in the Broadband PCS Reconsideration Order issued by the FCC.

"Budget" shall mean the approved 1998 capital expenditures and operating budget of the Alaska Entities attached hereto as Schedule 1.1.

"Business" shall mean the operations and businesses of the Alaska Entities conducted in the State of Alaska, including, without limitation, the provision of local exchange telephone services, Cellular Service, PCS (including any services or operations related to the Alaska PCS Licenses), or any other services in Alaska, as conducted since December 1, 1997, taken as a whole.

"Cellular Service" means the provision of cellular radio telephone service pursuant to authority granted by the FCC under the Communications Act and the regulations promulgated thereunder.

"Closing" means the closing of the transactions contemplated by this Agreement, to be scheduled and held in accordance with Section 2.3.

"Closing Date" means the date on which the Closing occurs, as determined in accordance with Section 2.3.

"Closing Instruments" means, with respect to any Party hereto, all of the agreements, certificates, resignations, acknowledgments, releases, documents and other instruments to be delivered by such Party at or prior to the Closing, pursuant to Sections 8, 9 or 10.

"Code" means the Internal Revenue Code of 1986, as amended.

"Combined Intercompany Receivable" means the net amount owed by the Sellers and their Affiliates to the Alaska Entities, on a combined basis, netting all amounts that are Intercompany Accounts, as of August 31, 1998.

"Communications Act" shall mean the Communications Act of 1934, as amended, including the Telecommunications Act of 1996.

"Contract(s)" means, with respect to any specified Person, any written or oral, contract, agreement, lease, or commitment to which such Person or its properties are legally bound, or under which such Person is legally obligated, whether on an absolute or contingent basis.

"DOJ" means the U.S. Department of Justice.

"Employee Benefit Plan" means each plan or agreement that any Alaska Entity maintains, administers, participates in, contributes to, or has any absolute or continent liability with respect to, or under which any employees of an Alaska Entity participate or benefit, that is (i) an "employee welfare benefit plan," as defined in Section 3(l) of ERISA ("Employee Welfare Benefit Plan"), (ii) an "employee pension benefit plan," as defined in Section 3(2) of ERISA, but excluding, any "multiemployer plans" ("Employee Pension Benefit Plan"), (iii) a "multiemployer plan," as defined in Section 4001(a)(3) and 3(37) of ERISA ("Multiemployer Plan"), (iv) a voluntary employees' beneficiary association and related trusts ("VEBA") or (v) a retirement or deferred compensation plan, incentive compensation plan, profit sharing plan, stock purchase plan, stock option plan, stock appreciation plan, restricted stock, unemployment compensation plan, chance in control plan, vacation pay, sick pay, death benefit, severance pay, bonus or benefit arrangement, medical, medical reimbursement, post retirement health, dental, disability, insurance or hospitalization program or benefit or any other fringe benefit arrangement for any director, officer, employee, consultant or agent, whether active or retired, and whether pursuant to contract, plan or any other legally binding

arrangement, custom or understanding, that does not constitute an Employee Welfare Benefit Plan, Employee Pension Benefit Plan, Multiemployer Plan or VEBA.

"Encumbrances" means any and all liens, charges, pledges, options, mortgages, rights of refusal, deeds of trust, security interests, claims, transfer restrictions, easements, title defects, and other restrictions or encumbrances of every type and description, whether choate or inchoate and whether imposed by law, contract or otherwise of any kind whatsoever.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"FCC" means the Federal Communications Commission.

"FCC Licenses" means all licenses, permits, franchises, certificates, consents, approvals and other authorizations issued by the FCC (including the Alaska PCS Licenses), and all applications therefor, together with any renewals, extensions or modifications thereof and additions thereto.

"FTC" means the Federal Trade Commission.

"GAAP" means United States generally accepted accounting principles applied on a basis consistent with prior accounting periods.

"Governmental Entity" means any court or tribunal in any jurisdiction (domestic or foreign) or any public, governmental, legislative or regulatory body, agency, department, commission, board, bureau, or other authority or instrumentality (domestic or foreign), including but not limited to the DOJ, FCC, FTC, IRS or the APUC.

"HSR Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

"Indebtedness" means all debt obligations (whether for principal, interest, premium, fees or otherwise and whether classified as current or long-term) for or arising under (i) borrowed money (including all notes payable and all obligations evidenced by bonds, debentures, notes or other similar instruments) or purchase money indebtedness; (ii) all reimbursement obligations under letters of credit, bankers' acceptances and similar instruments (whether or not matured) (iii) all obligations under conditional sale or other title retention agreements relating to property purchased, (iv) any sale-leaseback obligations or lease obligations that would be required to be capitalized in accordance with GAAP or (v) any guarantee or assumption of any of the foregoing, in clauses (i) through (iv) or guaranty to

maintain minimum equity or capital in any Person or any similar obligation.

"IRS" means the Internal Revenue Service.

"Knowledge" means, with respect to any Seller, actual knowledge of W. Bruce Hanks, R. Stewart Ewing, Jr., David D. Cole, Kenneth R. Cole, Nick Bowman, Calvin Simshaw, Murray Greer, Mary Cunningham, Chris Watkins and Gary Perleberg.

"Losses" shall have the meaning given it in Section 6.2.

"Material" means material to the Alaska Entities, taken as a whole.

"Material Adverse Effect" means any effect that is materially adverse to the business, assets, properties, financial condition or results of operations of the Alaska Entities, taken as a whole.

"Material Contract" means any Contract of the type described in the first sentence of Section 3.14 or any other Contract the termination of which would be reasonably likely to have a Material Adverse Effect.

"Material Indebtedness" means Indebtedness in excess of \$500,000 and including all indebtedness incurred or assumed pursuant to the Consolidating Telephone Loan Contract, dated as of June 1, 1987, between Telephone Utilities of the Northland, Inc., United States of America and Rural Telephone Bank, as amended, modified or supplemented to date.

"Net Working Capital" means current assets minus current liabilities, in each case, determined in accordance with GAAP on a combined basis, but shall exclude all intercompany payables, intercompany receivables and other intercompany accounts (collectively, the "Intercompany Accounts") between any Alaska Entity, on the one hand, and Sellers or any Affiliate of Sellers (other than the Alaska Entities), on the other hand. For the purposes of this definition, current income Taxes payable are not to be included as Intercompany Account.

"Party" or "Parties" means, individually, CNI, CWI or Buyer and, collectively, CNI, CWI and Buyer.

"PCS" or "Broadband PCS" means the provision of personal communications services in the 2GHz band, pursuant to authority granted by the FCC under the Communications Act and the regulations promulgated thereunder.

"PCS License" or "Broadband PCS License" shall mean an E Block Broadband 10 MHz PCS Permit granted by the FCC to construct and/or operate a

telecommunications system to provide PCS in a particular Basic Trading Area.

"Permits" mean permits, licenses, franchises, certificates, consents, approvals, and other authorizations issued or granted by Governmental Entities, including all FCC Licenses, all APUC Licenses and all such other authorizations issued or granted by the FCC or the APUC.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, enterprise, unincorporated organization, Governmental Entity, or other entity.

"Proceedings" means any and all actions, suits, hearings, investigations or other proceedings by or before any arbitrator, court or Governmental Entity.

"Purchase Price" Purchase Price shall have the meaning given to it in Section 2.2(a) hereof.

"Subsidiary" means, with respect to any entity, any corporation at least 50% of whose outstanding voting securities are owned, directly or indirectly, by such entity or any partnership, joint venture or other entity at least 50% of whose total equity interest is directly or indirectly owned by such entity.

"Tax(es)" means any federal, state, local, or foreign income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental (including taxes under Code Sec. 59A), customs, duties, capital stock, franchise, profits, withholding, social security (or similar), unemployment, disability, real property, personal property, sales, use, transfer, registration, value added, alternative or add-on minimum, hearing impaired, 911 surcharge, estimated, or other tax or levy, including any interest, penalty, or addition thereto, whether disputed or not.

"Tax Return" means any return, declaration, report, claim for refund, or information return or statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

1.2 Singular and Plural. Defined terms in this Agreement shall also mean in the singular number the plural, and in the plural number the singular.

1.3 Capitalized Terms. In addition to such terms as are defined in the preamble and recitals to this Agreement and in Section 1.1, any other capitalized term appearing herein shall have the meaning ascribed to it in the Section in which it is defined.

SECTION 2

SALE OF PROPERTIES

2.1 Purchase and Sale. Subject to the terms and conditions hereof, and in reliance upon the representations, warranties, covenants and agreements herein, at the Closing, Sellers agree to sell and deliver to Buyer and Buyer agrees to purchase, accept and pay for, all of Sellers' right, title and interest in and to the Alaska Stock, free and clear of all Encumbrances.

2.2 Purchase Price; Adjustments.

(a) As consideration for the Alaska Stock, Buyer will pay to Sellers the sum of \$415,000,000 (the "Purchase Price"), adjusted pursuant to Section 2.2(b) below.

(b) The Purchase Price shall be adjusted (i) upwards or downwards, on a dollar-for-dollar basis by the amount that Net Working Capital of the Alaska Entities as of August 31, 1998 is either a positive or negative number, respectively; (ii) downwards, on a dollar-for-dollar basis by an amount equal to the amount of all long-term liabilities as of August 31, 1998 (excluding the current portion of long-term Indebtedness) of the Alaska Entities; (iii) upwards or downwards, on a dollar-for-dollar basis, by the amount that actual capital expenditures of the Alaska Entities have been greater or less than \$18,199,000, in the aggregate, from January 1, 1998 until August 31, 1998; (iv) downwards, on a dollar-for-dollar basis, by the aggregate amount of dividends paid by the Alaska Entities to Sellers pursuant to Section 2.2(c); (v) upwards, on a dollar-for-dollar basis by the amount of Advances (as defined below) that Sellers make to the Alaska Entities from August 31, 1998 until the Closing that have not been repaid prior to the Closing; (vi) upwards, on a dollar for dollar basis, by an amount equal to \$33,333.00 per day for each day from August 31,

1998 through the day prior to the Closing Date; and (vii) upwards, on a dollar-for-dollar basis, by the Estimated Income Tax Amount (as defined in Section 7.2) (the aggregate net amount of the adjustments pursuant to subsections (i)-(iii) above being referred to as the "Adjustment Amount" and the aggregate net amount of the adjustments pursuant to (iv)-(vii) being the "Additional Amount").

(c) In the event the Net Working Capital of the Alaska Entities at August 31, 1998 exceeds \$2,000,000, Sellers and Buyer will cooperate to allow the Alaska Entities to pay cash dividends to Sellers between September 1, 1998 and the Closing Date (without any negative tax impact on the Alaska Entities or Buyer) equal to the amount by which Net Working Capital as of August 31, 1998 exceeds \$2,000,000.

(d) On the Closing Date, Buyer shall pay to Sellers, by wire transfer(s) of immediately available funds to the account(s) specified by Sellers:

(i) in the event that, on or prior to the Closing Date, the Adjustment Amount has been finally and conclusively determined pursuant to this Section 2.2, the Purchase Price, as adjusted by the Adjustment Amount and the Additional Amount, or

(ii) in the event that, as of the Closing Date, the Adjustment Amount has not been finally and conclusively determined pursuant to this Section 2.2, the Purchase Price as adjusted by the Additional Amount and as adjusted by the Estimated Adjustment Amount (as defined below); provided that, within five (5) business days of any final, binding, and conclusive determination of the Adjustment Amount (whether through non-objection, agreement, or otherwise), Buyer and

Sellers shall recalculate the Purchase Price adjusted by the Adjustment Amount and the Additional Amount. If the Adjustment Amount is less than the Estimated Adjustment Amount, Sellers shall promptly pay to Buyer such difference (without interest). If, on the other hand, the Adjustment Amount is more than the Estimated Adjustment Amount, then Buyer shall promptly pay the amount of such excess (without interest) to Sellers.

(e) As soon as practicable, but in no event later than November 30, 1998, Sellers shall prepare a combined balance sheet of the Alaska Entities as of August 31, 1998 (including the notes thereto, the "Signing Date Balance Sheet"). The Signing Date Balance Sheet shall be prepared in accordance with GAAP and shall be accompanied by a special report of KPMG Peat Marwick ("KPMG"), Seller's independent public accountants, resulting from agreed-upon procedures performed pertinent to the individual components of Net Working Capital (the "Special Report"). Buyer and Sellers agree to work together in specifying the agreed-upon procedures to be performed by KPMG no later than September 15, 1998. Sellers shall also prepare a certificate (the "Calculation Certificate") setting forth the amount (and the underlying calculation thereof) estimated to be the Adjustment Amount (the "Estimated Adjustment Amount"). Sellers shall deliver copies of the Signing Date Balance Sheet, Special Report and the Calculation Certificate to Buyer promptly after they have been prepared. Upon receipt of the Signing Date Balance Sheet, Special Report and Calculation Certificate, Buyer shall have thirty (30) days to notify Sellers in writing of any objections that they may have to such Calculation Certificate. If no written objection is delivered by Buyer to Sellers within such thirty (30) day period, the Calculation Certificate

shall conclusively be deemed to have been agreed upon by the Parties and shall be final, binding and conclusive with respect to all Parties hereto, and shall not be subject to review, absent manifest error. If, on the other hand, Buyer gives timely notice of their objections to the Calculation Certificate, Sellers and Buyer shall attempt to resolve any disputed matters by negotiating in good faith and attempting to agree in writing as to the Adjustment Amount. If Sellers and Buyer are unable to agree within fifteen (15) days from the date of delivery of Buyer's written objection, then Buyer and Sellers shall submit any disputed matters to a nationally recognized accounting firm mutually acceptable to both Buyer and Sellers (which shall not be any certified public accounting firm retained within the past two (2) years by either Buyer (or its majority shareholder), or Sellers to audit their respective financial statements). If Buyer and Sellers are unable to agree on a nationally recognized accounting firm within ten (10) days following the expiration of such fifteen (15) day period, then Sellers on the one hand and Buyer on the other shall each select a nationally recognized accounting firm (which shall not be any certified public accounting firm retained within the past two (2) years by either Buyer (or its majority shareholder) or Sellers to audit their respective financial statements), and the two firms selected shall together select a third nationally recognized accounting firm (which shall not be any certified public accounting firm retained within the past two (2) years by either Buyer or Sellers to audit their respective financial statements), to resolve the dispute. If the two accounting firms selected by the Parties are unable to agree within thirty (30) days on a third accounting firm to resolve the dispute, then either Buyer or Sellers may commence court proceedings to name a nationally recognized accounting firm (which shall not be any certified public accounting firm retained

within the past two (2) years by either Buyer or Sellers to audit their respective financial statements), to resolve the dispute. The accounting firm selected hereunder to resolve the dispute shall make a final determination as soon as reasonably practicable of the actual amount of the disputed matters, which will be provided in writing to each Party, and its resolution shall be final, conclusive and binding, on all Parties to this Agreement and shall not be subject to judicial review. Each of the Parties agrees to execute, if necessary, a reasonable engagement letter with the accounting firm selected to resolve the dispute. All fees, costs, and expenses of the accounting firms selected pursuant to this Section shall be borne equally by Buyer, on the one hand, and Sellers, on the other hand.

2.3 Signing and Closing. The signing of this Agreement will take place at the offices of Boles, Boles & Ryan in Monroe, Louisiana. The Closing of the transactions contemplated herein will take place at the offices of Wachtell, Lipton, Rosen & Katz in New York, New York beginning at 10:00 a.m. local time on the first business day of the month following the month in which the satisfaction or waiver of all conditions to the obligations of the Parties set forth in Sections 8.7 and 9.6 occurs, or, if not then satisfied, as soon thereafter as all other conditions in Sections 8 and 9 have been satisfied or waived. The date on which the Closing occurs shall be known as the "Closing Date".

SECTION 3

REPRESENTATIONS AND WARRANTIES OF SELLERS

For the purpose of inducing Buyer to enter into this Agreement, Sellers hereby make the following representations and warranties to Buyer.

3.1 Organization and Qualification of Sellers. CNI is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Washington. CWI is a corporation duly incorporated, validly existing, and in good standing under the laws of the State of Louisiana. Each Seller possesses full corporate power and authority to carry on the business in which it is presently engaged, to own, lease and operate its properties and to enter into and perform its obligations under this Agreement.

3.2 Authorization of Agreement. The respective Boards of Directors of Parent and each Seller have duly approved and authorized the execution and delivery of this Agreement and the consummation of the Purchase Transactions, and no other corporate proceedings on the part of Parent or any Seller are necessary to approve or authorize the execution and delivery of this Agreement by Sellers or the consummation by Sellers of the Purchase Transactions. Assuming due execution, delivery and performance of this Agreement by Buyer, this Agreement constitutes a valid and legally binding obligation of each Seller, enforceable in accordance with its terms, except as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws of general application relating to or affecting creditors' rights and the application of equitable principles in any action, legal or equitable.

3.3 Alaska Entities. Schedule 3.3 sets forth a listing of each of the Alaska Entities, their respective jurisdictions of incorporation and each Seller's equity interest therein.

3.4 Organization and Qualification of the Alaska Entities. Except as disclosed on Schedule 3.4, each of the Alaska Entities is duly incorporated and validly existing and in good standing (to the extent such jurisdictions provide evidence of good standing) under the laws of the jurisdiction of its incorporation. Each Alaska Entity possesses full corporate power and authority to carry on the business in which it is presently engaged and to own, lease and operate its properties. Except as disclosed on Schedule 3.4 no Alaska Entity has failed to qualify as a foreign corporation in any state or jurisdiction where the nature of its activities or the character or location of its properties requires such qualification.

3.5 Capital Stock and Equity Interests. The Alaska Entities each have an authorized capitalization and the number of issued and outstanding shares as set forth on Schedule 3.5 hereto. All of the issued and outstanding shares of Alaska

Stock are owned, directly or indirectly, by either CNI or CWI, as listed on Schedule 3.5, have been duly authorized and are duly and validly issued and outstanding, fully paid and nonassessable, and are owned of record and beneficially by either CNI or CWI, except as indicated on Schedule 3.5, free and clear of any and all Encumbrances. There are no outstanding options, warrants or other rights of any nature providing for the purchase, issuance or sale of any stock of any of the Alaska Entities, and there are no outstanding securities or debt obligations of any of the Alaska Entities or any of the Sellers convertible into or exchangeable for shares of capital stock or equity interests of any of Alaska Entities. Upon the consummation of the transactions contemplated hereby, Buyer will acquire direct lawful title to all of the stock of the Alaska Entities, free and clear of all Encumbrances of any kind whatsoever.

3.6 Organizational Documents. Sellers have delivered to Buyer true, correct and complete copies of: (i) the articles or certificates of incorporation of each Seller and each Alaska

Entity, together with all amendments thereto, as certified by the Secretary of State of their respective corporate domiciles and (ii) the bylaws of each Seller and each Alaska Entity as currently in effect, as certified by the respective Secretary of each such entity.

3.7 Financial Statements. Except as disclosed on Schedule 3.7, Sellers have delivered to Buyer true, correct and complete copies of the unaudited (except as specified below) balance sheets and statements of income of each of the Alaska Entities for the year ending December 31, 1997 (the "1997 Financial Statements") and have also delivered to Buyer true, correct and complete copies of unaudited balance sheets and income statements for the Alaska Entities, as of, and for the interim period ending, on June 30, 1998 (the "Interim Financial Statements" and, together with the 1997 Financial Statements, the "Financial Statements"). The 1997 Financial Statements for Telephone Utilities of the Northland, Inc. have been audited by Deloitte & Touche LLP, certified public accountants, and a copy of its statement of cash flows, statement of changes in shareholders' equity and unqualified opinion with respect thereto has been delivered to Buyer. The Financial Statements were prepared in accordance with GAAP (except for any changes in accounting methods referred to in the notes thereto and subject in the case of unaudited interim financial statements to normal year end adjustments (the effect of which will not, individually or in the aggregate, be material) and, in the case of all unaudited Financial Statements, the absence of footnotes) and fairly present (i) the financial condition of the Alaska Entities as of the respective dates thereof, and (ii) the results of operations of the Alaska Entities for the periods therein set forth. All such unaudited Financial Statements included in the Financial Statements reflect all adjustments that are necessary for a fair statement of the financial condition and results of operations for the periods presented therein, except as disclosed on Schedule 3.7.

3.8 Absence of Material Changes. Except as disclosed on Schedule 3.8, since December 31, 1997, neither the Business nor any Alaska Entity has:

(a) undergone any change in its business, assets, properties, financial condition, or results of operations other than changes in the ordinary course of business, none of which, individually or in the aggregate, has had or, to the knowledge of Sellers, would reasonably be expected to have a Material Adverse Effect, and there has not been any condition, event or occurrence which, individually or in the aggregate, has had or would be reasonably likely to have a Material Adverse Effect;

(b) suffered any damage, destruction or loss, whether or not covered by insurance, that was, individually or in the aggregate, Material;

(c) issued, sold, redeemed or repurchased any capital stock or other equity interests or securities convertible or exchangeable into, or granted any options, warrants or other rights to acquire, any such securities, or directly or indirectly redeemed, purchased or otherwise acquired any shares of its capital stock or equity interests; mortgaged, pledged or subjected to any Encumbrance any of its properties or assets valued, individually or in the aggregate, in excess of \$250,000;

(d) except in accordance with the Budget, incurred any Material Indebtedness or amended, varied or altered the payment obligations with respect to, or requested any waivers with respect to, the terms of any existing Material Indebtedness, or entered into, amended, modified or renewed or terminated any lease of material real estate or lease of material personal property;

(e) entered into any transactions that create an impediment to satisfaction of the

conditions and covenants contained in this Agreement or to timely consummation of the Closing;

(f) acquired or disposed of any assets or properties not contemplated in the Budget having a value in excess of \$250,000 in the case of any single item or \$1,000,000 in the aggregate, or relocated or otherwise transferred any assets to other areas of Seller's operations;

(g) merged or consolidated with any other corporation or entered into any joint venture, partnership or other similar arrangement or formed any other new material arrangement for the conduct of its business or made any material investment in the securities or businesses of any Person, or amended its certificate or articles of incorporation or bylaws;

(h) received notice of any dispute, claim, event or condition of any character (including but not limited to any notices from any Governmental Entity) that would, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect (except for changes in accounting principles or interpretations adopted by the Financial Accounting Standards Board, changes in general economic conditions, including any change in the level of interest rates, or industry-wide changes in the regulatory environment, including but not limited to the loss of, or changes resulting from the loss of, the Rural Exemption (as defined in Section 251(f)(1) of the Communications Act));

(i) terminated, modified, extended or amended any Material Contract or, except as contemplated in the Budget, entered into any Material Contract;

(j) made any change in its accounting methods or practices other than changes

in estimates related to the determination of expense accruals for health, pension and other post-retirement benefits which are disclosed in the Financial Statements;

(k) hired any new employees, agents or representatives (except new employees, agents or representatives hired in the ordinary course of business consistent with past practice whose annual compensation is not expected to exceed \$50,000) or entered into any new employment, severance, consulting or other compensation agreement with any director, officer, employee, agent or representative or other Person, except as contemplated herein;

(l) increased the compensation (including bonuses, commissions, fringe benefits, severance or retirement benefits) payable or to become payable to any officer, director, employee, agent or representative, except increases required by written Contracts or Employee Benefit Plans then in effect and disclosed on Schedule 3.18 or increases and bonuses to employees who are not officers or directors in the ordinary course of business consistent with past practices or required by mandated ERISA changes, or adopted, committed itself to adopt, or amended or modified in any material respect or terminated any Employee Benefit Plan except as expressly permitted under this Agreement or as required by Applicable Law, or taken any action that could result in a withdrawal or partial withdrawal from a Multiemployer Plan;

(m) amended, renegotiated or entered into any collective bargaining or similar agreement;

(n) received any notice indicating that there exists any material labor unrest among its employees or that any group, labor union or similar organization has tried to organize any of its employees;

(o) declared or paid any dividend or distribution with respect to its stock, other than dividends permitted pursuant to Section 6.15;

(p) amended the Budget or otherwise taken any action to reduce the amount of capital spending identified in the Budget, or otherwise operated other than in compliance with the Budget in all significant respects;

(q) settled or compromised any pending or threatened material Proceeding, or canceled, compromised, settled or given up, waived or released any material claims or rights;

(r) authorized, announced or implemented any new pricing, discount or marketing programs or introduced any new services, except as specifically contemplated by the Budget; or

(s) entered into any Contract or made any commitment to do or to take any of the actions referred to in subsections (a) through (r) of this Section 3.8.

3.9 Indebtedness. Except as disclosed on Schedule 3.9, all Material Indebtedness of each Alaska Entity is prepayable at any time at the option of such entity, without premium or penalty, and none of such Material Indebtedness is subject to acceleration or a penalty upon change of control of any Alaska Entity (a "Change of Control"). Schedule 3.9 sets forth the prepayment terms with respect to all outstanding Material Indebtedness. No Alaska Entity is in default under any Contract evidencing any Material Indebtedness or in the performance, observance or fulfillment of any covenant or condition relating thereto, and to the knowledge of Sellers no event has occurred and is continuing which with the giving of notice or lapse of time, or both, would constitute a default, or result in the acceleration of or entitle any party to accelerate any obligation or right under

any such Material Indebtedness.

3.10 Litigation and Claims. Schedule 3.10 sets forth a list of each Material Proceeding in which any Alaska Entity is a party or which otherwise relates to the Alaska Entities. Except as specifically disclosed on Schedule 3.10, there are no decrees, judgments, fines, forfeiture, awards, orders or injunctions to which any Alaska Entity is subject, or which otherwise relates to the Alaska Entities, and there is no Proceeding pending, or to the Knowledge of Sellers, threatened against or relating to any Seller or any Alaska Entity or which otherwise relates to the Alaska Entities, that if determined adversely to such Seller or Alaska Entity, would, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

3.11 Title to Property and Leases. Set forth on Schedule 3.11 is a list of all real property and buildings owned or leased by any Alaska Entity or used in the Business with a value in excess of \$250,000, with respect to owned properties, and monthly payments in excess of \$10,000 with respect to leased properties. Except as set forth on Schedule 3.11, each Alaska Entity owns or leases all of the real and tangible personal property reflected on its December 31, 1997 balance sheet included in the Financial Statements except (i) property disposed of since said date for fair and adequate consideration in the ordinary course of business or dispositions which are not, in the aggregate, Material and (ii) leases which have expired since said date and which are not, in the aggregate, Material. Except as disclosed on Schedule 3.11, title to all real and tangible personal property owned by each Alaska Entity is, in each case, held in the name of such Alaska Entity, and is good and lawful, marketable and free and clear of any Encumbrances, except for (i) Encumbrances arising under indentures, security interests, mortgages and/or deeds of trust securing indebtedness disclosed in the Financial Statements, (ii) Encumbrances for Taxes or assessments not

yet due and payable or being contested in good faith, (iii) imperfections of title and Encumbrances, if any, that do not materially detract from the use, utility or value, or Materially interfere with the use or marketability of the property affected thereby, (iv) all rights reserved to or vested in any Governmental Entity to control or regulate any such entity's property or assets in any manner and (v) Encumbrances which are otherwise not in the aggregate Material. All real estate leases to which any Alaska Entity is a Party (collectively, the "Leases") are legal, valid and enforceable in accordance with their respective tenants, except as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, or other laws of general application relating to or affecting enforcement of creditors' rights and the application of equitable principles in any action, legal or equitable; no Alaska Entity is in default under any of such lease, and, to the Knowledge of Sellers, no event has occurred which, with notice or lapse of time, or both, would constitute a default by any party under any such Lease. Each Alaska Entity owns or leases all the real and tangible personal property and assets necessary for the continued conduct of its present business in the ordinary course and in the manner it has been operated since January 1, 1998, except where the failure to own or lease such property or assets could not reasonably be expected to, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The Alaska Entities purchase the predominance of their information services from Affiliates. The software associated therewith is not owned by or licensed to the Alaska Entities. The Alaska Entities utilize such software through license agreements between Affiliates and third parties and those agreements will not continue to be utilized beyond the Closing Date by any Alaska Entity unless such utilization is pursuant to the Transition Services Agreement.

3.12 Sufficiency and Condition of Assets.

(a) Except as disclosed in Schedule 3.12(a) or with respect to the services provided in the Transition Services Agreement, as of the Closing Date, Sellers will transfer to Buyer valid rights to use all of the assets, rights and/or interests which are used in, and are sufficient for, the operation of the Business as conducted by Sellers since December 1, 1997.

(b) Except as disclosed on Schedule 3.12(b), all buildings, equipment and other tangible assets owned by each Alaska Entity are in good operating condition, reasonable wear and tear excepted, and do not require any maintenance or repairs except for routine maintenance and repairs that arise in the ordinary course of business, maintenance and repairs that are contemplated in the Budget or maintenance and repairs that in the aggregate are not Material in nature or cost.

(c) Prior to the date hereof, (i) PolarNet, Inc., an Alaska corporation was merged with and into PTIC with PTIC as the surviving corporation, and (ii) MVI Corp., an Oregon corporation ("MVI") has transferred good title to each of the Alaska PCS Licenses, free and clear of all Encumbrances, to Pacific Telecom of Alaska PCS, Inc., a newly-formed wholly owned subsidiary of CNI, whose sole assets are and, as of the Closing, shall be the Alaska PCS Licenses.

3.13 Insurance. Schedule 3.13 sets forth a list of all insurance policies covering the businesses, properties and assets of the Alaska Entities. All such policies are in full force and effect. All property of any Alaska Entity of an insurable nature and of a character usually insured by companies carrying on similar businesses has been insured in such amounts and against such Losses (as defined herein) as is customary for such companies. Since December 1, 1997, none of

the Sellers has received notice of (a) any failure to pay premiums under any policy, (b) any cancellation of any Material policy, (c) any insurer denying any Material claim or (d) any insurer defending any Material claim with a reservation of rights, which, in any such case, relates to the Alaska Entities or the Business. Except as disclosed in Schedule 3.13, no liability policy to which the Alaska Entities is a party or under which the Business is covered has a deductible in excess of \$100,000.00.

3.14 Contracts. Schedule 3.14 identifies all Contracts to which an Alaska Entity is a party that are not terminable within one year from the date hereof or which obligate any Alaska Entity to make annual payments in excess of \$250,000. Each Material Contract to which any Alaska Entity is a party is valid, binding and enforceable in accordance with its terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws of general application relating to or affecting creditor's rights and the application of equitable principles in any action, legal or equitable and, except as set forth on Schedule 3.14, the Alaska Entities are not in default under any such Material Contract, and to Seller's Knowledge, no event has occurred which, with notice or lapse of time, or both, would constitute such a default, or result in the acceleration of or entitle any party to accelerate any obligation or right under any such Contract, except such defaults that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Except as set forth on Schedule 3.14 no Material Contract contains any provision providing that it may be canceled, terminated or accelerated upon a Change of Control, provides for any changes in the rates or other terms upon a Change of Control, or requires the consent to such a Change in Control. Each Alaska Entity has in effect all Material Contracts that are necessary for the conduct of its business as presently conducted in the ordinary course. Except as set forth on

Schedule 3.14, no Seller or any Affiliate of any Seller (other than the Alaska Entities) is a party to any agreement for the benefit of any Alaska Entity or the Business. Except as set forth on Schedule 3.14, there are no Contracts which restrict or inhibit the ability of the Alaska Entities or any stockholder or Affiliate thereof from doing business in any manner or in any geographic location. To the extent this Section 3.14 relates to oral Contracts entered into prior to December 1, 1997, the representations and warranties contained herein with respect to such oral contracts shall be deemed to be qualified by the phrase "to the Knowledge of Sellers."

3.15 No Violation. Except as disclosed on Schedule 3.15, with respect to each Seller and each Alaska Entity, the execution, delivery, and performance of this Agreement and the consummation of the Purchase Transactions will not: (1) violate or conflict with or result in a breach of the articles or certificate of incorporation or bylaws of any Seller or any Alaska Entity, (ii) except as disclosed in Schedule 3.15, violate or conflict with, or result in the imposition or creation of any Encumbrance upon or in any of the Alaska Stock or properties or assets owned or leased by any of the Alaska Entities pursuant to any Applicable Law or any other material restriction of any kind or character to which any Seller or any Alaska Entity is or may be subject or by which any of them or any of their assets or properties is or may be bound or (iii) conflict with, violate or constitute a default under any provision of, or be an event that is (or with the giving of notice or passage of time or both will result in) a violation of or default under, or result in the acceleration of or entitle any party to accelerate (whether after the giving of notice or passage of time or both) any obligation or right under, or require a consent or create a penalty or increase any Seller's or Alaska Entities' payment or performance obligations under, any Encumbrance, order, arbitration award, judgment or decree, or any Material Contract or Permit, to which any Seller or any Alaska Entity is a party or by

which any of them or any of their property is bound.

3.16 Undisclosed Liabilities. Except as set forth in Schedule 3.16 or in any of the other Schedules to this Agreement, no Alaska Entity has any liability or obligation of any nature, whether accrued, absolute, contingent, known, unknown or otherwise, and whether due or to become due, which was not reflected in the Financial Statements, except for liabilities and obligations incurred by such Alaska Entity in the ordinary course of business since December 31, 1997, which, in the aggregate, would not reasonably be expected to have a Material Adverse Effect.

3.17 Compliance with Laws, Permits. Set forth on Schedule 3.17 is a list of all Material Permits (and the beneficiaries and holders thereof) under which the Alaska Entities or the Business provide or are authorized to provide local exchange telephone services, cellular telephone services, cable television services, personal communication services, or any other services provided by the Alaska Entities or, in connection with the Business, the Sellers. Except as disclosed on Schedule 3.17 each of the Alaska Entities and the Sellers has complied with all Applicable Laws except where the failure to so comply would not reasonably be expected to have a Material Adverse Effect. Each Alaska Entity has obtained all Material Permits required in order to conduct the Business as presently conducted. The present use by each Alaska Entity of its properties and the conduct of the Business does not violate any Applicable Law or Permit, except where such violations, in the aggregate, would not reasonably be expected to have a Material Adverse Effect. All Permits which are Material are in full force and effect, have been legally and validly issued, and will continue in full force and effect after the Closing Date without the consent, approval or act of, or the making of any filing with, any Governmental Entity, subject to the receipt of the approvals and the completion of the filings described in Section 5.1 hereof. No Alaska Entity is in default

under the terms of any Permit which is Material and no such entity has received written notice of any default thereunder. Except as disclosed on Schedule 3.17, no Government Entity has notified any Alaska Entity of its intent to modify, revoke, terminate or fail to renew any Permit which is Material.

3.18 ERISA.

(a) Set forth on Schedule 3.18 hereto is a list identifying each "Employee Benefit Plan". Except for any plan that is a Multiemployer Plan, the Sellers have made available to Buyer accurate and complete copies of all Employee Benefit Plans maintained, adopted or participated in by any Alaska Entity (and, if applicable, the related trust agreements) and all amendments thereto, together with the three most recent annual reports (Form 5500 including, if applicable, Schedule B thereto) prepared in connection with any such Employee Benefit Plan. For purposes of this Section 3.18 only, an "Affiliate" of any person means any other person which, together with such person, would be treated as a single employer under Section 414 of the Code.

(b) Except as disclosed on Schedule 3.18, (i) no Employee Benefit Plan constitutes a Multiemployer Plan, and (ii) no Employee Benefit Plan is subject to Title IV of ERISA or to the minimum funding standards of ERISA and the Code. There are no accumulated funding deficiencies as defined in Section 412 of the Code (whether or not waived) with respect to any Employee Benefit Plan. No Alaska Entity has incurred any Material liability under Title IV of ERISA arising in connection with the termination of, or complete or partial withdrawal from, any Employee Benefit Plan covered or previously covered by Title IV of ERISA. Each Alaska Entity has paid and discharged promptly when

due all liabilities and obligations with respect to any Employee Benefit Plan arising under ERISA or the Code of a character which if unpaid or unperformed might result in the imposition of an Encumbrance against any of the assets of any Alaska Entity or assets currently held by Sellers, but which would, upon consummation of the transactions contemplated hereby, be assets of any Alaska Entity. Nothing done or omitted to be done and no transaction or holding of any asset under or in connection with any Employee Benefit Plan has made or will make any Alaska Entity, subject to any liability under Section 502(i) or (1) of Title I of ERISA or liable for any tax pursuant to Section 4975 of the Code that could have a Material Adverse Effect.

(c) Each Employee Benefit Plan which is designated on Schedule 3.18 as being intended to be qualified under Section 401(a) of the Code is so qualified, and each trust forming a part thereof is exempt from Tax pursuant to Section 501(a) of the Code. CNI has made available to Buyer accurate and complete copies of the most recent IRS determination letters with respect to any such Employee Benefit Plans and the related trust that have not been revoked. Each Employee Benefit Plan is being maintained, in all Material respects, in compliance with its terms and with the requirements prescribed by all Applicable Law, except where the failure to so maintain such Employee Benefit Plan would not have a Material Adverse Effect.

(d) Except as set forth on Schedule 3.18, since January 1, 1991, no Alaska Entity has maintained or contributed to a Multiemployer Plan. Except as set forth on Schedule 3.18, with respect to each Multiemployer Plan in which any Alaska Entity participates or has participated, (i) since January 1, 1991, no Alaska Entity has withdrawn,

partially withdrawn, or received any notice of any claim or demand for withdrawal liability or partial withdrawal liability and (ii) the transaction contemplated by this Agreement does not constitute a withdrawal or partial withdrawal under any Multiemployer Plan maintained or previously maintained or contributed to by any Alaska Entity. Until the Closing, Sellers will advise Buyer in the event that any Alaska Entity has received any notice (i) that any Multiemployer Plan is in reorganization, (ii) that increased contributions may be required to avoid a reduction in Multiemployer Plan benefits or the imposition of any excise tax, (iii) that any Multiemployer Plan is or may become insolvent, (iv) that any Multiemployer Plan is a party to any pending merger or asset transfer, or (v) that any Pension Benefit Guaranty Corporation ("PBGC") proceedings against or affecting any Multiemployer Plan have been initiated.

(e) All contributions (including all employer contributions and employee salary reduction contributions) that are due have been paid to each Employee Benefit Plan, and all contributions for any period ending on or before (i) August 31, 1998 and (ii) the Closing Date, that are not yet due will be paid to each Employee Benefit Plan or accrued in accordance with past custom and practice, and to the extent they relate to the Alaska Entity Employees will be fully reflected on the financial statements of the Alaska Entities as of (i) August 31, 1998 and (ii) the Closing Date, respectively. All premiums, including without limitation, premiums payable to the PBGC, or other payments for all periods ending on or before the Closing Date which have become due have been paid or will be paid prior to the Closing Date with respect to each such Employee Benefit Plan which is an Employee Welfare Benefit Plan and, to the extent they relate to the Alaska Entity Employees, any

unpaid premiums will be fully accrued on the financial statements of the Alaska Entities as of (i) August 31, 1998 and (ii) the Closing Date, as appropriate.

(f) All required reports and descriptions (including Form 5500 Annual Reports, Summary Annual Reports, Summary Plan Descriptions, and reports required by Labor Department Regulation Section 2520.104-23) have been filed or distributed appropriately with respect to each Employee Benefit Plan (other than any Multiemployer Plan) except where failure to do so would not have a Material Adverse Effect. The requirements of Part 6 of Subtitle B of Title I of ERISA and of Section 4980B of the Code have been met in all material respects with respect to each such Employee Benefit Plan (other than any Multiemployer Plan) which is an Employee Welfare Benefit Plan. No claim, lawsuit, arbitration or Proceeding is pending or to Sellers' Knowledge has been threatened, asserted or instituted against CNI, CWI or any Alaska Entity, or any Employee Benefit Plan (other than any Multiemployer Plan) in connection with or arising out of, directly or indirectly, Part 6 of Subtitle B of Title I of ERISA as it applies to the Alaska Entities, and, to Sellers' Knowledge, there are no facts that exist which could give rise to any such claims or other Proceedings.

(g) Except as set forth on Schedule 3.18, no Alaska Entity maintains or contributes to or is required to contribute to any material Employee Welfare Benefit Plan or other program or arrangement providing medical, health, or life insurance or other welfare-type benefits for current or future retired or terminated employees, their spouses, or their dependents (other than in accordance with Section 4980B of the Code or Sections 601-607 of ERISA).

(h) Except as set forth on Schedule 3.18, consummation of the transactions contemplated herein (either alone or in conjunction with any other event) will not entitle any officer or employee of any Alaska Entity to severance pay and will not increase, or accelerate the time of payment or vesting, of, any compensation due to any officer, director or employee of any Alaska Entity under any Employee Benefit Plan.

(i) Except as indicated on Schedule 3.18, the fair market value of the assets of each Employee Benefit Plan which is subject to Title IV of ERISA or the minimum funding requirements of Section 412 of the Code exceeds the amount of benefit liabilities for such plan, computed on a termination basis utilizing PBGC factors. Except as indicated on Schedule 3.18, to Seller's Knowledge, the fair market value of the assets of each Multiemployer Plan which is subject to Title IV of ERISA or the minimum funding requirements of Section 412 of the Code exceeds the amount of benefit liabilities for such plan, computed on a termination basis utilizing PBGC factors.

(j) No Employee Benefit Plan which is subject to Title IV of ERISA has been completely or partially terminated in the preceding six years. The PBGC has not instituted proceedings to terminate any Employee Benefit Plan. There has been no reportable event (as such term is defined in Section 4043(c) of ERISA) with respect to an Employee Benefit Plan for which notice to the PBGC has not, by rule or regulation, been waived or which, individually or in the aggregate with other reportable events, would have a Material Adverse Effect.

(k) There are no pending claims (other than claims for benefits in the ordinary course), lawsuits or arbitrations which have been asserted or instituted, or to Seller's

Knowledge, which have been threatened against the Employee Benefit Plans, any fiduciaries thereof with respect to their duties to the Employee Benefit Plans or the assets of any of the trusts under any of the Employee Benefit Plans which could reasonably be expected to result in any material liability of any Alaska Entity to the PBGC, the Department of Treasury, the Department of Labor, any Multiemployer Plan, any Employee Benefit Plan or any participant in an Employee Benefit Plan.

(l) The Alaska Entities are in compliance with the Family and Medical Leave Act of 1993, except with respect to any noncompliance that would not reasonably be expected to have a Material Adverse Effect. The Alaska Entities and each member of their business enterprises have complied with the Worker Adjustment and Retraining Notification Act, except with respect to any noncompliance that would not have a Material Adverse Effect.

3.19 Environmental Matters. Except as set forth on Schedule 3.19:

(a) Each Alaska Entity possesses all Permits which are Material that are required under Applicable Laws relating to pollution or the protection of the environment, including, without limitation, all laws and regulations governing the generation, use, collection, treatment, storage, transportation, recovery, removal, discharge or disposal of all hazardous substances or hazardous wastes (collectively, "Environmental Laws"). Each Alaska Entity is in Material compliance with all Environmental Laws. For purposes of this Section 3.19, "hazardous substances" and "hazardous wastes" are materials defined as "hazardous substances", "hazardous wastes", "hazardous constituents", "pollutants" or "contaminants" in (i) the Comprehensive Environmental Response, Compensation and

Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, and any amendments thereto and regulations thereunder, (ii) the Resource Conservation and Recovery Act of 1976, as amended by the Hazardous and Solid Waste Amendments of 1984, and any amendments thereto and regulations thereunder or (iii) any other Environmental Law regulating gasoline, diesel fuel and other petroleum hydrocarbons, including without limitation asbestos and polychlorinated biphenols ("PCBs").

(b) No Alaska Entity has been subject to any enforcement actions or lawsuits pursuant to, nor has it received any notice from any Governmental Entity of any Material violations of, any Environmental Law, and, to the Knowledge of Sellers, there are no facts or circumstances that it currently anticipates could reasonably be expected to form the basis of a claim or citation against any Alaska Entity for a violation of any such Environmental Laws, except for violations that, in the aggregate, would not reasonably be expected to have a Material Adverse Effect.

(c) There are no hazardous substances or hazardous wastes (or any asbestos, fuel oil or other petroleum compounds or PCBs) used, disposed of, discharged or stored by any Alaska Entity, except in the ordinary course of their business and in Material compliance with all Environmental Laws. At no time has any Alaska Entity caused or, to the Knowledge of Sellers, permitted, hazardous wastes, hazardous substances or any other such materials to be treated, stored, disposed of, released, discharged or deposited on, under, at or from premises owned or operated by any Alaska Entity, which materials if known to be present, would reasonably be anticipated now to require the expenditures of a Material

amount for clean-up, removal, response, remediation or other obligations ("Response") under any Environmental Law.

(d) To the Knowledge of Sellers, there are no disposal sites for hazardous substances, hazardous wastes or any other wastes located on or under the real estate now owned or operated by any Alaska Entity. Each Person retained by or on behalf of any Alaska Entity to handle, transport or dispose of hazardous substances, hazardous wastes or other wastes since June 11, 1993 was, to the Knowledge of Sellers then duly licensed under all Applicable Laws to handle, transport or dispose of such substances or wastes, and, in each instance in which the hazardous substances or hazardous wastes of the Alaska Entities were disposed of, the disposal site was, to the Knowledge of Sellers, then duly licensed under all Applicable Laws to receive such substances or wastes. To the Knowledge of Sellers, none of the disposal sites that in the past have been the recipient of hazardous substances or hazardous wastes generated by any Alaska Entity are or have been listed on the US EPA National Priority List or are Superfund or other sites subject to Response under any Environmental Law.

(e) CNI has provided Buyer with access to true and complete copies of any reports, studies, analyses or tests currently in its or its Affiliates' possession pertaining to hazardous substances or hazardous wastes or concerning compliance with environmental laws in, on or under the real estate owned or operated by any Alaska Entity.

3.20 Employees.

(a) CNI has provided to Buyer a list by job location or employing entity of each employee of any Alaska Entity together with each such person's date of hire, employment

status (e.g., active, long-term disability, retired, etc.), position or function, and annual base salary or wages, including any incentive or bonus arrangement with respect to such person.

(b) Sellers have provided to Buyer a list of all Contracts between any Alaska Entity, or, with respect to any Alaska Entity Employees, any Seller, on the one hand, and any union or collective bargaining unit, on the other hand.

(c) Sellers have provided to Buyer a list and copies by bargaining unit of each employee of any Alaska Entity who is a member of any collective bargaining unit of any Alaska Entity, together with each such person's classification or position, job location, and bargaining unit seniority date.

(d) The estimated liability for all welfare benefit claims, including, without limitation, life insurance, accidental death and dismemberment, medical, dental, vision, health and disability claims and expenses incurred by any employee of the Alaska Entities and his or her eligible dependents on or prior to August 31, 1998 will be recorded on the Signing Date Balance Sheet. For purposes hereof, a claim or expense shall be considered to be incurred when the service giving rise to the claim or expense is provided.

3.21 Tax Matters. Except as disclosed on Schedule 3.21:

(a) Each of the Alaska Entities has filed or caused to be filed all Tax Returns that it was required to file or which were required to be filed with respect to it. All Taxes owed by any of the Alaska Entities and the Affiliated Group shown on such Tax Returns have been paid. None of Parent and its Affiliated Group or the Alaska Entities currently is the beneficiary of any extension of time within which to file any Tax Return.

(b) Each Alaska Entity has withheld and paid all Material Taxes required to

have been withheld and paid in connection with amounts paid or owing to any employee, independent contractor, creditor, stockholder, or other third party.

- (c) There is no dispute or claim concerning any Tax Liability of the Alaska Entities claimed or raised by an authority in writing.
- (d) Each of the Alaska Entities have (and as of the Closing Date will have) made all deposits required with respect to Taxes.
- (e) No waiver of any statute of limitations as to any Tax assessment or deficiency which affects any Alaska Entity has been given by CNI, CWI, Parent's Affiliated Group or any of the Alaska Entities.
- (f) None of CNI, CWI or its Subsidiaries, the Alaska Entities or Parent's Affiliated Group has filed a consent under Section 341(f) of the Code.
- (g) None of the Alaska Entities is obligated to make any payments that will not be deductible under Section 280G of the Code.
- (h) None of the Alaska Entities is a party to any Tax allocation or sharing contract.
- (i) Neither the Alaska Entities nor any of their Subsidiaries has been a member of an affiliated group filing a consolidated federal Tax Return (other than Parent's Affiliated Group or PacifiCorp's Affiliated Group or as set forth on Schedule 3.21) or has any liability for the Taxes of any person (other than any of Sellers or Parent's Affiliated Group or Pacificorp's Affiliated Group) under Treasury Regulation ss. 1.1502-6 (or any similar provision of state, local, or foreign law).
- (j) As of August 31, 1998, there will be no deferred Tax liabilities based upon

any intercompany transactions between or among the Alaska Entities.

(k) The unpaid Taxes of the Alaska Entities (i) did not, as of December 31, 1997, or June 30, 1998, exceed by any Material amount the reserve for Tax liability (other than any reserve for deferred Taxes established to reflect timing differences between book and Tax income) set forth on the combined balance sheets of the Alaska Entities (other than in any notes thereto) as of December 31, 1997 or June 30, 1998, respectively, and (ii) will not exceed that reserve as adjusted for the passage of time through August 31, 1998 and as reflected on the Signing Date Balance Sheet in accordance with the past custom and practice of the Alaska Entities in filing their Tax Returns.

(l) For both accounting and rate making purposes in its regulated books of account, each Alaska Telco Entity has been using, and will continue to use up to the Closing Date, a normalization method of accounting as described in Section 167(l) (as in effect at the time the related assets were placed in service) and 168(i) of the Code for the federal Tax effect of the use of accelerated depreciation.

(m) For both accounting and rate-making purposes in its regulated books of account, each Alaska Telco Entity has been using, and will continue to use through the Closing Date, a method of accounting for investment credits which conforms with the requirements of Section 46(f) of the Code, as in effect at the time the related assets were placed in service.

(n) The regulated books of account of each Alaska Entity will reflect the Tax payments made by each Alaska Telco Entity through the Closing Date.

(o) None of the Alaska Entities are subject to any foreign Tax.

(p) Sellers are, and on the Closing Date will be, eligible to make an election under Section 338(h)(10) with respect to the sale of the Alaska Stock pursuant to this Agreement.

3.22 No Finder. Except as disclosed on Schedule 3.22, no Alaska Entity has paid or become obligated, nor will any Alaska Entity upon consummation of the transactions contemplated herein become obligated, to pay any fee or any commission to any broker, finder or intermediary for or on account of the transactions contemplated herein.

3.23 Labor Relations. Except as disclosed on Schedule 3.23, none of the following is presently pending, or to the Knowledge of Sellers, is contemplated or threatened, against any Alaska Entity (except for those items, which, in the aggregate, would not reasonably be expected to leave a Material Adverse Effect):

(a) Unfair labor practice charges, complaints or Proceedings, or representation elections, petitions or demands;

(b) Grievances or arbitration demands arising pursuant to any collective bargaining agreement or other Contract;

(c) Claims, charges, complaints or other Proceedings alleging wrongful discharge, breach of any employment Contract or right, or breach of public policy, unlawful retaliation, or employment discrimination of any nature including but not limited to sex (including pregnancy, equal pay and sexual harassment), race, color, national origin or ancestry, age, religion, disability or handicap, AIDS or HIV-positive status, sickle cell trait, veterans' status, or the perception of any such characteristic, or any other characteristic or condition protected under any Applicable Law or enactment;

(d) Work stoppages, strikes or other concerted action by Alaska Entity Employees;

(e) Payments for or provisions for payments to any former employee or person who retired from any Alaska Entity of any post-retirement health insurance or other healthcare benefit (other than a benefit pursuant to an Employee Benefit Plan disclosed in Schedule 3.18), or payments for or provisions for payments to any such former employee or person of any retiree health insurance or other health-care benefit;

(f) Employment-related claims or investigations including but not limited to those arising under the Occupational Safety and Health Act; the Family and Medical Leave Act; the Fair Labor Standards Act; the Worker Adjustment and Retraining Notification Act; the Rehabilitation Act of 1973; or any corresponding or related Applicable Law or enactment; or

(g) Worker's compensation disability claims.

3.24 Rights to Trade Name. To the Knowledge of Sellers, each of the Alaska Entities currently possesses (either through direct ownership or pursuant to the License Agreement) all rights to the use of the name "PTI", "Cellulink", "Pacific Telecom", "PTI Net" and "PTI Communications", and any trade marks, service marks or other depiction relating thereto in Alaska.

3.25 Books and Records.

(a) The minute books of the Alaska Entities contain, in all Material respects, accurate records of all meetings of and corporate actions or written consents by the shareholders and directors of such entities.

(b) Except as disclosed on Schedule 3.25, all of the other books and records

of the Alaska Entities and all files, data and other materials relating to the businesses of the Alaska Entities have been prepared and maintained in accordance with good business practices and comply with all Applicable Laws, except where the failure to so comply would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The Alaska Entities do not have any of their records, systems, controls, data or information recorded, stored, maintained, operated or otherwise wholly or partly dependent upon or held by any means (including any electronic, mechanical or photographic process, whether computerized or not) that are not under their control, either through direct ownership or rights of use, except that Affiliates of the Alaska Entities provide services and retain records, systems, controls, data and other information and services.

3.26 Intellectual Properties.

(a) The use by the Alaska Entities of the respective patents, trademarks, service marks, trade names, copyrights, design rights, computer programs or data bases, or applications or registrations therefor used in the conduct of the Business (collectively "Intellectual Property"), does not infringe on the rights of any Person, except for any such infringements that would not, in the aggregate, reasonably be expected to have a Material Adverse Effect. The Alaska Entities purchase the predominance of their information services from Affiliates. The software associated therewith is not owned by or licensed to the Alaska Entities. The Alaska Entities utilize such software through license agreements between Affiliates and third parties and those agreements will not continue to be utilized beyond the Closing Date by any Alaska Entity unless such utilization is pursuant to the

Transition Services Agreement or Section 6.10. No Proceedings by or against any Alaska Entity or with respect to the Business are pending, or to the Knowledge of Sellers, threatened, that challenge the right of any Alaska Entity to use its Intellectual Property or challenge the right of any other Person to use the Intellectual Property of the Business, and no order, decree, judgment, stipulation, injunction, restriction or agreement restricts the scope of the use of the Intellectual Property in the conduct of the Business, except for any such Proceeding that would not reasonably be expected to have a Material Adverse Effect.

(b) To the Knowledge of Sellers, neither the Sellers (in connection with the Business), the Business nor any Alaska Entity has infringed or violated any Intellectual Property of any Person, nor used without permission any confidential information, trade secrets, patentable or unpatentable inventions, technology, new ideas or know-how (collectively, "Proprietary Information") of any Person, including without limitation, any former employer of an employee of any Alaska Entity or any Seller.

(c) To the Knowledge of Sellers, no other Person is currently using any Intellectual Property or Proprietary Information of any Alaska Entity or otherwise used in the Business in an unauthorized manner.

3.27 Affiliate Transactions. Except as contemplated by this Agreement, the only agreements or arrangements between Sellers and their Affiliates (other than the Alaska Entities), on the one hand, and the Alaska Entities, on the other hand, that will remain in place from and after the Closing are those items contemplated pursuant to the Transition Services Agreement.

3.28 Telephone Operations. Since December 1, 1997, except as set forth on Schedule 3.28:

(a) no Alaska Telco Entity has elected to file interexchange tariffs under the FCC's price cap order;

(b) no Alaska Telco Entity has any inventory, plant or equipment reflected on the Financial Statements that has been disallowed from the rate base or excluded from the revenue calculations for any pool (unless such assets are allocated to unregulated businesses) on the basis of used and useful, excess capacity or prudence findings in any order issued by APUC or the FCC or in any determination by an administrator of an interstate or intrastate pool, nor has any Alaska Entity received notification that the APUC or the FCC or any pool administrator proposes to exclude any such assets from the rate base or revenue calculations for the pools;

(c) no Alaska Telco Entity has received any interconnection or resale request pursuant to Section 251 (c) of the Communications Act of 1934, as amended;

(d) no Alaska Telco Entity is subject to any pending or, to the Knowledge of Sellers, threatened earnings reduction Proceeding; and

(e) no Alaska Telco Entity has agreed to, and no Alaska Telco Entity currently intends to agree to, any reduction in its authorized revenues, except on a revenue neutral basis.

3.29 Alaska Division Headquarters Relocation Costs. All costs and expenses reasonably expected to be incurred by the Alaska Entities in connection with the transfer of the "Alaska Division" headquarters and the relocation of employees from Anchorage to Fairbanks, Alaska have been either paid, fully accrued on the balance sheet included in the Interim Financial Statements or will be fully accrued on the Signing Date Balance Sheet.

SECTION 4

REPRESENTATIONS AND WARRANTIES OF BUYER

For the purpose of inducing Sellers to enter into this Agreement, Buyer hereby makes the following representations and warranties to Sellers.

4.1 Organization of Buyer. Buyer is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware with full corporate power and authority to carry on the business in which it is presently engaged, to own, lease and operate its properties, and to enter into and perform its obligations under this Agreement.

4.2 Authorization of Agreement. The Board of Directors of Buyer has duly approved and authorized the execution and delivery of this Agreement and the consummation of the Purchase Transactions, and no other corporate proceedings on the part of Buyer are necessary to approve or authorize the execution and delivery of this Agreement by Buyer or the consummation by Buyer of the Purchase Transactions. Assuming due execution, delivery and performance of this Agreement by the Sellers, this Agreement constitutes a valid and legally binding obligation of Buyer, enforceable in accordance with its terms, except as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws of general application relating to or affecting creditors' rights and the application of equitable principles in any action, legal or equitable.

4.3 No Violation. Except as disclosed on Schedule 4.3, the execution, delivery, and performance of this Agreement and the consummation of the Purchase Transactions will not: (i) violate or result in a breach of or default or acceleration under the Certificate of Incorporation or bylaws of Buyer; (ii) result in the imposition or creation of any Encumbrance upon or in any of Buyer's assets or properties pursuant to any Applicable Law or any other material restriction of any

kind or character to which Buyer is or may be subject or by which any of them or any of Buyer's assets or properties is or may be bound (other than in connection with the Financing Commitments); or (iii) conflict with, violate or constitute a default under any provision of, or be an event that is (or with the giving of notice or passage of time or both will result in) a violation of or default under, or result in the acceleration of or entitle any party to accelerate (whether after the giving of notice or passage of time or both) any obligation or right under, or require a consent or create a penalty or increase any payment or performance obligations of Buyer under, any Encumbrance, order, arbitration award, judgment or decree, or any Contract or Permit, to which Buyer is a party or by which Buyer or any of its property is bound.

4.4 Financing Commitments. Buyer has obtained financing commitments for \$65 million of equity, as provided in the letters, dated the date hereof, true and complete copies which are attached hereto as Exhibit 4.4(a) (the "Equity Commitments") and for \$410 million of debt, as provided in the letters, dated the date hereof, true and complete copies of which are attached hereto as Exhibit 4.4(b) (the "Debt Commitments" and, together with the Equity Commitments, the "Financing Commitments"), which are sufficient to enable Buyer to financially consummate the Purchase Transactions contemplated hereby.

4.5 Due Diligence. Buyer is a sophisticated Person that was advised by knowledgeable counsel and other representatives in connection with this Agreement, and Buyer and its representatives have been permitted access to the management, facilities and books and records of the Alaska Entities for the purpose of conducting a due diligence review and has had the opportunity to discuss with such management any such matters relating to the Alaska Entities and the Purchase Transactions as Buyer has elected in its sole discretion.

4.6 Incorporation. Buyer is a newly formed corporation which, as of the date hereof, has no operations and has not conducted any business other than in connection with the Purchase Transactions contemplated by this Agreement, Buyer, as of the date hereof, has no assets other than the Financing Commitments.

4.7 Buyer's Management. The anticipated management of Buyer has substantial experience and skill in the telecommunications industry and specifically with the Alaska Entities. Buyer's anticipated management recognizes that the Alaska Entities purchase the predominance of their information services from Affiliates. The software associated therewith is not owned by or licensed to the Alaska Entities. Additionally, the Buyers understand the Alaska Entities utilize certain software through license agreements between Affiliates and third parties and those agreements will not continue to be utilized beyond the Closing Date by any Alaska Entity unless such utilization is pursuant to the Transition Services Agreement.

SECTION 5

CONDUCT PENDING CLOSING

5.1 HSR, FCC and APUC Approvals.

(a) The Parties shall, as promptly as practicable after the date hereof but in any event no later than 10 business days after the date hereof, file all notification reports required under the HSR Act, and file, as promptly as practicable after any request therefor, any additional information required under the HSR Act.

(b) The Parties shall cooperate and use their respective reasonable best efforts (i) to obtain all of such consents, approvals or statements of non-objection of the FCC and the APUC as shall be necessary for the consummation of the transactions contemplated by

this Agreement, (ii) to defend such consents, approvals or statements of non-objection in any administrative or judicial review proceeding, (iii) to secure such consents, approvals or statements of non-objection free of any condition on any Alaska Entity, and (iv) if such consents, approvals or statements of non-objection impose any condition on any Alaska Entity, to use their best efforts to comply with or, if appropriate, to attempt to remove such condition; provided that nothing herein shall require Buyer to agree to, or operate subject to, any condition which would reasonably be expected to have a material adverse effect on Buyer and its subsidiaries, taken as a whole after giving effect to the Closing. In furtherance thereof, the Parties shall submit to the FCC and the APUC, as promptly as practicable after the date hereof but in no event later than 10 business days after the date hereof, all correspondence, notifications, petitions, applications and other filings necessary to obtain such consents, approvals or statements of non-objection.

5.2 Other Consents. The Parties agree to cooperate and use their respective reasonable best efforts in obtaining the consents of any third parties (in addition to the FCC, APUC, DOJ or FTC, whose consents or approvals are covered in Section 5.1) required in connection with the transactions contemplated hereunder.

5.3 Conduct of Business Prior to the Closing Date. Except as disclosed on Schedule 5.3, as otherwise permitted or required by this Agreement, or consented to in writing by Buyer, from the date hereof until the Closing Date, each Alaska Entity will, and Sellers will, as appropriate, cause each Alaska Entity to:

(a) carry on its business in the ordinary course in all material respects in the same manner as heretofore conducted and maintain its existence and powers and all of its

Material Permits and Material Contracts and books of account and records necessary to the conduct of its business (it being understood that each Alaska Entity will be deemed to have maintained any Material Permit or Material Contract if, in connection with the lapse of the normal term of any such Permit or Contract, such entity promptly secures a replacement Permit or Contract providing benefits to such entity substantially similar to the lapsed Permit or Contract);

(b) not issue, sell, redeem or repurchase any additional capital stock or other equity interests or securities convertible into, or grant any options, warrants or other rights to acquire, any such securities, or directly or indirectly redeem, purchase or otherwise acquire any shares of its capital stock or equity interests;

(c) not hire any new employees, agents or representatives (except new employees, agents or representatives hired in the ordinary course of business consistent with past practice whose annual compensation is not expected to exceed \$50,000) or enter into any new employment, severance, consulting or other compensation agreement with any director, officer, employee, agent or representative or other Person, except as contemplated herein;

(d) not make any increase in the compensation (including bonuses, commissions, fringe benefits, severance or retirement benefits) payable or to become payable to any officer, director, employee, agent or representative, except increases required by written Contracts or Employee Benefit Plans currently in effect and disclosed on Schedule 3.18 and increases and bonuses to employees who are not officers or directors in the ordinary course of business consistent with past practices or required by mandated

ERISA chances, or adopt, commit itself to adopt, or amend or modify in any material respect or terminate any Employee Benefit Plan except as expressly permitted under this Agreement or as required by Applicable Law, or take any action that could result in a withdrawal or partial withdrawal from a Multiemployer Plan;

(e) except in accordance with the Budget or pursuant to Advances contemplated by Section 6.12 incur any Indebtedness or enter into any financing transaction, or vary, or request any waivers with respect to, the terms of any existing Material Indebtedness, enter into, amend, modify or renew or terminate any lease of real estate or material lease of personal property, or create or allow the imposition of any Material Encumbrance, except pursuant to after-acquired title clauses in any security instruments in effect on the date hereof and listed on Schedule 3.9 hereto;

(f) not make any expenditure in excess of \$250,000 except pursuant to a Contract or in accordance with the Budget, or enter into any Contract to make such an expenditure;

(g) amend the Budget or otherwise take any action to reduce the amount of capital spending identified in the Budget, or otherwise operate other than in compliance with the Budget in all significant respects;

(h) not sell, transfer, lease or otherwise dispose of any asset having a value in excess of \$250,000 individually or \$1,000,000 in the aggregate, or relocate or otherwise transfer any assets to other areas of Seller's operations;

(i) not declare, make or pay dividends or distributions to shareholders unless approved by Buyer as contemplated in and subject to Sections 2.2 (c) and 6.15;

(j) not amend its certificate or articles of incorporation or bylaws;

(k) not settle or compromise any pending or threatened Proceeding, or cancel, compromise, settle or give up, waive or release any claims or rights;

(l) advise and consult with Buyer with respect to (i) any matter which would reasonably be expected to have a Material Adverse Effect on the Business, or (ii) any proposed amendment to, or deviation from, the Budget;

(m) consult with Buyer concerning labor relations issues prior to establishing the bargaining, agenda for any Alaska Entity and advise Buyer on the status of any collective bargaining with certified representatives of Alaska Entities Employees;

(n) use commercially reasonable efforts to preserve intact the current organization of its business, keep available the services of its current officers and employees and maintain good relations with its suppliers, customers, creditors and employees;

(o) maintain in effect insurance comparable in amount and scope of coverage to such insurance now carried by an Alaska Entity;

(p) deliver to Buyer true, correct and complete copies of its monthly Financial Statements no later than 20 business days following the end of the previous month;

(q) not take any action or omit to take any action that would result in the breach of any representation or warranty made pursuant to Section 3 hereof or cause any condition set forth in Section 8 or 9 not to be satisfied;

(r) use commercially reasonable efforts to maintain the Rural Exemption, and to keep Buyer fully informed and communicate with the Consultant with respect to any changes in the status of such matter;

(s) not enter into any joint venture, partnership or other similar arrangement or form any other new material arrangement for the conduct of its business or make any material investment in or purchase any material assets or securities or businesses of any Person;

(t) not enter into any noncompetition agreement or any other agreement which would restrict or inhibit the ability of the Alaska Entities to do business, except as contemplated hereby;

(u) not authorize, announce or implement any new material pricing, discount or marketing programs or introduce any new services, except as specifically contemplated by the Budget;

(v) not take any action, and shall not permit the Alaska Entities to take any action, which is inconsistent with, or not contemplated by, the Consulting Agreement (as defined in Section 5.8);

(w) not permit a change in its methods of maintaining its books, accounts or business records or, except as required by GAAP (in which event prior notice shall be given to Buyer), change any of its accounting principles or the methods by which such principles are applied for tax or financial reporting purposes;

(x) not make any election with respect to Taxes, consent to any waiver or extension of time to assess or collect any Taxes or file any Tax Return other than a Tax Return filed in the ordinary course of business and prepared in a manner consistent with past practice;

(y) not directly or indirectly allocate or charge costs or expenses related to

services provided by Affiliates of the Alaska Entities except pursuant to the Transition Services Agreement; and

(z) not agree to take any action prohibited by this Section 5.3.

5.4 Notification of Certain Matters.

(a) Sellers shall give prompt written notice to Buyer (i) if they become aware that any representation or warranty contained in Sections 3 or 4 was untrue or inaccurate in any material respect as of the date made or deemed made; (ii) if they become aware that any event has or has not occurred which causes or would be reasonably likely to cause any condition set forth in Sections 8 or 9 not to be satisfied; and (iii) of any failure or anticipated failure of any Seller or Alaska Entity to comply in any material respect with any covenant or agreement to be complied with at or prior to Closing.

(b) Buyer shall give prompt written notice to Sellers (i) if it becomes aware that any representation or warranty contained in Sections 3 or 4 was untrue or inaccurate in any material respect as of the date made or deemed made, (ii) if it becomes aware that any event has or has not occurred which causes or would be reasonably likely to cause any condition set forth in Sections 8 or 9 not to be satisfied; (iii) of any failure or anticipated failure of Buyer to comply in any material respect with any covenant or agreement to be complied with at or prior to Closing; and (iv) upon receipt from The Chase Manhattan Bank ("Chase") of a notice pursuant the last sentence of the seventh paragraph of the Commitment Letter contained in Exhibit 4.4(b), which notice, in the case of subclause (iv) shall include a copy of any such notice received from Chase.

(c) The delivery of any notice pursuant to this Section shall not be deemed to (i)

modify the representations or warranties hereunder of the party delivering such notice; (ii) modify any condition to Closing set forth in Section 8 or Section 9; or (iii) limit or otherwise affect the remedies available hereunder to the party receiving such notice; provided however that notification that a Material Adverse Effect has occurred shall only give rise to Buyer's right to accept such Material Adverse Effect and proceed to the Closing of the Purchase Transactions or terminate this Agreement pursuant to Section 11 and with the effects described in Section 11.2.

5.5 Notice of Litigation. Until the Closing, (i) Buyer, upon learning of the same, shall promptly notify Sellers of any Proceeding which is commenced or threatened against Buyer and which seeks to enjoin or impede the consummation of the transactions contemplated by this Agreement; and (ii) Sellers upon learning of the same, shall promptly notify Buyer of any Proceeding which is commenced or threatened against any Seller or Alaska Entity and which seeks to enjoin or impede the consummation of the transactions contemplated by this Agreement, or which would otherwise reasonably be expected to have a Material Adverse Effect.

5.6 Access to Information. From the date hereof through the Closing Date, the Sellers shall afford to the officers, employees and authorized representatives of Buyer (including its independent public accountants, consultants and attorneys and the Consultant), complete access during normal business hours to (i) the offices, operations, properties and business and financial records (including computer files, retrieval programs and similar documentation, and including all Contracts and Permits and all FCC and APUC records) of the Alaska Entities, and of the Sellers, to the extent relating thereto, (ii) the Alaska Entities Employees and (iii) the outside accountants of the Sellers and the Alaska Entities and their workpapers relating to the Alaska Entities, in each case to

the extent Buyer shall deem necessary or desirable, and shall furnish to Buyer or its authorized representatives such additional information concerning the respective operations, properties and business of the Alaska Entities, as Buyer shall reasonably request. No investigation made by Buyer or its authorized representatives hereunder shall affect the representations and warranties of Sellers hereunder, provided however that nothing contained in this Section 5.6 shall limit Buyer's notification obligations contained in Section 5.4(b).

5.7 Maintenance of Financing Commitments. Buyer shall maintain in effect until the Closing Date the Financing Commitments in form and substance reasonably satisfactory to Sellers and Sellers have advised Buyer that the Financing Commitments attached as Exhibits 4.4(a) and (b) hereto are in form and substance reasonably satisfactory to Sellers.

5.8 Consulting Agreement. Sellers shall enter into and comply with the terms of the consulting agreement with LEC Consulting Corporation, a Delaware corporation (the "Consultant"), in the form attached hereto as Exhibit 5.8 (the "Consulting Agreement"), as of the date hereof, pursuant to which the Consultant shall be retained to manage and operate the Business prior to Closing in accordance with the terms thereof. Any actions taken by Sellers or the Alaska Entities with the explicit approval or consent of, or at the direction of, the Consultant, shall be deemed to have been approved by Buyer for purposes of Section 5.3 and shall be deemed not to be breaches of such covenant for purposes of Section 6.2 or 8.2.

SECTION 6

ADDITIONAL AGREEMENTS

6.1 Public Announcements. The Parties hereto covenant and agree that, except as provided below, none of them will make, issue or release a public announcement, press release,

public statement or public acknowledgment of the existence of, or reveal publicly the terms, conditions and status of, the transactions provided for herein without the prior consent of Sellers, in the case of an announcement by Buyer, or the prior consent of Buyer in the case of an announcement by Sellers, as to the content and time of release of and the media in which such statement or announcement is to be made; provided, that each of the parties hereto expressly consents to the press releases being issued on the date hereof by the other party; and provided, further, that in the case of announcements which outside counsel for any Party believes such Party or its parent corporation is required by law or under applicable stock exchange (or similar securities trading) rules to make, issue or release, the making, issuing or releasing of any such announcement by such Party or its parent corporation shall not constitute a breach of this Agreement if such Party shall have given, to the extent reasonably possible, not less than twenty-four (24) hours prior notice to the other Parties and shall have attempted, to the extent reasonably possible, to clear the content and time of such announcement, statement, acknowledgment or revelation with the other Party. Each Party hereto agrees that it will not unreasonably withhold any such consent or clearance. After the Closing Date, except as required by law, Buyer shall not make any public references to any Seller or any of its Affiliates in conjunction with references to this Agreement, its contents, the Purchase Transactions or Sellers' past operation of the Business or ownership of the Alaska Entities, except to identify any Seller as the past operator of the Business and the past owner of the Alaska Entities.

6.2 Indemnification by Sellers.

(a) If the Closing occurs, subject to the terms and conditions of this Section 6.2, including without limitation the limits on indemnity set forth in Section 6.2(d) hereof, Sellers, jointly and severally, shall on an after-tax basis indemnify and hold harmless Buyer and its Affiliates (including the Alaska Entities after the Closing) and their respective controlling persons, officers, directors and representatives (individually, "Buyer Indemnitee" and collectively, "Buyer Indemnities") from, and will pay to any Buyer Indemnitee the amount (net of any proceeds received by the Buyer Indemnities from any form of insurance, indemnity or other source of reimbursement, or other offsets or benefits, including tax benefits, obtained) of, any loss, liability, claim, judgment, damage, cost or expense (including, without limitation, interest, penalties, and the reasonable fees, disbursements and expenses of attorneys, accountants and other professional advisors) or diminution in value, whether or not involving a third-party claim (collectively, "Losses"), arising, directly or indirectly from or in connection with:

(i) any breach or violation of any representation or warranty of any Seller contained in this Agreement as of the date such representation or warranty is made or deemed made under Section 8.1 (other than those contained in Section 3.19 hereof, which are solely covered by Section 6.2(b) below) or a material breach of any agreement or covenant or any material failure of any Seller to perform any of its obligations under this Agreement; and

(ii) any Losses resulting from any liability of any of the Alaska Entities (A) for any Taxes of Sellers, the Alaska Entities and their Affiliates with respect to

any Tax period or portion thereof ending on or before August 31, 1998 (or for any Tax period beginning before and ending after August 31, 1998 to the extent allocable (determined in a manner consistent with Section 7) to the portion of such period beginning before and ending on August 31, 1998) to the extent such Taxes are not reflected in the Net Working Capital of the Alaska Entities as of August 31, 1998, (B) any Taxes payable as a result of the Section 338(h)(10) Election (as hereinafter defined)), (C) for the unpaid Taxes of any Person (other than any of the Alaska Entities) under Reg. ss. 1.1502-6 (or any similar provision of state, local, or foreign law), as a transferee or successor, by contract, or otherwise and (D) for any Taxes attributable to any deferred income attributable to any deferred income by Reg. ss. 1.1502-13 and 1.1502-14 or to any excess loss account taken into income under Reg. ss. 1.1502-19, in either case as a result of the consummation of the transactions contemplated hereby.

(b) (i) After the date hereof, Sellers, jointly and severally, shall:

(A) hold Buyer and each Alaska Entity harmless from any Losses, incurred by such entity to remove or decommission all underground storage tanks identified on Schedule 3.19 or otherwise located on any property owned, leased or otherwise operated by any Alaska Entity (plus all associated expenses to remediate such sites in compliance with applicable Environmental Laws); and

(B) on an after-tax basis, indemnify and hold harmless each Buyer Indemnitee for, and reimburse each Buyer Indemnitee against, any

and all Losses (net of any proceeds received by the Buyer Indemnities from any form of insurance, indemnity by prior owner or other source of reimbursement, or other offsets or benefits including tax benefits obtained) arising directly or indirectly from or in connection with any breach or violation of any representation or warranty of any Seller contained in Section 3.19 of this Agreement.

(ii) Except to the extent of the environmental indemnity in

Section 6.2(b), Buyer covenants not to and to cause any Buyer Indemnitee not to sue, directly or indirectly, any Seller (or any Affiliate thereof) for damages, injunctive relief or any other relief or remedy in any way related to any hazardous substance or hazardous waste on, under, in or from the real property owned or operated by any Alaska Entity (the "Real Property") or any non-owned and operated disposal sites and Buyer releases and agrees to cause each Buyer Indemnitee to release Sellers from any and all claims or liabilities arising out of such hazardous substances or hazardous wastes.

(iii) Buyer shall have no right to claim indemnity for or relating to Losses pursuant to this Section 6.2(b) to the extent that such Losses could have been avoided or reduced through the exercise of due care or reasonable mitigation measures. Buyer shall also have no right to indemnification for or related to any Losses for which payment is obtained from insurance or from other third-party sources. Prior to asserting a claim for indemnification or reimbursement against Sellers, Buyer shall use all reasonable efforts to initiate all claims for recovery of

any claimed amounts from all other sources from which recovery may reasonably be sought and expected, including Governmental Entities, third parties or insurers. Any indemnity payment due under this

Section 6.2(b) shall be subject to the limitations set forth in

Section 6.2(d); provided, however, that no indemnity payment due under Section 6.2(b)(i)(A) shall be subject to such limitations except the \$60,000,000 cap on the maximum amount of indemnification payable by Sellers pursuant to this Agreement. Sellers' environmental indemnity obligation shall be extinguished and be of no further force and effect as of November 1, 2002, except with respect to claims against Sellers for which Buyer has provided notice to Sellers in accordance with Section 6.2(c)(i), prior to such date.

(c) The following procedures will govern indemnification of all claims against Sellers under this Agreement.

(i) A Buyer Indemnitee seeking indemnification hereunder shall give written notice to Sellers of any matter with respect to which the Buyer Indemnitee seeks to be indemnified (the "Buyer Indemnity Claim") prior to the expiration of the applicable survival period specified in Section 12.8. Such notice shall state the nature of the Buyer Indemnity Claim and, if known, the amount of the Loss. If the Buyer Indemnity Claim arises from a claim of a third party, the Buyer Indemnitee shall give such notice within a reasonable period of time after the Buyer Indemnitee has actual notice of such claim, and in the event that a suit or other Proceeding is commenced, within 20 days after receipt of written notice by the Buyer Indemnitee thereof. Notwithstanding anything herein to the contrary, the failure of a Buyer

Indemnatee to give timely notice of a Buyer Indemnity Claim shall not bar such Buyer Indemnity Claim except and to the extent that the failure to give timely notice has materially impaired the ability of Sellers to defend the Buyer Indemnity Claim or the time period for claiming indemnification has expired.

(ii) Promptly after receipt by a Buyer Indemnatee of notice of the commencement of any Proceeding, the Buyer Indemnatee shall, if a claim in respect thereof is to be made against Sellers under this Section 6.2, give written notice to Sellers of the commencement thereof. Sellers, or any of them, shall be entitled to participate in such Proceeding and, to the extent that any Sellers may wish, to assume the defense thereof. If any Seller elects to assume the defense of such Proceeding, the Buyer Indemnatee shall cooperate in the defense of such Proceeding. Sellers shall pay such Buyer Indemnatee's reasonable out-of-pocket expenses incurred in connection with such cooperation. Sellers shall keep the Buyer Indemnatee reasonably informed as to the status of the defense of such Proceeding. If Sellers elect not to assume (or fail to assume) the defense of such Proceeding, the Buyer Indemnatee may assume the defense of such Proceeding with counsel of its choice (and reasonably acceptable to Sellers) at the expense of Sellers. The Buyer Indemnatee shall conduct any such defense, and shall not settle any such Proceeding without the consent of Sellers, which shall not be unreasonably withheld. A Buyer Indemnatee shall have the right to employ separate counsel if, in such Buyer Indemnatee's reasonable judgment at any time, either a conflict of interest between such Buyer Indemnatee and any Seller exists in respect of such claim, or there may

be defenses available to such Buyer Indemnatee which are different from or in addition to those available to any Seller and the representation of both parties by the same counsel would be inappropriate, and in that event (i) the reasonable fees and expenses of such separate counsel shall be paid by the Sellers and

(ii) each of such Buyer Indemnatee and the Sellers shall have the right to conduct its own defense in respect of such claim. If Sellers elect to assume the defense of a Proceeding asserted against the Buyer Indemnatee or against the Buyer Indemnatee and any Seller, (A) no compromise or settlement thereof may be effected by Sellers without the Buyer Indemnatee's written consent (which shall not be unreasonably withheld) unless the sole relief provided is monetary damages that are paid in full by Sellers and the settlement includes an unconditional release of all claims against the Buyer Indemnatee and (B) the Buyer Indemnatee shall have no liability with respect to any compromise or settlement thereof effected without its written consent (which shall not be unreasonably withheld).

(d) (i) For purposes of this Section 6.2, the representations and warranties of the Sellers contained herein shall be deemed to have been made without the modifying language "material," "Material" "Material Adverse Effect," or "to the Knowledge of Sellers" (or modifying language of similar import). Accordingly, (A) all determinations under Section 6.2 as to whether a representation or warranty has been breached or violated shall be made as if such representation or warranty, as the case may be, contained no such modifying language, and (B) the amount of the Loss with respect to any claim arising from a breach or violation of any representation or warranty of Sellers contained in this

Agreement shall be determined without respect to any limitation of materiality or knowledge contained in such representation or warranty.

(ii) Notwithstanding any other provision in this Agreement, no indemnification shall be required to be made by Sellers pursuant to this Section 6.2 with respect to any individual claim for Losses for which the amount claimed is \$10,000 or less. An individual claim for Losses greater than \$10,000 shall be indemnified to the extent that the aggregate amount of all Losses exceeds \$2,000,000. A claim for Losses that is less than \$10,000 will not be considered in determining whether the aggregate amount of all Losses exceeds \$2,000,000. In addition, the aggregate amount of indemnification payable by Sellers pursuant to this Agreement shall in no event exceed \$60,000,000 except with respect to breaches of Section 3.5 as it relates to title to the stock of any of the Alaska Entities. Notwithstanding anything in this paragraph to the contrary, breaches of Section 3.21 shall not be subject to, or included for purposes of determining the amounts under, any of thresholds contained in this paragraph and the Buyer Indemnified Parties shall be indemnified to the full extent of any Losses thereunder, provided however that it shall be subject to the \$60,000,000 cap. Seller's obligation to indemnify Buyer hereunder shall be extinguished and be of no further force and effect upon expiration of the applicable survival period specified in Section 12.8, except with respect to claims against Sellers for which Buyer has provided notice to Sellers prior to such expiration in accordance with Section 6.2(c)(i). Following the Closing, the sole remedy of Buyer for any breach of a representation, warranty or

covenant (other than representations, warranties or covenants that specifically provide for equitable relief and subject to Section 12.5) made by Sellers pursuant to this Agreement (except for a claim based on common-law fraud) is to assert an indemnification claim pursuant to this Section 6.2 or any other provision of this Agreement providing for indemnity.

(iii) To the extent included in revenues before August 31, 1998 and not booked as a payable at August 31, 1998, any amounts required to be refunded to NECA for the carrier common line pool for 1997 and the 8 months ended August 31, 1998 shall be reimbursed by the Sellers to the Alaska Entities without reference to the limits set forth in (ii) above.

(e) For purposes of this Section 6.2, tax benefits shall include the present value of the benefit of the carry-forward losses that can reasonably be expected to be used before the expiration of the carry-forward period.

6.3 Indemnification by Buyer.

(a) If the Closing occurs, subject to the terms and conditions of this Section 6.3, including, without limitation, the limits on indemnity set forth in Section 6.3(c)(ii) hereof, Buyer shall, on an after-tax basis indemnify and hold harmless each Seller and their Affiliates and their respective controlling persons, officers, directors and representatives (individually, "Seller Indemnatee" and collectively, "Seller Indemnities") from and will pay to any Seller Indemnatee the amount (net of proceeds received by the Seller Indemnatee from any form of insurance, indemnity or other source of reimbursement, or other offsets or benefits, including tax benefits, obtained) of any Losses arising directly or indirectly from or in connection with:

(i) any breach or violation of any representation or warranty of Buyer contained in this Agreement or a material breach of any agreement or covenant or any material failure of Buyer to perform any of its obligations under this Agreement;

(ii) the presence of hazardous substances or hazardous wastes on, under, above or from the Real Property after the Closing Date, to the extent that such Losses are related to Buyer's use, operation or occupancy of the Real Property and to the extent that such Losses' were caused, contributed to or exacerbated by Buyer's activities, operations or omissions; or

(iii) any claim made for severance pay or other remuneration related to termination of employment occurring on or after the Closing Date.

(b) The following procedures will govern indemnification of all claims against Buyer under this Agreement:

(i) A Seller Indemnatee seeking indemnification hereunder shall give written notice to Buyer of any matter with respect to which the Seller Indemnatee seeks to be indemnified (the "Seller Indemnity Claim") prior to the expiration of the applicable survival period specified in Section 12.8. Such notice shall state the nature of the Seller Indemnity Claim and, if known, the amount of the Loss. If the Seller Indemnity Claim arises from a claim of a third party, the Seller Indemnatee shall give such notice within a reasonable period of time after the Seller Indemnatee has actual notice of such claim, and in the event that a suit or other proceeding is commenced, within 20 days after receipt of written notice by the Seller Indemnatee thereof. Notwithstanding anything herein to the contrary, the failure of a Seller Indemnatee to give timely notice of a Seller Indemnity Claim shall not bar such Seller Indemnity Claim except and to the extent that the failure to give timely notice has materially impaired the ability of Buyer to defend the Seller Indemnity Claim or the time period for claiming indemnification has expired.

(ii) Promptly after receipt by a Seller Indemnatee of notice of the commencement of any Proceeding, the Seller Indemnatee shall, if a claim in respect thereof is to be made against Buyer under this Section 6.3, give written notice to Buyer of the commencement thereof. Buyer shall be entitled to participate in such Proceeding and, to the extent that Buyer may wish, to assume the defense thereof. If Buyer elects to assume the defense of such Proceeding, the Seller Indemnatee shall cooperate in the defense of such Proceeding. Buyer shall pay such Seller Indemnatee's reasonable out-of-pocket expenses incurred in connection with such

cooperation. Buyer shall keep the Seller Indemnatee reasonably informed as to the status of the defense of such Proceeding. If Buyer elects not to assume (or fails to assume) the defense of such Proceeding, the Seller Indemnatee may assume defense of such Proceeding with counsel of its choice (and reasonably acceptable to Buyer) at the expense of Buyer. The Seller Indemnatee shall conduct any such defense, and shall not settle any such Proceeding without the consent of Buyer, which shall not be unreasonably withheld. A Seller Indemnatee shall have the right to employ separate counsel if, in such Seller Indemnatee's reasonable judgment at any time, either a conflict of interest between such Seller Indemnatee and Buyer exists in respect of such claim, or there may be defenses available to such Seller Indemnatee which are different from or in addition to those available to Buyer and the representation of both parties by the same counsel would be inappropriate, and in that event (i) the reasonable fees and expenses of such separate counsel shall be paid by Buyer and (ii) each of such Seller Indemnatee and Buyer shall have the right to conduct its own defense in respect of such claim. If Buyer elects to assume the defense of an Proceeding asserted against the Seller Indemnatee or against the Seller Indemnatee and Buyer, (A) no compromise or settlement thereof may be effected by Buyer without the Seller Indemnatee's written consent (which shall not be unreasonably withheld) unless the sole relief provided is monetary damages that are paid in full by Buyer and the settlement includes an unconditional release of all claims against the Seller Indemnatee and (B) the Seller Indemnatee shall have no liability with respect to any compromise or settlement thereof effected without its

written consent (which shall not be unreasonably withheld).

(c) (i) For purposes of this Section 6.3, the representations and warranties of the Buyer contained herein shall be deemed to have been made without the modifying language "material" or "material adverse effect" (or modifying language of similar import). Accordingly, (A) all determinations under Section 6.3 as to whether a representation or warranty has been breached or violated shall be made as if such representation or warranty, as the case may be, contained no such modifying language, and (B) the amount of the Loss with respect to any claim arising from a breach or violation of any representation or warranty of Buyer contained in this Agreement shall be determined without respect to any limitation of materiality contained in such representation or warranty.

(ii) Notwithstanding any other provision in this Agreement, no indemnification shall be required to be made by Buyer pursuant to this Section 6.3 with respect to any individual claim for Losses for which the amount claimed is \$10,000 or less. An individual claim for Losses greater than \$10,000 shall be indemnified to the extent that the aggregate amount of all Losses exceeds \$2,000,000. A claim for Losses that is less than \$10,000 will not be considered in determining whether the aggregate amount of all Losses exceeds \$2,000,000. In addition, the aggregate amount of indemnification payable by Buyer pursuant to this Agreement shall in no event exceed \$60,000,000. Buyer's obligation to indemnify the Seller Indemnitee hereunder shall be extinguished and be of no further force and effect upon expiration of the applicable survival period specified in Section 12.8, except with respect to claims against Buyer for which a Seller Indemnitee has

provided notice to Buyer prior to such expiration in accordance with Section 6.3(b)(i). Following the Closing, the sole remedy of a Seller Indemnitee for any breach of a representation, warranty or covenant (other than representations, warranties or covenants that specifically provide for equitable relief and subject to Section 12.5) made by Buyer pursuant to this Agreement is to assert an indemnification claim pursuant to this Section 6.3 or any other provision of this Agreement providing for indemnification.

(d) For purposes of this Section 6.3, tax benefits shall include the present value of the benefit of the carry-forward losses that can reasonably be expected to be used before the expiration of the carry-forward period.

6.4 Sellers Covenant Not to Compete. Sellers agree that, from the date hereof until one year after the Closing Date, they will not, and will cause their Affiliates (other than the Alaska Entities prior to Closing) not to, own, manage, operate, promote or have any interest in (other than passive ownership of less than 10% of the equity interests of any publicly-held entity in which they do not have any board representation and do not have any positive or negative governance rights other than pro rata voting rights) or provide consulting or advisory services to any other corporation, entity or other Person engaged in the provision of any telecommunications services within the State of Alaska (provided Sellers and their Affiliates may provide such services to a Person not more than 10% of whose revenues are generated in the State of Alaska to the extent such consulting or advisory services are not provided primarily with or for the benefit of such Alaska related telecommunications services). Sellers agree that such restrictive covenant is reasonable in scope both in duration and geographic coverage. This covenant may be specifically enforced by Buyer.

6.5 Employment Matters.

(a) Alaska Entity Employees. Following the Closing Date, the Alaska Entity Employees shall be employed by Buyer. Buyer shall be responsible for any reemployment rights of any employees of Alaska Entities.

(b) Welfare Benefit Plans. Sellers and their Affiliates shall continue to provide coverage under Sellers' welfare benefit plans, including, without limitation, life insurance, accidental death and dismemberment, medical, dental, vision, health and disability ("Welfare Benefit Plans") for each eligible Alaska Entity Employee and his or her eligible dependents from August 31, 1998 to the Closing Date. Sellers shall retain the responsibility for all post-retirement benefit obligations and liabilities with respect to any employee of any Alaska Entity who retired prior to the Closing Date and Buyer shall not assume any liability with respect to such claims. Following the Closing Date, all Welfare Benefit Plan claims incurred by the Alaska Entity Employees and their eligible dependents after the Closing Date shall be Buyer's responsibility and shall be determined under Buyer's benefit plans. For purposes hereof, a claim or expense shall be considered to be "incurred" when the service giving rise to such claim or expense is provided.

(c) Qualified Plan Transfer. Buyer shall provide for a defined contribution tax-qualified employee pension benefit plan and trust as a replacement plan and trust to accept from the Century Telephone Enterprises, Inc. Dollars & Sense Plan and Trust ("Dollars & Sense") a plan-to-plan transfer of assets, in cash, attributable to accounts of Alaska Entity Employees. The following shall apply to Alaska Entity Employees:

- (i) the plan-to-plan transfer may include one or more notes evidencing loans to the Alaska Entity Employee from Dollars & Sense;
- (ii) the loan shall be maintained under such replacement plan substantially in accordance with the current terms of such loan;
- (iii) prior to such plan-to-plan transfer, Sellers shall provide Buyer with a copy of the latest favorable determination letter (which has not been revoked) recognizing the qualified status of Dollars & Sense under Section 401(a) of the Code;
- (iv) the plan-to-plan transfer shall occur as soon as reasonably practicable following the Closing Date; and
- (v) the plan-to-plan transfer will be equal to the account balances of the Alaska Entity Employees and any Buyer Employees (as defined herein), determined as of the close of business of the day immediately preceding the date of such transfer.

Pacific Telecom Retirement Plan. Buyer shall provide for a defined benefit tax qualified employee pension benefit plan and trust as a replacement plan and trust to which shall be transferred or spun off, within a reasonable period of time after the Closing and after receipt by Buyer of a favorable determination letter that the Pacific Telecom Retirement Plan and the related trust are qualified under Section 401(a) of the Code, cash or cash equivalents, or to the extent requested by Buyer, assets, equal to an amount sufficient to fund, as of the Closing Date, benefits accrued by the Alaska Entity Employees and Buyer Employees under the Pacific Telecom Retirement Plan, based on the actuarial assumptions

attached hereto as Exhibit 6.5(d), plus \$250,000. For purposes of this Section 6.5, "Buyer Employees" shall include only those persons, who are employed by Buyer within 90 days of the Closing and who have a vested benefit under either Dollars & Sense or the Pacific Telecom Retirement Plan, as applicable.

Controlled Group Liability. Neither Buyer nor any of the Alaska Entities shall be responsible for, and Sellers and their Affiliates shall pay for and, to the extent necessary, reimburse, Buyer and the Alaska Entities for any and all Losses arising out of or relating to any Controlled Group Liability (as hereinafter defined). For purposes hereof, "Controlled Group Liability" means any liability (a) under Title IV of ERISA, (b) under Section 302 of ERISA, and (c) under Sections 412 and 4971 of the Code, other than such liabilities that arise out of, or relate to, the employee benefit plans maintained exclusively for the benefit of the Alaska Entities Employee(s).

6.6 Multiemployer Plans. After the date hereof and prior to Closing, Sellers agree to use their best efforts to ensure that no Alaska Entity withdraws or partially withdraws from any Multiemployer Plan. The Parties agree that the transactions contemplated by this Agreement do not constitute a withdrawal or partial withdrawal under any Multiemployer Plan maintained or previously maintained by any Alaska Entity, and the Parties agree to take no position inconsistent therewith. If it is determined that following the Closing, Sellers or Buyer would incur a "withdrawal liability" within the meaning of Title IV of ERISA) as a result of a complete or partial withdrawal from any of the Multiemployer Plans listed on Schedule 3.18 on the day after the Closing, then (i) to the extent that such complete or partial withdrawal arises from or relates to the consummation of the Purchase Transactions, Sellers shall be responsible for such withdrawal

liability and shall hold harmless and indemnify Buyer for any withdrawal liability assessed against or imposed upon Buyer or its Affiliates and (ii) in all other cases, Buyer shall be responsible for such withdrawal liability and shall hold harmless and indemnify Sellers for any withdrawal liability assessed against or imposed upon Sellers or their Affiliates.

6.7 License of Tradenames. At the time of the Closing, Sellers shall grant to Buyer perpetual exclusive royalty-free licenses in Alaska of the trademarks, tradenames and service marks of Pacific Telecom, Inc. and PTI Communications, Inc., including, without limitation, "Cellulink", "Digicall", "Digitrex", "Pacific Telecom", "PTI", "PTI Communications", "The Directory", and "PTI Net", pursuant to a license agreement in the form attached hereto as Exhibit 6.7 (the "License Agreement"); provided, however, the license hereunder shall only be effective as to the use of such trademarks, tradenames and service marks in the State of Alaska, and Buyer and its Affiliates shall not be entitled to, and are specifically prohibited from, the use of any such trademarks, tradenames and service marks in any and all locations other than the State of Alaska, and the breach or threatened breach of the License Agreement shall give rise to immediate injunctive relief without necessity of posting bond, as provided therein.

6.8 Transition Services. Sellers and Buyer will enter into an agreement as of the date hereof, in the form attached hereto as Exhibit 6.8 (the "Transition Services Agreement") for the continued provision of certain services to the Alaska Entities by any Seller or Affiliate thereof from the date hereof until 180 days following the Closing Date (or until Buyer sooner terminates with respect to certain or all services as provided for in the Transition Services Agreement).

6.9 Nonsolicitation and No Hire. Each Party agrees not to, and shall cause its Affiliates not to, recruit, solicit, or otherwise induce or intentionally influence any individual who

was an employee of the other Party (with respect to the Sellers, the Alaska Entities shall be included as an "other party" for purposes of this Section 6.9) or its Affiliates as of June 30, 1998 or thereafter (an "Employee") to discontinue employment with such entity, or actually employ (or retain as consultant) any such Employee for a period of two (2) years from the date hereof, without the written consent of the other Party. Each Party acknowledges that the violations of this Section 6.10 could cause irreparable harm to the other Party and any breach or threatened breach of this Section shall give rise to injunctive relief without the necessity of posting bond. This Section shall survive termination pursuant to Section 11.2.

6.10 Support Software. At the Closing, Sellers hereby grant to Buyer an option to purchase any software associated with the billing, accounting, customer service, and network information of the Alaska Entities, to the extent Sellers (i) have no further need for such software and (ii) are legally capable of such transfer. It shall be Buyer's responsibility to obtain any consents for such transfer at Buyer's cost. The purchase price shall be negotiated in good faith and shall approximate a reasonable market price. Such option shall expire 90 days subsequent to Closing.

6.11 Remediation. Prior to the Closing, Sellers shall use all commercially reasonable efforts to remove and remediate in compliance with Environmental Laws all underground storage tanks located on property owned, leased or operated by all Alaska Entities at Sellers' sole cost and expense, provided however, that in the event all such tanks are not removed or remediated prior to the Closing, Sellers shall continue to use all commercially reasonable efforts, at Sellers' sole cost and expense, in compliance with Environmental Laws until such removal and remediation process is concluded. Subsequent to the Closing, the removal and remediation process shall be conducted in such a manner as to not unreasonably interfere with the operations of the Alaska Entities.

6.12 Advances to Alaska Entities. As contemplated by Section 2.2(b), Sellers agree to make available to the Alaska Entities cash advances (the "Advances") upon request by the Alaska Entities from time to time during the period from August 31, 1998 to the Closing Date. The Advances shall bear interest at a rate equal to the 30 day London Interbank Offered Rate ("LIBOR") plus 100 basis points, adjusted monthly. All Advances shall be repaid in full on the Closing Date by payment of the Additional Amount calculated pursuant to Section 2.2.

6.13 Severance Pay for Alaska Entities Employees. From the day after the Closing Date until December 1, 1999, Buyer will provide non-represented Alaska Entity Employees who are terminated following the Closing Date because of a reduction in work force (layoff), job elimination, dismissed because the employee is not properly qualified or other termination by the employer without good cause related to the employee's conduct, with severance pay which is not less than the termination allowance set forth in the Century Termination Allowance Policy dated October 1, 1996, except that the minimum amount of severance shall be four (4) weeks severance pay.

An Alaska Entity Employee's years of service for purposes of this Section 6.13 shall include the employee's pre-losing service with PacifiCorp, PacifiCorp Holdings, Inc., any Seller, any Alaska Entity, or any Affiliate of any of the foregoing.

6.14 Ancillary Agreements. Sellers shall not, and shall not permit the Alaska Entities to, make any change, addition, amendment or other modification to the forms attached hereto or terms thereof, or waive any provision of, or terminate any of, the Consulting Agreement, the Transition Services Agreement or the License Agreement (collectively, the "Ancillary Agreements"), without the prior written consent of Buyer.

6.15 Intercompany Accounts. (a) From and after August 31, 1998, neither the Alaska Entities, on the one hand, nor the Sellers or any Affiliates of Sellers (other than the Alaska Entities), on the other hand, shall increase any Intercompany Account, except with respect to Advances or payables incurred under the Transition Services Agreement.

(b) Notwithstanding the foregoing, at any time prior to the Closing Date, and upon prior written notice to Buyer, Sellers may cause the Alaska Entities to declare and pay a dividend of intercompany receivables equal to the net Combined Intercompany Receivable to the extent that it is positive, as of August 31, 1998, provided that all Taxes and other costs related to the declaration or payment of such dividend shall be borne by Sellers. Buyer agrees to use all commercially reasonable efforts to cooperate with Sellers with respect to the foregoing. To the extent the Alaska Entities cannot declare and pay the dividends contemplated by this Section 6.15(b) because of loan restrictions or other legal issues, Buyer will pay an amount equal to the net amount of the Combined Intercompany Receivable if positive to Sellers at Closing and Sellers will pay the net Combined Intercompany Receivables to the Alaska Entities at such time and in such amount. In addition, after the dividend or payment contemplated by the foregoing provisions of this Section 6.15(b), all remaining Intercompany Accounts, which, by virtue of the foregoing provisions will have a net amount due equal to zero, will be transferred to Buyer at the Closing without additional payment and there will be no other Intercompany Accounts outstanding.

SECTION 7

COVENANTS WITH RESPECT TO TAXES

7.1 Tax Sharing Agreements. Any Tax allocation, indemnity or sharing policy between Parent, CWI, CNI, or their Affiliated Group, on the one hand, and any of the Alaska Entities, on the other hand, shall be terminated as of the Closing Date and will have no further effect for any taxable year (whether the current year, a future year, or a past year).

7.2 Returns for Periods Through the Closing Date. Sellers will include, or cause to be included, the income of the Alaska Entities (including any deferred income triggered into income by Reg. ss.ss. 1.1502-13 and 1.1502-14 and any excess loss accounts taken into income under Reg. ss. 1.1502-19) for all periods through the Closing Date on the consolidated federal and consolidated, unitary or combined state and local income Tax Returns of Parent and its Affiliated Group and, on behalf of the Alaska Entities, will pay or cause to be paid any federal and state income Taxes attributable to such income. Estimates of such Taxes for the period between September 1, 1998 and the Closing Date (the "Estimated Income Tax Amount") shall be accrued monthly on the books of the Alaska Entities and any amount not previously paid to Sellers shall be included in the Additional Amount set forth in Section 2.2(b). Subsequent to Closing, Buyer shall pay to Sellers at least two (2) business days prior to the date on which Taxes are to be paid by Sellers with respect to such Tax Returns an amount equal to the amount by which the portion of such Taxes currently payable which relate to the portion of such taxable period beginning after August 31, 1998 through the Closing Date (but excluding Taxes attributable to any deferred income triggered into income by Reg. ss.ss. 1.1502-13 and 1.1502-14 and any excess loss accounts taken into income under Reg. ss. 1.1502-19) exceeded the Estimated Income Tax Amount, and Sellers shall pay to Buyer within two (2) days of the filing of such Tax Returns, an amount equal to the amount by which the Estimated Income Tax Amount exceeded the actual amount of the portion of such Taxes currently payable on such Tax Return which relate to the period beginning after August 31, 1998 through the Closing Date. In the event that the amount paid by Buyer pursuant to the immediately preceding sentence exceeds, or is exceeded by, the amount properly allocable to Buyer under such sentence, Sellers shall pay to Buyer the amount of any excess, and Buyer shall pay to

Sellers the amount of any shortfall. Buyer will cause the Alaska Entities to furnish Tax information for periods ending on or prior to the Closing Date to Parent for inclusion in the consolidated federal and state consolidated, unitary or combined income Tax Returns for Parent and its Affiliated Group in accordance with the past custom and practice of the Alaska Entities. Sellers will not take, or cause or permit to be taken, any position on such returns that relate to the Alaska Entities that would adversely affect the Alaska Entities after the Closing Date, unless such position would be reasonable in the case of a person that owned the Alaska Entities both before and after the Closing Date. The income of the Alaska Entities will be apportioned to the period up to and including the Closing Date and to the period after the Closing Date by closing the books of the Alaska Entities as of the end of the Closing Date.

7.3 Audits. Sellers will allow, or cause to be allowed, Buyer (without counsel present) to participate at Buyer's own expense in any audits of the consolidated federal and consolidated, unitary or combined income Tax Returns of Parent and its Affiliated Group to the extent that such audits relate to the Alaska Entities. Sellers will not settle, or cause or permit to be settled any such audit in a manner which would adversely affect the Alaska Entities after the Closing Date unless (i) such settlement would be reasonable in the case of a person that owned the Alaska Entities both before and after the Closing Date, or
(ii) Sellers obtain the prior written consent of Buyer, which consent shall not unreasonably be withheld.

7.4 Section 338(h)(10) Election. At Buyer's option, Sellers will join, and will cause their Affiliated Group to join, with Buyer in making an election under ss.338(h)(10) of the Code (and any corresponding or similar elections under state, local, or foreign Tax law) (collectively a "ss.338(h)(10) Election") with respect to the purchase and sale of the Alaska Stock hereunder;

provided that all Taxes solely payable as a result of such ss.338(h)(10) Election shall be the sole responsibility of Parent, CWI and CNI and their Affiliate Group.

7.5 Taxes Other Than Income Taxes.

(a) Periods Ending on or Prior to the Closing Date. Sellers shall prepare or cause to be prepared and timely file or cause to be timely filed, all Tax Returns (other than Tax Returns covered under Section 7.2) for the Alaska Entities for all periods ending on or prior to the Closing Date. The Alaska Entities shall pay all such Taxes. Sellers shall make available copies of such Tax Returns to Buyer at Buyer's request. Sellers shall pay to the Alaska Entities at least two (2) business days prior to the date on which Taxes are paid by the Alaska Entities an amount equal to the portion of such Taxes which relates to the portion of such taxable period ending on August 31, 1998, to the extent such Taxes are not reflected in the Net Working Capital of the Alaska Entities as of August 31, 1998. To the extent the amount of such Taxes reflected in Net Working Capital of the Alaska Entities as of August 31, 1998 exceeds the amount of such Taxes applicable to the period ending on August 31, 1998, the Alaska Entities will pay such excess to Sellers.

(b) Periods Ending Subsequent to the Closing Date. Buyers shall prepare or cause to be prepared and timely file or cause to be timely filed, all Tax Returns (other than Tax Returns covered under Section 7.2) for the Alaska Entities for all periods subsequent to the Closing Date. The Alaska Entities shall pay all such Taxes. Buyer shall make available copies of such Tax Returns to Sellers at Sellers' request. Upon five (5) days written notice, Sellers shall pay to the Alaska Entities at least two (2) business days prior to the date on which Taxes are paid by the Alaska Entities, an amount equal to the portion of such Taxes

which relates to the portion of such taxable period ending on August 31, 1998, to the extent such Taxes are not reflected in the Net Working Capital of the Alaska Entities as of August 31, 1998. To the extent the amount of such Taxes reflected in Net Working Capital of the Alaska Entities as of August 31, 1998 exceeds the amount of such Taxes applicable to the period ending on August 31, 1998, the Alaska Entities will pay such excess to Sellers.

7.6 Allocation Among Periods. For purposes of this Section 7, in the case of any Taxes that are imposed on a periodic basis and are payable for a taxable period that includes (but does not end on) August 31, 1998, the portion of such Tax which relates to the portion of such taxable period ending on August 31, 1998 shall (i) in the case of any Taxes not based upon or related to income or receipts, be deemed to be the amount of such Tax for the entire taxable period multiplied by a fraction the numerator of which is the number of days in the taxable period ending on August 31, 1998 and the denominator of which is the number of days in the entire taxable period, and (ii) in the case of any Tax based upon or related to income or receipts be deemed to be the amount which would be payable if the relevant taxable period ended on August 31, 1998. All determinations necessary to give effect to the foregoing allocations shall be made in a manner consistent with prior practice of the Alaska Entities.

7.7 Cooperation on Tax Matters.

(a) Buyer, the Alaska Entities, Sellers and their respective Affiliates shall cooperate fully, and to the extent reasonably requested by the other party, in connection with the filing of Tax Returns pursuant to this Section 7 and in connection with any audit, litigation or other Proceeding with respect to Taxes. Such cooperation shall include the retention and (upon the other party's request) the provision, of records and information

which are reasonably relevant to any such audit, litigation or other Proceeding and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. The Alaska Entities, and Sellers agree (i) to retain or cause to be retained all books and records with respect to Tax matters pertinent to the Alaska Entities relating to any taxable period beginning before the Closing Date until the expiration of the statute of limitations (and, to the extent notified by Buyer or CNI, any extensions thereof) of the respective taxable periods, and to abide by all record retention agreements entered into with any taxing authority, and (ii) to give the other party reasonable written notice prior to transferring, destroying or discarding any such books and records and, if the other party so requests, Buyer, the Alaska Entities, Sellers or an Affiliate of CNI, as the case may be, shall reasonably allow the other party to take possession of such books and records in such circumstances at such other party's expense.

(b) Buyer and Sellers further agree, upon request, to use, or cause to be used, best efforts to obtain any certificate or other document from any Governmental Entity or any other person as may be necessary to mitigate, reduce or eliminate any Tax that could be imposed (including, but not limited, with respect to the transactions contemplated hereby).

(c) Buyer and Sellers further agree, upon request, to provide, or cause to be provided, to the other party all information that either party may be required to report pursuant to Section 6043 of the Code and all Treasury Department Regulations promulgated thereunder.

7.8 Contests. Whenever any taxing authority asserts a claim, makes an assessment, or otherwise disputes the amount of Taxes for which any Seller is or may be liable under

this Agreement, Buyer shall, if informed of such an assertion, promptly inform CNI. CNI shall have the right to control any resulting Proceedings to represent the Alaska Entities' interests therein, and to determine whether and when to settle any such claim, assessment or dispute, except to the extent such Proceedings or determinations affect the amount of Taxes for which Buyer is liable under this Agreement. Whenever any taxing authority asserts a claim, makes an assessment or otherwise disputes the amount of Taxes for which Buyer is liable under this Agreement, Sellers shall, if informed of such an assertion, promptly inform Buyer. Buyer shall have the right to control any resulting Proceedings and to determine whether and when to settle any such claim, assessment or dispute, except to the extent such Proceedings or determinations affect the amount of Taxes for which Sellers are liable under this Agreement; provided, however, that Buyer agrees, unless otherwise required by law, not to take any position that is inconsistent with a position taken by CNI and its Affiliated Group with respect to Taxes on or prior to the Closing Date, which position is reasonably likely to materially and adversely affect the Tax liability of CNI or its Affiliated Group.

7.9 Resolution of Disagreements Between Parent, CWI or CNI and Buyer. If

Sellers and Buyer disagree as to the amount of Taxes for which each is liable under this Agreement or as to the allocation pursuant to Section 7.10, Sellers and Buyer shall promptly consult each other in an effort to resolve such dispute. If any such point of disagreement cannot be resolved within sixty (60) days of the date of consultation, Sellers and Buyer shall within ten (10) days after such sixty (60)-day period jointly select a nationally recognized independent public accounting firm which has not, except pursuant to this Section 7.9, performed any services since January 1, 1996 for any of Parent, Sellers or Buyer or their respective Affiliated Groups or Subsidiaries, to act as an arbitrator to resolve, within sixty (60) days after their selection, all points of disagreement

concerning Tax matters with respect to this Agreement and presented to such accounting firm at the time of its selection. If no nationally recognized independent public accounting firm meets the aforementioned standard, Sellers and Buyer nonetheless shall attempt to agree on an accounting firm that is satisfactory to both Parties. If the Parties cannot agree on the selection of an accounting firm within such ten-day period, within two (2) business days after such ten-day period, the Parties shall select an eligible nationally recognized accounting firm by lot.

7.10 Allocation of Purchase Price. The Parties agree that the Purchase Price (as finally adjusted pursuant to Section 2.2) and the liabilities of the Alaska Entities (plus other relevant items), reduced by (i) \$3,000,000 of the Purchase Price that is properly allocable to the Alaska PCS Licenses and (ii) \$5,000,000 of the Purchase Price that is properly allocable to Sellers' covenant in Section 6.4, will be allocated to the assets of the Alaska Entities for all purposes (including Tax and financial accounting purposes) in a manner consistent with the requirements of Regulations ss.ss. 1.338(h)(10)-1 and 1.338(h)-2T and mutually agreed upon by Sellers and Buyer. Buyer, the Alaska Entities, and Sellers will file, or cause to be filed, all Tax Returns (including amended returns and claims for refund) and information reports in a manner consistent with such allocation.

SECTION 8

CONDITIONS PRECEDENT TO OBLIGATIONS OF BUYER

The obligations of Buyer to consummate the Closing under this Agreement are subject to the fulfillment prior to or on the Closing Date of the following conditions precedent, except such of the following conditions precedent as shall have been expressly waived in writing by Buyer.

8.1 Representations and Warranties. (a) The representations and warranties of Sellers contained in this Agreement that contain the modifying language "material," "Material," or "Material Adverse Effect" are true and correct in all respects, and any such representations and warranties that are not so qualified are true and correct in all material respects, in each case, on and as of the date hereof and, with respect to the representations and warranties contained in Section 3.16 and any other representations which speak as of August 31, 1998, on and as of August 31, 1998, and, for purposes of Section 6.2 shall be deemed made as of such date or dates, as the case may be.

(b) To the extent actions are taken by Sellers or the Alaska Entities without the consent of the Consultant, or not taken after such actions are requested to be taken by the Consultant (those so taken without consent or not taken following such request being, "Seller Actions"), any representations and warranties which have been affected by such Seller Actions shall also be true and correct as of the Closing Date with the same effect as though such representations and warranties had been made as of such date, with respect only to such Seller Actions and the effects thereof, and, for purposes of Section 6.2 shall be deemed made as of such date.

(c) The representations and warranties contained in Sections 3.1 through 3.6, 3.15, 3.21(p), 3.22, 3.25(a), 3.26(c) and 3.27, that contain the modifying language "material," "Material," or "Material Adverse Effect" shall also be true and correct in all respects, and any of such representations and warranties that are not so qualified shall be true and correct in all material respects, in each case, as of the Closing Date with the same effect as though such representations and warranties had been made as of such date and, for

purposes of Section 6.2 shall be deemed made as of such date.

8.2 Covenants. Sellers shall have performed, satisfied and complied in all material respects with all covenants and agreements required by this Agreement to be performed, satisfied or complied with by them on or before the Closing Date; provided that, for purposes of this Section 8.2, any action, or failure to act, taken at the written request of, or pursuant to explicit approval or consent of the Consultant or at the explicit direction of the Consultant shall be deemed not to be a material breach of covenant or agreement or the material failure to perform, satisfy or comply with any obligation contained herein.

8.3 Material Adverse Effect. From the date hereof until the Closing Date, there shall have been no change that would have a Material Adverse Effect; provided, however, that Material Adverse Effects shall not include changes as a result of actions taken by or with the consent of the Consultant, changes in accounting principles or interpretations adopted by the Financial Accounting Standards Board, changes in general economic conditions, including any change in the level of interest rates, or industry-wide changes in the regulatory environment (including but not limited to the loss of, or changes resulting from the loss of, the Rural Exemption (as defined in Section 251(f)(1) of the Communications Act)); provided further, that, notwithstanding the foregoing, a Material Adverse Effect shall be deemed to have occurred in the event that Buyer shall not have obtained, pursuant to the Debt Commitments and in accordance with the terms set forth therein, the funds that, when aggregated with the funds to be provided pursuant to the Equity Commitment, are necessary to consummate the Purchase Transactions contemplated hereby.

8.4 Certificates. Buyer shall have received certificates, dated the Closing Date, signed by a duly authorized officer of each Seller, in such officer's representative capacity, without

personal liability, certifying to the fulfillment of the conditions set forth in Sections 8.1, 8.2 and 8.3.

8.5 Certified Copy of Charter, Resolutions, etc. Sellers shall have delivered to Buyer (i) copies, certified by the duly qualified and acting Secretary or Assistant Secretary of each Seller of resolutions adopted by Boards of Directors of such Sellers approving this Agreement and the consummation of the transactions contemplated by this Agreement, (ii) certificates of incumbency dated the Closing Date of all officers of Sellers who have been or will be authorized to execute or attest to this Agreement, or any statement, certificate or other instrument on behalf of Sellers each showing specimen signatures of each such officer and executed by the President or a Vice President and the Secretary or Assistant Secretary of each Seller and (iii) copies of the documents required by Section 3.6, dated as of the Closing Date.

8.6 Opinion of Counsel for Sellers. Buyer shall have received an opinion of Boles, Boles & Ryan, counsel for Sellers, dated the Closing Date, in form and substance reasonably satisfactory to Buyer. In expressing any opinions as to matters of fact relevant to conclusions of law, such counsel may rely upon certificates of Sellers, the officers and agents of Sellers, and of public officials. In expressing any opinions as to matters involving the law of other jurisdictions such counsel may rely on the opinion of other counsel.

8.7 Consents and Approvals. (i) All waiting periods applicable under the HSR Act shall have expired or been terminated, (ii) all consents and approvals required by the FCC and the APUC, in each case, in a form reasonably satisfactory to Buyer, shall have been obtained, and (iii) all other registrations, Permits, filings, applications, notices, consents, approvals, orders, qualifications and waivers required to be obtained or made as of the Closing Date shall have been filed, made or obtained, except, in the case of this clause (iii), for such registrations, filings, notices,

consents, approvals, orders, qualifications and waivers which would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect following the Closing.

8.8 Prohibitions. There shall have been no statute, rule, injunction, restraining order, decree or other order of any nature promulgated, enacted, entered or enforced by any Governmental Entity which shall remain in effect which restrains, prohibits or delays the performance of this Agreement or imposes significant penalties or damages on Buyer or the Alaska Entities with respect to (or any other materially adverse relief or remedy in connection with), the consummation of the Purchase Transactions or the performance of the material obligations of the Buyer or the Alaska Entities hereunder, and there shall be no Proceeding pending or threatened seeking such relief.

8.9 Resignations. Buyer shall have received from each director and officer of each Alaska Entity from whom such a resignation is requested a resignation from all directorships and offices held by such directors and officers in such entities.

8.10 Stock Certificates; Closing Documents. Sellers shall have delivered to Buyer certificates representing the Alaska Stock, duly endorsed in blank or accompanied by stock powers or other instruments of transfer duly executed in blank, and bearing or accompanied by all requisite stock transfer stamps. All Encumbrances on the Alaska Stock shall have been eliminated or discharged and all Encumbrances on assets of the Alaska Entities, other than those set forth on Schedule 8.10, shall have been eliminated or discharged, and Buyer shall have received evidence thereof which is satisfactory to it. Sellers shall have delivered to Buyer all documents or instruments required to be delivered pursuant to Section 10.1.

8.11 Ancillary Agreements. Each of the Ancillary Agreements shall have been executed and delivered by the appropriate Parties and shall be in full force and effect as of the Closing Date.

8.12 Outstanding Indebtedness. Sellers shall have taken all necessary actions, in a manner that does not require Sellers to prepay any outstanding Indebtedness if the Purchase Transactions are not consummated, such that, as of the Closing Date, all outstanding Indebtedness shall be prepayable and accelerated as of the Closing Date with Buyer responsible for all costs, expenses and fees related thereto. To the extent reasonably possible, Buyer agrees to prepay all such outstanding Indebtedness, at the direction of Sellers, on the Closing Date.

8.13 FIRPTA Affidavit. Sellers shall have delivered to Buyer an affidavit (a so-called "FIRPTA affidavit") in form and substance reasonably satisfactory to Buyer duly executed and acknowledged, certifying facts that would exempt the transactions contemplated hereby from the provisions of the Foreign Investment in Real Property Tax Act.

8.14 Intercompany Accounts. In accordance with Section 6.15, Sellers shall cause all Intercompany Accounts maintained between any Alaska Entity and Sellers or any Affiliate of Sellers to be satisfied and canceled and shall release and waive, in form and substance reasonably satisfactory to Buyer, all claims of Sellers or any Affiliate of Sellers, against any Alaska Entity. A positive net Combined Intercompany Receivable balance shall be satisfied in accordance with Section 6.15(b). A negative net Combined Intercompany Receivable shall be satisfied through conversion of the balance into an equity contribution from the Sellers to the Alaska Entities.

SECTION 9

CONDITIONS PRECEDENT TO OBLIGATIONS OF SELLERS

The obligations of Sellers under this Agreement are subject to the fulfillment prior to or on the Closing Date of the following conditions precedent, except such of the following conditions precedent as shall have been expressly waived in writing by Sellers.

9.1 Representations and Warranties. The representations and warranties of Buyer contained in this Agreement that contain the modifying language "material," or "material adverse effect" are true and correct in all respects, and any such representations and warranties that are not so qualified are true and correct in all material respects, in each case, on and as of the Closing Date with the same effect as though such representations and warranties had been made on and as of such date.

9.2 Covenants. Buyer shall have performed, satisfied and complied in all material respects with all covenants and agreements required by this Agreement to be performed, satisfied or complied with by it on or before the Closing Date.

9.3 Certificate. Sellers shall have received a certificate, dated the Closing Date, signed by a duly authorized officer of Buyer, in such officer's representative capacity, without personal liability, certifying to the fulfillment of the conditions set forth in Sections 9.1 and 9.2 hereof.

9.4 Certified Copy of Resolutions. Buyer shall have delivered to Sellers

(i) copies, certified by the duly qualified and acting Secretary or Assistant Secretary of Buyer, of resolutions adopted by Buyer's Board of Directors approving this Agreement and the consummation of the transactions contemplated by this Agreement, and (ii) certificates of incumbency dated the Closing Date of all officers of Buyer who have been or will be authorized to execute or attest to this

Agreement, or any statement, certificate or other instrument on behalf of Buyer, each showing specimen signatures of each such officer and executed by the President or a Vice President and the Secretary or Assistant Secretary of Buyer.

9.5 Opinion of Counsel for Buyer. Sellers shall have received an opinion of Wachtell, Lipton, Rosen & Katz, counsel for Buyer, dated the Closing Date, in form and substance reasonably satisfactory to Sellers. In expressing any opinion as to matters of fact relevant to conclusions of law, such counsel may rely upon certificates of Buyer, the officers and agents of Buyer, and of public officials. In expressing its opinion as to matters involving the law of other jurisdictions such counsel may rely on the opinion of other counsel.

9.6 Consents and Approvals. (i) All waiting periods applicable under the HSR Act shall have expired or been terminated, (ii) all consents and approvals required by the FCC and the APUC, in each case, in a form reasonably satisfactory to Sellers shall have been obtained, and (iii) all other registrations, permits, filings, applications, notices, consents, approvals, orders, qualifications and waivers required to be obtained or made as of the Closing Date shall have been filed, made or obtained, except, in the case of this clause (iii), for such registrations, filings, notices, consents, approvals, orders, qualifications and waivers which would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on Buyer's ability to consummate the transactions contemplated by, or fulfill its obligations under, this Agreement.

9.7 Prohibitions. There shall have been no statute, rule, injunction, restraining order, decree or other order of any nature promulgated, enacted, entered or enforced by any Governmental Entity which shall remain in effect which restrains, prohibits or delays the performance of this Agreements or imposes significant penalties or damages on any Seller.

9.8 Closing Documents. Buyers shall have delivered to Sellers all other documents or instruments required to be delivered pursuant to Section 10.2.

SECTION 10

CLOSING DOCUMENTS

10.1 By Sellers. In addition to any other documents or instruments to be delivered by Sellers to Buyer, Sellers shall, on the Closing Date:

- (a) deliver to Buyer certificates representing all of the outstanding capital stock of the Alaska Entities, duly endorsed for transfer, either in blank on the certificates or on separate stock powers (assignments) accompanying the certificates, free of Encumbrances;
- (b) deliver all minute books and stock registers and other records of the Alaska Entities;
- (c) deliver the certificates required by Section 8.4 and 8.5;
- (d) deliver the legal opinion required by Section 8.6;
- (e) deliver documents evidencing the continued existence or good standing of the Alaska Entities;
- (f) deliver any resignations required by Section 8.9;
- (g) deliver proof of acceleration of the Indebtedness required by Section 8.12;
- (h) deliver the FIRPTA Affidavit required by Section 8.14; and
- (i) provide such other proof or indication of satisfaction of the conditions set forth in Section 8 as Buyer may reasonably request.

10.2 By Buyer. In addition to any other documents or instruments to be delivered by Buyer to Sellers, Buyer shall, on the Closing Date:

- (a) deliver the Purchase Price, as adjusted, by amounts equal to the Adjustment Amount (or the Estimated Adjustment Amount as provided in Section 2.2(c)) and the Additional Amount, in immediately available funds;
- (b) deliver any amounts payable under the Transition Services Agreement in immediately available funds;
- (c) deliver the certificates required by Sections 9.3 and 9.4;
- (d) deliver the legal opinion required by Section 9.5; and
- (e) provide any such other proof or indication of satisfaction of the conditions set forth in Section 9 as Sellers may reasonably request.

SECTION 11

TERMINATION

11.1 Right of Termination.

- (a) This Agreement may be terminated:
 - (i) at any time prior to the Closing by the mutual written consent of Sellers and Buyer;
 - (ii) by Sellers or Buyer by written notice to the other if the Closing shall not have occurred on or before the date that is one year from the date hereof; provided, however, that the right to terminate this Agreement under this Section 11.1(a)(ii) shall not be available to Sellers or Buyer if Sellers' or Buyer's, respectively, failure to fulfill or perform any obligation under this Agreement has been a substantial cause of, or has substantially resulted in, the failure of the Closing to occur on or before such date;

(iii) by Sellers or Buyer in the event there is a final and nonappealable order of a Governmental Entity prohibiting the Purchase Transactions contemplated hereby;

(iv) by Buyer or Sellers in the event that any condition to the obligations of such Party contained in Section 8 and 9, respectively, becomes incapable of being satisfied prior to the first anniversary of the date hereof;

(v) by Buyer if there has been a material breach by any Seller of a covenant and such breach has not been cured within 30 days after receipt of written notice thereof from Buyer;

(vi) by Sellers if there has been a material breach by Buyer of a covenant and such breach has not been cured within thirty (30) days after receipt of written notice thereof from Sellers

(vii) by Sellers upon 10 business days' written notice if Buyer falls to maintain the Financing Commitments; or

(viii) by Buyer if a Material Adverse Effect was in effect prior to the date hereof.

11.2 Effect of Termination. In the event of termination of this Agreement pursuant to Section 11.1, except as provided in this Section 11.2, Section 6.9, Section 12.1, and Section 12.3 hereof, this Agreement shall forthwith become void and have no effect, and there shall be no liability on the part of Buyer or Sellers, or their respective officers, directors or agents, except that nothing contained in this provision shall relieve any Party from liability for any willful and knowing breach of any covenant or any willful and knowing breach of any representation or warranty.

The Parties acknowledge that the sole remedy for any breach prior to the Closing Date (other than a willful and knowing breach) is to assert the failure of a condition under Section 8 or Section 9 or to assert its rights under Sections 11.1(a)(v), (vi), (vii) or (viii).

SECTION 12

MISCELLANEOUS

12.1 Fees and Expenses. Except as disclosed on Schedule 12.1, the Parties represent to each other that no broker or other person is entitled to any fee or commission in connection with the negotiation or consummation of the transactions contemplated hereby, except for the fees of attorneys and accountants for the respective Parties. Sellers and Buyer shall each pay their own expenses incident to this Agreement and the performance of their respective obligations hereunder, including the fees of their respective accountants, counsel and investment bankers, provided, however, that any filing fees for (i) the HSR Act application shall be paid by Buyer and (ii) the APUC and the FCC shall be paid equally by Sellers on the one hand and Buyer on the other hand.

12.2 Rights of Third Parties. Nothing in this Agreement, other than the indemnification provisions contained in Sections 6.2 and 6.3 whether express or implied, is intended to confer any rights or remedies under or by reason of this Agreement on any Person other than the Parties hereto, their respective successors and permitted assigns, nor is anything in this Agreement intended to relieve or discharge the obligation or liability of any third person to any Party to this Agreement, nor shall any provision give any third person any right of subrogation or action over or against any Party to this Agreement.

12.3 Confidential Information.

(a) Buyer will hold in strict confidence and will cause its attorneys, accountants,

employees, advisers and other agents acting for or on its behalf to hold in strict confidence, all documents, information concerning the Sellers and, prior to the Closing Date, information concerning the Alaska Entities, obtained pursuant to this Agreement or in connection with the transactions provided for herein (except to the extent that such documents or information (i) are required to be disclosed by Applicable law or any Governmental Entity; (ii) are already generally available to the public other than as a result of a disclosure by Buyer or its representatives or (iii) become lawfully available to Buyer on a nonconfidential basis from any third party (excluding Affiliates of Buyer) who is not under an obligation of confidence) and, if the transactions provided for herein are not consummated, such confidence shall be maintained and all such documents shall be returned to Sellers together with any copies thereof.

(b) Each of the Sellers will hold in strict confidence and will cause its attorneys, accountants, employees, advisers and other agents acting for or on its behalf to hold in strict confidence, all documents and information concerning the Alaska Entities (except to the extent that such documents or information (i) are required to be disclosed by Applicable law or any Governmental Entity or (ii) are already generally available to the public prior to the date hereof or (iii) following the date hereof, are generally available other than as a result of a disclosure by any Seller or its representatives). As soon as practicable following the Closing Date, Sellers will deliver to Buyer all materials, documents or information related to the Alaska Entities and not required to be retained by Sellers pursuant to Applicable Law.

12.4 Waiver. Sellers on the one hand and Buyer on the other may, by written instrument, (i) extend the time for the performance of any of the obligations or other acts of the

other, (ii) waive any inaccuracies of the other in its representations and warranties, (iii) waive compliance with any of the covenants or closing conditions of the other contained in this Agreement and (iv) waive the other's performance of any of the obligations set out in this Agreement, provided, however, that no Party may grant any waiver, the effect of which would be unlawful. No waiver by a Party to this Agreement of a breach of any term or condition hereof shall be construed to operate as a waiver of a subsequent breach of any such term or condition or of any other term or condition hereof.

12.5 Specific Performance. The Parties acknowledge that their obligations hereunder are unique, and that it would be extremely impracticable to measure the resulting damages if any Party should default in its obligations under this Agreement. Accordingly, in the event of the failure by a Party to consummate the transactions contemplated hereby, or perform its obligations hereunder, which failure constitutes a breach hereof by such Party, the nondefaulting Party may, in addition to any other available rights or remedies, sue in equity for specific performance.

12.6 Entirety of Agreement. This Agreement, including the exhibits and schedules hereto, states the entire agreement of the Parties and merges all prior negotiations, agreements and understandings, if any. The Parties agree that in dealing with third parties no contrary representations will be made.

12.7 Prohibited Negotiations. Prior to the Closing Date or the termination of this Agreement, Sellers will not, and will cause their respective Affiliates, directors, officers, employees and representatives not to, solicit, encourage or respond to inquiries or proposals with respect to, or furnish any information relating to or participate in any negotiations or discussions concerning, any acquisition or purchase of all or substantially all of the stock, the assets of, or of a substantial equity

interest in, or any business combination with, any of the Alaska Entities, other than as contemplated by this Agreement, and Sellers shall notify Buyer immediately if any such inquiries or proposals are received by, any such information is requested from, or any such negotiations or discussions are sought to be initiated with any Seller or Alaska Entity.

12.8 Survival. The representations and warranties made by or on behalf of

(i) Sellers and (ii) Buyer in this Agreement shall survive for a period of two (2) years from the Closing Date, except for (a) the representations and warranties contained in Sections 3.1, 3.2 and 3.5 (but only as the representations and warranties in Section 3.5 relate to title to the stock of any Alaska Entity) which will survive without limit; (b) the representations and warranties contained in Section 3.19, which will survive until November 1, 2002; and (c) the representations and warranties contained in Section 3.21, which will survive for six (6) months beyond the applicable statute of limitations. The covenants and agreements set forth herein shall survive the Closing in accordance with their terms. The Parties hereto, in executing and carrying out the provisions of this Agreement, are relying solely on the representations, warranties, covenants and agreements contained or referred to herein and not upon any representation, warranty, covenant, agreement, promise or information, written or oral, made by any Person or entity other than as specifically set forth herein.

12.9 Arbitration. Except as set forth in Section 2.2(e), or in any Sections permitting specific performance or injunctive relief, any claim, controversy or other dispute arising out of this Agreement shall be resolved by arbitration. A single arbitrator having at least five years experience in the telephone industry shall conduct the arbitration under the then current rules of The American Arbitration Association. Such arbitrator shall be mutually agreed upon by the Parties. If the Parties are unable to agree upon an arbitrator each Party shall select a natural person who meets the

qualifications for the arbitrator. Together these two individuals shall select a third natural person who meets the arbitrator criteria, and such third person shall serve as the arbitrator. The Federal Arbitration Act, 9 U.S.C. ss.ss. 1-15, not state law, shall govern the arbitrability of all claims. The arbitrator shall have authority to award compensatory damages only. Notwithstanding the preceding sentence, the non-prevailing Party shall bear responsibility for the prevailing Party's costs and attorneys' fees. The arbitrator's award shall be final and binding and may be entered in any court having jurisdiction thereof. The arbitration shall be conducted in Dallas, Texas.

12.10 Attorney Fees. If any arbitration, legal action or other Proceeding is brought for the enforcement of this Agreement, or because of an alleged dispute, breach, default or misrepresentation in connection with any of the provisions of this Agreement, the successful or prevailing Party shall be entitled to recover reasonable attorneys' fees and other costs incurred in that action or proceeding, in addition to any other relief to which it may be entitled.

12.11 Notices. Any notices or other communications required or permitted under this Agreement shall be sufficiently given if sent by commercial overnight delivery, facsimile (followed by otherwise sufficient delivery within a reasonable time), registered or certified mail, postage prepaid, addressed as follows:

SELLERS:

Century Telephone Enterprises, Inc. 100 Century Park Drive Monroe, Louisiana 71203 Attn: W. Bruce Hanks
Facsimile No.: (318) 362-1684

Copy to:

Harvey P. Perry, Esq.

General Counsel

Century Telephone Enterprises, Inc. 100 Century Park Drive Monroe, LA 71203
Facsimile No.: (318) 388-9488

and

William R. Boles, Jr., Esq. and G. Robert Collier, Jr., Esq.

Boles, Boles & Ryan
1805 Tower Drive
Monroe, LA 71201

Facsimile No. (318) 329-9150

BUYER:

W. Dexter Paine III
ALEC Acquisition Corporation c/o Fox Paine & Company LLC 950 Tower Lane
Suite 1950
Foster City, CA 94404
Facsimile No.: (650) 525-1396

Copies to:

Mitchell S. Presser
Wachtell, Lipton, Rosen & Katz 51 West 52nd Street
New York, New York 10019 Facsimile No.: (212) 403-2000

Deborah J. Harwood
LEC Consulting Corporation 100 West 11th Street, Suite A Vancouver, Washington 98660 Facsimile No.: (360) 993-5156

or to such other address as shall be furnished in writing by any party and any such notice or communications shall be deemed to have been given as of the date actually received.

12.12 Amendment. This Agreement may be modified or amended only by an instrument in writing, duly executed by the Parties hereto.

12.13 Further Assurances.

(a) After the Closing Date, the Parties, without further consideration, agree to execute such additional documents as may be reasonably requested by the other Party to carry out the purposes and intent of this Agreement and to fulfill their respective obligations hereunder. In case at any time after the Closing Date any further action is necessary or desirable to carry out the purposes of this Agreement, the proper officers and directors of each Party to this Agreement shall take all such necessary or desirable action.

(b) Prior to and after the Closing Date, to the extent reasonably requested by Buyer, Sellers agree to provide the Alaska Entities with copies of and access to all records, data or other information held by Sellers or its Affiliates (other than the Alaska Entities) relating to the Alaska Entities, and to cooperate with and to assist Buyer in the preparation of audited financial statements of the Alaska Entities, to the extent such financial statements relate to periods prior to the Closing.

(c) Without limiting Sellers' obligations otherwise under this Agreement, Sellers agree that to the extent there are any assets, services, facilities, rights, interests or agreements needed for the operation of the Business, and not transferred to Buyer as of the Closing Date or provided pursuant to the Transition Services Agreement, Sellers will work with Buyer to find a solution for the Buyer to obtain such needed assets, services and facilities.

12.14 Governing Law. This Agreement shall be construed and interpreted and the rights

of the Parties covered by and enforced in accordance with the laws of the State of Washington; provided, however, that any dispute regarding the reasonableness of the covenants and agreements set forth in Sections 6.4 and 6.11 hereof, or the territorial scope or duration thereof, shall be governed by the laws applicable to such dispute.

12.15 Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be one and the same Agreement and shall become effective when one or more counterparts have been signed by each Party and delivered to the other Party.

12.16 Binding Effect; Assignment. This Agreement shall be binding on, and shall inure to the benefit of, the Parties hereto and their respective legal representatives, successors and assigns; provided, however, that Buyer may not assign its rights hereunder (other than to any Subsidiary or Affiliate of Buyer to which assignment is expressly allowed) without the prior written consent of Sellers and Sellers may not assign their rights hereunder without the prior written consent of Buyer.

12.17 Meanings of Pronouns, Singular and Plural Words. All pronouns used in this Agreement shall be deemed to refer to the masculine, feminine, neuter, singular and plural, as the identity of the person to which or to whom reference is made may require. Unless the context in which it is used shall clearly indicate to the contrary, words used in the singular shall include the plural, and words used in the plural shall include the singular.

12.18 Headings. The headings in this Agreement are inserted for convenience only and shall not constitute a part hereof.

IN WITNESS WHEREOF, CENTURYTEL OF THE NORTHWEST, INC. has

executed this Agreement this 14th day of August, 1998.

CENTURYTEL OF THE NORTHWEST, INC.:

BY: /s/ W. Bruce Hanks

ITS: Senior Vice President

IN WITNESS WHEREOF, CENTURYTEL WIRELESS, INC. has executed this

Agreement this 14th day of August, 1998.

CENTURYTEL WIRELESS, INC.:

BY: /s/ W. Bruce Hanks

ITS: Senior Vice President

IN WITNESS WHEREOF, BUYER has executed this Agreement this 14th day of August, 1998.

ALEC ACQUISITION CORPORATION:

BY: /s/ W Dexter Paine, III

ITS: President

SIGNATURE PAGE TO THAT CERTAIN PURCHASE AGREEMENT BY AND BETWEEN ALEC ACQUISITION CORPORATION, CENTURYTEL OF THE NORTHWEST, INC., F/K/A PACIFIC TELECOM, INC., AND CENTURYTEL WIRELESS, INC. F/K/A CENTURYTEL CELLUNET, INC., DATED AUGUST 14, 1998.

Exhibit 10.2

CENTURYTEL OF THE NORTHWEST, INC.
(formerly known as PACIFIC TELECOM, INC.)

as the Issuer and

CENTURY TELEPHONE ENTERPRISES, INC.

as Guarantor and

THE FIRST NATIONAL BANK OF CHICAGO

as Trustee

FIRST SUPPLEMENTAL INDENTURE

Dated as of November 2, 1998

to

INDENTURE

between

CENTURYTEL OF THE NORTHWEST, INC.
(formerly known as PACIFIC TELECOM, INC.)

as the Issuer

and

THE FIRST NATIONAL BANK OF CHICAGO

as Trustee

Dated as of September 20, 1991

FIRST SUPPLEMENTAL INDENTURE

This FIRST SUPPLEMENTAL INDENTURE, dated as of November 2, 1998 (this "First Supplemental Indenture"), is among CENTURYTEL OF THE NORTHWEST, INC. (formerly known as Pacific Telecom, Inc.), a Washington corporation, as the Issuer (the "Company"), CENTURY TELEPHONE ENTERPRISES, INC., a Louisiana corporation, as the Guarantor ("Century"), and THE FIRST NATIONAL BANK OF CHICAGO, a national banking association, as Trustee (the "Trustee").

RECITALS:

WHEREAS, the Company and Trustee executed and delivered an Indenture, dated as of September 20, 1991 (the "Original Indenture"), pursuant to which unsecured Securities (as defined in the Original Indenture) of the Company were issued;

WHEREAS, Section 901(6) of the Original Indenture provides that the Company and the Trustee may enter into an indenture supplemental to the Original Indenture without the consent of the Holders (as defined in the Original Indenture) to provide security for the Securities;

WHEREAS, on December 1, 1997, Century acquired all of the common stock of the Company;

WHEREAS, as the parent of the Company, Century is willing to guaranty the repayment of the Securities on the terms hereinafter set forth;

WHEREAS, the Company and Century desire to amend the Original Indenture pursuant to this First Supplemental Indenture to provide for such guaranty;

WHEREAS, the Company further desires to amend the Original Indenture pursuant to this First Supplemental Indenture to reflect the change in the Company's name from "Pacific Telecom, Inc." to "CenturyTel of the Northwest, Inc." and to reflect the Company's new address for purposes of notices provided under the Original Indenture;

WHEREAS, the execution and delivery of this First Supplemental Indenture have been duly authorized and approved by resolutions of the Board of Directors of the Company and the Board of Directors of Century; and

WHEREAS, the Company and Century desire and have requested the Trustee to join in the execution and delivery of this First Supplemental Indenture for the purpose of amending the Original Indenture.

NOW, THEREFORE, for the equal and ratable benefit of all Holders of the Securities, the Original Indenture is hereby amended as follows:

ARTICLE 1
AMENDMENTS TO ORIGINAL INDENTURE

Section 1.1 Addition of Century as a Party. Century is hereby made a party to the Original Indenture, as amended by this First Supplemental Indenture, to the extent hereinafter provided.

Section 1.2 Change of the Company's Name and Address. The first paragraph of the Original Indenture is hereby amended in its entirety to state:

This INDENTURE, dated as of September 20, 1991, is between CenturyTel of the Northwest, Inc. (formerly known as Pacific TeleCom, Inc.), a corporation duly organized and existing under the laws of the State of Washington (herein called the "Company"), having its principal office at 100 Century Park Drive, Monroe, Louisiana 71230, and The First National Bank of Chicago, a national banking association, as Trustee hereunder (herein called the "Trustee").

Section 1.3 Definitions. Section 101 of the Original Indenture is hereby amended by adding the following definitions in their appropriate alphabetical positions:

"Century" means Century Telephone Enterprises, Inc., a Louisiana corporation.

"Guaranty" means the guarantee by Century of the payment of principal and interest on the Securities pursuant to Section 312 hereof.

"Trustee Compensation" has the meaning specified in Section 312.

Section 1.4 Notices, Etc., to Trustee, the Company and Century. Article One of the Original Indenture is hereby amended by adding a new subparagraph (3) to Section 105 to provide:

(3) Century by the Trustee or by any Holder shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and mailed, by first class mail, to Century at the following address:

Century Telephone Enterprises, Inc. 100 Century Park Drive Monroe, Louisiana 71203 Attention: Chief Financial Officer

(with a separate copy mailed, by first class mail, to the Treasurer)

or at any other address previously furnished in writing to the Trustee by Century. Century shall be provided with a contemporaneous copy of all notices delivered to the Company.

Section 1.5 Guaranty. Article Three of the Original Indenture is hereby amended by adding the following new section in its appropriate numerical position:

Section 312. Guaranty.

Century hereby unconditionally and irrevocably guarantees to each Holder the due and punctual payment of the principal of and the interest (including any additional interest, redemption premiums or other amounts payable in accordance with the terms of the Securities) on the Securities held by such Holder, when and as the same shall become due and payable, whether at maturity or by declaration of acceleration, call for redemption or otherwise, according to the terms of such Securities and of this Indenture. Century hereby unconditionally and irrevocably further guarantees to the Trustee the due and punctual payment of any sums due to the Trustee under Section 607 of this Indenture, when and as the same shall become due and payable, in accordance with the terms of this Indenture (the "Trustee Compensation"). In case of the failure of the Company punctually to make any such payment of principal, interest (including any additional interest, redemption premiums or other amounts payable in accordance with the terms of the Securities) or Trustee Compensation, Century hereby agrees to cause any such payment to be made punctually when and as the same shall become due and payable, whether at maturity or by declaration of acceleration, call for redemption or otherwise, and as if such payment were made by the Company. Century hereby agrees that its obligations under this Section 312 shall be as if it were principal debtor and not merely surety, and shall be absolute, irrevocable and unconditional, irrespective of the delay of any action to enforce the same or the recovery of any judgment against the Company. Except as provided in Section 502 of this Indenture, Century hereby waives diligence, presentment, demand for payment, filing of claims with the court in the event of insolvency or bankruptcy of the Company, any right to require a proceeding first against the Company, protest or notice with respect to any of the Securities or the indebtedness evidenced thereby and all demands whatsoever, and covenants that this Guaranty will not be discharged except by complete performance of the obligations contained in such Securities, this Guaranty and this Indenture.

Century shall be subrogated to all rights of the Holders of any Securities against the Company in respect of any amounts paid to such Holders by Century pursuant to the provisions of this Guaranty; provided, however, that Century shall not be entitled to enforce, or to receive any payments arising out of or based upon, such right of subrogation until the principal of, premium, if any, and interest on all of the Securities shall have been paid in full.

Section 1.6 Enforcement of Guaranty. Article Five of the Original Indenture is hereby amended by adding the following paragraph after the first paragraph of Section 502:

If an Event of Default with respect to Securities of any series at the time Outstanding occurs and is continuing, then in every such case the Trustee or the Holders of not less than twenty-five percent in aggregate principal amount of the Outstanding Securities of that series may also declare all amounts due by Century to the Holders under the Guaranty pursuant to Section 312 hereof to be due and payable immediately, by a notice in writing to Century and the Company (and to the Trustee if given by the Holders), and upon such declaration the same shall become immediately due and payable.

Section 1.7 Acceleration of Maturity; Rescission and Annulment. Article Five of the Original Indenture is hereby amended by inserting in Section 502 of the Original Indenture, in line seven (7) of the paragraph beginning with the words "At any time after such", after the word "Company", the word and punctuation ", Century".

Section 1.8 Collection of Indebtedness and Suits for Enforcement by Trustee. Article Five of the Original Indenture is hereby amended by deleting from Section 503 of the Original Indenture (i) the paragraph beginning with the words "If the Company fails" and (ii) the paragraph beginning with the words "If an Event of Default with respect", and inserting the following in lieu thereof:

If the Company fails to pay such amounts forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, may institute a judicial proceeding for the collection of the sums so due and unpaid against the Company, Century or both, may prosecute such proceeding to judgment or final decree and may enforce the same against the Company upon such Securities and Century upon the Guaranty and collect the moneys adjudged or decreed to be payable in the manner provided by law out of the property of the Company upon such Securities and/or the property of Century upon such Guaranty, wherever situated.

If an Event of Default with respect to Securities of any series occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders of Securities of such series by such appropriate judicial proceedings as

the Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy, including, without limitation, the enforcement of the Guaranty against Century.

Section 1.9 Trustee May Enforce Claims Without Possession of Securities. Article Five of the Original Indenture is hereby amended by inserting in line one (1) of Section 505 of the Original Indenture, after the word "Indenture", the words and punctuation ", the Guaranty".

Section 1.10 Limitations on Suits. Article Five of the Original Indenture is hereby amended by inserting, in the third line of Section 507 of the Original Indenture, after the word "Indenture", the words "or the Guaranty".

Section 1.11 Reports by Century. Article Seven of the Original Indenture is hereby amended by adding the following new section in its appropriate numerical position:

Section 705 Reports by Century.

Century shall:

(1) file with the Trustee, within fifteen days after Century is required to file the same with the Commission, copies of the annual reports and the information, documents and other reports (or copies of such portions of any of the foregoing as the Commission may from time to time by rules and regulations prescribe) which Century may be required to file with the Commission pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934, as amended; or, if Century is not required to file information, documents or reports pursuant to either of said Sections, then it shall file with the Trustee and the Commission, in accordance with the rules and regulations prescribed from time to time by the Commission, such of the supplementary and periodic information, documents and reports which may be required pursuant to Section 13 of the Securities Exchange Act of 1934, as amended, in respect of a security listed and registered on a national securities exchange as may be prescribed from time to time in such rules and regulations;

(2) file with the Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such additional information, documents and reports with respect to compliance by Century with the conditions and covenants of this Indenture as may be required from time to time by such rules and regulations;

(3) transmit, within thirty days after the filing thereof with the Trustee, to the Holders, in the manner and to the extent provided

in Section 703(c) with respect to reports pursuant to Section 703(a), such summaries of any information, documents and reports required to be filed by Century pursuant to paragraphs (1) and (2) of this Section as may be required by rules and regulations prescribed from time to time by the Commission; and

(4) furnish to the Trustee annually a brief certificate from the principal executive officer, principal financial officer or principal accounting officer, as to his or her knowledge, of Century's compliance with all conditions and covenants under this Indenture which are applicable to Century. For the purposes of this paragraph, such compliance will be determined without regard to any period of grace or requirement of notice provided under the Indenture.

ARTICLE 2

MISCELLANEOUS

Section 2.1 Definitions. Capitalized terms used herein without definition shall have the respective meanings ascribed to them in the Original Indenture.

Section 2.2 Confirmation of Indenture. Except as specifically amended and supplemented by this First Supplemental Indenture, the Original Indenture shall remain in full force and effect and is hereby ratified and confirmed.

Section 2.3 Concerning the Trustee. The Trustee assumes no duties, responsibilities or liabilities by reason of this First Supplemental Indenture other than as set forth in the Original Indenture.

Section 2.4 Governing Law. This First Supplemental Indenture, including, without limitation, the Guaranty, shall be governed by the laws of the State of New York.

Section 2.5 Separability. In the event any one or more of the provisions contained in this First Supplemental Indenture shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this First Supplemental Indenture, which shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

Section 2.6 Counterparts. This First Supplemental Indenture may be executed in multiple counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this First Supplemental Indenture to be executed and delivered effective as of the date first above written.

CENTURYTEL OF THE NORTHWEST, INC.
(formerly known as Pacific Telecom, Inc.)

BY: /s/ David G. Thiels

NAME: David G. Thiels
TITLE: Vice-President, Treasurer
 and Secretary

CENTURY TELEPHONE ENTERPRISES, INC.

BY: /s/ R. Stewart Ewing, Jr.

NAME: R. Stewart Ewing, Jr.
TITLE: Senior Vice-President and
 Chief Financial Officer

THE FIRST NATIONAL BANK OF CHICAGO

BY: /s/ R. Tarnas

NAME: R. Tarnas
TITLE: President

EXHIBIT 11

CENTURY TELEPHONE ENTERPRISES, INC.

COMPUTATIONS OF EARNINGS PER SHARE (UNAUDITED)

	Three months ended September 30,		Nine months ended September 30,	
	1998	1997	1998	1997
(Dollars, except per share amounts, and shares expressed in thousands)				
Income (Numerator):				
Net income	\$ 54,678	41,433	176,563	157,744
Dividends applicable to preferred stock	(102)	(102)	(306)	(357)
Net income applicable to common stock	54,576	41,331	176,257	157,387
Dividends applicable to preferred stock	102	102	306	357
Interest on convertible securities, net of taxes	93	120	279	360
Net income as adjusted for purposes of computing diluted earnings per share	\$ 54,771	41,553	176,842	158,104
Shares (Denominator)*:				
Weighted average number of shares:				
Outstanding during period	91,841	90,566	91,620	90,247
Employee Stock Ownership Plan shares not committed to be released	(370)	(432)	(382)	(445)
Number of shares for computing basic earnings per share	91,471	90,134	91,238	89,802
Incremental common shares attributable to additional dilutive effect of convertible securities	2,077	1,576	2,034	1,523
Number of shares as adjusted for purposes of computing diluted earnings per share	93,548	91,710	93,272	91,325
Basic earnings per share *	\$.60	.46	1.93	1.75
Diluted earnings per share *	\$.59	.45	1.90	1.73

* Reflects March 1998 stock split. See Note 5.

ARTICLE 5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE UNAUDITED CONSOLIDATED BALANCE SHEET OF CENTURY TELEPHONE ENTERPRISES, INC. AND SUBSIDIARIES AS OF SEPTEMBER 30, 1998 AND THE RELATED UNAUDITED CONSOLIDATED STATEMENT OF INCOME FOR THE NINE MONTH PERIOD THEN ENDED AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

MULTIPLIER: 1,000

PERIOD TYPE	9 MOS
FISCAL YEAR END	DEC 31 1998
PERIOD START	JAN 01 1998
PERIOD END	SEP 30 1998
CASH	3,940
SECURITIES	0
RECEIVABLES	128,628
ALLOWANCES	4,824
INVENTORY	24,841
CURRENT ASSETS	218,340
PP&E	4,026,784
DEPRECIATION	1,781,339
TOTAL ASSETS	4,636,170
CURRENT LIABILITIES	264,899
BONDS	2,392,685
PREFERRED MANDATORY	0
PREFERRED	8,106
COMMON	91,924
OTHER SE	1,368,605
TOTAL LIABILITY AND EQUITY	4,636,170
SALES	0
TOTAL REVENUES	1,162,047
CGS	0
TOTAL COSTS	802,243
OTHER EXPENSES	0
LOSS PROVISION	0
INTEREST EXPENSE	126,785
INCOME PRETAX	300,173
INCOME TAX	123,610
INCOME CONTINUING	176,563
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	176,563
EPS PRIMARY	1.93
EPS DILUTED	1.90

ARTICLE 5

THIS RESTATED SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE UNAUDITED CONSOLIDATED BALANCE SHEET OF CENTURY TELEPHONE ENTERPRISES, INC. AND SUBSIDIARIES AS OF SEPTEMBER 30, 1997 AND THE RELATED UNAUDITED CONSOLIDATED STATEMENT OF INCOME FOR THE NINE MONTH PERIOD THEN ENDED AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

MULTIPLIER: 1,000

PERIOD TYPE	9 MOS
FISCAL YEAR END	DEC 31 1997
PERIOD START	JAN 01 1997
PERIOD END	SEP 30 1997
CASH	11,283
SECURITIES	0
RECEIVABLES	74,571
ALLOWANCES	4,188
INVENTORY	9,139
CURRENT ASSETS	123,913
PP&E	1,781,170
DEPRECIATION	635,613
TOTAL ASSETS	2,273,704
CURRENT LIABILITIES	152,283
BONDS	565,633
PREFERRED MANDATORY	0
PREFERRED	8,106
COMMON	60,519
OTHER SE	1,178,990
TOTAL LIABILITY AND EQUITY	2,273,704
SALES	0
TOTAL REVENUES	627,912
CGS	0
TOTAL COSTS	437,994
OTHER EXPENSES	0
LOSS PROVISION	0
INTEREST EXPENSE	33,539
INCOME PRETAX	247,995
INCOME TAX	90,251
INCOME CONTINUING	157,744
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	157,744
EPS PRIMARY	2.63
EPS DILUTED	2.60

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