

SWIDLER BERLIN SHEREFF FRIEDMAN, LLP

WASHINGTON OFFICE
3000 K STREET, NW, SUITE 300
WASHINGTON, DC 20007-5116
TELEPHONE (202) 424-7500
FACSIMILE (202) 424-7647

REC'D TN
REGULATORY AUTH.

February 1, 2000 FEB 3 PM 3 20

NEW YORK OFFICE
919 THIRD AVENUE
NEW YORK, NY 10022-9998
TELEPHONE (212) 758-9500
FACSIMILE (212) 758-9526

EXECUTIVE SECRETARY

VIA OVERNIGHT DELIVERY

K. David Waddell, Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37219

00-00075

Re: In the Matter of the Application of CenturyTel Solutions, LLC, for a Certificate of Public Convenience and Necessity to Provide Facilities-Based and Resold Local Exchange and Exchange Access Telecommunications Services Throughout the State of Tennessee

Dear Mr. Waddell:

Pursuant to the Commission's request, please find enclosed for filing on behalf of CenturyTel Solutions, LLC an additional twelve (12) copies of an Application for Certificate of Public Convenience and Necessity to Provide Facilities-Based and Resold Local Exchange and Exchange Access Telecommunications Services throughout the State of Tennessee, previously filed on January 31, 2000.

Should any questions arise concerning this filing, please do not hesitate to contact the undersigned at 202/424-7500.

Respectfully submitted,

Elizabeth Dickerson

Phyllis A. Whitten
Elizabeth Dickerson

Counsel for CenturyTel Solutions, LLC

Enclosures

cc: Susan Smith
W. Ray Rutngamlug

SWIDLER BERLIN SHEREFF FRIEDMAN, LLP

ORIGINAL

WASHINGTON OFFICE
3000 K STREET, NW, SUITE 3000
WASHINGTON, DC 20007-5116
TELEPHONE (202) 424-7500
FACSIMILE (202) 424-7647

REC'D TO
REGULATORY AUTH.

January 31, 2000

NEW YORK OFFICE
919 THIRD AVENUE
NEW YORK, NY 10022-9998
TELEPHONE (212) 758-9500
FACSIMILE (212) 758-9526

VIA OVERNIGHT DELIVERY

K. David Waddell, Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37219

PAID T.R.A.	
Chk #	<u>119843</u>
Amount	<u>500</u>
Rcvd By	<u>LR</u>
Date	<u>2-1-00</u>

Re: In the Matter of the Application of CenturyTel Solutions, LLC, for a Certificate of Public Convenience and Necessity to Provide Facilities-Based and Resold Local Exchange and Exchange Access Telecommunications Services Throughout the State of Tennessee

Dear Mr. Waddell:

00-00075

Enclosed for filing on behalf of CenturyTel Solutions, LLC are an original and one (1) copy of an Application for Certificate of Public Convenience and Necessity to Provide Facilities-Based and Resold Local Exchange and Exchange Access Telecommunications Services throughout the State of Tennessee. Also enclosed is a check in the amount \$50.00 in payment of the requisite filing fee.

Please date stamp the enclosed extra copy of this filing and return it in the self-addressed, postage prepaid envelope provided.

Should any questions arise concerning this filing, please do not hesitate to contact the undersigned at 202/424-7500.

Respectfully submitted,

Elizabeth Dickerson

Phyllis A. Whitten
Elizabeth Dickerson

Counsel for CenturyTel Solutions, LLC

Enclosures

cc: Susan Smith
W. Ray Rutngamlug

**BEFORE THE
TENNESSEE REGULATORY AUTHORITY**

In the Matter of the Application of)
)
CenturyTel Solutions, LLC)
)
For a Certificate of Public Convenience and)
Necessity to Provide Facilities-Based and Resold)
Local Exchange and Exchange Access)
Telecommunications Services Throughout the)
State of Tennessee)

Docket No. 00-00075

REC'D TEL. REG. AUTH.
FEB 3 PM 3 14
EX-101
SECRETARY

APPLICATION

I. INTRODUCTION

Pursuant to the provisions of T.C.A. §§ 65-4-201, Administrative Rules Chapter 1220-4-8, and the Federal Telecommunications Act of 1996 ("Federal Act" or "Act"), 47 U.S.C. § 251 *et seq.*, CenturyTel Solutions, LLC ("CTS" or "Applicant") hereby files this Application for a Certificate of Convenience and Necessity to provide facilities-based and resold local exchange and exchange access telecommunications services throughout the State of Tennessee.

Consistent with the objectives of the Federal Act, the Tennessee Regulatory Authority ("Authority") has adopted a policy favoring competition in all telecommunications markets. The Authority has recognized that it is in the public interest to develop effective competition to ensure that all consumers, residential and business, have access to high quality, low-cost, and innovative telecommunications services, regardless of the chosen service provider. In support of its application, CTS provides the following information:

II. DESCRIPTION OF THE APPLICANT

1. Adherence to Applicable Rules (§ 1220- 4-8-.04(1)(a))

Applicant is familiar with and will adhere to all applicable Authority rules, policies, and orders governing the provisions of local exchange and exchange access telecommunications services. To the extent required by Tennessee law and the Authority's regulations, CTS will provide: (1) consumer access to and support for the Tennessee Relay Center in the same manner as the incumbent local exchange carriers ("ILECs"); (2) free blocking for 900 and 976 type services; (3) Lifeline and Link-Up services to qualifying customers; (4) educational discounts; and (5) support for universal service. Applicant has attached hereto a copy of its Small and Minority Owned Telecommunications Business Participation Plan as Exhibit A.

2. Managerial, Financial, and Technical Ability (§ 1220-4-8-.04(1)(b))

CTS possesses the financial qualifications required of applicants for the authority requested herein. CTS has access to the financing and capital necessary to conduct its telecommunications operations as specified in this Application. During an initial transition period, CTS will rely upon the sizable financial assets of its parent company, CenturyTel, Inc. ("CTI"), to ensure that it has sufficient capital to maintain its operations. As indicated in the enclosed financial statements, attached hereto as Exhibit B, CTI has ample financial resources to fund its proposed telecommunications operations in Tennessee and other states. As CTS's revenues increase through the acquisition of new customers, CTS's revenues will supplant CTI's assistance. The most recent stockholders' annual report and the SEC Form 10-K of CTI are attached hereto as Exhibit B.

CTS is managerially and technically qualified to provide facilities-based and resold local exchange and exchange access telecommunications services in Tennessee. As a wholly-owned subsidiary of CTI, it shares the same management team and has access to the same technical resources as CTI. Thus, Applicant's managerial and technical ability to provide local exchange service in Tennessee is evidenced by CTI's provision of a wide range of telecommunications services throughout the United States. A list of the FCC-regulated subsidiaries in which CTI holds a ten percent (10%) or greater interest is attached hereto as Exhibit C. CTS is also in the process of seeking authorization to provide facilities-based and resold local exchange and exchange access telecommunications services in other states, including Arizona, Arkansas, Colorado, Idaho, Indiana, Iowa, Michigan, Minnesota, Montana, Nevada, New Mexico, Ohio, Oregon, Texas, Washington, Wisconsin, and Wyoming. It has obtained such authorizations in Louisiana and Mississippi.

3. Corporate Name, Address, and Officers (§ 1220-4-8.04 (1)(c))

The name and address of the Applicant are:

CenturyTel Solutions, LLC
100 Century Park Drive
Monroe, LA 71203
318/388-9000 (Telephone)
318/388-9562 (Facsimile)

A list of CTS's corporate officers is attached hereto as Exhibit D.

4. Officers in Tennessee (§ 1220-4-8.04(1)(d))

None of CTS's corporate officers are located in Tennessee. The person who is responsible for CTS's Tennessee operation is Phyllis Mayo, who can be reached at 800/824-2877.

5. Structure of Business Organization (§ 1220-4-8.04(1)(e))

CTS is a limited liability corporation organized under the laws of Louisiana. It is a direct, wholly-owned subsidiary of CenturyTel, Inc. ("CTI"), a corporation also organized under the laws of Louisiana and publicly traded on the New York Stock Exchange. CTS is qualified to do business in the State of Tennessee. A copy of CTS's Articles of Organization and a copy of its Application for Authority to Provide Services in the State of Tennessee are attached hereto as Exhibit E.

6. Repair and Maintenance Information (§ 1220-4-8.04(1)(f))

CTS's toll-free repair number is 800/824-2877. The person responsible for CTS's Tennessee operations is identified in Section 4, above.

7. Other Jurisdictions (§ 1220-4-8-.04(1)(g))

CTS has never been denied requested authority to operate in any jurisdiction. CTS is managerially and technically qualified to provide facilities-based and resold local exchange and exchange access telecommunications services in Tennessee. As noted above, a list of the FCC-regulated subsidiaries in which CTI holds a ten percent (10%) or greater interest is attached hereto as Exhibit C. CTS may apply for authority to provide services in other states as market conditions and consumer demand dictate.

8. Description of Services and Service Area (§ 1220-4-8-.04(1)(i))

CTS proposes to provide facilities-based and resold local exchange telecommunications services to subscribers throughout the areas of the State of Tennessee served by BellSouth. Applicant's services will be available on a full-time basis, twenty-four (24) hours a day, seven (7) days a week.

CTS also proposes to provide switched and special access services in Tennessee, initially through the resale of services of BellSouth and, as market conditions warrant, through its own facilities. CTS intends to provide all forms of intrastate telecommunications services, including, but not limited to: (1) Basic Exchange Services (Local Exchange Flat Rate, Measured Rate Service, operator access, etc.); (2) Custom and Class Features (call waiting, caller ID, call forwarding, etc.); (3) Adjunct Provided Features (voice messaging, etc.); (4) Ancillary Services (911, directory listing, directory assistance, etc.); and (5) Carrier Access Services providing trunk-side access to the CTS switched network to allow other carriers to originate and terminate calls to CTS end user access lines.

9. Compliance with Basic Obligations and Responsibilities (§ 1220-4-8-.04(3))

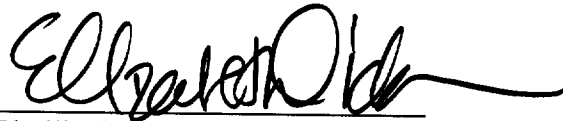
In compliance with the Authority's rules, CTS shall, either directly or through other arrangements, provide the emergency, directory, blocking, support, interconnection, and other services mandated by the Authority.

10. Tariffs (§ 1220-4-8-.07(1)(a))

Applicant has attached hereto as Exhibit F its local exchange service and exchange access service tariffs. These tariffs are illustrative, and CTS will file its initial local exchange service and exchange access service tariffs, with actual rates, when such rates are available.

WHEREFORE, CenturyTel Solutions, LLC requests that the Tennessee Regulatory Authority approve its Application for a Certificate of Public Convenience and Necessity to Provide Facilities-Based and Resold Local Exchange and Exchange Access Telecommunications Services throughout the State of Tennessee.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Elizabeth Dickerson", written over a horizontal line.

Phyllis A. Whitten

Elizabeth Dickerson

SWIDLER BERLIN SHEREFF FRIEDMAN, LLP

3000 K St., NW, Suite 300

Washington, DC 20007-5116

202/424-7500 (Telephone)

202/424-7643 (Facsimile)

Counsel for CenturyTel Solutions, LLC

Dated: January 31, 2000

EXHIBITS

Exhibit A	Small and Minority-Owned Telecommunications Business Plan
Exhibit B	Financial Information
Exhibit C	FCC-Regulated Subsidiaries
Exhibit D	Corporate Officers
Exhibit E	Articles of Organization and Application for Certificate of Authority to Transact Business in the State of Tennessee
Exhibit F	Illustrative Local Exchange Tariff

EXHIBIT A

**SMALL AND MINORITY OWNED TELECOMMUNICATIONS
BUSINESS PARTICIPATION PLAN OF CENTURYTEL SOLUTIONS, LLC**

CENTURYTEL SOLUTIONS, LLC

TENNESSEE

**SMALL AND MINORITY-OWNED TELECOMMUNICATIONS
BUSINESS PARTICIPATION PLAN**

**SUBMITTED TO THE
TENNESSEE REGULATORY AUTHORITY
JANUARY 26, 2000**

**SMALL AND MINORITY-OWNED TELECOMMUNICATIONS
BUSINESS PARTICIPATION PLAN**

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SMALL AND MINORITY-OWNED TELECOMMUNICATIONS BUSINESS PARTICIPATION PLAN

1.0 PURPOSE

- 1.1 This small and minority-owned telecommunications business participation plan ("Plan") is submitted by CenturyTel Solutions, LLC (CenturyTel) as required by Section 16 of the Tennessee Telecommunications Act of 1995, now codified as T.C.A. §65-5-212.
- 1.2 The Administration of this Plan is the responsibility of CenturyTel. It is the policy of CenturyTel to provide an opportunity for Small Business and Minority-Owned Businesses to compete for subcontracts awarded by CenturyTel on a fair and equitable basis with all other telecommunications suppliers and contractors.
- 1.3 This plan is a statement of objectives and is not intended to create any legal obligation of CenturyTel to any person.

2.0 DEFINITIONS

- 2.1 Small Business - For the purpose of this Plan, "small business" means a business with annual gross receipts of less than Four Million Dollars (\$4,000,000) per T.C.A. §65-5-212.
- 2.2 Minority Business - For the purpose of this Plan, "minority business" means a business that is solely owned, or at least fifty-one percent (51%) of the assets or outstanding stock of which is owned by an individual who personally manages and controls the daily operations of such business, and who is impeded from normal entry into the economic mainstream because of race, religion, sex, or national origin, and such business has annual gross receipts of less than Four Million Dollars (\$4,000,000) per T.C.A. §65-5-212.

3.0 PLAN RESPONSIBILITY AND POLICY STATEMENT

- 3.1 It is the policy of CenturyTel to afford Small and Minority-Owned Telecommunications Businesses an opportunity to participate in the performance of contracts in accordance with T.C.A. §65-5-212.

- 3.2 As a purchaser of goods and services, it is CenturyTel's responsibility to:
- Identify and maintain a pool of qualified suppliers.
 - Include Small and Minority-Owned Businesses in solicitations for telecommunications products or services which they are capable of providing.

4.0 PLAN PERIOD OR EFFECTIVENESS

- 4.1 CenturyTel is committed to providing affirmative access to contracting opportunities for Small and Minority-Owned Telecommunications Businesses. CenturyTel is proactive and will move toward inclusion of such firms in the supplier base. This plan represents an on-going commitment by the Company, and has no fixed time period for effectiveness.

5.0 PLAN ADMINISTRATION

- 5.1 CenturyTel will maintain a designated employee as Administrator to oversee the execution of the Plan.
- 5.2 The Administrator's specific job duties, as they relate to this Plan are as follows:
- (a) Establishes and maintains policies and procedures to ensure that Small and Minority-Owned Telecommunications Businesses have an equitable opportunity to be awarded contracts.
 - (b) Ensures inclusion of Small and Minority-Owned Telecommunications Businesses in those solicitations for products or services which they are capable of providing.
 - (c) Advises CenturyTel personnel of the existence of the Plan and of the Company's goals established in the Plan.

6.0 QUALIFIED BUSINESSES

- 6.1 CenturyTel will adopt a system for identification of small and minority owned businesses. CenturyTel will notify, to the extent practicable, such businesses of the existence of this plan. CenturyTel will invite bids, or issue requests for proposals, or otherwise solicit offers and bids from such businesses.

7.0 PLAN TO ENSURE EQUITABLE OPPORTUNITY

7.1 The Administrator shall ensure that appropriate source listings and services are properly utilized in support of the Plan. Sources/Listings include, but are not limited to, the following:

- (a) Information received from the Small Business Administration Procurement Automated Source System (PASS).
- (b) Information sources received from the Tennessee Department of Economic Development's Office of Minority Business Enterprise and Small Business Office.
- (c) Information received from the local Chamber of Commerce.

8.0 SOLICITATION OF BIDS

8.1 The Administrator shall ensure that CenturyTel assists Small and Minority-Owned Telecommunications Businesses by arranging solicitations, time for the preparation of bids, quantities, specifications, and delivery schedules so as to facilitate the participation by such concerns.

8.2 The Administrator shall ensure CenturyTel provides adequate and timely consideration of the potentialities of Small and Minority-Owned Telecommunications Businesses in "make or buy" decisions.

8.3 CenturyTel will exercise diligence and sensitivity to ensure that opportunities for small and minority owned telecommunications businesses to do business with CenturyTel are equivalent to those provided to those entities which are not small and/or minority owned.

9.0 PLAN MAINTENANCE

9.1 CenturyTel will maintain, if required, the following types of records:

- (a) Source lists, guides, and other data that identify Small and Minority-Owned Telecommunications Businesses.
- (b) Lists of organizations contacted in an attempt to locate sources that are Small and Minority-Owned Telecommunications Businesses.
- (c) Records of any outreach efforts to contact trade associations, business development organizations, and conferences and trade fairs attended.

EXHIBIT B

Financial Information

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

FORM 10-K

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

For the fiscal year ended December 31, 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
(IRS Employer
Identification No.)

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

71203
(Zip Code)

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

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

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

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

As of February 28, 1999, the aggregate market value of voting stock held by non-affiliates (affiliates being for these purposes only directors, executive officers and holders of more than five percent of the Company's outstanding voting securities) was \$5.7 billion. As of February 28, 1999, there were 92,357,172 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the Registrant's Proxy Statement prepared in connection with the 1999 annual meeting of shareholders are incorporated in Part III of this Report.

PART I

Item 1. Business

General. Century Telephone Enterprises, Inc. ("Century"), which operates under the tradename of CenturyTel, is a regional diversified communications company engaged primarily in providing local exchange telephone services and cellular telephone services. For the year ended December 31, 1998, local exchange telephone operations and cellular operations provided 69% and 26%, respectively, of the consolidated revenues of Century and its subsidiaries (the "Company"). All of the Company's telephone and cellular operations are conducted within the continental United States and Alaska.

At December 31, 1998, the Company's local exchange telephone subsidiaries operated over 1.3 million telephone access lines, primarily in rural, suburban and small urban areas in 21 states, with the largest customer bases located in Wisconsin, Washington, Alaska, Michigan, Louisiana, Colorado, Ohio, Oregon and Montana. According to published sources, the Company is the ninth largest local exchange telephone company in the United States based on the number of access lines served. For more information, see "Telephone Operations."

At December 31, 1998, the Company's majority-owned and operated cellular systems served approximately 624,000 customers in 21 Metropolitan Statistical Areas ("MSAs") in Michigan, Louisiana, Arkansas, Mississippi, Wisconsin and Texas, and 23 Rural Service Areas ("RSAs"), most of which are in Michigan, Mississippi, Wisconsin, Louisiana and Arkansas. The Company's ownership interest in these operated markets represented approximately 8.1 million pops (the estimated population of licensed cellular telephone markets multiplied by the Company's proportionate equity interest in the licensed operators thereof). At December 31, 1998, the Company also owned minority equity interests in 10 MSAs and 17 RSAs, representing approximately 1.9 million pops. Of the Company's 10.1 million aggregate pops, approximately 67% are attributable to the Company's MSA interests, with the balance attributable to its RSA interests. All of the cellular systems operated by the Company are operated under wireline licenses, except for five MSAs and four RSAs which are operated under non-wireline licenses. According to data derived from published sources, the Company is the tenth largest cellular telephone company in the United States based on the Company's 10.1 million pops. For more information, see "Cellular Operations."

The Company also provides long distance, call center, security monitoring, cable television and interactive services in certain local and regional markets, as well as certain printing and related services. For more information, see "Other Operations."

Recent acquisitions and dispositions. On December 1, 1998, the Company acquired the assets of certain of Ameritech's telephone operations and related telephone directories in 19 telephone exchanges covering 21 communities in northern and central Wisconsin for approximately \$221 million cash. The

operations acquired by the Company include the telephone property and equipment that serves nearly 69,000 customers, or approximately 86,000 access lines, as well as the nine related telephone directories.

On December 1, 1997, the Company acquired Pacific Telecom, Inc. ("PTI") in exchange for \$1.503 billion cash. As a result of the PTI acquisition, the Company acquired (i) over 660,000 telephone access lines in four midwestern states, seven western states and Alaska, (ii) over 88,000 cellular customers in ten markets located in two midwestern states and Alaska and (iii) various wireless, cable television and other communications assets. In May 1998, the Company sold PTI's undersea cable operations for approximately \$61.8 million cash.

During late 1997 and early 1998, the Company acquired two security alarm businesses that provide services to approximately 6,000 customers in north central Louisiana, southern Arkansas and northwestern Mississippi.

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

During 1997 the Company exchanged its 89% interest in its competitive access subsidiary for approximately 4.3 million shares of publicly traded common stock. Approximately 3.8 million shares of such stock were sold in November 1997 for \$203 million and the remaining shares were converted into approximately 1.0 million shares of MCIWorldCom, Inc. ("WorldCom") in early 1998. In the second quarter of 1998, the Company sold 750,000 shares of WorldCom common stock for \$35.6 million. In January 1999, the Company sold its remaining shares of WorldCom stock for \$20.1 million.

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

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. The Alaska transaction is anticipated to close in the second quarter of 1999, subject to regulatory approvals and various closing conditions. The transaction is also subject to the buyer's receipt of financing pursuant to its existing debt and equity financing commitments.

In January 1999 the Company signed definitive asset purchase agreements to sell all of the operations of the Brownsville and McAllen, Texas, cellular markets to Western Wireless Corporation for \$95 million cash, subject to various adjustments. The Company, which is the majority owner in these markets, will

receive a proportionate share of the sale proceeds of approximately \$39 million after-tax. The transaction is expected to close in the second quarter of 1999, subject to regulatory approvals, the satisfactory completion of buyer's due diligence and various other closing conditions.

Over the past several years, the Company has expanded its operations through an ongoing program of acquisitions. Substantial acquisitions during the last five years also include the 1994 acquisition of Celutel, Inc. (over 1.1 million pops). The Company continually evaluates the possibility of acquiring additional telecommunications assets in exchange for cash, securities or both, and at any given time may be engaged in discussions or negotiations regarding additional acquisitions. Over the past few years, the number and size of communications properties on the market has increased substantially. Recently, two large communications companies announced their intent to sell up to 1.6 million primarily rural access lines. Although the Company's primary focus will continue to be on acquiring telephone and wireless interests that are proximate to its properties or that serve a customer base large enough for the Company to operate efficiently, other communications interests may also be acquired.

Other. As of December 31, 1998, the Company had approximately 5,800 employees, approximately 1,000 of whom were members of seven different bargaining units represented by the International Brotherhood of Electrical Workers, Communications Workers of America, or the NTS Employee Committee. Relations with employees continue to be generally good.

In mid-1998, the Company adopted the tradename "CenturyTel" as part of its branding strategy to operate under a single name. The Company currently markets its telephone, cellular, long distance, Internet access and most of its other services under the CenturyTel tradename. Century proposes to formally change its corporate name to CenturyTel, Inc. at its 1999 annual shareholders meeting scheduled for May 6, 1999.

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

TELEPHONE OPERATIONS

According to published sources, the Company is the ninth largest local exchange telephone company in the United States, based on the more than 1.3 million access lines it served at December 31, 1998. All of the Company's access lines are digitally switched. Through its operating telephone subsidiaries, the

Company provides services to predominately rural, suburban and small urban markets in 21 states. The table below sets forth certain information with respect to the Company's access lines as of December 31, 1998 and 1997.

State	December 31, 1998		December 31, 1997	
	Number of access lines	Percent of access lines	Number of access lines	Percent of access lines
Wisconsin	340,895	25%	245,091	20%
Washington	175,508	13	166,611	14
Alaska	131,858	10	124,869	10
Michigan	108,769	8	104,440	9
Louisiana	97,676	7	94,432	8
Colorado	86,249	7	81,206	7
Ohio	80,400	6	77,987	7
Oregon	75,392	6	71,544	6
Montana	60,657	5	57,390	5
Texas	44,822	3	41,852	4
Arkansas	43,778	3	42,193	4
Minnesota	29,708	2	29,029	2
Tennessee	25,609	2	24,578	2
Mississippi	19,648	2	17,839	2
Idaho	5,881	1	5,746	-
New Mexico	5,770	-	5,559	-
Indiana	5,136	-	4,975	-
Wyoming	4,663	-	4,447	-
Iowa	1,938	-	1,801	-
Arizona	1,780	-	1,624	-
Nevada	430	-	437	-
	1,346,567	100%	1,203,650	100%

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

	Year ended or as of December 31,				
	1998	1997	1996	1995	1994
	(Dollars in thousands)				
Access lines	1,346,567	1,203,650	503,562	480,757	454,963
% Residential	74%	74	77	78	79
% Business	26%	26	23	22	21
Operating revenues	\$ 1,091,610	530,597	451,538	419,242	391,265
Capital expenditures	\$ 233,190	115,854	110,147	136,006	152,336

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

Services

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

	1998	1997	1996
Local service	30.4%	27.8	26.9
Network access	57.7	60.2	61.2
Other	11.9	12.0	11.9
	100.0%	100.0	100.0

Local service revenues are derived from the provision of local exchange telephone services in the Company's service areas. Internal access line growth during 1998, 1997 and 1996 was 4.7%, 4.4% and 4.3%, respectively. The Company believes that access line growth in the future should benefit from population growth in its service areas, acquisitions and increases in the number of households maintaining more than one access line. The Company markets local Internet access in 396 communities in 12 states, which the Company believes has led to an increase in orders for second lines.

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

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

The installation of digital switches and related software has been an important component of the Company's growth strategy because it allows the Company to offer enhanced services (such as call forwarding, conference calling, caller identification, selective call ringing and call waiting) and to thereby increase utilization of existing access lines. In 1998 the Company continued to expand its list of premium services (such as voice mail and Internet access) offered in certain service areas and aggressively marketed these services.

The Company is installing fiber optic cable in certain of its high traffic routes and provides alternative routing of telephone service over fiber optic cable networks in several strategic operating areas. At December 31, 1998, the Company's telephone subsidiaries had over 8,350 miles of fiber optic cable in use.

Other revenues include revenues related to (i) leasing, selling, installing, maintaining and repairing customer premise telecommunications equipment and wiring, (ii) providing billing and collection services for long distance companies, (iii) participating in the publication of local directories and (iv) providing Internet access. At the end of 1998, the Company offered Internet access in telephone markets representing 60% of its access lines. Certain large communications companies for which the Company currently provides billing and collection services continue to indicate their desire to reduce their billing and collection expenses, which may result in future reductions of the Company's billing and collection revenues.

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

Federal Financing Programs

Certain of the Company's telephone subsidiaries receive long-term financing from the Rural Utilities Service ("RUS") and the Rural Telephone Bank ("RTB"). The RUS has made long-term loans to telephone companies since 1949 for the purpose of improving telephone service in rural areas. The RUS continues to make new loans at interest rates that range from 5% to 7% based on borrower qualifications and the cost of funds to the United States government. The RTB, established in 1971, makes long-term loans at interest rates based on its average cost of funds as determined by statutory formula (such rates ranged from 5.71% to 5.96% for the fiscal year ended September 30, 1998), and in some cases makes loans concurrently with RUS loans. Most of the Company's telephone plant is pledged or mortgaged to secure obligations of the Company's telephone subsidiaries to the RUS and RTB. The Company's telephone subsidiaries which have borrowed from government agencies generally may not loan or advance any funds to Century, but may pay dividends if certain financial covenants are met.

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

Regulation and Competition

Traditionally, LECs have operated as regulated monopolies. Consequently, the majority of the Company's telephone operations have traditionally been regulated extensively by various state regulatory agencies (generally called public service commissions or public utility commissions) and by the FCC. As

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

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

In recent years, state legislatures and regulatory commissions having jurisdiction over the Company's telephone subsidiaries in most of the states in which the Company has substantial operations have either begun to reduce the regulation of LECs or have announced their intention to do so, and it is expected that this trend will continue. Wisconsin, Louisiana and several other of these states have passed legislation which permit LECs to opt out of rate of return regulation in exchange for agreeing to alternative forms of regulation which typically permit the LEC greater freedom to establish service rates in exchange for agreeing not to charge rates in excess of specified caps. The Company continues to explore its options in these states. The Company believes that reduced regulatory oversight of certain of the Company's telephone operations may allow the Company to offer new and competitive services faster than under the traditional regulatory process. Coincident with these efforts, legislative, regulatory and technological changes have introduced competition into the local exchange industry. See "-Developments Affecting Competition."

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

During 1995 the Louisiana Public Service Commission ("LPSC") adopted a new regulatory plan for independent telephone companies in Louisiana that incrementally reduced the Company's access revenues between 1996 and 1998. In 1997 the LPSC adopted a Consumer Price Protection Plan (the "Louisiana Plan"), effective July 1997, which impacts all of the Company's LECs operating in Louisiana. The new

form of regulation will focus on price and quality of service. Under the Louisiana Plan, the Company's Louisiana LECs' local rates were frozen for a period of three years and access rates were frozen for a period of two years. Although the Louisiana Plan has no specified term, the LPSC is required to review it by mid-2000. The Company's Louisiana LECs have the option to propose a new plan at any time if the LPSC determines that (i) effective competition exists or (ii) unforeseen events threaten the subsidiary's ability to provide adequate service or impair its financial health.

The Company's telephone operations in Wisconsin that were acquired in the December 1997 acquisition of PTI have been regulated under an alternative regulation plan (the "Wisconsin Plan") since June 1996. The Wisconsin Plan has a five-year term and includes a provision that allows the Company's subsidiary covered by such plan to freely adjust rates within specified parameters if certain quality-of-service and infrastructure-development commitments are met. The Wisconsin Plan also includes initiatives designed to promote competition. In early 1999, another of the Company's Wisconsin LECs filed a request with the Wisconsin Public Service Commission to be regulated under an alternative regulation plan.

The Michigan Public Service Commission regulates the Company's Michigan telephone subsidiaries pursuant to the parameters established by the Michigan Telecommunications Act of 1995 ("MTA"). The MTA restructured regulation to focus on price and quality of service as opposed to traditional rate of return regulation. The MTA relies more on existing federal and state law regarding antitrust consumer protection and fair trade to provide safeguards for competition and consumers.

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

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

interstate access rate of return for the Company's telephone subsidiaries is currently 11.25%, which is the authorized rate established by the FCC for LECs not governed by price-cap regulation or the optional incentive regulatory plan.

In September 1998, the FCC initiated a proceeding to represcribe the authorized rate of return for interstate access services provided by 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. It is uncertain whether or by how much the FCC may lower the authorized rate of return.

In an access charge reform order adopted in May 1997, the FCC changed its system of interstate access charges to make them compatible with the deregulatory framework established by the 1996 Act. Such changes are primarily applicable to price-cap companies. The Company's telephone subsidiaries determine interstate revenues under rate of return regulation and are, therefore, only minimally impacted by the access charge reform order. In July 1998, the FCC issued a Notice of Proposed Rulemaking to amend the access charge rules for rate of return companies in a manner similar to that adopted for price cap companies, subject to reviewing whether differences exist between price cap companies and rate of return companies that would require different rules in order to achieve the goal of fostering an efficient, competitive marketplace. Comments were filed with the FCC in August 1998; the FCC has not yet issued a final ruling on this matter.

In 1998 the FCC created a federal-state joint board to review jurisdictional separations procedures through which the costs of regulated telecommunications services are allocated to the interstate and intrastate jurisdictions.

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

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

believes it is premature to assess or estimate the ultimate impact thereof. There can be no assurance, however, that such impact will not be material. During 1998 and 1997 the Company's telephone subsidiaries received \$127.6 million and \$65.4 million, respectively, from the federal Universal Service Fund.

As part of its universal service order, the FCC also established a new program to provide up to \$2.25 billion of discounted telecommunications services annually to schools and libraries, commencing January 1998. In addition, the FCC established a \$400 million annual fund to provide discounted telecommunications services for rural health care providers. All communications carriers providing interstate telecommunications services, including the Company's LECs and its cellular and long distance operations, are required to contribute to these programs. The FCC has stated that local exchange telephone companies will recover their funding contributions in their rates for interstate services. The Company's contribution by its cellular and long distance operations for 1998, which was passed on to its customers, was approximately \$3.1 million.

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

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

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

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

As indicated above, in February 1996 Congress enacted the 1996 Act, which obligates LECs to permit competitors to interconnect their facilities to the LEC's network and to take various other steps that

are designed to promote competition. The 1996 Act imposes several duties on a LEC if it receives a specific request from another entity which seeks to connect with or provide services using the LEC's network. In addition, each incumbent LEC is obligated to (i) negotiate interconnection agreements in good faith, (ii) provide "unbundled" access to all aspects of the LEC's network, (iii) offer resale of its telecommunications services at wholesale rates and (iv) permit competitors to collocate its physical plant on the LEC's property, or provide virtual collocation if physical collocation is not practicable. Although the 1996 Act provides certain exemptions for rural LECs such as those operated by the Company, the FCC's August 1996 order implementing most of the 1996 Act's interconnection provisions placed the burden of proving the continuing availability of these exemptions on rural LECs. States are permitted to adopt laws or regulations that provide for greater competition than is mandated under the 1996 Act. Although substantial portions of the FCC's August 1996 interconnection order have survived judicial challenge, the FCC has neither completed its interconnection rulemaking nor issued rules on universal service or access reform. Management believes that competition in its telephone service areas will ultimately increase as a result of the 1996 Act, although the form and degree of competition cannot be ascertained until such time as the FCC (and, in certain instances, state regulatory commissions) adopts final and nonappealable implementing regulations.

Substantially all of the 21 states in which the Company provides telephone services have taken legislative or regulatory steps to further introduce competition into the LEC business. Largely as a result of these steps and the 1996 Act, several competitive access providers originally organized to provide redundancy or access services have begun, during the past several years, to provide competitive local exchange services, principally in urban areas. Moreover, several well-capitalized long distance, cable television, wireless and electric utility companies, along with several start-up companies, have also begun to provide competitive local exchange services or announced their intention to do so, and this trend is expected to continue. Currently the Company is subject to a limited number of agreements permitting competitors in Wisconsin to purchase from the Company unbundled network elements or wholesale services, and the Company is aware of only a few other companies that have requested authorization to provide local exchange service in the Company's service areas. Over time, however, the Company anticipates that several more companies will request authorization to provide competitive services, especially in its operating areas located near larger urban areas.

In addition to receiving services directly from companies competing with incumbent LECs, long distance companies and other users of toll service are expected to increasingly seek other means to bypass LECs' switching services and local distribution facilities. Certain interexchange carriers provide services which allow users to divert their traffic from LECs' usage-sensitive services to their flat-rate services. In addition, users or long distance companies may construct, modify or lease facilities to transmit traffic directly from a user to a long distance company. Cable television companies, in particular, may be able to modify their networks to partially or completely bypass the Company's local network. Moreover, users may choose to use wireless services to bypass LECs' switching services. Although certain of the

Company's telephone subsidiaries have experienced a loss of traffic to such bypass, the Company believes that the impact of such loss on revenues has not been significant.

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

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

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

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

CELLULAR OPERATIONS

At December 31, 1998, the Company's cellular holdings represented approximately 10.1 million pops, of which 67% were applicable to MSAs and 33% were RSA pops. According to data derived from published sources, the Company is the tenth largest cellular telephone company in the United States based on the Company's 10.1 million pops.

Cellular Industry

The cellular telephone industry has been in existence for approximately 15 years in the United States. The industry has grown significantly during this period and cellular service is now available in substantially all areas of the United States. According to the Cellular Telecommunications Industry Association, at September 1998 there were estimated to be over 51 million cellular customers across the United States.

Until recently, substantially all radio transmissions of cellular systems were conducted on an analog basis. Technological developments involving the application of digital radio technology offer certain advantages over analog technologies, including expanding the capacity of mobile communications systems, improving voice clarity, permitting the introduction of new services, and making such systems more secure. Providers of certain services competitive with cellular have incorporated digital technology into their operations. In recent years most major cellular carriers have installed digital cellular voice transmission facilities in certain of their systems, principally in larger markets. Digital service is now available in 95% of the Company's MSA markets and the Company plans to expand the marketing of such service during 1999. See "-Regulation and Competition-Developments Affecting Wireless Competition."

Construction and Maintenance

The construction and maintenance of cellular systems is capital intensive. Although all of the Company's MSA and RSA systems have been operational for several years, the Company has continued to add cell sites to increase coverage, provide additional capacity, and improve the quality of these systems. In 1998 the Company completed construction of 57 cell sites in markets operated by the Company. At December 31, 1998, the Company operated 615 cell sites in its majority-owned markets.

During the last few years the Company upgraded certain portions of its cellular systems to be capable of providing digital service. Such service became operational in certain markets during 1996 and 1997 using the TDMA digital standard and the Company continued to install digital voice transmission facilities in other markets in 1998. See "-Regulation and Competition-Developments Affecting Wireless Competition." Capital expenditures related to majority-owned and operated cellular systems totaled approximately \$49.5 million in 1998. Such capital expenditures for 1999 are anticipated to be approximately \$70 million.

Strategy

The Company's business development strategy for its cellular telephone operations is to secure operating control of service areas that are geographically clustered. Clustered cellular systems aid the Company's marketing efforts and provide various operating and service advantages. Approximately 43% of

the Company's pops in markets operated by the Company are in a single, contiguous cluster of eight MSAs and nine RSAs in Michigan; another 17% are in a cluster of five MSAs and seven RSAs in northern and central Louisiana, southern Arkansas and eastern Texas. See "-The Company's Cellular Interests."

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

Marketing

The Company markets its cellular services through several distribution channels, including its direct sales force, retail outlets owned by the Company and independent agents. All sales employees and certain independent agents solicit cellular customers exclusively for the Company. Company sales employees are compensated by salary and commission and independent sales agents are paid commissions. The Company advertises its services through various means, including direct mail, billboard, magazine, radio, television and newspaper advertisements.

The sales and marketing costs of obtaining new subscribers include advertising and a direct expense applicable to most new subscribers, either in the form of a commission payment to an agent or an incentive payment to a direct sales employee. In addition, the Company discounts the cost of cellular telephone equipment, and periodically runs promotions which waive certain fees or provide some amount of free service to new subscribers. The average cost of acquiring each new customer (\$268 in 1998) remains one of the larger expenses in conducting the Company's cellular operations. In recent years, the Company has sought to lower this average cost by focusing more on its direct distribution channels. The Company opened its first retail outlet in 1994, and currently operates 59 such outlets. During 1998, approximately 58% of new cellular customers were added through direct distribution channels, up from 37% during 1996.

Services, Customers and System Usage

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

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

Cellular customers come from a wide range of occupations and typically include a large proportion of individuals who work outside of their office. In recent years, the individual consumer market has generated a majority of new customer additions. The Company's average monthly cellular service revenue per customer declined to \$57 in 1998 from \$61 in 1997 and \$63 in 1996. Such average revenue per customer may further decline (i) as market penetration increases and additional lower usage customers are activated and (ii) as competitive pressures from current and future wireless communications providers intensify. See "-Regulation and Competition."

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

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

Churn rate (the average percentage of cellular customers that terminate service each month) is an industry-wide concern. A significant portion of the churn in the Company's markets is due to the Company disconnecting service to cellular customers for nonpayment of their bills. In addition, the Company faces substantial competition from the other wireless providers, including PCS providers. The Company's average monthly churn rate in its majority-owned and operated markets was 2.23% in 1998 and 2.31% in 1997. The Company is attempting to lower its churn rate by increasing its proactive customer service efforts and through the implementation of additional customer retention programs.

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

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

	Year ended or at December 31,		
	1998	1997	1996
Majority-owned and operated MSA and RSA systems (Note 1):			
Cellular systems operated	44	44	34
Cell sites	615	558	354
Population of systems operated (Note 2)	9,026,150	9,008,219	7,097,568
Customers (Note 3):			
At beginning of period	569,983	368,233	290,075
Gross units added internally	214,596	193,623	165,377
Net effect of property acquisitions/dispositions	-	123,600	4,850
Disconnects	160,460	115,473	92,069
At end of period	624,119	569,983	368,233
Market penetration at end of period (Note 4)	6.9%	6.3	5.2
Churn rate (Note 5)	2.23%	2.31	2.37
Average monthly cellular service revenue per customer			
	\$ 57	61	63
Construction expenditures (in thousands)	\$ 49,538	39,102	83,679
All operated MSA and RSA systems (Note 6):			
Cellular systems operated	51	50	38
Cell sites	729	656	413
Population of systems operated (Note 2)	10,312,145	10,124,759	7,946,442
Customers at end of period (Note 7)	689,181	632,446	407,400
Market penetration at end of period (Note 8)	6.7%	6.2	5.1
Churn rate (Note 5)	2.34%	2.33	2.32

Notes:

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

The Company's Cellular Interests

The Company obtained the right to provide cellular service through (i) the FCC's licensing process described below, under which it received interests in wireline licenses, and (ii) its acquisition program, under which it has acquired interests in both wireline and non-wireline licenses. The table below sets forth certain information with respect to the interests in cellular systems that the Company owned as of December 31, 1998:

	1998 population (Note 1)	Ownership percentage	The Company's pops at 12/31/98	Other cellular operator (Note 2)
<u>Majority-owned and operated MSAs</u>				
Pine Bluff, AR	81,588	100.00%	81,588	SBC
Texarkana, AR/TX	137,764	89.00	122,610	AT&T
Alexandria, LA	143,311	100.00	143,311	Centennial
Monroe, LA	147,570	87.00	128,386	AT&T
Shreveport, LA	379,370	87.00	330,052	AT&T
Battle Creek, MI	195,400	97.00	189,538	Centennial
Benton Harbor, MI	161,753	97.00	156,900	Centennial
Grand Rapids, MI	770,152	97.00	747,047	AirTouch
Jackson, MI	156,316	97.00	151,627	Centennial
Kalamazoo, MI	308,144	97.00	298,900	Centennial
Lansing-E. Lansing, MI	512,390	97.00	497,018	AirTouch
Muskegon, MI	191,712	97.00	185,961	AirTouch
Saginaw-Bay City- Midland, MI	404,426	91.70	370,859	AirTouch
Biloxi-Gulfport, MS (Note 4)	232,431	96.45	224,182	Cellular South
Jackson, MS (Note 4)	426,583	89.58	382,130	MCTA
Pascagoula, MS (Note 4)	130,979	89.22	116,862	Cellular South
Brownsville- Harlingen, TX (Note 4)	329,824	78.74	259,700	SBC

McAllen-Edinburg-Mission, TX (Note 4)	525,734	69.50	365,372	SBC
Appleton-Oshkosh-Neenah, WI	500,164	98.85	494,401	U.S. Cellular
Eau Claire, WI	143,664	55.50	79,734	American Cellular
LaCrosse, WI	102,768	95.00	97,630	U. S. Cellular
	5,982,043		5,423,808	

Minority-owned MSAs (Note 3)

Little Rock, AR	555,272	36.00%	199,898
Lafayette, LA	262,964	49.00	128,852
Detroit, MI	4,761,992	3.20	152,289
Flint, MI	511,788	3.20	16,367
Rochester, MN	113,844	2.93	3,336
Austin, TX	1,016,912	35.00	355,919
Dallas-Ft. Worth, TX	4,630,120	0.50	23,151
Sherman-Denison, TX	102,618	0.50	513
Madison, WI	702,398	9.78	68,688
Milwaukee, WI	1,972,973	17.96	354,405
	14,630,881		1,303,418
Total MSAs	20,612,924		6,727,226

Operated RSAs

Alaska 1 (Note 4)	85,056	100.00%	85,056	Mactel
Alaska 3	74,712	100.00	74,712	Mercury
Arkansas 2	87,646	82.00	71,870	SBC
Arkansas 3	103,724	82.00	85,054	SBC
Arkansas 11	66,228	89.00	58,943	SBC
Arkansas 12	185,325	80.00	148,260	SBC
Louisiana 1	112,083	87.00	97,512	AT&T
Louisiana 2	115,624	87.00	100,593	AT&T
Louisiana 3 B2	96,231	87.00	83,721	Centennial
Louisiana 4	72,615	100.00	72,615	Centennial
Michigan 1	196,408	100.00	196,408	American Cellular
Michigan 2	113,772	100.00	113,772	RFB
Michigan 3	164,586	42.84	70,509	Unitel
Michigan 4	135,657	100.00	135,657	RFB
Michigan 5	161,584	42.84	69,223	Unitel
Michigan 6	142,356	98.00	139,509	Centennial
Michigan 7	244,148	56.07	136,895	Centennial
Michigan 8	101,746	97.00	98,694	Allegan Cellular
Michigan 9	301,227	43.38	130,672	Centennial
Mississippi 2 (Note 4)	249,231	100.00	249,231	Bell South Mobility
Mississippi 5	159,176	-	-	
Mississippi 6 (Note 4)	183,177	100.00	183,177	Cellular South
Mississippi 7 (Note 4)	181,661	100.00	181,661	MCTA
Texas 7 B6	58,013	89.00	51,632	AT&T
Wisconsin 1	112,351	42.21	47,421	American Cellular
Wisconsin 2	86,024	99.00	85,164	American Cellular
Wisconsin 5	95,903	-	-	American Cellular
Wisconsin 6	116,145	57.14	66,369	U.S. Cellular
Wisconsin 7	291,168	22.70	66,100	U.S. Cellular
Wisconsin 8	236,525	84.00	198,681	U.S. Cellular
	4,330,102		3,099,111	

Non-operated RSAs (Note 3)

Michigan 10	137,398	26.00	35,723
Minnesota 7	172,206	2.93	5,046
Minnesota 8	67,467	2.93	1,977
Minnesota 9	134,073	2.93	3,928
Minnesota 10	230,077	2.93	6,741
Minnesota 11	205,949	2.93	6,034
Texas 16	334,056	9.60	32,069
Washington 5	60,311	8.47	5,109
Washington 8	137,237	7.36	10,095
Wisconsin 3	142,332	42.86	61,000
Wisconsin 4	119,763	25.00	29,941
Wisconsin 10	129,404	22.50	29,116
	<u>1,870,273</u>		<u>226,779</u>
Total RSAs	<u>6,200,375</u>		<u>3,325,890</u>
	<u>26,813,299</u>		<u>10,053,116</u>

Notes:

1. Based on 1998 independent third-party population estimates.
2. Information provided to the best of the Company's knowledge. There is also at least one PCS competitor in each of the operated MSAs and certain of the operated RSAs.
3. Markets not operated by the Company.
4. Represents a non-wireline interest.

For information on certain cellular properties that the Company has agreed to sell, see "-Recent acquisitions and dispositions" above.

Operations

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

A substantial number of the cellular systems in RSAs operated by the Company are also owned by limited or general partnerships in which the Company is either the general or managing partner (the "RSA Partnerships"). These partnerships are governed by partnership agreements with varying terms and provisions. In many of these partnerships, the noncontrolling partners have the right to vote on major issues such as the annual budget and system design. In a few of these partnerships, the Company's management

position is for a limited term (similar to a management contract) and the other partners in the partnership have the right to change managers, with or without cause. The Company owns less than 50% of some of the RSA Partnerships.

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

Revenue

The following table reflects the major revenue categories for the Company's wireless operations as a percentage of wireless operating revenues in 1998, 1997 and 1996.

	1998	1997	1996
Cellular access fees and toll revenues	74.2%	78.2	79.7
Cellular roaming	23.6	20.0	18.6
Equipment sales	2.2	1.8	1.7
	100.0%	100.0	100.0

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

Regulation and Competition

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

Competition between providers of wireless communications service in each market is conducted principally on the basis of price, services and enhancements offered, the technical quality and coverage of the system, and the quality and responsiveness of customer service. As discussed below, competition has intensified in recent years in a substantial number of the Company's markets. Under applicable law, the Company is required to permit the reselling of its services. In certain larger markets and in certain market segments, competition from resellers may be significant. There is also substantial competition for sales agents. Certain of the Company's competitors have substantially greater assets and resources than the Company.

Cellular licensing process. The term "MSA" means a Metropolitan Statistical Area for which the FCC has granted a cellular operating license. The term "RSA" means a Rural Service Area for which the FCC has granted a cellular operating license. During the 1980's and early 1990's, the FCC awarded two 10-year licenses to provide cellular service in each MSA and RSA market. Initially, one license was

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

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

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

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

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

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

51 Rand McNally Major Trading Areas ("MTAs"), while one 30MHz and three 10MHz frequency blocks were awarded for each of the 493 Rand McNally Basic Trading Areas ("BTAs").

PCS technology permits PCS operators to offer wireless voice, data, image and multimedia services. The largest PCS providers commenced initial operations in late 1996 and since then have aggressively expanded their operations. These providers have initially focused on larger markets, and have generally marketed PCS as being a competitive service to cellular. Many of these companies have aggressively competed for customers on the basis of price, which has placed downward pressure on cellular prices. There is at least one PCS competitor in each of the Company's operated MSAs and certain of its operated RSAs.

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

In recent years, several large cellular providers have merged with other companies or formed joint ventures. Several of these joint ventures pooled their resources to develop extensive PCS systems. Many current or potential competitors of the Company have substantially greater financial and marketing resources than the Company.

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

OTHER OPERATIONS

The Company provides long distance, call center, security monitoring, cable television and interactive services in certain local and regional markets, as well as certain printing and related services. The results of these operations, which accounted for 4.9% and 3.2%, respectively, of the Company's consolidated revenues and operating income during 1998, are reflected for financial reporting purposes in the "Other operations" section in operating income.

Long distance. In 1996 the Company began marketing long distance service in all of its equal access telephone operating areas. At December 31, 1998, the Company provided long distance services to approximately 227,000 customers. Approximately 65% of the Company's long distance revenues are derived from service provided to residential customers. Although the Company owns and operates long distance switches in LaCrosse, Wisconsin and San Marcos, Texas, it anticipates that most of its future long distance service revenues will be provided by reselling service purchased from other facilities-based long distance providers. The Company intends to continue to expand its long distance business, principally through reselling arrangements.

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

PCS. In early 1997 the Company was awarded 12 PCS licenses, 11 of which are in Michigan, in connection with the FCC's auctions of 10MHz PCS licenses. The licenses cover areas with a population of approximately 4.0 million. As a result of the PTI acquisition, the Company acquired PCS licenses that cover areas with a population of approximately 4.1 million. In 1998, the Company began marketing PCS service in select Michigan markets as a fixed wireless local loop alternative to the LEC's service in these markets. Approximately \$15 million of the Company's 1999 capital expenditure budget is for development of the Company's PCS networks.

Security monitoring. The Company offers 24-hour burglary and fire monitoring services to approximately 6,000 customers in select markets in Louisiana, Arkansas, Mississippi, Texas and Ohio. The Company plans to expand the availability of this service to more of its markets in 1999.

Other. The Company, through one or more of its subsidiaries, provides audiotext services; printing, database management and direct mail services; and cable television services. In connection with its long-range plans to sell capacity to other carriers in or near certain of its select markets, the Company is currently constructing a \$20 million 650-to 700-mile fiber optic ring connecting several communities in southern and central Michigan. The Company also holds minority equity investments in certain

communications companies, and is in the process of developing deployment plans for 32 Local Multipoint Distribution System licenses acquired by the Company in 1998.

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

FORWARD-LOOKING STATEMENTS

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

- the effects of ongoing deregulation in the telecommunications industry as a result of the 1996 Act and other similar federal and state legislation and federal and state regulations enacted thereunder, including without limitation (i) greater than anticipated interconnection requests or competition in the Company's predominately rural local exchange telephone markets resulting therefrom, (ii) greater than anticipated reductions in revenues received from the Universal Service Fund or other current or future federal and state support funds designed to compensate LECs that provide services in high-cost markets, (iii) the final outcome of regulatory and judicial proceedings with respect to interconnection agreements and access charge reforms and (iv) future regulatory actions taken in response to the 1996 Act.

- the effects of greater than anticipated competition from PCS, SMR, ESMR, satellite or other wireless companies, including without limitation competition requiring new pricing or marketing strategies or new product offerings, and the attendant risk that the Company will not be able to respond on a timely or profitable basis.
- possible changes in the demand for the Company's products and services, including without limitation (i) lower than anticipated demand for traditional or premium telephone services or for additional access lines per household, (ii) lower than anticipated demand for wireless telephone services, whether caused by changes in economic conditions, technology, competition, health concerns or otherwise, and (iii) reduced demand for the Company's access or billing and collection services.
- the Company's ability to successfully introduce new offerings on a timely and cost-effective basis, including without limitation the Company's ability to (i) expand successfully its long distance and Internet offerings to new markets (including those acquired in December 1997 in the PTI acquisition or to be acquired in connection with future acquisitions), (ii) offer bundled service packages on terms attractive to its customers, (iii) offer digital cellular service and (iv) successfully initiate PCS and data services in its targeted markets.
- the risks inherent in rapid technological change, including without limitation (i) the lack of assurance that the Company's ongoing wireless network improvements will be sufficient to meet or exceed the capabilities and quality of competing networks, (ii) technological developments that could make the Company's analog and digital wireless networks uncompetitive or obsolete, such as the risk that the Time Division Multiple Access technology used by the Company will be uncompetitive with Code Division Multiple Access or other digital technologies, and (iii) the risk that technologies will not be developed by the Company on a timely or cost-effective basis or perform according to expectations.
- the Company's ability to effectively manage its growth, including without limitation the Company's ability to (i) integrate newly-acquired operations into the Company's operations, (ii) attract and retain technological and other key personnel to work at the Company's Monroe, Louisiana headquarters or regional offices, (iii) achieve projected economies of scale and cost savings, (iv) meet pro forma cash flow projections developed by management in valuing newly-acquired businesses and (v) implement necessary internal controls.
- the success and expense of the remediation efforts of the Company and its vendors in achieving year 2000 compliance (as discussed in greater detail in Item 7 of this report).
- regulatory limits on the Company's ability to change its prices for telephone services in response to competitive pressures.

- any difficulties in the Company's ability to expand through additional acquisitions, whether caused by financing constraints, a decrease in the pool of attractive target companies, or competition for acquisitions from other interested buyers.
- higher than anticipated wireless operating costs due to churn or to fraudulent uses of the Company's networks.
- the lack of assurance that the Company can compete effectively against better-capitalized competitors.
- the future unavailability of SFAS 71 to the Company's telephone subsidiaries.
- the effects of more general factors, including without limitation:
 - . changes in general industry and market conditions and growth rates
 - . changes in interest rates or other general national, regional or local economic conditions
 - . changes in legislation, regulation or public policy, including changes in federal rural financing programs
 - . unanticipated increases in capital, operating or administrative costs, or the impact of new business opportunities requiring significant up-front investments
 - . the continued availability of financing in amounts, and on terms and conditions, necessary to support the Company's operations
 - . changes in the Company's relationships with vendors
 - . changes in the Company's senior debt ratings
 - . unfavorable outcomes of regulatory or legal proceedings, including rate proceedings
 - . changes in accounting policies or practices adopted voluntarily or as required by generally accepted accounting principles.

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

OTHER MATTERS

The Company has certain obligations based on federal, state and local laws relating to the protection of the environment. Costs of compliance through 1998 have not been material and the Company currently has no reason to believe that such costs will become material.

For additional information concerning the business and properties of the Company, see notes 2, 4, 6, and 18 of Notes to Consolidated Financial Statements set forth in Item 8 elsewhere herein.

Item 2. Properties.

The Company's properties consist principally of (i) telephone lines, central office equipment, telephone instruments and related equipment, and land and buildings related to telephone operations, and (ii) switching and cell site equipment related to cellular telephone operations. As of December 31, 1998 and 1997, the Company's gross property, plant and equipment of approximately \$4.3 billion and \$3.8 billion, respectively, consisted of the following:

	December 31,	
	1998	1997
Telephone operations		
Cable and wire	47.7%	47.9
Central office equipment	27.9	27.9
General support	6.3	6.7
Information origination/termination equipment	1.7	1.7
Construction in progress	1.5	1.4
Other	.2	.2
	85.3	85.8
Cellular operations		
Cell site	7.4	7.4
General support	1.9	1.7
Construction in progress	.6	.6
Other	.1	.1
	10.0	9.8
Other	4.7	4.4
	100.0%	100.0

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

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

Item 3. Legal Proceedings.

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

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

Not applicable.

Executive Officers of the Registrant

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

PART II

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

Century's common stock is listed on the New York Stock Exchange and is traded under the symbol CTL. The following table sets forth the high and low sale prices, along with the quarterly dividends, for each of the quarters indicated (adjusted to reflect the March 1999 three-for-two stock split):

	<u>Sale prices</u>		<u>Dividend per common share</u>
	<u>High</u>	<u>Low</u>	
1998:			
First quarter	\$ 27-3/8	21-9/16	.0433
Second quarter	\$ 33-5/16	27-1/16	.0433
Third quarter	\$ 35-1/8	29-15/16	.0433
Fourth quarter	\$ 45-3/16	30-1/16	.0433
1997:			
First quarter	\$ 14-7/8	12-3/4	.0411
Second quarter	\$ 15-1/16	12-11/16	.0411
Third quarter	\$ 19-9/16	14-11/16	.0411
Fourth quarter	\$ 22-7/16	18-1/4	.0411

Common stock dividends during 1997 and 1998 were paid each quarter. As of February 28, 1999, there were approximately 6,054 stockholders of record of Century's common stock.

Item 6. Selected Financial Data.

The following table presents certain selected consolidated financial data as of and for each of the years ended in the five-year period ended December 31, 1998:

Selected Income Statement Data

	Year ended December 31,				
	1998	1997	1996	1995	1994
(Dollars, except per share amounts, and shares expressed in thousands)					
Operating revenues					
Telephone	\$ 1,091,610	530,597	451,538	419,242	391,265
Cellular	407,749	307,742	250,243	197,494	150,802
Other	77,726	63,182	47,896	28,104	22,534
Total operating revenues	\$ 1,577,085	901,521	749,677	644,840	564,601
Operating income					
Telephone	\$ 333,708	173,285	155,183	143,527	137,992
Cellular	130,580	88,081	67,914	57,009	31,443
Other	15,523	6,404	199	2,383	3,371
Total operating income	\$ 479,811	267,770	223,296	202,919	172,806
Gain on sale or exchange of assets (pre-tax)	\$ 49,859	169,640	815	6,782	15,877
Net income	\$ 228,757	255,978	129,077	114,776	100,238
Diluted earnings per share *	\$ 1.64	1.87	.95	.87	.80
Dividends per common share *	\$.173	.164	.16	.147	.142
Average diluted shares outstanding *	140,105	137,412	135,980	132,456	130,242

* Adjusted to reflect the March 1999 three-for-two stock split

Selected Balance Sheet Data

	December 31,				
	1998	1997	1996	1995	1994
(Dollars in thousands)					
Net property, plant and equipment	\$ 2,351,453	2,258,563	1,149,012	1,047,808	947,131
Excess cost of net assets acquired, net	\$ 1,956,701	1,767,352	532,410	493,655	441,436
Total assets	\$ 4,935,455	4,709,401	2,028,505	1,862,421	1,643,253
Long-term debt	\$ 2,558,000	2,609,541	625,930	622,904	518,603
Stockholders' equity	\$ 1,531,482	1,300,272	1,028,153	888,424	650,236

The following table presents certain selected consolidated operating data as of the end of each of the years in the five-year period ended December 31, 1998:

	Year ended December 31,				
	1998	1997	1996	1995	1994
Telephone access lines	1,346,567	1,203,650	503,562	480,757	454,963
Cellular units in service in majority-owned markets	624,119	569,983	368,233	290,075	211,710
Long distance customers	226,730	171,962	110,560	46,608	27,632

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

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

RESULTS OF OPERATIONS

OVERVIEW

Century Telephone Enterprises, Inc., which operates under the trade name of CenturyTel, and its subsidiaries (the "Company"), is a regional diversified communications company engaged primarily in providing local exchange telephone services and cellular telephone communications services. At December 31, 1998, the Company's local exchange telephone subsidiaries operated over 1.3 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 624,000 cellular subscribers. On December 1, 1997, the Company significantly expanded its operations by acquiring Pacific Telecom, Inc. ("PTI") for \$1.503 billion cash. As a result of the acquisition, the Company acquired (i) over 660,000 telephone access lines, (ii) over 88,000 cellular subscribers and (iii) various wireless, cable television and other communications assets. On December 1, 1998, the Company acquired from affiliates of Ameritech Corporation ("Ameritech") telephone operations serving 86,000 access lines in northern and central Wisconsin and the related telephone directories for approximately \$221 million cash. The operations of PTI are included in the Company's results of operations beginning December 1, 1997 and the operations of the former Ameritech properties are included in the Company's results of operations beginning December 1, 1998. See Acquisitions and Note 2 of Notes to Consolidated Financial Statements for additional information. During the three years ended December 31, 1998, the Company has acquired various other telephone and cellular operations, the impact of which has not been material to the financial position and results of operations of the Company.

The net income of the Company for 1998 was \$228.8 million, compared to \$256.0 million during 1997 and \$129.1 million during 1996. Diluted earnings per share for 1998 were \$1.64 compared to \$1.87 in 1997 and \$.95 in 1996. Excluding gain on sale or exchange of assets, the Company's net income (and

diluted earnings per share) for 1998, 1997 and 1996 was \$198.2 million (\$1.42), \$149.6 million (\$1.09) and \$128.6 million (\$.95), respectively.

Year ended December 31,	1998	1997	1996
	(Dollars, except per share amounts, and shares in thousands)		
Operating income			
Telephone	\$ 333,708	173,285	155,183
Cellular	130,580	88,081	67,914
Other	15,523	6,404	199
	479,811	267,770	223,296
Gain on sale or exchange of assets, net	49,859	169,640	815
Interest expense	(167,552)	(56,474)	(44,662)
Income from unconsoli- dated cellular entities	32,869	27,794	26,952
Minority interest	(12,797)	(5,498)	(6,675)
Other income and expense	5,268	5,109	3,916
Income tax expense	(158,701)	(152,363)	(74,565)
Net income	\$ 228,757	255,978	129,077
Diluted earnings per share*	\$ 1.64	1.87	.95
Average diluted shares outstanding*	140,105	137,412	135,980

* Adjusted to reflect stock split in early 1999. See Note 21 of Notes to Consolidated Financial Statements.

The Company's operating income for 1998 was \$479.8 million, an increase of \$212.0 million (79.2%) over 1997 operating income of \$267.8 million. During 1998 the operating income of the Company's telephone and wireless segments increased \$160.4 million (92.6%) and \$42.5 million (48.2%), respectively, while the operating income of the Company's other operations increased \$9.1 million (142.4%). The Company's operating income for 1996 was \$223.3 million.

Contributions to operating revenues and operating income by the Company's telephone, wireless and other operations for each of the years in the three-year period ended December 31, 1998 were as follows:

Year ended December 31,	1998	1997	1996
Operating revenues			
Telephone operations	69.2%	58.9	60.2
Wireless operations	25.9%	34.1	33.4
Other operations	4.9%	7.0	6.4
Operating income			
Telephone operations	69.6%	64.7	69.5
Wireless operations	27.2%	32.9	30.4
Other operations	3.2%	2.4	.1

As indicated by the chart above, the percentage of the Company's total operating revenues and operating income contributed by its telephone operations significantly increased during 1998 as a result of the Company's acquisition of PTI on December 1, 1997.

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 newly-acquired properties 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, 1998. 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.

TELEPHONE OPERATIONS

The Company conducts its telephone operations in rural, suburban and small urban communities in 21 states. As of December 31, 1998, approximately 86% of the Company's 1.3 million telephone access lines were in Wisconsin, Washington, Alaska, Michigan, Louisiana, Colorado, Ohio, Oregon and Montana. In August 1998 the Company entered into a definitive agreement to sell all of its operations in Alaska. This transaction is expected to close in the second quarter of 1999. As of December 31, 1998, the Company had approximately 132,000 access lines in Alaska. The operating revenues, expenses and income of the Company's telephone operations for 1998, 1997 and 1996 are summarized below.

Year ended December 31,	1998	1997	1996
	(Dollars in thousands)		
Operating revenues			
Local service	\$ 331,736	147,589	121,728
Network access	629,583	319,301	276,123
Other	130,291	63,707	53,687
	<u>1,091,610</u>	<u>530,597</u>	<u>451,538</u>
Operating expenses			
Plant operations	245,164	110,220	90,083
Customer operations	92,552	50,819	43,413
Corporate and other	157,293	80,551	67,066
Depreciation and amortization	262,893	115,722	95,793
	<u>757,902</u>	<u>357,312</u>	<u>296,355</u>
Operating income	<u>\$ 333,708</u>	<u>173,285</u>	<u>155,183</u>

Local service revenues

Local service revenues are derived from the provision of local exchange telephone services in the Company's service areas. The \$184.1 million (124.8%) increase in such revenues in 1998 included \$171.0 million from acquired properties, of which \$169.2 million was from the PTI properties; \$10.7 million due to the internal increase in the number of customer access lines; and \$3.0 million due to the increased provision of custom calling features. The \$25.9 million increase in revenues in 1997 included \$17.4 million from acquired properties, of which \$15.0 million was from the PTI properties; \$5.6 million due to the internal increase in the number of customer access lines; and \$2.8 million due to the increased provision of custom calling features. Internal access line growth during 1998, 1997 and 1996 was 4.7%, 4.4% and 4.3%, respectively.

Network access revenues

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

Network access revenues increased \$310.3 million (97.2%) in 1998 and \$43.2 million in 1997 due to the following factors:

	1998 increase (decrease)	1997 increase (decrease)
	(Dollars in thousands)	
PTI acquisition	\$ 278,471	26,040
Increased recovery from the federal Universal Service Fund ("USF")	8,329	11,314
Increased minutes of use	8,846	5,033
Acquisitions, excluding PTI	1,013	3,465
Partial recovery of increased operating costs through revenue sharing arrangements with other telephone companies and return on rate base	10,440	2,454
Other, net	3,183	(5,128)
	<u>\$ 310,282</u>	<u>43,178</u>

Included in "Other, net" for 1998 and 1997 were decreases of \$1.8 million and \$3.8 million, respectively, in access revenues due to the reductions in intrastate switched access rates mandated by the Louisiana Public Service Commission ("LPSC") which were phased in from July 1995 through July 1997.

Other revenues

Other revenues include revenues related to (i) leasing, selling, installing, maintaining and repairing customer premise telecommunications equipment and wiring ("CPE services"), (ii) providing billing and collection services for long distance carriers, (iii) participating in the publication of local directories and (iv) providing Internet access. Acquisitions contributed \$60.7 million (which includes \$60.3 million related to PTI) to the \$66.6 million increase in other revenues in 1998. Exclusive of acquisitions, revenues from the provision of Internet access and CPE services increased \$3.9 million and \$3.5 million, respectively, in 1998. Other revenues increased \$10.0 million in 1997, of which \$4.6 million was attributable to the PTI acquisition. Revenues from CPE services and the provision of Internet access contributed \$3.5 million and \$2.5 million, respectively, of the remainder of the increase in other revenues in 1997.

Operating expenses

Plant operations expenses during 1998 and 1997 increased \$134.9 million (122.4%) and \$20.1 million (22.4%), respectively. Expenses incurred by the PTI and former Ameritech operations in 1998 accounted for \$120.4 million of the 1998 increase. The remainder of the increase in 1998 was primarily due to an increase in salaries and benefits. Expenses incurred by the PTI operations in 1997 accounted for \$12.0 million of the 1997 increase. Exclusive of PTI, expenses incurred in connection with providing Internet access to a larger number of customers contributed \$3.5 million to the 1997 increase and other acquisitions accounted for \$1.8 million of such increase.

Customer operations, corporate and other expenses increased \$118.5 million (90.2%) in 1998, of which \$110.7 million was applicable to the PTI properties. Exclusive of acquisitions, the remainder of the 1998 increase was due to a \$4.3 million increase in salaries and benefits and a \$2.0 million increase in marketing expenses. Of the \$20.9 million increase in these expenses in 1997, \$13.4 million was incurred by acquired properties (of which \$11.2 million was incurred by PTI). Exclusive of acquisitions, \$1.7 million of the remaining increase in 1997 expenses was due to an increase in marketing expenses, \$1.6 million was due to higher operating taxes and \$1.4 million was due to expenses incurred in the increased provision of CPE services.

Depreciation and amortization increased \$147.2 million (127.2%) and \$19.9 million (20.8%) in 1998 and 1997, respectively. Approximately \$136.6 million of the 1998 increase was applicable to acquiring and operating PTI (of which \$27.9 million represented amortization of goodwill) and \$1.3 million was applicable to the former Ameritech properties. Approximately \$11.4 million of the 1997 increase was applicable to acquiring and operating PTI (of which \$1.5 million represented amortization of goodwill). Exclusive of acquisitions, depreciation expense included nonrecurring additional depreciation charges approved by regulators in certain jurisdictions which aggregated \$6.2 million in 1998 and \$4.4 million in

1997. In addition, the Company obtained increased depreciation rates in certain jurisdictions which increased depreciation expense by \$1.1 million in 1998 and \$4.4 million in 1997. The remaining increases in depreciation and amortization in 1998 and 1997 were due to higher levels of plant in service. The composite depreciation rate for the Company's regulated telephone properties, including the additional depreciation charges, was 6.9% for 1998, 7.4% for 1997 and 7.5% for 1996. The properties acquired in the PTI acquisition historically have had a lower composite depreciation rate than the Company's incumbent properties.

Other

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

CELLULAR OPERATIONS AND INCOME FROM UNCONSOLIDATED CELLULAR ENTITIES

Year ended December 31,	1998	1997	1996
	(Dollars in thousands)		
Operating income - cellular operations	\$ 130,580	88,081	67,914
Minority interest	(12,635)	(6,916)	(7,062)
Income from unconsolidated cellular entities	32,869	27,794	26,952
	<u>\$ 150,814</u>	<u>108,959</u>	<u>87,804</u>

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

CELLULAR OPERATIONS

All of the Company's cellular customers are located in Michigan, Louisiana, Wisconsin, Mississippi, Texas, Alaska and Arkansas. The operating revenues, expenses and income of the Company's cellular operations for 1998, 1997 and 1996 are summarized below.

Year ended December 31,	1998	1997	1996
	(Dollars in thousands)		
Operating revenues			
Service revenues	\$ 398,661	302,156	246,037
Equipment sales	9,088	5,586	4,206
	407,749	307,742	250,243
Operating expenses			
Cost of equipment sold	16,954	14,576	12,771
System operations	59,920	47,572	36,301
General, administrative and customer service	80,827	62,258	52,891
Sales and marketing	57,466	54,128	46,793
Depreciation and amortization	62,002	41,127	33,573
	277,169	219,661	182,329
Operating income	\$ 130,580	88,081	67,914

Operating revenues

Service revenues include monthly service fees for providing access and airtime to customers, service fees for providing airtime to other carriers' customers roaming through the Company's service areas and toll revenue. Cellular service revenues during 1998 increased to \$398.7 million from \$302.2 million in 1997 and \$246.0 million in 1996.

Of the \$96.5 million increase in service revenues in 1998 and the \$56.1 million increase in 1997, \$76.1 million and \$11.8 million, respectively, was attributable to acquisitions of properties. Excluding acquisitions, the remainder of the increases in cellular service revenues were primarily attributable to the increases in cellular usage in the Company's incumbent markets due to the increased demand for wireless services. Exclusive of acquisitions, local and toll revenues increased \$9.4 million (4.0%) in 1998 and \$34.9 million (17.5%) in 1997 while roaming revenues increased \$10.9 million (18.5%) in 1998 and \$12.6 million (27.1%) in 1997.

The following table further illustrates the growth in the Company's cellular customer base in its majority-owned markets:

Year ended December 31,	1998	1997	1996
Customers at beginning of period	569,983	368,233	290,075
Gross units added internally	214,596	193,623	165,377
Disconnects	160,460	115,473	92,069
Net units added	54,136	78,150	73,308
Net effect of property acquisitions	-	123,600	4,850
Customers at end of period	624,119	569,983	368,233

The average monthly service revenue per customer (including acquisitions) declined to \$57 during 1998 from \$61 in 1997 and \$63 in 1996 due to the continued trend that a higher percentage of new subscribers tend to be lower usage customers and to a reduction in rates. 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.

Operating expenses

System operations expenses increased \$12.3 million (26.0%) in 1998 primarily due to \$15.6 million of expenses attributable to acquisitions. Such increase was partially offset by a \$6.1 million decrease in the net amounts paid to other carriers for cellular service provided to the Company's customers who roam in the other carriers' service areas primarily due to a decrease in rates. The \$11.3 million (31.0%) increase in system operations expenses in 1997 included a \$4.7 million increase in the net amounts paid to other carriers for cellular service provided to the Company's customers who roam in the other carriers' service areas and \$2.8 million of expenses incurred by acquired properties. The remainder of the increase in system operations expenses in 1997 resulted primarily from the operation of more cell sites.

The Company operated 615 cell sites at December 31, 1998 in entities in which it had a majority interest, compared to 558 at December 31, 1997 and 354 at December 31, 1996. In 1997, 155 cell sites were added through acquisitions.

General, administrative and customer service expenses increased \$18.6 million (29.8%) in 1998, of which \$13.4 million was attributable to expenses of entities acquired. The remainder of the 1998 increase was primarily due to a \$2.1 million increase in the provision for doubtful accounts and a \$1.8 million increase in customer service expenses. Of the \$9.4 million (17.7%) increase in 1997 expenses, \$3.0 million was applicable to acquired operations. The remainder of the increase in 1997 was primarily due to a \$2.4 million increase in customer service and retention costs and a \$2.4 million increase in billing costs.

Churn rate (the percentage of cellular customers that terminate service) is an industry-wide concern. The Company faces substantial competition from other wireless providers, including Personal Communication Services ("PCS"). A significant portion of the churn in the Company's cellular markets is due to the Company disconnecting service to customers for nonpayment. The Company's average monthly churn rate was 2.23% in 1998, 2.31% in 1997 and 2.37% in 1996.

Sales and marketing expenses increased \$3.3 million (6.2%) in 1998 primarily due to \$9.7 million of expenses of acquired entities, a \$2.9 million increase in costs incurred in selling products and services in

retail locations and a \$2.4 million increase in advertising expenses. Such increases were substantially offset by a \$10.6 million reduction in commissions paid to agents for selling services to new customers primarily as a result of fewer cellular units being added through this distribution channel during 1998 as compared to 1997. The 1997 increase in sales and marketing expenses of \$7.3 million (15.7%) included a \$4.9 million increase in costs incurred in selling products and services in retail locations and a \$2.8 million increase applicable to operations acquired.

Depreciation and amortization increased \$20.9 million (50.8%) in 1998 and \$7.6 million in 1997, of which \$14.5 million and \$2.1 million, respectively, was attributable to acquisitions. The remainder of the 1998 and 1997 increases were primarily due to higher levels of plant in service.

Other

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

OTHER OPERATIONS

Other operations include the results of operations of subsidiaries of the Company which are not included in the telephone or cellular segments including, but not limited to, the Company's non-regulated long distance and call center operations and the Company's competitive access subsidiary (which was sold to Brooks Fiber Properties, Inc. ("Brooks") in May 1997). The operating revenues, expenses and income of the Company's other operations for 1998, 1997 and 1996 are summarized below.

Year ended December 31,	1998	1997	1996
	(Dollars in thousands)		
Operating revenues			
Long distance	\$ 53,027	36,550	28,894
Call center	9,701	14,285	8,832
Competitive access	-	2,499	2,730
Other	14,998	9,848	7,440
	<u>77,726</u>	<u>63,182</u>	<u>47,896</u>
Operating expenses			
Cost of sales and operating expenses	58,544	54,132	45,042
Depreciation and amortization	3,659	2,646	2,655
	<u>62,203</u>	<u>56,778</u>	<u>47,697</u>
Operating income	\$ <u>15,523</u>	<u>6,404</u>	<u>199</u>

The 1998 and 1997 increases of \$16.5 million and \$7.7 million, respectively, in long distance revenues were attributable to the growth in the number of customers. The number of long distance customers as of December 31, 1998, 1997 and 1996 was 226,700, 172,000 and 110,600, respectively. The \$4.6 million decrease in 1998 call center revenues was primarily due to the loss of two major customers in the fourth quarter of 1997. The \$5.5 million increase in call center revenues in 1997 was primarily due to an increase

in customers prior to the loss of the two major customers in late 1997. The increases in other revenues of \$5.2 million in 1998 and \$2.4 million in 1997 was primarily attributable to the acquisition of cable television properties in the PTI acquisition and the acquisition of two security businesses.

Operating expenses in 1998 increased due to (i) an increase of \$13.6 million in expenses of the Company's long distance operations due primarily to an increase in customers and (ii) \$6.6 million of operating expenses applicable to acquisitions. Such increases were substantially offset by decreases in operating expenses because (i) 1997 included \$9.2 million of costs applicable to entities sold during 1997 and (ii) the amount of intercompany profit with regulated affiliates (the recognition of which in accordance with regulatory accounting principles acts to offset operating expenses) increased \$5.8 million as a result of the acquisition of PTI.

In 1997 an increase in operating expenses of \$11.7 million incurred by the long distance and call center operations was partially offset by a decrease of \$4.1 million in operating expenses incurred by the Company's competitive access subsidiary.

Certain of the Company's service subsidiaries provide managerial, operational, technical and accounting services, along with materials and supplies, to the Company's telephone subsidiaries. In accordance with regulatory accounting, intercompany profit on transactions with regulated affiliates has not been eliminated in connection with consolidating the results of operations of the Company. When the regulated operations of the Company no longer qualify for the application of Statement of Financial Accounting Standards No. 71 ("SFAS 71"), "Accounting for the Effects of Certain Types of Regulation," such intercompany profit will be eliminated in subsequent financial statements, the primary result of which will be a decrease in operating expenses applicable to the Company's telephone operations and an increase in operating expenses applicable to the Company's other operations segment. The amount of intercompany profit with regulated affiliates which was not eliminated was approximately \$14.4 million, \$8.9 million and \$7.7 million in 1998, 1997 and 1996, respectively. For additional information applicable to SFAS 71, see Regulation and Competition - Other Matters.

GAIN ON SALE OR EXCHANGE OF ASSETS, NET

In 1998 the Company recorded net pre-tax gains aggregating \$49.9 million (\$30.5 million after-tax; \$.22 per diluted share) primarily due to the conversion of its investment in the common stock of Brooks into common stock of MCIWorldCom, 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 14 of Notes to Consolidated Financial Statements for additional information.

In the second quarter of 1997, the Company sold its competitive access subsidiary to Brooks in exchange for approximately 4.3 million shares of Brooks' common stock and recorded a pre-tax gain of

approximately \$71 million (\$46 million after-tax; \$.34 per diluted share). In November 1997 the Company sold approximately 3.8 million shares of Brooks' stock and recorded a pre-tax gain of approximately \$108 million (\$66 million after-tax; \$.48 per diluted share).

INTEREST EXPENSE

Interest expense increased \$111.1 million in 1998 primarily due to \$89.7 million of interest expense on the borrowings used to finance the PTI and Ameritech acquisitions and \$23.2 million of interest expense applicable to PTI's debt.

Interest expense increased \$11.8 million in 1997 primarily due to \$7.2 million of interest expense on the borrowings used to finance the PTI acquisition and \$3.5 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 \$5.1 million (18.3%) in 1998 primarily due to \$7.3 million of earnings of unconsolidated cellular entities acquired in the PTI acquisition. Such increase was partially offset by a \$2.5 million decrease due to the sale of the Company's minority interests in two non-strategic cellular entities during the second quarter of 1998.

The improvement in profitability in 1997 of most of the cellular entities in which the Company owns less than a majority interest was substantially offset by a \$2.4 million decrease in the Company's portion of the profits of a partnership in which the Company has a significant ownership interest.

MINORITY INTEREST

Minority interest is the expense recorded by the Company to reflect the minority interest owners' share of the earnings of the Company's majority-owned and operated cellular entities and majority-owned subsidiaries. Of the \$7.3 million increase in minority interest in 1998, \$2.0 million was associated with entities acquired in the PTI acquisition. The remainder of the increase was primarily due to the increased profitability of the Company's majority-owned and operated cellular entities.

The decrease in minority interest in 1997 of \$1.2 million was due to the effect of the Company's acquisition, during the second quarter of 1996, of an additional 25% interest in a Louisiana cellular partnership which decreased the minority interest percentage of such partnership.

INCOME TAX EXPENSE

The Company's effective income tax rate was 41.0%, 37.3% and 36.6% in 1998, 1997 and 1996, respectively. Such increase in the effective income tax rate for 1998 was primarily due to the increase in non-deductible amortization of excess cost of net assets acquired (goodwill) attributable to the PTI acquisition.

ACQUISITIONS

On December 1, 1998, the Company acquired the assets of certain of Ameritech's telephone operations and the related telephone directories in 19 telephone exchanges covering 21 communities in northern and central Wisconsin for approximately \$221 million cash. The operations acquired by the Company include the telephone property and equipment that serves nearly 69,000 customers, or approximately 86,000 access lines, as well as the related nine telephone directories. The Company provided initial financing for this acquisition through its committed credit facilities and will ultimately finance this transaction with proceeds from the sale of the Company's Alaska operations, which the Company expects to close during the second quarter of 1999 for \$415 million cash, subject to various adjustments.

On December 1, 1997, the Company acquired PTI in exchange for \$1.503 billion cash. To finance the acquisition, the Company borrowed \$1.288 billion under its committed credit facility and paid the remainder of the purchase price with available cash, most of which consisted of the proceeds of the sale of Brooks' common stock in November 1997. See Liquidity and Capital Resources - Financing Activities for additional information. As a result of the acquisition, the Company acquired (i) over 660,000 telephone access lines located in four midwestern states, seven western states and Alaska, (ii) over 88,000 cellular subscribers in two midwestern states and Alaska and (iii) various wireless, cable television and other communications assets. For additional information, see Note 2 of Notes to Consolidated Financial Statements.

ACCOUNTING PRONOUNCEMENTS

In 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.

In February 1998 the FASB issued Statement of Financial Accounting Standards No. 132, "Employers' Disclosures About Pensions and Other Postretirement Benefits," which standardizes the disclosure requirements for pensions and other postretirement benefits.

In March 1998 the Accounting Standards Executive Committee issued Statement of Position 98-1 ("SOP 98-1"), "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." SOP 98-1 requires that certain costs related to the development or purchase of internal-use software be capitalized and amortized over the estimated useful life of the software. The impact of SOP 98-1 on the Company's results of operations is not expected to be material. SOP 98-1 is effective for financial statements issued for fiscal years beginning after December 15, 1998.

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.

INFLATION

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

MARKET RISK

The Company is not exposed to material future earnings or cash flow exposures from changes in interest rates on long-term debt obligations since the majority of the Company's long-term obligations are fixed rate. At December 31, 1998, the fair value of the Company's long-term debt was estimated to be \$2.7 billion based on the overall weighted average rate of the Company's long-term debt of 6.6% and an overall weighted maturity of 14 years compared to terms and rates currently available in long-term financing markets. Market risk is estimated as the potential decrease in fair value of the Company's long-term debt resulting from a hypothetical increase of 66 basis points in interest rates (ten percent of the Company's

overall weighted average borrowing rate). Such an increase in interest rates would result in approximately a \$115.3 million decrease in fair value of the Company's long-term debt. In early 1998 the Company utilized interest rate hedge contracts to manage its interest rate risk related to the issuance of \$765.0 million of senior notes and debentures. During 1998 the Company did not enter into any derivative financial instruments and is currently not evaluating the future use of such financial instruments.

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 telecommunications 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:

- 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.
- With respect to critical services provided by utilities and other third parties, the Company has contacted all such suppliers during 1998. Thus far, a majority of those suppliers who have responded have indicated 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.
- 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.
- 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 CPE. 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 increased expenses associated with stabilizing operations and executing mitigation 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 during 1999.

Although the total costs to implement the Plan cannot be precisely estimated, the Company incurred costs of \$4.2 million during 1998 (none of which was related to hardware costs) and anticipates spending an aggregate of approximately \$32.1 million during 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.

LIQUIDITY AND CAPITAL RESOURCES

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

Operating activities

Net cash provided by operating activities was \$467.8 million, \$297.3 million and \$264.7 million in 1998, 1997 and 1996, respectively. The Company's accompanying consolidated statements of cash flows

identify major differences between net income and net cash provided by operating activities for each of those years. For additional information relating to the telephone operations, cellular operations and other operations of the Company, see Results of Operations.

Investing activities

Net cash used in investing activities was \$375.6 million, \$1.503 billion and \$241.8 million in 1998, 1997 and 1996, respectively. Cash used for acquisitions was \$225.6 million during 1998 compared to \$1.544 billion during 1997 and \$46.3 million during 1996. See Results of Operations - Acquisitions for additional information. Capital expenditures for 1998 were \$233.2 million for telephone operations, \$49.5 million for cellular operations and \$28.2 million for corporate and other operations. Capital expenditures during 1997 and 1996 were \$181.2 million and \$222.9 million, respectively. Proceeds from the sale of assets were \$132.3 million in 1998 and \$202.7 million in 1997.

Financing activities

Net cash used in financing activities in 1998 was \$112.4 million. Net cash provided by financing activities was \$1.223 billion during 1997, of which \$1.288 billion was related to the acquisition of PTI. Net cash used in financing activities was \$23.0 million during 1996. In December 1997 the Company filed a shelf registration statement with the United States Securities and Exchange Commission registering \$1.5 billion of senior unsecured debt securities, preferred stock, common stock and warrants, under which the Company issued \$665 million of senior debt securities in January 1998 concurrent with the issuance of the remaining \$100 million of senior debt securities under its predecessor shelf registration statement. The net proceeds of approximately \$758 million were used to reduce the bank indebtedness incurred by the Company in connection with its December 1997 acquisition of PTI. In addition, the Company paid approximately \$40 million in 1998 to settle numerous interest rate hedge contracts that had been entered into in anticipation of these debt issuances.

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

Other

Budgeted capital expenditures for 1999 total \$215 million for telephone operations, \$70 million for cellular operations and \$60 million for corporate and other operations. The Company anticipates that capital expenditures in its telephone operations will continue to include the installation of fiber optic cable and the upgrading of its plant and equipment, including its digital switches, to provide enhanced services. Capital expenditures in the cellular operations are expected to continue to focus on constructing additional cell sites (which will provide additional capacity and expanded areas where hand-held cellular phones may

be used) and providing digital service. Capital expenditures for corporate and other operations include \$20 million for construction of the Company's fiber network in Michigan and \$15 million for continued expansion of the Company's PCS operations.

In April 1998 the Company acquired 32 Local Multipoint Distribution System licenses in the FCC's A and B band auctions 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.

The Company continually evaluates the possibility of acquiring additional telecommunications operations and expects to continue its long-term strategy of pursuing the acquisition of attractive communications properties in exchange for cash, securities or both. Over the past few years, the amount of communications properties available to be purchased by the Company has increased substantially. The Company may require additional financing in connection with any such acquisitions. Approximately 3.8 million shares of Century common stock and 200,000 shares of Century preferred stock remain available for future issuance in connection with acquisitions under an acquisition shelf registration statement.

As of December 31, 1998, the Company's telephone subsidiaries had available for use \$135.1 million of commitments for long-term financing from the Rural Utilities Service and the Company had \$332.6 million of undrawn committed bank lines of credit. The Company also has access to debt and equity capital markets, including its shelf registration statement mentioned above.

The following table reflects the Company's debt to total capitalization percentage and ratio of earnings to fixed charges as of and for the years ended December 31:

	1998	1997	1996
Debt to total capitalization percentage	63.0%	67.2	38.6
Ratio of earnings to fixed charges	2.25	7.80	5.10
Ratio of earnings to fixed charges excluding gain on sale or exchange of assets	1.96	4.87	5.09

REGULATION AND COMPETITION

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

Events affecting the communications industry

In 1996 the United States Congress enacted the Telecommunications Act of 1996 (the "1996 Act"), which obligates LECs to permit competitors to interconnect their facilities to the LEC's network and to take various other steps that are designed to promote competition. The 1996 Act provides certain exemptions for rural LECs such as those operated by the Company. Under the FCC's August 1996 order implementing most of the 1996 Act's interconnection provisions, rural LECs have the burden of proving the availability of these exemptions.

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

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

As part of its universal service order, the FCC also established a new program in January 1998 to provide up to \$2.25 billion of discounted telecommunications services annually to schools and libraries. In addition, the FCC established a \$400 million annual fund to provide discounted telecommunications services for rural health care providers. All communications carriers providing interstate telecommunications services, including the Company's LECs and its cellular and long distance operations, are required to contribute to these programs. The FCC has stated that LECs will recover their funding contributions in their rates for interstate services. The Company's contribution by its cellular and long distance operations for 1998, which was passed on to its customers, was approximately \$3.1 million.

In an access charge reform order adopted in May 1997, the FCC changed its system of interstate access charges to make them compatible with the deregulatory framework established by the 1996 Act. Such changes are primarily applicable to price-cap companies. The Company's telephone subsidiaries determine interstate revenues under rate of return regulation and are, therefore, only minimally impacted by the access charge reform order. In July 1998 the FCC issued a Notice of Proposed Rulemaking to amend the access

charge rules for rate of return companies in a manner similar to that adopted for price cap companies, subject to reviewing whether differences exist between price cap companies and rate of return companies that would require different rules in order to achieve the goal of fostering an efficient, competitive marketplace. Comments were filed with the FCC in August 1998; the FCC has not yet issued a final ruling on this matter.

In 1998 the FCC created a federal-state joint board to review jurisdictional separations procedures through which the costs of regulated telecommunications services are allocated to the interstate and intrastate jurisdictions.

In recent years the FCC has allocated additional frequency spectrum for wireless technologies that compete or are expected to compete with cellular, including PCS and mobile satellite services. The FCC has also authorized certain specialized mobile radio service licensees to operate in a manner competitive with cellular systems.

In September 1998 the FCC initiated a proceeding to represcribe the authorized rate of return for interstate access services provided by 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. It is uncertain whether or by how much the FCC may lower the authorized rate of return.

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

Recent events affecting the Company

During 1998 the Company's revenues from the USF increased approximately \$62.3 million (of which \$58.8 million was applicable to the PTI properties) to \$127.6 million after increasing \$16.1 million during 1997. Although the Company anticipates that it may experience a reduction in its federal support revenues at some point in the future, management believes it is premature to assess or estimate the ultimate impact thereof. There can be no assurance, however, that such impact will not be material.

During the last few years, several states in which the Company has substantial operations took legislative or regulatory steps to further introduce competition into the LEC business. While the Company

is aware of only a few companies which have requested authorization to provide local exchange service in the Company's service areas, it is anticipated that similar action may be taken by others in the future.

In June 1997 the Louisiana Public Service Commission ("LPSC") adopted a Consumer Price Protection Plan (the "Consumer Plan"), effective July 1997, which froze the local rates and access rates that can be charged by the Company's LECs operating in Louisiana. Although the Consumer Plan has no specified term, the LPSC is required to review it by mid-2000. The Company's Louisiana LECs have the option to propose a new plan at any time if the LPSC determines that (i) effective competition exists or (ii) unforeseen events threaten the LEC's ability to provide adequate service or impair its financial health. Certain other states have implemented various forms of alternative regulation plans, the impact of which has not been material either individually or in the aggregate to the results of operations of the Company.

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

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

Other matters

The Company's regulated telephone operations are subject to the provisions of SFAS 71, under which the Company is required to account for the economic effects of the rate-making process, including the recognition of depreciation of plant and equipment over lives approved by regulators. The ongoing applicability of SFAS 71 to the Company's regulated telephone operations is being monitored due to the changing regulatory, competitive and legislative environments. When the regulated operations of the Company no longer qualify for the application of SFAS 71, the net adjustments required will result in a material, extraordinary, noncash charge against earnings. While the amount of such charge cannot be precisely estimated at this time, management believes that the noncash, after-tax, extraordinary charge would be between \$350 million and \$400 million. See Note 12 of Notes to Consolidated Financial Statements for additional information.

The Company has certain obligations based on federal, state and local laws relating to the protection of the environment. Costs of compliance through 1998 have not been material, and the Company currently has no reason to believe that such costs will become material.

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

The Company is not exposed to material future earnings or cash flow exposures from changes in interest rates on long-term obligations since the majority of the Company's long-term obligations are fixed rate. At December 31, 1998, the Company estimates that the fair value of the Company's long-term debt was \$2.7 billion which was determined by comparing the overall weighted average rate of the Company's long-term debt of 6.6% and an overall weighted maturity of 14 years to terms and rates currently available in long-term financing markets. Market risk is estimated as the potential decrease in fair value of the Company's long-term debt resulting from a hypothetical increase of 66 basis points in interest rates (ten percent of the Company's overall weighted average borrowing rate). Such an increase in interest rates would result in approximately a \$115.3 million decrease in fair value of the Company's long-term debt. In late 1997 and early 1998 the Company utilized interest rate hedge contracts to manage its interest rate risk related to its January 1998 issuance of \$765.0 million of senior notes and debentures. During 1998 the Company did not enter into any derivative financial instruments and is not currently evaluating the future use of such financial instruments.

Report of Management

The Shareholders

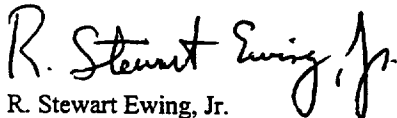
Century Telephone Enterprises, Inc.:

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

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

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

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



R. Stewart Ewing, Jr.

Senior Vice President and Chief Financial Officer

Independent Auditors' Report

The Board of Directors

Century Telephone Enterprises, Inc.:

We have audited the consolidated financial statements of Century Telephone Enterprises, Inc. and subsidiaries as listed in Item 14a(i). In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedules as listed in Item 14a(ii). These consolidated financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedules based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Century Telephone Enterprises, Inc. and subsidiaries as of December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1998, in conformity with generally accepted accounting principles. Also in our opinion, the related financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

/s/ KPMG LLP

KPMG LLP

KPMG LLP

Shreveport, Louisiana

January 28, 1999, except as to Note 21 which is as of February 23, 1999

CENTURY TELEPHONE ENTERPRISES, INC.
Consolidated Statements of Income

	Year ended December 31,		
	1998	1997	1996
	(Dollars in thousands, except per share amounts)		
OPERATING REVENUES			
Telephone	\$ 1,091,610	530,597	451,538
Cellular	407,749	307,742	250,243
Other	77,726	63,182	47,896
Total operating revenues	1,577,085	901,521	749,677
OPERATING EXPENSES			
Cost of sales and operating expenses	768,720	474,256	394,360
Depreciation and amortization	328,554	159,495	132,021
Total operating expenses	1,097,274	633,751	526,381
OPERATING INCOME	479,811	267,770	223,296
OTHER INCOME (EXPENSE)			
Gain on sale or exchange of assets, net	49,859	169,640	815
Interest expense	(167,552)	(56,474)	(44,662)
Income from unconsolidated cellular entities	32,869	27,794	26,952
Minority interest	(12,797)	(5,498)	(6,675)
Other income and expense	5,268	5,109	3,916
Total other income (expense)	(92,353)	140,571	(19,654)
INCOME BEFORE INCOME TAX EXPENSE	387,458	408,341	203,642
Income tax expense	158,701	152,363	74,565
NET INCOME	\$ 228,757	255,978	129,077
BASIC EARNINGS PER SHARE*	\$ 1.67	1.89	.96
DILUTED EARNINGS PER SHARE*	\$ 1.64	1.87	.95
DIVIDENDS PER COMMON SHARE*	\$.173	.164	.16

*Adjusted to reflect stock split in early 1999. See Note 21.

See accompanying notes to consolidated financial statements.

CENTURY TELEPHONE ENTERPRISES, INC.
Consolidated Statements of Comprehensive Income

	Year ended December 31		
	1998	1997	1996
	(Dollars in thousands)		
Net income	\$ 228,757	255,978	129,077
Other comprehensive income, net of tax:			
Unrealized holding gains arising during period, net of tax of \$8,509 and \$6,404	15,802	11,893	-
Reclassification adjustment for gains included in net income, net of tax of \$11,027	(20,478)	-	-
Other comprehensive income, net of tax	(4,676)	11,893	-
Comprehensive income	\$ 224,081	267,871	129,077

See accompanying notes to consolidated financial statements.

CENTURY TELEPHONE ENTERPRISES, INC.
Consolidated Balance Sheets

	December 31,	
	1998	1997
	(Dollars in thousands)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 5,742	26,017
Accounts receivable		
Customers, less allowance of \$4,155 and \$5,954	130,289	143,613
Other	55,109	83,659
Materials and supplies, at average cost	23,709	21,994
Other	11,389	8,197
Total current assets	226,238	283,480
NET PROPERTY, PLANT AND EQUIPMENT	2,351,453	2,258,563
INVESTMENTS AND OTHER ASSETS		
Excess cost of net assets acquired, less accumulated amortization of \$133,135 and \$84,132	1,956,701	1,767,352
Other	401,063	400,006
Total investments and other assets	2,357,764	2,167,358
TOTAL ASSETS	\$ 4,935,455	4,709,401
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 53,010	55,244
Accounts payable	87,627	83,378
Accrued expenses and other current liabilities		
Salaries and benefits	36,900	38,225
Taxes	33,411	74,898
Interest	36,926	20,821
Other	24,249	25,229
Advance billings and customer deposits	32,721	24,213
Total current liabilities	304,844	322,008
LONG-TERM DEBT	2,558,000	2,609,541
DEFERRED CREDITS AND OTHER LIABILITIES	541,129	477,580
STOCKHOLDERS' EQUITY		
Common stock, \$1.00 par value, authorized		
175,000,000 shares, issued and outstanding		
138,082,926* and 91,103,674 shares	138,083	91,104
Paid-in capital	451,535	469,586
Unrealized holding gain on investments, net of taxes	7,217	11,893
Retained earnings	932,611	728,033
Unearned ESOP shares	(6,070)	(8,450)
Preferred stock - non-redeemable	8,106	8,106
Total stockholders' equity	1,531,482	1,300,272
TOTAL LIABILITIES AND EQUITY	\$ 4,935,455	4,709,401

*Adjusted to reflect stock split in early 1999. See Note 21.

See accompanying notes to consolidated financial statements.

CENTURY TELEPHONE ENTERPRISES, INC.
Consolidated Statements of Cash Flows

	Year ended December 31,		
	1998	1997	1996
	(Dollars in thousands)		
OPERATING ACTIVITIES			
Net income	\$ 228,757	255,978	129,077
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	328,554	159,495	132,021
Income from unconsolidated cellular entities	(32,869)	(27,794)	(26,952)
Minority interest	12,797	5,498	6,675
Deferred income taxes	17,713	16,230	7,935
Gain on sales of assets	(49,859)	(169,640)	(815)
Changes in current assets and current liabilities:			
Accounts receivable	(15,227)	7,649	(4,353)
Accounts payable	4,249	(25,440)	5,103
Other accrued taxes	(34,908)	58,205	1,285
Other current assets and other current liabilities, net	15,033	7,263	6,220
Increase (decrease) in other noncurrent liabilities	(1,706)	2,173	4,305
Other, net	(4,760)	7,702	4,151
Net cash provided by operating activities	467,774	297,319	264,652
INVESTING ACTIVITIES			
Acquisitions, net of cash acquired	(225,569)	(1,543,814)	(46,327)
Payments for property, plant and equipment	(310,919)	(181,225)	(222,885)
Proceeds from sales of assets	132,307	202,705	-
Investment in unconsolidated personal communications services entity	-	-	18,900
Distributions from unconsolidated cellular entities	26,515	16,825	15,648
Purchase of life insurance investment, net	(2,786)	(12,962)	(5,944)
Proceeds from note receivable	-	22,500	1,667
Other, net	4,807	(7,156)	(2,850)
Net cash used in investing activities	(375,645)	(1,503,127)	(241,791)
FINANCING ACTIVITIES			
Proceeds from issuance of long-term debt	957,668	1,312,546	59,649
Payments of long-term debt	(1,015,015)	(79,203)	(57,021)
Payment of hedge contracts	(40,237)	-	-
Notes payable, net	-	-	(14,199)
Proceeds from issuance of common stock	15,033	14,156	10,089
Payment of debt issuance costs	(6,625)	-	-
Cash dividends	(24,179)	(22,671)	(21,775)
Other, net	951	(1,405)	258
Net cash provided by (used in) financing activities	(112,404)	1,223,423	(22,999)
Net increase (decrease) in cash and cash equivalents	(20,275)	17,615	(138)
Cash and cash equivalents at beginning of year	26,017	8,402	8,540
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 5,742	26,017	8,402

See accompanying notes to consolidated financial statements.

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

	Year ended December 31,		
	1998	1997	1996
	(Dollars and shares in thousands)		
COMMON STOCK			
Balance at beginning of year	\$ 91,104	59,859	59,114
Issuance of common stock for acquisitions	28	75	257
Conversion of convertible securities into common stock	169	237	33
Issuance of common stock through dividend reinvestment, incentive and benefit plans	754	565	455
Three-for-two stock split	46,028	30,368	-
Balance at end of year	138,083	91,104	59,859
PAID-IN CAPITAL			
Balance at beginning of year	469,586	474,607	453,584
Issuance of common stock for acquisitions	1,059	3,241	8,201
Conversion of convertible securities into common stock	3,131	4,998	163
Issuance of common stock through dividend reinvestment, incentive and benefit plans	14,279	13,591	9,676
Amortization of unearned compensation and other	9,508	3,517	2,983
Three-for-two stock split	(46,028)	(30,368)	-
Balance at end of year	451,535	469,586	474,607
UNREALIZED HOLDING GAIN ON INVESTMENTS, NET OF TAXES			
Balance at beginning of year	11,893	-	-
Change in unrealized holding gain on investments, net of taxes	(4,676)	11,893	-
Balance at end of year	7,217	11,893	-
RETAINED EARNINGS			
Balance at beginning of year	728,033	494,726	387,424
Net income	228,757	255,978	129,077
Cash dividends declared			
Common stock - \$.173, \$.164 and \$.16 per share*	(23,771)	(22,211)	(21,355)
Preferred stock	(408)	(460)	(420)
Balance at end of year	932,611	728,033	494,726
UNEARNED ESOP SHARES			
Balance at beginning of year	(8,450)	(11,080)	(13,960)
Release of ESOP shares	2,380	2,630	2,880
Balance at end of year	(6,070)	(8,450)	(11,080)
PREFERRED STOCK - NON-REDEEMABLE			
Balance at beginning of year	8,106	10,041	2,262
Issuance of preferred stock for acquisitions	-	-	7,975
Conversion of preferred stock into common stock	-	(1,935)	(196)
Balance at end of year	8,106	8,106	10,041
TOTAL STOCKHOLDERS' EQUITY	\$ 1,531,482	1,300,272	1,028,153
COMMON SHARES OUTSTANDING			
Balance at beginning of year	91,104	59,859	59,114
Issuance of common stock for acquisitions	28	75	257
Conversion of convertible securities into common stock	169	237	33
Issuance of common stock through dividend reinvestment, incentive and benefit plans	754	565	455
Three-for-two stock split	46,028	30,368	-
Balance at end of year	138,083	91,104	59,859

*Adjusted to reflect stock split in early 1999. See Note 21.

See accompanying notes to consolidated financial statements.

CENTURY TELEPHONE ENTERPRISES, INC.
Notes to Consolidated Financial Statements
December 31, 1998

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

Impairment of long-lived assets and excess cost of net assets acquired (goodwill) - The carrying value of long-lived assets, including allocated goodwill, is reviewed for impairment at least annually, or whenever

events or changes in circumstances indicate that such carrying value may not be recoverable, by assessing the recoverability of such carrying value through estimated undiscounted future net cash flows expected to be generated by the assets or the acquired business. The excess cost of net assets acquired of substantially all of the Company's acquisitions accounted for as purchases is being amortized over 40 years.

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

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

Derivative financial instruments - During 1997 the Company entered into certain interest rate hedge contracts in anticipation of a public debt issuance, utilizing such hedge contracts to manage interest rate exposure. The hedge contracts were treated as off-balance sheet financial instruments. In connection with the settlement of these contracts, all losses related to these transactions have been deferred and amortized as interest expense over the life of the underlying debt issuance. Such contracts were settled in 1998. See Note 6 for additional information. The Company does not utilize derivative financial instruments for trading or other speculative purposes.

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

Stock compensation - The Company accounts for employee stock compensation plans in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" as allowed by Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation."

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

(2) ACQUISITIONS

On December 1, 1997, Century acquired Pacific Telecom, Inc. ("PTI") in exchange for \$1.503 billion cash. To finance the acquisition, which was accounted for as a purchase, Century borrowed \$1.288 billion under its \$1.6 billion senior unsecured credit facility (the "Senior Credit Facility") dated August 28, 1997 with NationsBank of Texas, N.A. and a syndicate of other lenders. Century paid the remainder of the PTI acquisition price with available cash.

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

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

Year ended December 31,	1997	1996
	(Dollars in thousands, except per share amounts) (unaudited)	
Operating revenues	\$ 1,392,268	1,245,036
Net income	256,992	120,632
Diluted earnings per share	1.87	.89

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

On December 1, 1998, the Company acquired the assets of certain local telephone and directory operations in parts of northern and central Wisconsin from affiliates of Ameritech Corporation ("Ameritech"), in exchange for approximately \$221 million cash. The assets included (i) access lines and related property and equipment in 21 predominantly rural communities in Wisconsin and (ii) Ameritech's directory publishing operations that relate to nine telephone directories.

(3) INVESTMENTS AND OTHER ASSETS

Investments and other assets at December 31, 1998 and 1997 were composed of the following:

December 31,	1998	1997
	(Dollars in thousands)	
Excess cost of net assets acquired, less accumulated amortization	\$ 1,956,701	1,767,352
Investments in unconsolidated cellular entities	118,016	189,363
Cash surrender value of life insurance contracts, net	84,976	78,658
Marketable equity securities	29,496	40,570
Deferred hedge contracts	38,027	-
Other	130,548	91,415
	<u>\$ 2,357,764</u>	<u>2,167,358</u>

As a result of the purchase of PTI, the Company recorded approximately \$1.2 billion of excess cost of net assets acquired in 1997.

Goodwill amortization of \$47.8 million, \$16.6 million and \$12.8 million for 1998, 1997 and 1996, respectively, is included in "Depreciation and amortization" in the Company's Consolidated Statements of Income.

Included in investments in unconsolidated cellular entities at December 31, 1997 was approximately \$67.0 million of costs allocated to licenses from acquisitions made by PTI prior to Century's acquisition of PTI. Upon finalization of the PTI purchase price allocation, such costs were assigned to excess cost of net assets acquired.

The Company's investments in marketable equity securities are classified as available for sale and are reported at fair value with unrealized holding gains and losses reported, net of taxes, as a separate component of stockholders' equity. As of December 31, 1998, gross unrealized holding gains of the Company's marketable equity securities were \$11.1 million.

(4) PROPERTY, PLANT AND EQUIPMENT

Net property, plant and equipment at December 31, 1998 and 1997 was composed of the following:

December 31,	1998	1997
	(Dollars in thousands)	
Telephone, at original cost		
Cable and wire	\$ 2,046,638	1,843,002
Central office	1,197,438	1,070,477
General support	269,431	256,203
Information origination/termination	73,984	65,304
Construction in progress	66,241	53,382
Other	6,520	7,492
	3,660,252	3,295,860
Accumulated depreciation	(1,661,315)	(1,375,835)
	1,998,937	1,920,025
Cellular, at cost		
Cell site	316,706	284,599
General support	82,618	66,400
Construction in progress	23,733	23,664
Other	5,927	5,555
	428,984	380,218
Accumulated depreciation	(178,569)	(133,357)
	250,415	246,861
Corporate and other, at cost		
General support	180,359	148,883
Other	20,063	20,537
	200,422	169,420
Accumulated depreciation	(98,321)	(77,743)
	102,101	91,677
Net property, plant and equipment	\$ 2,351,453	2,258,563

Depreciation expense was \$280.5 million, \$142.6 million and \$118.9 million in 1998, 1997 and 1996, respectively. The composite depreciation rate for telephone properties was 6.9% for 1998, 7.4% for 1997 and 7.5% for 1996.

(5) INVESTMENTS IN UNCONSOLIDATED CELLULAR ENTITIES

The Company's share of earnings from cellular entities in which it does not own a majority interest was \$34.1 million, \$29.4 million and \$28.2 million in 1998, 1997 and 1996, respectively, and is included, net of \$1.2 million, \$1.6 million and \$1.3 million of amortization of goodwill attributable to such investments, in "Income from unconsolidated cellular entities" in the Company's Consolidated Statements of Income. Over 74% of the 1998 income from unconsolidated cellular entities was attributable to the following investments.

	Ownership interest
Lafayette MSA Limited Partnership	49%
GTE Mobilnet of Austin Limited Partnership	35%
Milwaukee SMSA Limited Partnership	18%
Alltel Cellular Associates of Arkansas Limited Partnership	36%
Detroit SMSA Limited Partnership	3%
Michigan RSA #9 Limited Partnership	43%
Cellular North Michigan Network General Partnership	43%

The following summarizes the unaudited combined assets, liabilities and equity, and the unaudited combined results of operations, of the cellular entities in which the Company's investments (as of December 31, 1998 and 1997) were accounted for by the equity method.

December 31,	1998	1997
	(Dollars in thousands) (unaudited)	
Assets		
Current assets	\$ 293,339	322,863
Property and other noncurrent assets	759,665	767,123
	<u>\$ 1,053,004</u>	<u>1,089,986</u>
Liabilities and equity		
Current liabilities	\$ 109,787	157,492
Noncurrent liabilities	25,099	25,413
Equity	918,118	907,081
	<u>\$ 1,053,004</u>	<u>1,089,986</u>

Year ended December 31,	1998	1997	1996
	(Dollars in thousands) (unaudited)		
Results of operations			
Revenues	\$ 1,281,803	1,277,524	985,788
Operating income	\$ 430,859	419,246	338,554
Net income	<u>\$ 435,744</u>	<u>395,990</u>	<u>339,040</u>

At December 31, 1998, \$59.0 million of the Company's consolidated retained earnings represented undistributed earnings of unconsolidated cellular entities.

(6) LONG-TERM DEBT

December 31,	1998	1997
	(Dollars in thousands)	
Century		
5.61%* Senior Credit Facility, due through 2002	\$ 752,063	1,535,000
6.875% senior notes, due 2028	425,000	-
6.30% senior notes, due 2008	240,000	-
6.15% senior notes, due 2005	100,000	-
8.25% senior notes, due 2024	100,000	100,000
7.20% senior notes, due 2025	100,000	100,000
6.39%* notes payable to banks, due 2002	40,000	30,000
7.75% senior notes, due 2004	50,000	50,000
6.55% senior notes, due 2005	50,000	50,000
9.38% senior notes, due through 2003	18,900	21,200
6.64%* Employee Stock Ownership Plan commitment, due in installments through 2004	6,070	8,450
9.85%* notes, due in installments through 2006	266	304
Total Century	1,882,299	1,894,954
Subsidiaries		
First mortgage debt		
5.97%* notes, payable to agencies of the United States government and cooperative lending associations, due in installments through 2025	341,817	348,971
7.98% notes, due through 2002	5,871	5,969
Other debt		
7.21%* unsecured medium-term notes, due through 2008	335,667	360,678
7.43%* notes, due in installments through 2020	29,301	40,805
6.50% note, due in installments through 2001	9,308	12,040
6.15%* capital lease obligations, due through 2003	6,747	1,368
Total subsidiaries	728,711	769,831
Total long-term debt	2,611,010	2,664,785
Less current maturities	53,010	55,244
Long-term debt, excluding current maturities	\$ 2,558,000	2,609,541

* weighted average interest rate at December 31, 1998

The approximate annual debt maturities for the five years subsequent to December 31, 1998 are as follows: 1999 - \$53.0 million; 2000 - \$62.6 million; 2001 - \$144.5 million; 2002 - \$735.0 million; and 2003 - \$67.5 million.

Short-term borrowings of \$40.0 million at December 31, 1998 were classified as long-term debt on the accompanying balance sheet as the Company had adequate committed amounts available under long-term revolving facilities.

Certain of the Company's loan agreements contain various restrictions, among which are limitations regarding issuance of additional debt, payment of cash dividends, reacquisition of the Company's capital stock and other matters. At December 31, 1998, all of the consolidated retained earnings reflected on the balance sheet was available for the declaration of dividends.

The transfer of funds from certain consolidated subsidiaries to Century is restricted by various loan agreements. Subsidiaries which have loans from government agencies and cooperative lending associations, or have issued first mortgage bonds, generally may not loan or advance any funds to Century, but may pay dividends if certain financial ratios are met. At December 31, 1998, restricted net assets of subsidiaries were \$604.4 million. Subsidiaries' retained earnings in excess of amounts restricted by debt covenants totaled \$726.1 million.

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

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 under the Senior Credit Facility. In addition, the Senior Credit Facility's committed amount was reduced from \$1.6 billion to \$880 million in accordance with its terms. This facility carries floating rate interest based upon London InterBank Offered Rates for short-term periods.

In mid-January 1998 the Company settled numerous interest rate hedge contracts that had been entered into in anticipation of the above-mentioned debt issuances. The amounts paid by the Company upon settlement of the hedge contracts aggregated approximately \$40 million, which is being amortized as interest expense over the lives of the underlying debt instruments. The effective weighted average interest rate of the 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.

Century's telephone subsidiaries had approximately \$135.1 million in commitments for long-term financing from the Rural Utilities Service available at December 31, 1998. Approximately \$332.6 million of additional borrowings were available to the Company through committed lines of credit with various banks.

(7) DEFERRED CREDITS AND OTHER LIABILITIES

Deferred credits and other liabilities at December 31, 1998 and 1997 were composed of the following:

December 31,	1998	1997
	(Dollars in thousands)	
Deferred federal and state income taxes	\$ 332,151	272,290
Accrued postretirement benefit costs	109,000	99,429
Minority interest	44,970	47,695
Regulatory liability - income taxes	17,380	22,856
Deferred investment tax credits	3,939	6,355
Other	33,689	28,955
	<u>\$ 541,129</u>	<u>477,580</u>

(8) POSTRETIREMENT BENEFITS

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

Net periodic postretirement benefit cost for 1998, 1997 and 1996 included the following components:

Year ended December 31,	1998	1997	1996
	(Dollars in thousands)		
Service cost	\$ 5,519	2,578	2,354
Interest cost	10,744	5,047	4,212
Expected return on plan assets	(3,250)	(458)	-
Amortization of unrecognized actuarial losses	430	292	475
Amortization of unrecognized prior service cost	121	121	121
Net periodic postretirement benefit cost	<u>\$ 13,564</u>	<u>7,580</u>	<u>7,162</u>

The following is a reconciliation for the benefit obligation and the plan assets.

December 31,	1998	1997	1996
	(Dollars in thousands)		
Change in benefit obligation			
Benefit obligation at beginning of year	\$ 152,632	59,157	60,128
Service cost	5,519	2,578	2,354
Interest cost	10,744	5,047	4,212
Participant contributions	298	119	96
Acquisition	-	80,166	-
Actuarial (gain) loss	9,720	7,789	(5,420)
Benefits paid	(6,590)	(2,224)	(2,213)
Benefit obligation at end of year	<u>\$ 172,323</u>	<u>152,632</u>	<u>59,157</u>

December 31,	1998	1997	1996
	(Dollars in thousands)		
Change in plan assets (primarily listed stocks and bonds)			
Fair value of plan assets at beginning of year	\$ 34,618	-	-
Return on assets	4,080	-	-
Employer contributions	749	-	-
Acquisition	-	34,618	-
Benefits paid	(3,648)	-	-
Fair value of plan assets at end of year	\$ 35,799	34,618	-

The following table sets forth the amounts recognized as liabilities for postretirement benefits at December 31, 1998, 1997 and 1996.

December 31,	1998	1997	1996
	(Dollars in thousands)		
Benefit obligation	\$ (172,323)	(152,632)	(59,157)
Fair value of plan assets	35,799	34,618	-
Unamortized prior service cost	1,060	1,182	1,303
Unrecognized net actuarial loss	23,972	14,622	6,986
Accrued benefit cost	\$ (111,492)	(102,210)	(50,868)

Assumptions used in accounting for postretirement benefits as of December 31, 1998 and 1997 were:

	1998	1997
Weighted average assumptions		
Discount rate	6.5-6.75%	7.0
Expected return on plan assets	10.0%	10.0

For measurement purposes, a 6.0-7.4% annual rate in the per capita cost of covered health care benefits was assumed for 1999 and beyond. A one-percentage-point change in assumed health care cost rates would have the following effects:

	1-Percentage Point Increase	1-Percentage Point Decrease
	(Dollars in thousands)	
Effect on total of service and interest cost components	\$ 1,012	(934)
Effect on postretirement benefit obligation	\$ 9,884	(9,089)

(9) STOCKHOLDERS' EQUITY

Common stock - At December 31, 1998, unissued shares of Century common stock were reserved as follows:

December 31,	1998 (In thousands)
Incentive compensation program	6,488
Acquisitions	4,825
Employee stock purchase plan	1,016
Conversion of convertible preferred stock	511
Other employee benefit plans	3,849
	<u>16,689</u>

Under Century's Articles of Incorporation each share of common stock beneficially owned continuously by the same person since May 30, 1987 generally entitles the holder thereof to ten votes per share. All other shares entitle the holder to one vote per share. At December 31, 1998, the holders of 12.6 million shares of common stock were entitled to ten votes per share.

Preferred stock - As of December 31, 1998, Century had 2.0 million shares of preferred stock, \$25 par value per share, authorized. At December 31, 1998 and 1997, there were 324,238 shares of outstanding preferred stock. Holders of outstanding Century preferred stock are entitled to receive cumulative dividends, receive preferential distributions equal to \$25 per share plus unpaid dividends upon Century's liquidation and vote as a single class with the holders of common stock.

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

Stock split - On February 25, 1998, Century's Board of Directors declared a three-for-two common stock split effected as a 50% stock dividend in March 1998. An amount equal to the par value of the additional common shares issued pursuant to the stock split was reflected as a transfer from paid-in-capital to common stock on the consolidated financial statements for 1997. See Note 21 for additional information concerning a stock split in early 1999.

(10) EARNINGS PER SHARE

Basic earnings per share amounts are determined on the basis of the weighted average number of common shares outstanding during the year. Diluted earnings per share give effect to all potential dilutive common shares that were outstanding during the period.

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

Year ended December 31,	1998	1997	1996
	(Dollars, except per share amounts, and shares in thousands)		
Income (Numerator):			
Net income	\$ 228,757	255,978	129,077
Dividends applicable to preferred stock	(408)	(460)	(420)
Net income applicable to common stock for computing basic earnings per share	228,349	255,518	128,657
Dividends applicable to preferred stock	408	460	420
Interest on convertible securities, net of taxes	372	480	579
Net income as adjusted for purposes of computing diluted earnings per share	\$ 229,129	256,458	129,656
Shares (Denominator):			
Weighted average number of shares outstanding during period	137,568	135,637	134,147
Employee Stock Ownership Plan shares not committed to be released	(558)	(653)	(747)
Weighted average number of shares outstanding during period for computing basic earnings per share	137,010	134,984	133,400
Incremental common shares attributable to dilutive securities:			
Conversion of convertible securities	1,274	1,676	1,958
Shares issuable under stock option plan	1,821	752	622
Number of shares as adjusted for purposes of computing diluted earnings per share	140,105	137,412	135,980
Basic earnings per share*	\$ 1.67	1.89	.96
Diluted earnings per share*	\$ 1.64	1.87	.95

*Adjusted to reflect stock split in early 1999.

The weighted average number of options to purchase shares of common stock that were excluded from the computation of diluted earnings per share because the exercise price of the option was greater than the average market price of the common stock was 3,000, 1,099,000 and 1,415,000 for 1998, 1997 and 1996, respectively.

(11) STOCK OPTION PROGRAM

Century has an incentive compensation program which allows the Board of Directors, through a subcommittee to the Compensation Committee, to grant incentives to employees in any one or a

combination of the following forms: incentive and non-qualified stock options; stock appreciation rights; restricted stock; and performance shares. As of December 31, 1998, Century had reserved 6.5 million shares of common stock which may be issued under the incentive compensation program.

Under the program, options have been granted to employees at a price either equal to or exceeding the then-current market price and all of the options expire ten years after the date of grant.

During 1998 the Company granted 121,667 options (the "1998 Options") at market price. The weighted average fair value of each of the 1998 Options was estimated as of the date of grant to be \$8.88 using an option-pricing model with the following assumptions: dividend yield - .5%; expected volatility - 20%; risk-free interest rate - 4.8%; and expected option life - seven years.

During 1997 the Company granted 1,293,909 options (the "1997 Options") at market price. The weighted average fair value of each of the 1997 Options was estimated as of the date of grant to be \$5.68 using an option-pricing model with the following assumptions: dividend yield - .8%; expected volatility - 25%; risk-free interest rate - 6.5%; and expected option life - eight years.

Stock option transactions during 1998, 1997 and 1996 were as follows:

	Number of options	Average price
Outstanding December 31, 1995	5,929,196	\$ 11.32
Exercised	(657,906)	8.32
Forfeited	(28,239)	13.01
Outstanding December 31, 1996	5,243,051	12.11
Exercised	(889,173)	10.18
Granted	1,293,909	13.51
Forfeited	(38,856)	13.39
Outstanding December 31, 1997	5,608,931	12.73
Exercised	(937,985)	11.41
Granted	121,667	26.25
Forfeited	(12,000)	13.33
Outstanding December 31, 1998	4,780,613	13.35
Exercisable December 31, 1997	4,712,532	12.59
Exercisable December 31, 1998	4,188,660	13.13

The following tables summarize certain information about Century's stock options at December 31, 1998.

Options outstanding			
Range of exercise prices	Number of options	Weighted average remaining contractual life outstanding	Weighted average exercise price
\$ 9.63-12.30	2,271,662	3.5 years	\$ 11.04
13.33-17.64	2,391,554	7.1	14.87
23.03-26.05	67,133	9.1	25.88
26.98-31.54	50,264	9.1	28.96
9.63-31.54	<u>4,780,613</u>	7.3	13.35

Options exercisable		
Range of exercise prices	Number of options exercisable	Weighted average exercise price
\$ 9.63-12.30	2,271,662	\$ 11.04
13.33-17.64	1,861,935	15.27
23.03-26.05	31,655	26.05
26.98-31.54	23,408	28.65
9.63-31.54	<u>4,188,660</u>	13.13

The Company applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," in accounting for its program. Accordingly, no compensation cost has been recognized for the program. If compensation cost for Century's program had been determined consistent with SFAS 123, the Company's net income and earnings per share on a pro forma basis for 1998, 1997 and 1996 would have been as follows:

Year ended December 31,	1998	1997	1996
	(Dollars in thousands, except per share amounts)		
Net income			
As reported	\$ 228,757	255,978	129,077
Pro forma	\$ 227,113	252,773	129,077
Diluted earnings per share			
As reported	\$ 1.64	1.87	.95
Pro forma	\$ 1.62	1.84	.95

(12) ACCOUNTING FOR THE EFFECTS OF REGULATION

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

The Company's consolidated balance sheet as of December 31, 1998 included regulatory assets of approximately \$5.9 million and regulatory liabilities of approximately \$16.0 million exclusive of (i) property, plant and equipment, (ii) accumulated depreciation and (iii) deferred income taxes and deferred investment tax credits associated with regulatory assets and liabilities. The \$5.9 million of regulatory assets included assets established in connection with postretirement benefits (\$1.0 million), income taxes (\$2.1 million) and deferred financing costs (\$2.7 million). The \$16.0 million of regulatory liabilities was established in connection with the adoption of Statement of Financial Accounting Standards No. 109, "Accounting For Income Taxes." Net deferred income tax assets related to the regulatory assets and liabilities quantified above were \$3.5 million.

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

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

The ongoing applicability of SFAS 71 to the Company's regulated telephone operations is being monitored due to the changing regulatory, competitive and legislative environments, and it is possible that changes in regulation, legislation or competition or in the demand for regulated services or products could result in the Company's telephone operations no longer being subject to SFAS 71 in the near future. When the regulated operations of the Company no longer qualify for the application of SFAS 71, the net adjustments required will result in a material, noncash charge against earnings which will be reported as an extraordinary item. While the effect of implementing SFAS 101 cannot be precisely estimated at this time, management believes that the noncash, after-tax, extraordinary charge would be between \$350 million and

\$400 million. For regulatory purposes, the accounting and reporting of the Company's telephone subsidiaries will not be affected by the discontinued application of SFAS 71.

(13) INCOME TAXES

The tax effects of temporary differences that gave rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 1998 and 1997 were as follows:

December 31,	1998	1997
	(Dollars in thousands)	
Deferred tax assets		
Postretirement benefit costs	\$ 38,023	35,826
Regulatory support	15,509	15,681
Net operating loss carry forwards of an acquired subsidiary	6,716	8,013
Regulatory liability	6,230	8,000
Long-term debt	3,382	3,957
Other employee benefits	8,812	8,281
Other	9,609	8,788
Gross deferred tax assets	88,281	88,546
Less valuation allowance	(6,716)	(8,013)
Net deferred tax assets	81,565	80,533
Deferred tax liabilities		
Property, plant and equipment, primarily due to depreciation differences	(288,365)	(303,500)
Excess cost of net assets acquired	(8,500)	(7,177)
Basis difference in assets to be sold	(66,998)	(3,382)
Deferred debt costs	(13,309)	-
Customer base	(11,381)	-
Marketable equity securities	(8,928)	(11,840)
Intercompany profits	(3,128)	(3,112)
Other	(13,107)	(23,812)
Gross deferred tax liabilities	(413,716)	(352,823)
Net deferred tax liability	\$ (332,151)	(272,290)

Income tax expense for the years ended December 31, 1998, 1997 and 1996 was as follows:

Year ended December 31,	1998	1997	1996
	(Dollars in thousands)		
Federal			
Current	\$ 117,490	122,861	60,530
Deferred	18,048	14,768	7,390
State			
Current	25,015	13,272	6,100
Deferred	(1,852)	1,462	545
	\$ 158,701	152,363	74,565

Income tax expense was allocated as follows:

Year ended December 31,	1998	1997	1996
	(Dollars in thousands)		
Net tax expense in the consolidated statements of income	\$ 158,701	152,363	74,565
Stockholders' equity, primarily for compensation expense for tax purposes in excess of amounts recognized for financial reporting purposes	(6,579)	(2,554)	(1,866)
	<u>\$ 152,122</u>	<u>149,809</u>	<u>72,699</u>

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

Year ended December 31,	1998	1997	1996
	(Percentage of pre-tax income)		
Statutory federal income tax rate	35.0%	35.0	35.0
State income taxes, net of federal income tax benefit	3.9	2.3	2.1
Amortization of nondeductible excess cost of net assets acquired	3.3	1.1	1.8
Amortization of investment tax credits	(.6)	(.4)	(1.1)
Amortization of regulatory liability	(.6)	(.5)	(.9)
Other, net	-	(.2)	(.3)
Effective income tax rate	<u>41.0%</u>	<u>37.3</u>	<u>36.6</u>

(14) SALE OR EXCHANGE OF ASSETS

In connection with the first quarter 1998 acquisition of Brooks Fiber Properties, Inc. ("Brooks") by MCIWorldCom, 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; \$.11 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; \$.04 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; \$.09 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.

In May 1997 the Company sold its majority-owned competitive access subsidiary to Brooks in exchange for approximately 4.3 million shares of Brooks' common stock. The Company recorded a pre-tax gain of approximately \$71 million (\$46 million after-tax; \$.34 per diluted share). In November 1997 the Company sold approximately 3.8 million shares of Brooks' common stock for \$202.7 million cash and recorded a pre-tax gain of approximately \$108 million (\$66 million after-tax; \$.48 per diluted share).

(15) RETIREMENT AND SAVINGS PLANS

Century sponsors an Outside Directors' Retirement Plan and a Supplemental Executive Retirement Plan to provide directors and officers, respectively, with supplemental retirement, death and disability benefits. In addition, as of December 31, 1998, the bargaining unit employees of a subsidiary are provided benefits under a defined benefit pension plan and substantially all of the employees of PTI are covered under a separate defined benefit pension plan.

The following table sets forth the combined plans' funded status and amounts recognized in the Company's consolidated balance sheet at December 31, 1998, 1997 and 1996.

December 31,	1998	1997	1996
	(Dollars in thousands)		
Benefit obligation	\$ (217,747)	(200,554)	(20,473)
Fair value of plan assets	278,678	237,618	22,158
Unrecognized transition (asset)/obligation	(2,136)	(1,550)	2,519
Unamortized prior service cost	1,053	-	-
Unrecognized net actuarial (gain)/loss	(57,981)	(37,731)	1
Prepaid (accrued) benefit cost	\$ 1,867	(2,217)	4,205

Net periodic pension cost for 1998, 1997 and 1996 included the following components:

Year ended December 31,	1998	1997	1996
	(Dollars in thousands)		
Service cost	\$ 5,361	793	466
Interest cost	13,225	2,508	1,382
Expected return on plan assets	(22,925)	(5,715)	(2,273)
Recognized net gains	(2,688)	-	-
Net amortization and deferral	(300)	2,459	933
Net periodic pension (benefit) cost	\$ (7,327)	45	508

The following is a reconciliation of the beginning and ending balances for the benefit obligation and the plan assets for the retirement and savings plans.

December 31,	1998	1997	1996
	(Dollars in thousands)		
Change in benefit obligation			
Benefit obligation at beginning of year	\$ 200,554	20,473	19,420
Service cost	5,361	793	466
Interest cost	13,225	2,508	1,382
Plan amendments	227	-	-
Acquisition	-	175,165	-
Actuarial loss	8,683	2,548	95
Benefits paid	(10,303)	(933)	(890)
Benefit obligation at end of year	\$ 217,747	200,554	20,473
Change in plan assets (primarily listed stocks and bonds)			
Fair value of plan assets at beginning of year	\$ 237,618	22,158	18,098
Return on plan assets	50,720	4,237	2,274
Employer contributions	643	807	2,676
Acquisition	-	211,349	-
Benefits paid	(10,303)	(933)	(890)
Fair value of plan assets at end of year	\$ 278,678	237,618	22,158

Assumptions used in accounting for the pension plans as of December 1998 and 1997 were:

	1998	1997
Discount rates	6.5-6.75%	7.0
Expected long-term rate of return on assets	8.0-10.0%	8.0-10.0

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

The Company contributed \$3.7 million, \$2.8 million and \$1.9 million to the ESBP during 1998, 1997 and 1996, respectively. At December 31, 1998, the ESBP owned 5.9 million shares of Century common stock.

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

The ESOP had outstanding debt of \$570,000 at December 31, 1998 which was applicable to shares purchased prior to 1993. Interest incurred by the ESOP on such debt was \$148,000, \$274,000 and \$430,000 in 1998, 1997, and 1996, respectively. The Company contributed and expensed \$1.5 million, \$1.8 million and \$2.1 million during 1998, 1997 and 1996, respectively, with respect to such shares.

Dividends on unallocated ESOP shares used for debt service by the ESOP were \$69,000 in 1998, \$126,000 in 1997 and \$189,000 in 1996. The number of ESOP shares as of December 31, 1998 and 1997 which were purchased prior to 1993 were as follows:

December 31,	1998	1997
	(In thousands)	
Allocated shares	3,153	3,297
Unreleased shares	77	320
	3,230	3,617

The Company accounts for shares purchased subsequent to December 31, 1992 in accordance with Statement of Position 93-6 ("SOP 93-6"). Accordingly, as shares are released from collateral, the Company reports compensation expense equal to the current market price of the shares and the shares become outstanding for earnings per share computations. Dividends on allocated ESOP shares are recorded as a reduction of retained earnings; dividends on unallocated ESOP shares are recorded as a reduction of debt. ESOP compensation expense applicable to shares purchased subsequent to 1992 was \$2.9 million for 1998, \$1.5 million for 1997 and \$1.4 million for 1996. The fair value of unreleased ESOP shares accounted for under SOP 93-6 was \$23.2 million, \$13.5 million and \$9.7 million at December 31, 1998, 1997 and 1996, respectively. ESOP shares purchased subsequent to 1992 totaled 937,913, of which 422,060 were allocated and 515,853 were unreleased as of December 31, 1998.

Century also sponsors a qualified profit sharing plan pursuant to Section 401(k) of the Internal Revenue Code (the "401(k) Plan") which is available to substantially all employees of the Company. The Company's matching contributions to the 401(k) Plan were \$8.5 million in 1998, \$2.8 million in 1997 and \$2.3 million in 1996.

(16) SUPPLEMENTAL CASH FLOW DISCLOSURES

The Company paid interest of \$151.4 million, \$48.8 million and \$45.1 million during 1998, 1997 and 1996, respectively. Income taxes paid were \$185.9 million in 1998, \$79.3 million in 1997 and \$64.1 million in 1996.

In addition to the acquisitions of PTI and the Ameritech properties, Century has consummated the acquisitions of various telephone and cellular operations, along with certain other assets, during the three

years ended December 31, 1998. In connection with these acquisitions, the following assets were acquired, liabilities assumed, and common and preferred stock issued:

Year ended December 31,	1998	1997	1996
	(Dollars in thousands)		
Property, plant and equipment	\$ 75,043	1,106,558	4,963
Excess cost of net assets acquired	145,880	1,204,284	53,220
Other investments	5,028	119,356	-
Notes payable	-	(199,824)	-
Long-term debt	-	(527,937)	(3,273)
Deferred credits and other liabilities	-	(246,196)	(171)
Other assets and liabilities, excluding cash and cash equivalents	(382)	90,889	8,021
Common stock issued	-	(3,316)	(8,458)
Preferred stock issued	-	-	(7,975)
Decrease in cash due to acquisitions	\$ 225,569	1,543,814	46,327

During the second quarter of 1998, the Company sold various properties acquired in the PTI acquisition; a portion of its WorldCom stock; and certain cellular operations. See Note 14 for additional information.

In May 1997 the Company sold its majority-owned competitive access subsidiary in exchange for approximately 4.3 million shares of publicly-traded common stock. In November 1997 approximately 85% of such stock was sold. In addition, the Company has consummated the disposition of various cellular operations, along with certain other assets, during the three years ended December 31, 1998. In connection with these dispositions, the following assets were sold, liabilities eliminated, assets received and gain recognized:

Year ended December 31,	1998	1997	1996
	(Dollars in thousands)		
Property, plant and equipment	\$ -	(38,481)	900
Excess cost of net assets acquired	-	(597)	-
Marketable equity securities	(21,923)	13,795	-
Other assets and liabilities, excluding cash and cash equivalents	(60,525)	(7,782)	(85)
Gain on sale of assets	(49,859)	(169,640)	(815)
Increase in cash due to dispositions	\$ (132,307)	(202,705)	-

(17) FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table presents the carrying amounts and estimated fair values of certain of the Company's financial instruments at December 31, 1998 and 1997.

	Carrying amount	Fair value	
(Dollars in thousands)			
<u>December 31, 1998</u>			
Financial assets			
Investments			
Marketable equity securities	\$ 29,496	29,496	(2)
Other	\$ 29,813	29,813	(1)
Financial liabilities			
Long-term debt (including current maturities)	\$ 2,611,010	2,708,680	(3)
Other	\$ 32,721	32,721	(1)
<u>December 31, 1997</u>			
Financial assets			
Investments			
Marketable equity securities	\$ 40,570	40,570	(2)
Other	\$ 22,455	24,036	(1)
Financial liabilities			
Long-term debt (including current maturities)	\$ 2,664,785	2,677,348	(3)
Other	\$ 24,213	24,213	(1)
Off-balance sheet financial instruments			
Interest rate hedge contracts	\$ -	(16,061)	(4)

- (1) Fair value was estimated by the Company.
(2) Fair value was based on quoted market prices.
(3) Fair value was estimated by discounting the scheduled payment streams to present value based upon rates currently offered to the Company for similar debt.
(4) Fair value represents the estimated amounts the Company would have to pay to settle these contracts. See Note 6 for additional information related to the settlement of these contracts.

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

(18) BUSINESS SEGMENTS

The Company has two reportable segments: telephone and cellular. The Company's reportable segments are strategic business units that offer different products and services.

The Company's telephone operations are conducted in rural, suburban and small urban communities in 21 states. Approximately 86% of the Company's telephone access lines are in Wisconsin, Washington,

Alaska, Michigan, Louisiana, Colorado, Ohio, Oregon and Montana. The Company's cellular customers are located in Michigan, Louisiana, Wisconsin, Mississippi, Texas, Arkansas and Alaska.

	Operating revenues	Depreciation and amortization	Operating income
(Dollars in thousands)			
<u>Year ended December 31, 1998</u>			
Telephone	\$ 1,091,610	262,893	333,708
Cellular	407,749	62,002	130,580
Other segments	77,726	3,659	15,523
<u>Total</u>	<u>\$ 1,577,085</u>	<u>328,554</u>	<u>479,811</u>

<u>Year ended December 31, 1997</u>			
Telephone	\$ 530,597	115,722	173,285
Cellular	307,742	41,127	88,081
Other segments	63,182	2,646	6,404
<u>Total</u>	<u>\$ 901,521</u>	<u>159,495</u>	<u>267,770</u>

<u>Year ended December 31, 1996</u>			
Telephone	\$ 451,538	95,793	155,183
Cellular	250,243	33,573	67,914
Other segments	47,896	2,655	199
<u>Total</u>	<u>\$ 749,677</u>	<u>132,021</u>	<u>223,296</u>

Year ended December 31,	1998	1997	1996
(Dollars in thousands)			
Operating income	\$ 479,811	267,770	223,296
Gain on sale or exchange of assets, net	49,859	169,640	815
Interest expense	(167,552)	(56,474)	(44,662)
Income from unconsolidated cellular entities	32,869	27,794	26,952
Minority interest	(12,797)	(5,498)	(6,675)
Other income and expense	5,268	5,109	3,916
<u>Income before income tax expense</u>	<u>\$ 387,458</u>	<u>408,341</u>	<u>203,642</u>

Year ended December 31,	1998	1997	1996
(Dollars in thousands)			
Capital expenditures			
Telephone	\$ 233,190	115,854	110,147
Cellular	49,538	39,102	83,679
Other segments	28,191	26,269	29,059
<u>Total</u>	<u>\$ 310,919</u>	<u>181,225</u>	<u>222,885</u>

Identifiable assets			
Telephone	\$ 3,674,148	3,379,376	1,174,317
Cellular	1,097,789	989,729	644,587
Other segments	163,518	340,296	209,601
<u>Total assets</u>	<u>\$ 4,935,455</u>	<u>4,709,401</u>	<u>2,028,505</u>

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

(19) COMMITMENTS AND CONTINGENCIES

Construction expenditures and investments in vehicles, buildings and other work equipment during 1999 are estimated to be \$215 million for telephone operations, \$70 million for cellular operations and \$60 million for corporate and other operations.

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

(20) PENDING DISPOSITIONS

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. The Alaska transaction is anticipated to close in the second quarter of 1999, subject to regulatory approvals and various closing conditions.

In January 1999 the Company signed definitive asset purchase agreements to sell all of the operations of the Brownsville and McAllen, Texas, cellular markets to Western Wireless Corporation for \$95 million cash, subject to various adjustments. The Company is the majority owner in these markets and, therefore, will receive its proportionate share of the sale proceeds (approximately \$39 million after-tax.) The transaction is expected to close in the second quarter of 1999, subject to regulatory approvals and various closing conditions.

(21) SUBSEQUENT EVENT

On February 23, 1999, Century's Board of Directors declared a three-for-two common stock split effected as a 50% stock dividend in March 1999. All per share data included in this report has been restated to reflect this stock split. An amount equal to the par value of the additional common shares issued pursuant to the stock split has been reflected as a transfer from paid-in-capital to common stock on the consolidated financial statements for 1998.

CENTURY TELEPHONE ENTERPRISES, INC.

Consolidated Quarterly Income Information

	First quarter	Second quarter	Third quarter	Fourth quarter
	(Dollars in thousands, except per share amounts) (unaudited)			
1998				
Operating revenues	\$ 371,720	388,378	401,949	415,038
Operating income	\$ 110,132	121,488	128,184	120,007
Net income	\$ 57,694	64,191	54,678	52,194
Diluted earnings per share*	\$.41	.46	.39	.37
1997				
Operating revenues	\$ 198,985	210,576	218,351	273,609
Operating income	\$ 57,698	62,405	69,815	77,852
Net income	\$ 33,135	83,176	41,433	98,234
Diluted earnings per share*	\$.24	.61	.30	.71

*Adjusted to reflect stock split in early 1999. See Note 21 of Notes to Consolidated Financial Statements.

Diluted earnings per share for both the first quarter and second quarter of 1998 included \$.11 of net gain on sale or exchange of assets. See Note 14 for additional information.

Diluted earnings per share for the second quarter and fourth quarter of 1997 included \$.34 and \$.44 per share, respectively, of gain on sale of assets. The fourth quarter of 1997 includes one month of results of operations of Pacific Telecom, Inc.

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

None.

PART III

Item 10. Directors and Executive Officers of the Registrant.

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

<u>Name</u>	<u>Age</u>	<u>Office(s) held with Century</u>
Clarke M. Williams	77	Chairman of the Board of Directors
Glen F. Post, III	46	Vice Chairman of the Board of Directors, President and Chief Executive Officer
W. Bruce Hanks	44	Executive Vice President and Chief Operating Officer
David D. Cole	41	Senior Vice President – Operational Support
Kenneth R. Cole	51	Senior Vice President – Operations
R. Stewart Ewing, Jr.	47	Senior Vice President and Principal Financial and Accounting Officer
Harvey P. Perry	54	Senior Vice President, General Counsel and Secretary

Each of the Registrant's executive officers has served as an officer of the Registrant and one or more of its subsidiaries in varying capacities for more than the past five years. Mr. Hanks has served as Executive Vice President and Chief Operating Officer since November 1998, as Senior Vice President - Corporate Development and Strategy from October 1996 to October 1998 and as President - Telecommunications Services or a comparable position from 1989 to 1996. Mr. David D. Cole has served as Senior Vice President – Operational Support since November 1998, as President - Wireless Group from October 1996 to October 1998 and as Vice President from 1990 to 1996. Mr. Kenneth R. Cole has served as Senior Vice President – Operations since November 1998, as President - Telephone Group from January 1995 to October 1998 and Vice President from 1983 to 1994.

The balance of the information required by Item 10 is incorporated by reference to the Registrant's definitive proxy statement relating to its 1999 annual meeting of stockholders (the "Proxy Statement"), which Proxy Statement will be filed pursuant to Regulation 14A within 120 days after the end of the last fiscal year.

Item 11. Executive Compensation.

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

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

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

Item 13. Certain Relationships and Related Transactions.

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

PART IV

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

a. Financial Statements

(i) Consolidated Financial Statements:

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

Consolidated Statements of Income for the years ended
December 31, 1998, 1997 and 1996

Consolidated Statements of Comprehensive Income for the years ended
December 31, 1998, 1997 and 1996

Consolidated Balance Sheets - December 31, 1998 and 1997

Consolidated Statements of Cash Flows for the years
ended December 31, 1998, 1997 and 1996

Consolidated Statements of Stockholders' Equity for the
years ended December 31, 1998, 1997 and 1996

Notes to Consolidated Financial Statements

Consolidated Quarterly Income Information (unaudited)

(ii) Schedules:*

I Condensed Financial Information of Registrant

II Valuation and Qualifying Accounts

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

b. Reports on Form 8-K.

(i) The following item was reported in a Form 8-K filed December 3, 1998.

Item 5. Other Events - News release announcing the acquisition of certain of
Ameritech's telephone operations and related directories in Wisconsin.

(ii) The following items were reported in a Form 8-K filed December 10, 1998.

Item 2. News release announcing third quarter result of operations.

c. Exhibits:

3(i) Amended and Restated Articles of Incorporation of Registrant, dated as of
December 2, 1996, (incorporated by reference to Exhibit 3(i) to Registrant's
Annual Report on Form 10-K for the year ended December 31, 1996).

3(ii) Registrant's Bylaws, as amended through October 7, 1998 (incorporated by
reference to Exhibit 3(ii) of the Company's Quarterly Report on Form 10-Q
for the quarter ended September 30, 1998).

- 4.1 Note Purchase Agreement, dated September 1, 1989, between Registrant, Teachers Insurance and Annuity Association of America and the Lincoln National Life Insurance Company (incorporated by reference to Exhibit 4.23 to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1989).
- 4.2 Rights Agreement, dated as of August 27, 1996, between Century Telephone Enterprises, Inc. and Society National Bank, as Rights Agent, including the form of Rights Certificate (incorporated by reference to Exhibit 1 of Registrant's Current Report on Form 8-K filed August 30, 1996).
- 4.3 Form of common stock certificate of the Registrant (incorporated by reference to Exhibit 4.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1993).
- 4.4 Indenture dated as of March 31, 1994 between the Company and Regions Bank (formerly First American Bank & Trust of Louisiana), as Trustee (incorporated by reference to Exhibit 4.1 of the Company's Registration Statement on Form S-3, Registration No. 33-52915).
- 4.5 Resolutions designating the terms and conditions of the Company's 7-3/4% Senior Notes, Series A, due 2004 and 8-1/4% Senior Notes, Series B, due 2024 (incorporated by reference to Exhibit 4.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1994).
- 4.6 Resolutions designating the terms and conditions of the Company's 6.55% Senior Notes, Series C, due 2005 and 7.2% Senior Notes, Series D, due 2025 (incorporated by reference to Exhibit 4.27 to Registrant's Annual Report on Form 10-K for the year ended December 31, 1995).
- 4.7 Form of Senior Notes described in 4.5 and 4.6 above (incorporated by reference to Exhibit 4.3 of the Company's Registration Statement on Form S-3, Registration No. 33-52915).
- 4.8 Competitive Advance and Revolving Credit Facility Agreement, dated as of August 28, 1997, among Registrant, the lenders named therein, and NationsBank of Texas, N.A. (incorporated by reference to Exhibit 4.1 to

Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1997).

- 4.9 Resolutions designating the terms and conditions of the Company's 6.15% Senior Notes, Series E, due 2005; 6.30% Senior Notes, Series F, due 2008; and 6.875% Debentures, Series G, due 2028, (incorporated by reference to exhibit 4.9 to Registrant's Annual Report on Form 10-K for the year ended December 31, 1997).
- 4.10 Form of Board Resolution to be used in designating and authorizing the terms and conditions of any series of Senior Debt Securities issuable under the Company's shelf registration statement (incorporated by reference to Exhibit 4.3 of the Company's Registration Statement on Form S-3, Registration No. 333-42013).
- 4.11 Form of Senior Debt Securities described in 4.9 above (incorporated by reference to Exhibit 4.4 of the Company's Registration Statement on Form S-3, Registration No. 333-42013).
- 4.12 First Supplemental Indenture, dated as of November 2, 1998, to Indenture between CenturyTel of the Northwest, Inc. and The First National Bank of Chicago (incorporated by reference to Exhibit 10.2 to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998).
- 10.1 Employee Benefit Plans
 - (a) Registrant's Employee Stock Ownership Plan and Trust, as amended and restated December 30, 1994 (incorporated by reference to Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1995), amendment thereto dated January 26, 1996 (incorporated by reference to Exhibit 10.1(a) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1995) and amendment thereto dated July 15, 1996 (incorporated by reference to Exhibit 10.2 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1996), and amendment thereto dated December 31, 1996 (incorporated by reference to Exhibit 10.5 to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997), and amendment thereto dated March 18, 1997 (incorporated by

reference to Exhibit 10.6 to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997), and amendments thereto dated January 1, 1997 (incorporated by reference to Exhibit 10.3 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997), and amendment thereto dated December 29, 1998, included elsewhere herein.

- (b) Registrant's Stock Bonus Plan, PAYSOP and Trust, as amended and restated December 30, 1994 (incorporated by reference to Exhibit 10.2 to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1995), amendment thereto dated July 11, 1995 (incorporated by reference to Exhibit 10.4 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1995), amendment thereto dated January 26, 1996 (incorporated by reference to Exhibit 10.1(b) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1995) and amendment thereto dated July 15, 1996 (incorporated by reference to Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1996), and amendment thereto dated December 31, 1996 (incorporated by reference to Exhibit 10.4 to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997), and amendments thereto dated January 1, 1997 (incorporated by reference to Exhibit 10.2 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997), and amendment thereto dated December 29, 1998, included elsewhere herein.
- (c) Registrant's Dollars & Sense Plan and Trust, as amended and restated, effective January 1, 1998 and amendment thereto dated December 29, 1998, both included elsewhere herein.
- (d) Registrant's Restated Supplemental Executive Retirement Plan, generally effective as of November 16, 1995 (incorporated by reference to Exhibit 10.1(d) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1995) and amendment thereto dated November 21, 1996 (incorporated by reference to Exhibit 10.1(d) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1996).

- (e) Registrant's 1983 Restricted Stock Plan, dated February 21, 1984, as amended and restated as of November 16, 1995 (incorporated by reference to Exhibit 10.1(e) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1995) and amendment thereto dated November 21, 1996, (incorporated by reference to Exhibit 10.1(e) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1996), and amendment thereto dated February 25, 1997 (incorporated by reference to Exhibit 10.3 to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997).
- (f) Registrant's Key Employee Incentive Compensation Plan, dated January 1, 1984, as amended and restated as of November 16, 1995 (incorporated by reference to Exhibit 10.1(f) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1995) and amendment thereto dated November 21, 1996 (incorporated by reference to Exhibit 10.1 (f) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1996), and amendment thereto dated February 25, 1997 (incorporated by reference to Exhibit 10.2 to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997).
- (g) Registrant's 1988 Incentive Compensation Program as amended and restated August 22, 1989 (incorporated by reference to Exhibit 19.8 to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1989) and amendment thereto dated November 21, 1996 (incorporated by reference to Exhibit 10.1(g) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1996).
- (h) Form of Stock Option Agreement entered into in 1988 by the Registrant, pursuant to 1988 Incentive Compensation Program, with certain of its officers (incorporated by reference to Exhibit 10.10 to Registrant's Annual Report on Form 10-K for the year ended December 31, 1988) and amendment thereto (incorporated by reference to Exhibit 4.6 to Registrant's Registration No. 33-31314).
- (i) Registrant's 1990 Incentive Compensation Program, dated March 15, 1990 (incorporated by reference to Exhibit 19.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1990)

and amendment thereto dated November 21, 1996 (incorporated by reference to Exhibit 10.1(i) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1996).

- (j) Form of Stock Option Agreement entered into in 1990 by the Registrant, pursuant to 1990 Incentive Compensation Program, with certain of its officers (incorporated by reference to Exhibit 19.3 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1990) and amendment thereto dated as of May 22, 1995 (incorporated by reference to Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1995).
- (k) Form of Stock Option Agreement entered into in 1992 by the Registrant, pursuant to 1990 Incentive Compensation Program, with certain of its officers and employees (incorporated by reference to Exhibit 10.17 to Registrant's Annual Report on Form 10-K for the year ended December 31, 1992) and amendment thereto dated as of May 22, 1995 (incorporated by reference to Exhibit 10.2 to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1995).
- (l) Registrant's 1995 Incentive Compensation Plan approved by Registrant's shareholders on May 11, 1995 (incorporated by reference to Exhibit 4.4 to Registration No. 33-60061) and amendment thereto dated November 21, 1996 (incorporated by Reference to Exhibit 10.1 (l) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1996), and amendment thereto dated February 25, 1997 (incorporated by reference to Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997).
- (m) Form of Stock Option Agreement, pursuant to 1995 Incentive Compensation Plan and dated as of May 22, 1995, entered into by Registrant and its officers (incorporated by reference to Exhibit 10.5 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1995).
- (n) Form of Stock Option Agreement, pursuant to 1995 Incentive Compensation Plan and dated as of June 23, 1995, entered into by

Registrant and certain key employees (incorporated by reference to Exhibit 10.6 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1995).

- (o) Form of Performance Share Agreement Under the 1990 Incentive Compensation Program, entered into in 1993 with certain of its officers and employees (incorporated by reference to Exhibit 28.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1993) and amendment thereto dated as of May 22, 1995 (incorporated by reference to Exhibit 10.3 to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1995).
- (p) Registrant's Restated Supplemental Defined Contribution Plan, dated as of November 16, 1995 (incorporated by reference to Exhibit 10.1(q) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1995), amendment thereto dated July 15, 1996 (incorporated by reference to Exhibit 10.4 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1996) and amendment thereto dated November 21, 1996 (incorporated by reference to Exhibit 10.1 (p) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1996).
- (q) Registrant's Amended and Restated Supplemental Dollars & Sense Plan, effective as of January 1, 1999, included elsewhere herein.
- (r) Registrant's Amended and Restated Salary Continuation (Disability) Plan for Officers, dated November 26, 1991 (incorporated by reference to Exhibit 10.16 of Registrant's Annual Report on Form 10-K for the year ended December 31, 1991).
- (s) Registrant's Restated Outside Directors' Retirement Plan, dated as of November 16, 1995 (incorporated by reference to Exhibit 10.1(t) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1995).
- (t) Registrant's Restated Deferred Compensation Plan for Outside Directors, dated as of November 16, 1995 (incorporated by reference to

Exhibit 10.1(u) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1995).

- (u) Form of Stock Option Agreement, pursuant to 1995 Incentive Compensation Plan and dated as of February 24, 1997, entered into by Registrant and its officers (incorporated by reference to Exhibit 10.4 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997).
- (v) Registrant's Chairman/Chief Executive Officer Short-Term Incentive Program (incorporated by reference to Exhibit 10.6 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997).
- (w) Amended and Restated Restricted Stock and Performance Share Agreement, pursuant to 1995 Incentive Compensation Plan, dated as of February 24, 1998 (incorporated by reference to Exhibit 10.2 to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998).
- (x) Form of Restricted Stock and Performance Share Agreement, pursuant to 1995 Incentive Compensation Plan, dated as of February 24, 1998 (incorporated by reference to Exhibit 10.3 to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998).
- (y) Registrant's Supplemental Defined Benefit Plan, effective as of January 1, 1999, included elsewhere herein.
- (z) Registrant's Amended and Restated Retirement Plan, effective as of January 1, 1999, included elsewhere herein.

10.2

Employment, Severance and Related Agreements

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

- (b) Form of Amended and Restated Severance Agreement, by and between Registrant and each of its executive officers other than Clarke M. Williams, dated as of November 16, 1995 (incorporated by reference to Exhibit 10.2(b) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1995).
- (c) Form of Amended and Restated Severance Agreement, by and between Registrant and three of its officers who are not executive officers, dated as of November 16, 1995 (incorporated by reference to Exhibit 10.2(c) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1995).
- (d) Agreement, dated December 31, 1994, by and between Jim D. Reppond and Registrant (incorporated by reference to Exhibit 10.24 to Registrant's Annual Report on Form 10-K for the year ended December 31, 1994).
- (e) Consulting Agreement, dated as of July 2, 1996, by and between Century Telephone Enterprises, Inc. and Jim D. Reppond (incorporated by reference to Exhibit 10 to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1996).

10.3

Other Agreements

- (a) Stock Purchase Agreement, dated as of June 11, 1997, by and among PacifiCorp Holdings, Inc., Pacific Telecom, Inc., Century Telephone Enterprises, Inc. and Century Cellunet, Inc. (incorporated by reference to Exhibit 2.1 to Registrant's Current Report on Form 8-K filed June 24, 1997) and amendment thereto, dated November 5, 1997 (incorporated by reference to Exhibit 2.2 to Registrant's Current Report on Form 8-K dated December 1, 1997 and filed December 11, 1997).
- (b) Purchase Agreement by and among ALEC Acquisition Corporation, CenturyTel of the Northwest, Inc. and CenturyTel Wireless, Inc., dated August 14, 1998 (incorporated by reference to Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998).

21	Subsidiaries of the Registrant, included elsewhere herein.
23	Independent Auditors' Consent, included elsewhere herein.
27	Financial Data Schedule, included elsewhere herein.

SIGNATURES

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

CENTURY TELEPHONE ENTERPRISES, INC.

Date: March 15, 1999

By: /s/ Clarke M. Williams
Clarke M. Williams
Chairman of the Board

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

<u>/s/ Clark M. Williams</u> Clarke M. Williams	Chairman of the Board of Directors	March 15, 1999
<u>/s/ Glen F. Post, III</u> Glen F. Post, III	Vice Chairman of the Board of Directors, President, and Chief Executive Officer	March 15, 1999
<u>/s/ R. Stewart Ewing, Jr.</u> R. Stewart Ewing, Jr	Senior Vice President and Principal Financial and Accounting Officer	March 15, 1999
<u>/s/ Harvey P. Perry</u> Harvey P. Perry	Senior Vice President, General Counsel, Secretary and Director	March 15, 1999
<u>/s/ W. Bruce Hanks</u> W. Bruce Hanks	Executive Vice President, Chief Operating Officer and Director	March 15, 1999
<u>/s/ William R. Boles, Jr.</u> William R. Boles, Jr.	Director	March 15, 1999
<u>/s/ Virginia Boulet</u> Virginia Boulet	Director	March 15, 1999

<u>/s/ Ernest Butler, Jr.</u> Ernest Butler, Jr.	Director	March 15, 1999
<u>/s/ Calvin Czeschin</u> Calvin Czeschin	Director	March 15, 1999
<u>/s/ James B. Gardner</u> James B. Gardner	Director	March 15, 1999
<u>/s/ R. L. Hargrove, Jr.</u> R. L. Hargrove, Jr.	Director	March 15, 1999
<u>/s/ Johnny Hebert</u> Johnny Hebert	Director	March 15, 1999
<u>/s/ F. Earl Hogan</u> F. Earl Hogan	Director	March 15, 1999
<u>/s/ C. G. Melville, Jr.</u> C. G. Melville, Jr.	Director	March 15, 1999
<u>/s/ Jim D. Reppond</u> Jim D. Reppond	Director	March 15, 1999

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

	Year ended December 31,		
	1998	1997	1996
	(Dollars in thousands)		
REVENUES	\$ 16,055	9,666	6,520
EXPENSES			
Operating expenses	15,788	9,088	6,071
Depreciation and amortization	31,842	9,401	7,286
Total expenses	47,630	18,489	13,357
OPERATING LOSS	(31,575)	(8,823)	(6,837)
OTHER INCOME (EXPENSE)			
Gain on sales of assets	28,085	172,537	-
Loss on investment	-	-	(1,100)
Interest expense	(131,309)	(49,738)	(36,709)
Interest income	40,005	28,697	28,884
Total other income (expense)	(63,219)	151,496	(8,925)
INCOME (LOSS) BEFORE INCOME TAXES AND EQUITY IN SUBSIDIARIES' EARNINGS	(94,794)	142,673	(15,762)
Income tax benefit (expense)	21,857	(55,591)	4,467
INCOME (LOSS) BEFORE EQUITY IN SUBSIDIARIES' EARNINGS	(72,937)	87,082	(11,295)
Equity in subsidiaries' earnings	301,694	168,896	140,372
NET INCOME	\$ 228,757	255,978	129,077

See accompanying notes to condensed financial information of registrant.

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

	December 31,	
	1998	1997
	(Dollars in thousands)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 6,540	28,300
Receivables from subsidiaries	142,912	76,931
Other receivables	23,906	792
Prepayments and other	259	28
Total current assets	173,617	106,051
PROPERTY, PLANT AND EQUIPMENT		
Property and equipment	1,162	1,236
Accumulated depreciation	(676)	(744)
Net property, plant and equipment	486	492
INVESTMENTS AND OTHER ASSETS		
Investments in subsidiaries (at equity)	3,170,861	2,706,066
Receivables from subsidiaries	514,366	655,398
Other investments	42,418	75,546
Deferred charges	58,073	5,878
Total investments and other assets	3,785,718	3,442,888
TOTAL ASSETS	\$ 3,959,821	3,549,431
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 30,046	11,486
Payables to subsidiaries	365,517	218,993
Accrued interest	27,711	11,088
Other accrued liabilities	23,475	41,628
Total current liabilities	446,749	283,195
LONG-TERM DEBT	1,852,253	1,883,467
PAYABLES TO SUBSIDIARIES	32,406	46,371
DEFERRED CREDITS AND OTHER LIABILITIES	96,931	36,126
STOCKHOLDERS' EQUITY		
Common stock, \$1.00 par value, authorized 175,000,000 shares, issued and outstanding 138,082,926* and 91,103,674 shares	138,083	91,104
Paid-in capital	451,535	469,586
Unrealized holding gain on investments, net of taxes	7,217	11,893
Retained earnings	932,611	728,033
Unearned ESOP shares	(6,070)	(8,450)
Preferred stock - non-redeemable	8,106	8,106
Total stockholders' equity	1,531,482	1,300,272
TOTAL LIABILITIES AND EQUITY	\$ 3,959,821	3,549,431
* Adjusted to reflect stock split in early 1999		

* Adjusted to reflect stock split in early 1999.

See accompanying notes to condensed financial information of registrant.

SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT
(Continued)
CENTURY TELEPHONE ENTERPRISES, INC.
(Parent Company)
STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	1998	1997	1996
	(Dollars in thousands)		
OPERATING ACTIVITIES			
Net income	\$ 228,757	255,978	129,077
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	31,842	9,401	7,286
Deferred income taxes	12,902	8,068	2,934
Earnings of subsidiaries	(301,694)	(168,896)	(140,372)
Gain on sale of assets	(28,085)	(172,537)	-
Changes in current assets and current liabilities:			
Other receivables	(23,114)	11,615	(2,639)
Other accrued liabilities	(40,535)	35,754	329
Other current assets and liabilities, net	37,754	8,412	3,998
Other, net	9,724	958	3,297
Net cash provided by (used in) operating activities	(72,449)	(11,247)	3,910
INVESTING ACTIVITIES			
Acquisitions	(225,569)	(1,283,291)	(46,327)
Capital contributions to subsidiaries	-	(16,634)	(20,179)
Dividends received from subsidiaries	116,906	117,499	473
Receivables from subsidiaries	303,221	(235,772)	(45,945)
Payables to subsidiaries	(90,319)	9,738	97,908
Proceeds from sales of assets	40,778	202,705	-
Investment in unconsolidated personal communications services entity	-	-	18,900
Note receivable	-	22,500	1,667
Other, net	(28,046)	(14,959)	(4,425)
Net cash provided by (used in) investing activities	116,971	(1,198,214)	2,072
FINANCING ACTIVITIES			
Proceeds from issuance of long-term debt	950,000	1,297,435	47,500
Payments of long-term debt	(960,274)	(52,214)	(42,357)
Payment of hedge contracts	(40,237)	-	-
Proceeds from issuance of common stock	15,033	14,156	10,089
Payment of debt issuance costs	(6,625)	-	-
Cash dividends paid	(24,179)	(22,671)	(21,775)
Net cash provided by (used in) financing activities	(66,282)	1,236,706	(6,543)
Net increase (decrease) in cash and cash equivalents	(21,760)	27,245	(561)
Cash and cash equivalents at beginning of year	28,300	1,055	1,616
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 6,540	28,300	1,055

See accompanying notes to condensed financial information of registrant.

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

(A) LONG-TERM DEBT

The approximate annual debt maturities for the five years subsequent to December 31, 1998 are as follows:

1999	-	\$ 30.0 million
2000	-	\$ 37.4 million
2001	-	\$ 56.6 million
2002	-	\$ 688.8 million
2003	-	\$ 3.8 million

(B) GUARANTEES

As of December 31, 1998, Century has guaranteed a promissory note for a subsidiary of \$2.0 million, as well as the applicable interest and premium.

(C) DIVIDENDS FROM SUBSIDIARIES

Dividends paid to Century by consolidated subsidiaries were \$116.9 million, \$117.5 million and \$472,800 during 1998, 1997 and 1996, respectively.

(D) INCOME TAXES AND INTEREST PAID

Income taxes paid by Century (including amounts reimbursed from subsidiaries) were \$162.0 million, \$71.8 million and \$56.0 million during 1998, 1997, and 1996 respectively.

Interest paid by Century was \$114.7 million, \$42.4 million and \$37.3 million during 1998, 1997 and 1996, respectively.

(E) AFFILIATED TRANSACTIONS

Century provides and bills management services to subsidiaries and in certain instances makes interest bearing advances to finance construction of plant and purchases of equipment. Century recorded intercompany interest income of \$39.7 million, \$26.6 million and \$26.4 million in 1998, 1997 and 1996, respectively.

(F) SUBSEQUENT EVENT

On February 23, 1999, Century's Board of Directors declared a three-for-two common stock split effected as a 50% stock dividend in March 1999. An amount equal to the par value of the additional common shares issued pursuant to the stock split has been reflected as a transfer from paid-in-capital to common stock on the Condensed Financial Information of Registrant for 1998.

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

For the years ended December 31, 1998, 1997 and 1996

Description	Balance at beginning of period	Additions charged to costs and expenses	Deductions from allowance (1)	Other changes (2)	Balance at end of period
	(Dollars in thousands)				
Year ended December 31, 1998					
Allowance for doubtful accounts	\$ 5,954	13,951	(15,775)	25	4,155
Year ended December 31, 1997					
Allowance for doubtful accounts	\$ 3,327	11,838	(9,975)	764	5,954
Year ended December 31, 1996					
Allowance for doubtful accounts	\$ 2,768	10,155	(9,662)	66	3,327

(1) Customers' accounts written-off, net of recoveries.

(2) Allowance for doubtful accounts at the date of acquisition of purchased subsidiaries, net of allowance for doubtful accounts at the date of disposition of subsidiaries sold.

CENTURY TELEPHONE ENTERPRISES, INC.
SUBSIDIARIES OF THE REGISTRANT
AS OF DECEMBER 31, 1998

EXHIBIT 21

<u>Subsidiary</u>	<u>State of incorporation</u>
Actel Corporation	Louisiana
Brownsville Cellular Telephone Co., Inc.	Delaware
Cascade Autovon Company	Washington
Celutel of Biloxi, Inc.	Delaware
Celutel, Inc.	Delaware
Century Business Communications, LLC	Louisiana
Century Cellunet of Alexandria, Inc.	Louisiana
Century Cellunet of Michigan RSA #4, Inc.	Louisiana
Century Cellunet of Michigan RSAs, Inc.	Louisiana
Century Cellunet of Mississippi RSA #2, Inc.	Mississippi
Century Cellunet of Mississippi RSA #6, Inc.	Mississippi
Century Cellunet of Mississippi RSA #7, Inc.	Mississippi
Century Cellunet of North Arkansas, Inc.	Louisiana
Century Cellunet of Pine Bluff, LLC	Arkansas
Century Cellunet of Saginaw, Inc.	Louisiana
Century Cellunet of South Arkansas, Inc.	Louisiana
Century Cellunet of Southern Michigan, Inc.	Delaware
Century Cellunet of Texarkana, Inc.	Louisiana
Century Color Graphics, LLC	Louisiana
Century Interactive Communications, Inc.	Louisiana
Century Interactive Fax, Inc.	Louisiana
CenturyTel Entertainment, Inc.	Washington
CenturyTel Holdings, Inc.	Louisiana
CenturyTel Investments, LLC	Louisiana
CenturyTel Long Distance, Inc.	Louisiana
CenturyTel Michigan Network, LLC	Louisiana
CenturyTel Midwest - Michigan, Inc.	Michigan
CenturyTel of Adamsville, Inc.	Tennessee
CenturyTel of Arkansas, Inc.	Arkansas
CenturyTel of Central Indiana, Inc.	Indiana
CenturyTel of Central Louisiana, Inc.	Louisiana
CenturyTel of Chatham, Inc.	Louisiana
CenturyTel of Chester, Inc.	Iowa
CenturyTel of Claiborne, Inc.	Tennessee
CenturyTel of Colorado, Inc.	Colorado
CenturyTel of Cowiche, Inc.	Washington
CenturyTel of Eagle, Inc.	Colorado
CenturyTel of East Louisiana, Inc.	Louisiana
CenturyTel of Eastern Oregon, Inc.	Oregon
CenturyTel of Evangeline, Inc.	Louisiana
CenturyTel of Fairwater-Brandon-Alto, Inc.	Wisconsin
CenturyTel of Forestville, Inc.	Wisconsin
CenturyTel of Greater Wisconsin, Inc.	Wisconsin
CenturyTel of Idaho, Inc.	Delaware
CenturyTel of Inter Island, Inc.	Washington
CenturyTel of Lake Dallas, Inc.	Texas
CenturyTel of Larsen-Readfield, Inc.	Wisconsin
CenturyTel of Michigan, Inc.	Michigan
CenturyTel of Minnesota, Inc.	Minnesota
CenturyTel of Monroe County, Inc.	Wisconsin

CenturyTel of Montana, Inc.	Oregon
CenturyTel of Mountain Home, Inc.	Arkansas
CenturyTel of North Louisiana, Inc.	Louisiana
CenturyTel of North Mississippi, Inc.	Mississippi
CenturyTel of Northern Michigan, Inc.	Michigan
CenturyTel of Northern Wisconsin, Inc.	Wisconsin
CenturyTel of Northwest Louisiana, Inc.	Louisiana
CenturyTel of Northwest Wisconsin, Inc.	Wisconsin
CenturyTel of Odon, Inc.	Indiana
CenturyTel of Ohio, Inc.	Ohio
CenturyTel of Ooltewah-Collegedale, Inc.	Tennessee
CenturyTel of Oregon, Inc.	Oregon
CenturyTel of Port Aransas, Inc.	Texas
CenturyTel of Postville, Inc.	Iowa
CenturyTel of Redfield, Inc.	Arkansas
CenturyTel of Ringgold, Inc.	Louisiana
CenturyTel of San Marcos, Inc.	Texas
CenturyTel of South Arkansas, Inc.	Arkansas
CenturyTel of Southeast Louisiana, Inc.	Louisiana
CenturyTel of Southern Wisconsin, Inc.	Wisconsin
CenturyTel of Southwest Louisiana, Inc.	Louisiana
CenturyTel of the Gem State, Inc.	Idaho
CenturyTel of the Midwest-Kendall, Inc.	Wisconsin
CenturyTel of the Midwest-Wisconsin, Inc.	Wisconsin
CenturyTel of the Northwest, Inc.	Washington
CenturyTel of the Southwest, Inc.	New Mexico
CenturyTel of Upper Michigan, Inc.	Michigan
CenturyTel of Washington, Inc.	Washington
CenturyTel of Wisconsin, Inc.	Wisconsin
CenturyTel of Wyoming, Inc.	Wyoming
CenturyTel Paging, Inc.	Louisiana
CenturyTel Personal Access Network, Inc.	Louisiana
CenturyTel Security Systems, Inc.	Louisiana
CenturyTel Service Group, LLC	Louisiana
CenturyTel Supply Group, Inc.	Louisiana
CenturyTel Telecom Service, Inc.	Washington
CenturyTel Telecommunications, Inc.	Texas
CenturyTel Telelink, Inc.	Louisiana
CenturyTel Wireless Louisiana, Inc.	Louisiana
CenturyTel Wireless of Appleton-Oshkosh-Neenah MSA, LLC	Delaware
CenturyTel Wireless of La Crosse, LLC	Delaware
CenturyTel Wireless of North Louisiana, LLC	Louisiana
CenturyTel Wireless of Shreveport, LLC	Louisiana
CenturyTel Wireless of Wisconsin RSA #1, LLC	Delaware
CenturyTel Wireless of Wisconsin RSA #10, LLC	Delaware
CenturyTel Wireless of Wisconsin RSA #2, LLC	Delaware
CenturyTel Wireless of Wisconsin RSA #3, LLC	Delaware
CenturyTel Wireless of Wisconsin RSA #6, LLC	Delaware
CenturyTel Wireless of Wisconsin RSA #8, LLC	Delaware
CenturyTel Wireless, Inc.	Louisiana
CenturyTel/Area Long Lines, Inc.	Wisconsin
CenturyTel/Remote Access, Inc.	Louisiana
CenturyTel/Tele-Max, Inc.	Texas
CenturyTel/Televue of Wisconsin, Inc.	Wisconsin
CenturyTel/WORLDDVOX, Inc.	Oregon
Eau Claire Cellular, Inc.	Colorado
Jackson Cellular Telephone Co., Inc.	Delaware

MVI Corp.	Oregon
North-West Cellular of Eau Claire, Inc.	Wisconsin
Pacific Telecom Cellular of Alaska RSA #1, Inc.	Alaska
Pacific Telecom Cellular of Alaska, Inc.	Alaska
Pacific Telecom Cellular of Michigan RSA #1, Inc.	Michigan
Pacific Telecom Cellular of Michigan RSA #2, Inc.	Michigan
Pacific Telecom Cellular of Michigan, Inc.	Michigan
Pacific Telecom Cellular of Oregon, Inc.	Oregon
Pacific Telecom Cellular of Washington, Inc.	Washington
Pacific Telecom Cellular, Inc.	Wisconsin
Pacific Telecom of Alaska PCS, Inc.	Alaska
Pascagoula Cellular Services, Inc.	Mississippi
PTI Communications of Alaska, Inc.	Alaska
Telephone Utilities of Alaska, Inc.	Alaska
Telephone Utilities of the Northland, Inc.	Alaska
The McAllen Cellular Telephone Co., Inc.	Nevada

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

Independent Auditors' Consent

The Board of Directors
Century Telephone Enterprises, Inc.:

We consent to incorporation by reference in the Registration Statements (No. 333-27165 and No. 333-42013) on Form S-3, the Registration Statements (No. 33-17113, No. 33-46562, No. 33-60061 and No. 333-67815) on Form S-8, the Registration Statements (No. 33-31314 and No. 33-46473) on combined Form S-8 and Form S-3, and the Registration Statements (No. 33-48956 and No. 333-17015) on Form S-4 of Century Telephone Enterprises, Inc. of our report dated January 28, 1999, except as to Note 21 which is as of February 23, 1999, relating to the consolidated balance sheets of Century Telephone Enterprises, Inc. and subsidiaries as of December 31, 1998 and 1997, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows and related financial statement schedules for each of the years in the three-year period ended December 31, 1998, which report appears in the December 31, 1998 annual report on Form 10-K of Century Telephone Enterprises, Inc.

/s/ KPMG LLP *KPMG LLP*

KPMG LLP

Shreveport, Louisiana
March 12, 1999

EXHIBIT C

FCC-Regulated Subsidiaries

The following are the FCC-regulated businesses in which CTI holds a 10% or greater interest:

CTI, through its subsidiaries, holds interests in and operates numerous cellular licensees. These companies are as follows (CTI's attributable interest in each company is noted in parentheses):

Appleton-Oshkosh-Neenah MSA Limited Partnership (98.85%)
Brownsville Cellular Telephone Company, Inc. (78.74%)
Cellular Mobile Systems of Michigan RSA No. 7 Limited Partnership (56.07%)
Cellular North Michigan Network General Partnership (42.84%)
Cellutel of Biloxi, Inc. (96.45%)
Century Cellunet of Alexandria, Inc. (100%)
Century Cellunet of Arkansas RSA #12 Cellular Limited Partnership (80%)
Century Cellunet of La Crosse Limited Partnership (95%)
Century Cellunet of Louisiana RSA #4 Cellular Limited Partnership (100%)
Century Cellunet of Michigan RSA #4 Cellular Limited Partnership (100%)
Century Cellunet of Michigan RSA #6 Cellular Limited Partnership (98%)
Century Cellunet of Mississippi RSA #2, Inc. (100%)
Century Cellunet of Mississippi RSA #6, Inc. (100%)
Century Cellunet of Mississippi RSA #7, Inc. (100%)
Century Cellunet of North Arkansas Cellular Limited Partnership (82%)
Century Cellunet of North Louisiana Cellular Limited Partnership (87%)
Century Cellunet of Pine Bluff, LLC (100%)
Century Cellunet of Saginaw MSA Limited Partnership (91.7%)
Century Cellunet of Southern Michigan Cellular Limited Partnership (97%)
Century Cellunet of Southwest Arkansas Cellular Limited Partnership (89%)
Eau Claire Cellular Telephone Limited Partnership (55.50%)
Jackson Cellular Telephone Company, Inc. (89.58%)
Michigan RSA #9 Limited Partnership (43.38%)
Pacific Telecom Cellular of Michigan, Inc. (100%)
Pascagoula Cellular Partnership (89.22%)
The McAllen Cellular Telephone Company, Inc. (69.50%)
Wisconsin RSA #1 Limited Partnership (42.21%)
Wisconsin RSA #2 Partnership (99%)
Wisconsin RSA #6 Partnership (57.14%)
Wisconsin RSA #7 Partnership (22.83%)
Wisconsin RSA No. 8 Limited Partnership (84%)

In addition, CTI through its subsidiaries, holds a 10% or greater attributable interest in the following cellular licensees, but is not the operator (CTI's attributable interest in each company is noted in parentheses):

- ALLTEL Cellular Associates of Arkansas Limited Partnership (36%)
- GTE Mobilnet of Austin Limited Partnership (35%)
- Lafayette MSA Limited Partnership (49%)
- Milwaukee SMSA Limited Partnership (17.96%)
- Thumb Cellular Limited Partnership (26%)
- Wisconsin RSA #3 Limited Partnership (42.86%)
- Wisconsin RSA No. 4 Limited Partnership (25%)
- Wisconsin RSA #10 Limited Partnership (22.50%)

CTI, holds a 10% or greater attributable interest in the following Personal Communications Service licensees (CTI's attributable interest in each company is noted in parentheses):

- Century Personal Access Network, Inc. (100%)
- MVI Corporation (100%)
- Wireless 2000, Inc. (20%)
- Wisconsin RSA # 7 Limited Partnership (23.50%)

CTI holds a 10% or greater attributable interest in the following Point-to-Point Microwave Service licensees not previously mentioned above or as a local exchange carrier (CTI's attributable interest in each company is noted in parentheses):

- Celutel, Inc. (100%)
- CenturyTel Telelink, Inc. (100%)

CTI holds a 10% or greater attributable interest in the following Local Multipoint Distribution Service licensees (CTI's attributable interest in each company is noted in parentheses):

- Actel Corporation (100%)

CTI holds a 10% or greater attributable interest in the following local exchange carriers (CTI's attributable interest in each company is noted in parentheses):

- Bloomington Telephone Company, Inc. (20%)
- CenturyTel Midwest - Michigan, Inc. (f/k/a Century Telephone Midwest, Inc.) (100%)
- CenturyTel of Adamsville, Inc. (f/k/a Century Telephone of Adamsville, Inc.) (100%)
- CenturyTel of Arkansas, Inc. (f/k/a Century Telephone of Arkansas, Inc.) (100%)
- CenturyTel of Central Indiana, Inc. (f/k/a Century Telephone of Central Indiana, Inc.) (100%)

CenturyTel of Central Louisiana, Inc. (f/k/a Century Telephone of Central Louisiana, Inc.) (100%)

CenturyTel of Chatham, Inc. (f/k/a Century Telephone of Chatham, Inc.) (100%)

CenturyTel of Chester, Inc. (f/k/a Century Telephone of Chester, Inc.) (100%)

CenturyTel of Claiborne, Inc. (f/k/a Century Telephone of Claiborne, Inc.) (100%)

CenturyTel of East Louisiana, Inc. (f/k/a Century Telephone of East Louisiana, Inc.) (100%)

CenturyTel of Evangeline, Inc. (f/k/a Century Telephone of Evangeline, Inc.) (100%)

CenturyTel of Idaho, Inc. (f/k/a Century Telephone of Idaho, Inc.) (100%)

CenturyTel of Michigan, Inc. (f/k/a Century Telephone of Michigan, Inc.) (100%)

CenturyTel of Mountain Home, Inc. (f/k/a Century Telephone of Mountain Home, Inc.) (100%)

CenturyTel of North Louisiana, Inc. (f/k/a Century Telephone of North Louisiana, Inc.) (100%)

CenturyTel of North Mississippi, Inc. (f/k/a Century Telephone of North Mississippi, Inc.) (100%)

CenturyTel of Northern Michigan, Inc. (f/k/a Century Telephone of Northern Michigan, Inc.) (100%)

CenturyTel of Northwest Louisiana, Inc. (f/k/a Century Telephone of Northwest Louisiana, Inc.) (100%)

CenturyTel of Odon, Inc. (f/k/a Century Telephone of Odon, Inc.) (100%)

CenturyTel of Ohio, Inc. (f/k/a Century Telephone of Ohio, Inc.) (100%)

CenturyTel of Ooltewah-Collegedale, Inc. (f/k/a Century Telephone of Ooltewah-Collegedale, Inc.) (100%)

CenturyTel of Port Arkansas, Inc. (f/k/a Century Telephone of Port Arkansas, Inc.) (100%)

CenturyTel of Ringgold, Inc. (f/k/a Century Telephone of Ringgold, Inc.) (100%)

CenturyTel of Redfield, Inc. (f/k/a Century Telephone of Redfield, Inc.) (100%)

CenturyTel of San Marcos, Inc. (f/k/a Century Telephone of San Marcos, Inc.) (100%)

CenturyTel of South Arkansas, Inc. (f/k/a Century Telephone of South Arkansas, Inc.) (100%)

CenturyTel of Southeast Louisiana, Inc. (f/k/a Century Telephone of Southeast Louisiana, Inc.) (100%)

CenturyTel of Southwest Louisiana, Inc. (f/k/a Century Telephone of Southwest Louisiana, Inc.) (100%)

CenturyTel of Monroe County, Inc. (100%)

CenturyTel of Northern Wisconsin, Inc. (100%)

CenturyTel of Northwest Wisconsin, Inc. (100%)

CenturyTel of Colorado, Inc. (100%)

CenturyTel of Forestville, Inc. (100%)

CenturyTel of Larsen-Reedfield, Inc. (100%)

CenturyTel of the Southwest, Inc. (100%)

CenturyTel of Fairwater-Brandon-Alto, Inc. (f/k/a Century Telephone of Fairwater-Brandon-Alto, Inc.) (100%)

CenturyTel of Southern Wisconsin, Inc. (f/k/a Century Telephone of Southern Wisconsin, Inc.) (100%)
 CenturyTel of Eagle, Inc. (f/k/a Eagle Telecommunications Inc. /Colorado) (100%)
 CenturyTel of Eastern Oregon, Inc. (f/k/a Telephone Utilities of Eastern Oregon, Inc.) (100%)
 CenturyTel of Inter Island, Inc. (100%)
 CenturyTel of Minnesota, Inc. (f/k/a Northland Telephone Company) (100%)
 CenturyTel of Oregon, Inc. (f/k/a Telephone Utilities of Oregon, Inc.) (100%)
 CenturyTel of Paradise, Inc. (f/k/a Paradise Communications, Inc.) (100%)
 CenturyTel of Cowiche, Inc. (f/k/a Cowiche Telephone Company, Inc.) (100%)
 CenturyTel of Postville, Inc. (f/k/a Postville Telephone Company) (100%)
 CenturyTel of the Midwest-Wisconsin, Inc. (f/k/a North-west Telephone Company, Inc.) (100%)
 CenturyTel of Upper Michigan, Inc. (f/k/a PTI Communications of Michigan, Inc.) (100%)
 CenturyTel of Washington, Inc. (f/k/a Telephone Utilities of Washington, Inc.) (100%)
 CenturyTel of Wyoming, Inc. (f/k/a Telephone Utilities of Wyoming, Inc.) (100%)
 CenturyTel Telephone Utilities, Inc. (f/k/a Telephone Utilities, Inc.) (100%)
 CenturyTel of the Gem State, Inc. (96%)
 CenturyTel of the Midwest--Kendall, Inc. (100%)
 CenturyTel of Montana, Inc. (99%)
 CenturyTel of Wisconsin, Inc. (f/k/a Century Telephone of Wisconsin, Inc.) (100%)
 CenturyTel of Lake Dallas, Inc. (f/k/a Century Telephone of Lake Dallas, Inc.) (100%)
 Hillsboro Telephone Company, Inc. (20%)

CTI holds a 10% or greater attributable interest in the following companies that provide long distance service (CTI's attributable interest in each company is noted in parentheses):

CenturyTel Long Distance, Inc. (f/k/a CenturyTel Solutions, Inc.) (100%)
 Century Telecommunications, Inc. (100%)
 CenturyTel/Area Long Lines, Inc. (f/k/a Century Area Long Lines (CALL), Inc.) (100%)

CTI holds a 10% or greater attributable interest in the following companies that provide cable service (CTI's attributable interest in each company is noted in parentheses):

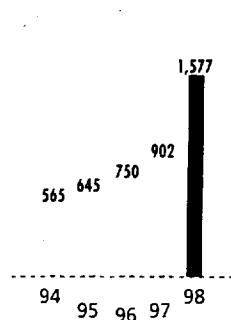
CenturyTel/Televue of Wisconsin, Inc. (f/k/a Century Televue of Wisconsin, Inc.) (100%)
 CenturyTel Entertainment, Inc. (f/k/a PTI Entertainment, Inc.) (100%)
 CenturyTel TeleVideo, Inc. (f/k/a PTI TeleVideo, Inc.) (100%)



CENTURYTEL

OPERATING REVENUES

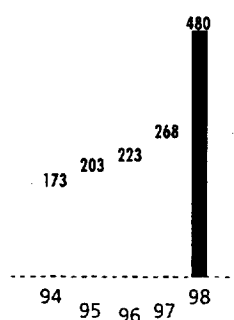
Dollars in Millions



Five-Year CAGR = 28.2%

OPERATING INCOME

Dollars in Millions

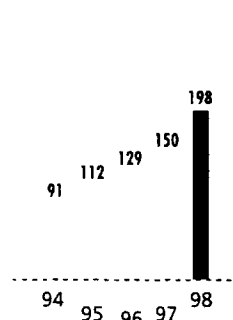


Five-Year CAGR = 30.2%

NET INCOME

EXCLUDING GAIN ON SALE OF ASSETS

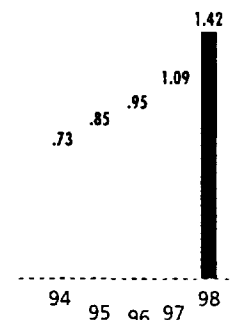
Dollars in Millions



Five-Year CAGR = 23.9%

EARNINGS PER SHARE (EPS)³

EXCLUDING GAIN ON SALE OF ASSETS



Five-Year CAGR = 19.6%

FINANCIAL HIGHLIGHTS

(Dollars, except per share amounts, and shares in thousands)	1998	1997	1996	1995	1994	Five-Year CAGR ¹
Operating revenues	\$ 1,577,085	901,521	749,677	644,840	564,601	28.2%
EBITDA ²	\$ 833,705	454,670	379,510	333,671	283,951	31.6%
Operating income	\$ 479,811	267,770	223,296	202,919	172,806	30.2%
Net income	\$ 228,757	255,978	129,077	114,776	100,238	27.1%
Net income excluding gain on sale of assets	\$ 198,229	149,562	128,564	112,207	90,953	23.9%
Diluted earnings per share ³	\$ 1.64	1.87	.95	.87	.80	22.7%
Diluted earnings per share excluding gain on sale of assets ³	\$ 1.42	1.09	.95	.85	.73	19.6%
Dividends per common share ³	\$.173	.164	.16	.147	.142	4.7%
Diluted shares outstanding ³	140,105	137,412	135,980	132,456	130,242	2.3%
Number of common shareholders	7,346	6,305	6,671	6,932	7,016	5.2%
Total assets	\$ 4,935,455	4,709,401	2,028,505	1,862,421	1,643,253	30.2%
Long-term debt	\$ 2,558,000	2,609,541	625,930	622,904	518,603	47.7%
Stockholders' equity	\$ 1,531,482	1,300,272	1,028,153	888,424	650,236	24.4%
Telephone access lines	1,346,567	1,203,650	503,562	480,757	454,963	25.4%
Cellular units in service/ majority-owned markets	624,119	569,983	368,233	290,075	211,710	39.9%

¹ Five-year compounded annual growth rate.

² Earnings before interest, taxes, depreciation, amortization and gain on sale of assets.

³ Adjusted to reflect stock split in early 1999. See Note 21 of Notes to Consolidated Financial Statements.

Growth Strategies

CenturyTel continues
to create value for
our shareholders,
customers and
employees. ►

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To our

Investors, Customers & Employees

CenturyTel's strategies establish direction
and vision for our future.

1 Superior Customer Growth

Through marketing of new and enhanced services, combined with strategic acquisitions, CenturyTel expands its customer base and creates revenue-generating opportunities.

CenturyTel continually seeks to grow its operations to enhance shareholder value.



Excellent Customer Service

CenturyTel employees live and work in the communities the company serves. They take pride in delivering high-quality services through advanced technology.

3 Clustering

To gain marketing, sales, distribution and network efficiencies, CenturyTel groups its markets in geographic operating clusters. We also seek to acquire markets near our existing operations. This strategy allows the company to fold in new operations and make them more profitable.

4 One-Stop Shopping

CenturyTel increases the value equation for customers by offering multiple services in bundled packages. This strategy allows the company to take advantage of pricing and distribution opportunities while making life easier for customers.



Clarke M. Williams – Chairman of the Board; Glen F. Post, III – Vice Chairman of the Board, President and Chief Executive Officer

**CenturyTel's unfolding story
continues to be excellent growth.**

1998 was a great year for our company as we achieved our 15th consecutive year of record results. Revenues reached nearly \$1.6 billion, marking the first time in company history our revenues have surpassed the one billion dollar mark. Net income, excluding one-time gains, rose 32.5 percent to a record \$198.2 million. Likewise, earnings per share, excluding gains, jumped 30.3 percent to \$1.42. During 1998 we also introduced the CenturyTel brand which will support our marketing efforts in the years ahead. Additionally, our shareholders enjoyed the

rewards of CenturyTel's excellent growth as our stock achieved a 104.4 percent return during 1998, beating the S&P 500 Index by more than 75 percentage points.

In light of CenturyTel's excellent share price appreciation, we were pleased to announce a three-for-two stock split in early 1999.

**For the past 10 years,
CenturyTel's average annual
shareholder return has
exceeded 23.3 percent, com-
pared with 19.2 percent for
the S&P 500 Index.**

The diligent efforts of our employees combined with the leadership of our management team have positioned CenturyTel as a leading provider of communications services to rural areas and smaller cities. We have consistently built upon our track record of success by following proven, easy-to-understand business strategies that have enabled CenturyTel to deliver excellent results. Throughout this report, we focus on four of the key strategies that guide us in the pursuit of CenturyTel's growth and profitability.

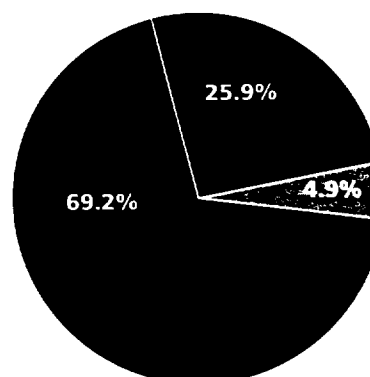
We constantly strive to: grow our customer base, provide excellent customer service, geographically cluster our markets, and offer one-stop shopping for communications services.

CenturyTel's results continue to be driven by strong internal revenue and cash flow growth combined with our ability to make strategic acquisitions.

In late 1997 CenturyTel completed the acquisition of Pacific Telecom, Inc. (PTI) which nearly doubled the size of our company. We commend the efforts of our more than 5,800 employees who have worked so diligently during the year to combine the two companies and integrate our support systems. As a result, CenturyTel has been able to leverage a larger base of operations to improve our operating margins and build a larger nucleus to pursue additional acquisitions.

Advancing our clustering strategy, CenturyTel purchased 86,000 telephone access lines in Wisconsin from Ameritech during 1998. The \$221 million acquisition, completed in December, significantly expands our base of operations in the Midwest. The acquired proper-

1 9 9 8 R E V E N U E S



■ TELEPHONE	■ CELLULAR	■ OTHER
\$1.1 billion	\$407.7 million	\$77.7 million
69.2%	25.9%	4.9%

ties are adjacent to existing CenturyTel operations. They help us leverage our network infrastructure and expand our marketing efforts for products such as Caller ID, voice mail, Internet and long distance. We also offer cellular service in most of these markets, further enhancing our ability to cluster operations and bundle services.

CenturyTel's core telephone and cellular operations continue to achieve performance levels attained only by the top performers in our industry.

Internal access line growth was 4.7 percent in our telephone operations, as compared with 3.9 percent total average access line growth achieved by the Regional Bell Operating Companies (RBOCs). We substantially increased the availability of popular call management features such as Caller ID and second telephone lines, with residential penetration rates of approximately 19.6 percent and 6.0 percent, respectively. CenturyTel has excellent opportunities to further penetrate our markets with these

services, and we anticipate that additional growth in enhanced services will foster revenue growth in the years ahead.

CenturyTel's revenue mix for 1998 was 69.2 percent from telephone operations, 25.9 percent from cellular operations, and 4.9 percent from long distance and other operations.

The substantial revenue contribution from the PTI properties caused telephone revenues to more than double and led to a shift in our revenue mix. We believe that our ability to achieve solid revenue growth in the years ahead, combined with our efforts to maintain highly efficient operations, should lead to continued excellent financial performance.

During 1998 CenturyTel continued to produce high cash flow and operating income margins in our major business units. Our telephone operations produced a 54.7 percent operating cash flow margin and a 30.6 percent operating income margin for the year. Our cellular operations yielded record operating cash flow and operating income margins of 47.2 percent and 32.0 percent, respectively. We remain focused on sustaining high margins and generating strong revenue growth.

We recognize that continuing strong internal growth depends upon our ability to expand our product mix to offer "bundled" communications services.

We strive to position CenturyTel as the provider of choice for our customers' communications needs. To better serve our customers,

CenturyTel now provides local telephone, long distance, wireless, Internet, paging and security monitoring services. Each year we seek to increase the availability of these services in our markets.

CenturyTel has highly skilled and dedicated people who are focused on providing excellent communications services under one unified brand.

Our product mix has grown substantially in recent years, and in the past, we have utilized a variety of brand names to market our services – Century Telephone, Century Cellunet, Century Long Distance, Delta Security and others. In 1998 we introduced the CenturyTel brand to portray a single image that unifies our marketing efforts while making it easier for customers to recognize that we offer a broad array of communications services. The new brand leverages our well-known identity and better represents the large number of services CenturyTel provides.

In late 1998 we announced a restructuring of our organization to further advance our efforts to offer bundled communications services. In doing so, we are seeking to better align our sales and marketing efforts and integrate our wireline and wireless operations to support continued growth. As part of this effort, Bruce Hanks was named Executive Vice President and Chief Operating Officer. This realignment will help focus our energies on providing bundled services to our customer base and maximizing the results of our sales and marketing efforts.

CenturyTel operates in one of the most dynamic growth industries in the world, and we are experienced in bringing high-quality communications services to rural America.

Our products and services offer consumers greater productivity, convenience and a higher standard of living. Operating in rural America gives CenturyTel the opportunity to make a difference in the communities we serve and improve the quality of life for our friends and neighbors we call customers.

At CenturyTel we constantly evaluate new products and strive to deliver enhanced services to our markets. We provide the on-ramp to the information superhighway for numerous small communities. The tremendous demand for high-speed data services led us to deploy Digital Subscriber Line (DSL) service in several of our larger markets. We also expanded the availability of local Internet access to 56 new telephone exchanges during the year. CenturyTel Internet service is now available to 65.0 percent of our

local exchange customers. Internet revenues increased substantially as our customer base grew 58.7 percent to more than 59,200 subscribers at year end.

CenturyTel achieved record financial results again during 1998 as our earnings growth accelerated.

- CenturyTel's revenues rose 74.9 percent to a new high of nearly \$1.6 billion, surpassing one billion dollars for the first time in company history.
- EBITDA (earnings before interest, taxes, depreciation, amortization and gain on sale of assets) increased 83.4 percent to \$833.7 million.
- Free-cash flow rose 82.3 percent to \$191.7 million. Free-cash flow is defined as net income excluding gains, plus depreciation and amortization, minus capital expenditures and dividends.
- Operating income advanced 79.2 percent to \$479.8 million.

FIVE YEARS OF GROWTH

(Dollars, except per share amounts, in thousands)

	1998	1993	Five-Year CAGR ¹
Operating revenues	\$ 1,577,085	\$ 455,675	28.2%
EBITDA²	\$ 833,705	\$ 211,278	31.6%
Operating income	\$ 479,811	\$ 128,009	30.2%
Net income excluding gain on sale of assets	\$ 198,229	\$ 67,924	23.9%
Diluted earnings per share excluding gain on sale of assets³	\$ 1.42	\$.58	19.6%
Total assets	\$ 4,935,455	\$ 1,319,390	30.2%
Telephone access lines	1,346,567	434,691	25.4%
Cellular units in service/ majority-owned markets	624,119	116,484	39.9%

¹Five-year compounded annual growth rate.

²Earnings before interest, taxes, depreciation, amortization and gain on sale of assets.

³Adjusted to reflect stock split in early 1999.

- Net income, excluding gain on sale of assets, jumped 32.5 percent to a record \$198.2 million. Net income including gains was \$228.7 million.
- Return on average common equity was 16.2 percent.
- Earnings per share excluding gain on sale of assets rose sharply to \$1.42, a 30.3 percent increase. Earnings per share including gains was \$1.64 in 1998.
- Cash dividends increased to \$.173 per share during 1998, representing CenturyTel's 25th consecutive year of dividend increases.

We are pleased with the financial performance achieved during 1998 and the many new company records established during the year. We strive to consistently deliver excellent earnings and cash flow growth. CenturyTel's business decisions are clearly guided by our commitment to providing high-quality communications services to meet the needs of our customers and by our objective of profitably growing our company to enhance long-term shareholder value.

1998 was a very good year for CenturyTel as efforts to grow our company were blessed. We are certainly pleased with the many accomplishments of our skilled employees as they continue to lead the way as CenturyTel pursues additional growth. It is important to note that our employees as a group are our largest shareholder.

**CenturyTel's future is bright,
with excellent opportunities
for continuing growth.**

We remain focused on growing our customer base, providing the best possible service, clustering our operations, and offering our customers a vast array of communications services. CenturyTel is committed to making a positive contribution to the well-being of our rural and small urban markets. We sincerely appreciate the continuing support of our customers, employees and shareholders as we strive to remain a premier growth company in the industry and become the leading provider of integrated communications services in rural areas and smaller cities in the United States.

Clarke M. Williams

Clarke M. Williams
Chairman of the Board

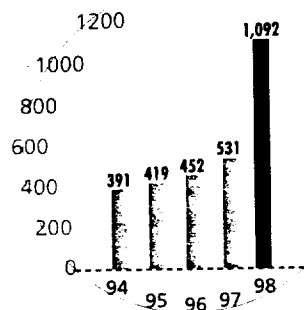
Glen F. Post, III

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

GROWTH DRIVERS

TELEPHONE REVENUES

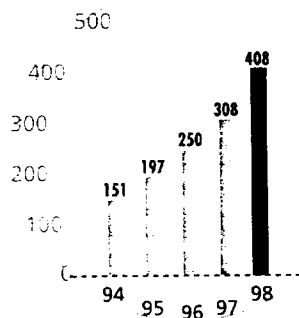
Dollars in Millions



Five-Year CAGR = 25.5%

CELLULAR REVENUES

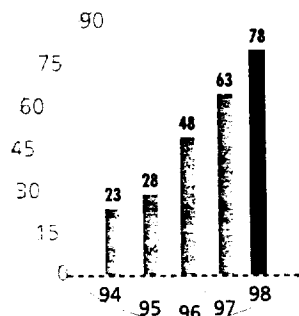
Dollars in Millions



Five-Year CAGR = 36.9%

OTHER BUSINESS REVENUES

Dollars in Millions



Five-Year CAGR = 30.4%

Telephone



Wireless



Other Businesses



Services	Growth Drivers	1998 Growth
Local Exchange	population growth and favorable demographics in our service areas; demand for second lines	4.7% internal access line growth
CLASS (Custom Local Area Signaling Services)	demand for Caller ID, Call Return, Repeat Dialing and Call Trace	51% unit growth 53% revenue growth
Voice Mail	demand for convenience; reliability; productivity; return, forward and archive options	157.2% revenue growth
Internet	increased demand for Internet-based services, messaging and entertainment	addition of more than 20,000 customers during 1998 207% revenue growth
Data/Broadband	demand for DSL, ISDN, high-speed Internet access, LAN/WAN, frame relay and videoconferencing	162% ISDN growth
Multi-line Business Products	demand for Centrex, new key systems and PBX systems	46.6% key systems growth 42.9% PBX systems growth
Cellular	demand for mobility, convenience, security and productivity	9.5% internal growth in cellular units in service
PCS	demand for fixed-based wireless services with mobility, convenience, security and productivity	
Long Distance	demand for one provider and one bundled bill for local exchange and long distance services	31.8% customer growth
Security	demand for residential and business systems such as access control, closed-circuit TV, burglar, fire and home automation	

Superior Customer Growth

CenturyTel operates in high-growth rural and small urban markets across the country. Several states where CenturyTel operates have experienced double-digit rural population growth during the decade.

State	Non-metro growth 1990-1997
Arizona	20.9%
Colorado	20.9%
Washington	16.3%
Idaho	16.2%
Oregon	12.5%
Montana	10.8%
New Mexico	10.8%

source: USDA Economic Research Service

Capitalizing



CenturyTel is one of the fastest growing companies in the communications industry.

Over the past five years, CenturyTel has nearly tripled in size and is clearly positioned as an industry leader in providing communications services to rural and small urban markets throughout the United States. The company is ranked as the ninth largest local exchange telephone company, based on telephone access lines, and the tenth largest cellular company, based on population equivalents owned, in the United States. Industry consolidation coupled with the company's acquisition program should enhance CenturyTel's ability to advance its industry ranking in the future.

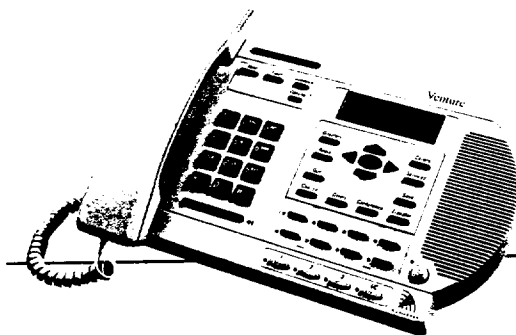
CenturyTel has grown its operations to provide integrated communications services to more than two million customers in 21 states. The company's product line consists primarily of local exchange, wireless, long distance, Internet and security monitoring services. CenturyTel's operations are clustered in the Midwest, Northwest and Southern regions of the United

States. Operating in rural and small urban markets allows CenturyTel to consistently achieve some of the highest growth rates in the communications industry, while somewhat sheltering the company's operations from intense competition.

CenturyTel is clearly focused on pursuing the abundant growth opportunities in rural and small urban communities across America. Many people in larger cities are seeking a higher quality of life often found in our country's rural communities. Today's booming suburban market was likely yesterday's sleepy rural community.

Nearly 85 percent of rural counties adjacent to metropolitan areas have gained population in the 1990s.

These areas benefit from the proximity of urban jobs and growth on the fringe of urban America. However, even rural areas far removed



MULTI-LINE BUSINESS

Key systems grew 46.6 percent during 1998 reaching \$8.4 million in revenues. PBX systems grew 42.9 percent achieving a \$4.8 million revenue mark.

from metropolitan areas have experienced significant population gains in the 1990s. Population gains are greatest in the Mountain West, Upper Great Lakes, Ozarks, areas of the South, and in rural areas of the Northeast.

(Source: *The Rural Rebound*, Johnson) CenturyTel has operations in all of these geographic areas with the exception of the rural Northeast.

We believe rural communications is one of the best growth segments in the communications industry. CenturyTel has been in this business for more than 50 years, and we have consistently grown our operations faster than many of our industry peers.

Over the past five years our revenues have grown at a compounded annual growth rate of 28.2 percent and have more than tripled, reaching nearly \$1.6 billion in 1998. Cash flow,

as measured by EBITDA, has grown at a five-year compounded annual growth rate of 31.6 percent to \$833.7 million. Strategic acquisitions combined with strong internal growth have contributed to

More than 40,000 skiers visited Cuchara Mountain Ski Resort in Colorado last year which uses a variety of CenturyTel local exchange services to help the resort conduct its thriving business. Like CenturyTel, the resort is getting bigger and better, constructing a 200-unit condominium to accommodate its growing number of summer guests as well.



our superb financial performance. Our excellent growth in revenues and cash flow provides CenturyTel the flexibility and strength to position ourselves for continued expansion.



CenturyTel's local exchange telephone operations are located in some of the faster growing regions of the United States.

Our internal telephone access line growth was 4.7 percent as we added nearly 57,000 telephone access lines during 1998.

Demand for second telephone lines for teenagers, home businesses and Internet usage contributed 31.4 percent to our internal access line growth.

The full-year impact of the PTI acquisition vaulted our telephone revenues past \$1.0 billion, a 105.7 percent increase. Operating cash flow in our telephone operations rose 106.4 percent to \$596.6 million, while operating income for this segment jumped to \$333.7 million, a 92.6 percent rise. Population growth, acquisitions and increased demand for new and enhanced telephone services continue to fuel

CenturyTel's Internet customer base grew 58.7 percent during 1998, contributing \$14.3 million in revenues.

SECOND LINES

CenturyTel's second lines grew 46.8 percent, contributing \$3.8 million in revenues. The demand for Internet access is driving second line growth.



CenturyTel provides data circuits and local exchange service through the wireless Companion system to the largest Mazda distribution center in North America located in Olive Branch, Mississippi.

the vibrant growth of CenturyTel's telephone operations.

In the quest for mobility, enhanced productivity and increased security, wireless communication continues to grow in popularity. We added 54,136 new cellular customers during 1998, as our cellular customer base surpassed 624,000.

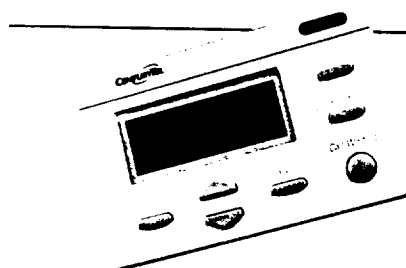
Cellular revenues comprise 25.9 percent of CenturyTel's total revenues.

During 1998 CenturyTel's cellular revenues increased 32.5 percent to \$407.7 million.



Operating cash flow for our cellular operations advanced 49.0 percent to \$192.6 million while operating income rose to \$130.6 million, a 48.2 percent jump. Our cellular operations produced company-record cash flow and operating income margins during 1998. CenturyTel's margins are consistently in the top echelon of the communications industry.

RESIDENTIAL PENETRATION RATES



	1998	1997	PERCENT INCREASE
Custom Calling Features	46.6%	42.7%	9.1%
CLASS Services	24.2%	18.6%	30.1%
Caller ID	19.6%	14.6%	34.2%
Voice Mail	11.5%	9.6%	19.8%
Second Lines	6.0%	4.3%	39.5%

2

Excellent Customer Service

CenturyTel strives not only to meet our customers' needs but to exceed them. The company distinguishes itself by cultivating a local market presence which allows us to be more responsive to customers.



CenturyTel is a local business, locally owned and operated with all of its control and decision-making power in America. This local presence allows CenturyTel to provide excellent customer service and support to its customers.

Providing

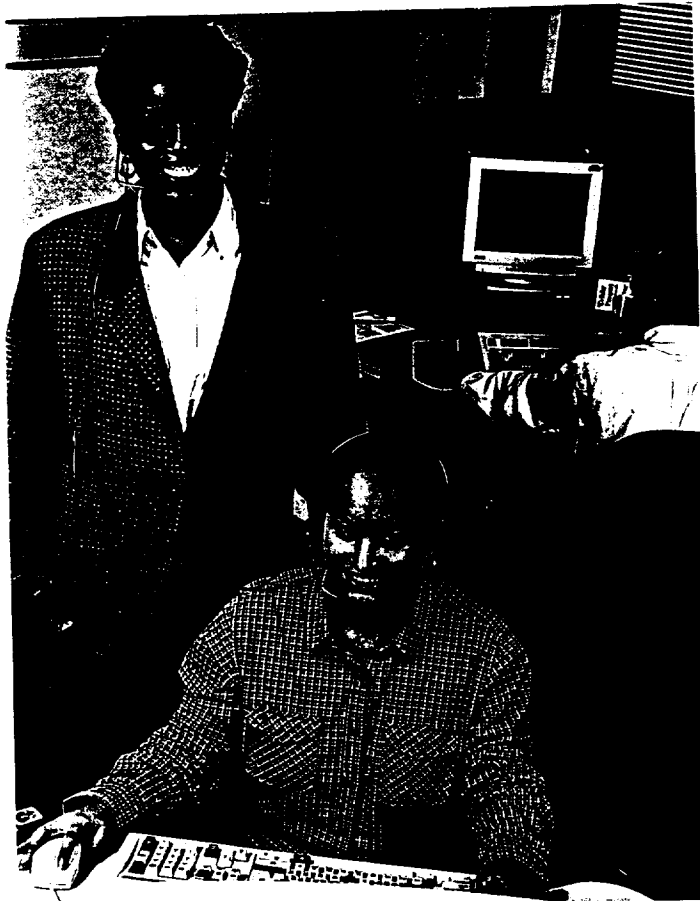


**solutions, technology,
quality and choices**

1-800-855-8888

CenturyTel's growth is the simple combination of growing markets and great products delivered by people with a passion to serve the customer.

It is much easier to provide good customer service when your employees are serving their friends and neighbors in their local communi-



ties. Most of our customers see employees of the big communications companies only in television commercials.

CenturyTel's local market presence gives us the ability to quickly respond to the needs of our customers and enables us to remain aware of developing market opportunities.

It also gives us a substantial advantage over potential competitors.

We provide the vital communications services that help our customers manage their lives and grow their businesses. CenturyTel strives to grow with our customers by offering an expanding array of communications services. Our employees take pride in providing services that make a positive contribution to the quality of life and economic health of the communities

CenturyTel utilizes high-quality systems and skilled people to meet the growing needs of our customers. The company capitalizes on opportunities for future growth by leveraging our expertise in providing high-quality customer support.

Customer Support

Through its local telephone call centers, CenturyTel handled more than four million customer calls during 1998, generating more than 1.5 million orders for additional services.

we serve. CenturyTel operates technologically advanced communications networks that make it possible to provide leading-edge communications services.

Having 100 percent digitally switched networks and more than 8,350 route miles of fiber optic cable helps us meet the growing needs in our markets.

Customers in rural areas want and need high-quality communications services enjoyed by their urban counterparts. For instance, popular call management features such as Caller ID, voice mail, distinctive ringing and three-way calling continue to be in strong demand.

During 1998 revenues from these services grew 18.2 percent to \$33.9 million. Caller ID is now available to 87.8 percent of our residential customers, while voice mail is available to 81.0 percent. As we continue to enhance CenturyTel's communications networks, we increase the availability of new and enhanced services to meet the needs of our growing customer base.

Gary Smith, CenturyTel installer in Kalispell, Montana, epitomizes CenturyTel's desire to exceed customer expectations. Gary was one of 26 employees recognized by the company as a 1998 Outstanding Service Provider.



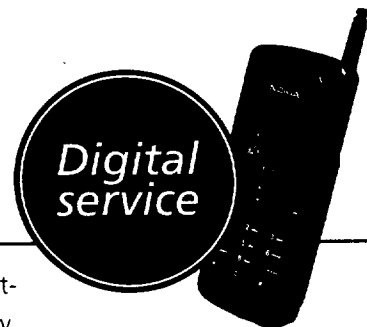
CenturyTel has seen strong evidence that many areas of rural and suburban America are enjoying excellent growth. Many people are moving to rural America to escape the hustle and bustle of larger cities. Many are also return-

ing to rural areas where they were born to raise their children in the kind of atmosphere they enjoyed as youngsters.

Recent survey data suggests that many residents of the nation's largest cities would rather live in smaller places, whereas a substantial majority of rural residents are happy where they are.

Driving this rural revival is a blend of economic, social and technological forces. Improvements in communications technology and transportation have sharply reduced the "friction of distance" that once hindered rural areas in competition with metropolitan centers for people and commerce. In practical terms, rural areas are now much less isolated than they were only a few decades ago. Satellite technology, fax machines and the Internet are

CenturyTel gives back to its communities through the CenturyTel Cares program, donating a portion of long distance revenues to youth educational programs such as the Arkansas Sheriff's Youth Ranch.



Digital cellular service is available in 95.0 percent of CenturyTel's metropolitan markets. It offers customers benefits such as longer battery life, Caller ID and message waiting indicator.

among the most familiar aids, rendering distance virtually irrelevant in the transmission of information and therefore in the conduct of business. Other sources of change are less obvious. Decades of steady state and federal investments in roads and airports have also made an enormous difference.

Catalog retailer Lands' End is able to operate a large national distribution headquarters in Dodgeville, Wisconsin, a small town west of Madison, made possible in part by highway upgrades during the 1980s. In Michigan's Upper Peninsula and other once-remote places, Federal Express trucks now regularly deliver packages down long dirt roads. With the assurance that crucial parts and supplies can be

secured overnight, small business owners can now set up shop virtually anywhere. (Source: *The Rural Rebound*, Johnson)

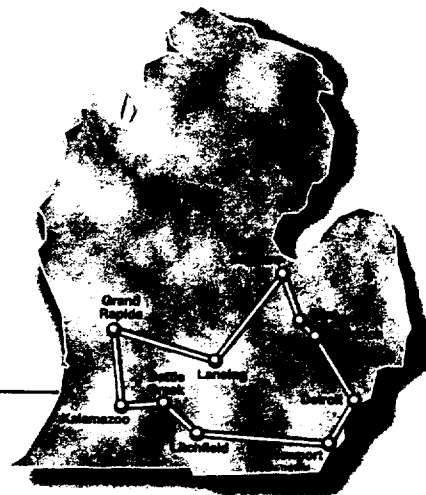
CenturyTel has a good perspective on what it takes to operate successfully in rural areas and smaller cities.

CenturyTel has achieved excellent results by simply focusing on the most important aspect of our business – meeting the needs of our customers.

We strive to provide our customers with valuable communications services at reasonable prices while treating them the way we want to be treated – with respect.

ROUTE MILES OF FIBER

CenturyTel has more than 8,350 route miles of fiber optic cable throughout its service areas. CenturyTel is constructing a 650-mile fiber optic ring scheduled for completion in November 1999, which will connect approximately 35 southern and central Michigan cities and towns.



3 Clustering

CenturyTel maintains a large wireless ownership that overlaps its wireline properties. The company geographically clusters its markets to leverage network infrastructure, provide a broad array of communications services to our customers, and reap benefits from our marketing efforts. ►

Offeringm



**mobility, accessibility and
multiple service options**

Strategic acquisitions have provided us the opportunity to apply our formula for success in the communications industry to new rural and suburban markets.

We are like the farmer who said he didn't want to own all of the land in the world, just all of the land that bordered the land he owned. We constantly strive to acquire attractive communications properties in order to expand our geographic operating clusters and gain additional efficiencies.

CenturyTel's 1997 acquisition of Pacific Telecom, Inc. (PTI)

nearly doubled the size of our operations. It provides us with a strategic base of operations in the Northwest while increasing our Midwest market cluster. CenturyTel is now positioned to pursue additional growth opportunities in new regions of the United States in order to expand our geographic operating hubs.

CenturyTel has a proven track record of acquiring rural and smaller urban communications properties, folding them into our opera-

CenturyTel serves more than 750 telephone exchanges. More than 85.0 percent of these serve fewer than 4,000 access lines while CenturyTel serves six exchanges with more than 10,000 access lines.



tions and enhancing the profitability of the combined entities.

During 1998 CenturyTel made one of the largest purchases of rural telephone lines from a Baby Bell, Ameritech.

The Ameritech properties acquisition significantly expands our base of operations in the Midwest. Wisconsin is CenturyTel's largest state in terms of wireline ownership with more than

ISDN



CenturyTel's ISDN service grew 162.0 percent during 1998. ISDN turns a telephone line into an end-to-end digital link. Over one telephone line, it provides two communication paths at the same time. Customers can talk and fax simultaneously, or talk while surfing the Internet.

340,000 telephone access lines, representing 25.3 percent of our wireline operations.

We further advanced our geographic clustering strategy during 1998 by divesting several non-strategic properties. In August we announced the sale of our Alaskan operations for approximately \$415 million in cash plus the assumption of \$43 million in debt by the acquiring firm. Originally the Alaskan markets were part of the PTI acquisition. The Alaskan properties consist of 131,800 telephone access lines, more than 13,500 cellular subscribers in markets encompassing 159,700 pops, and

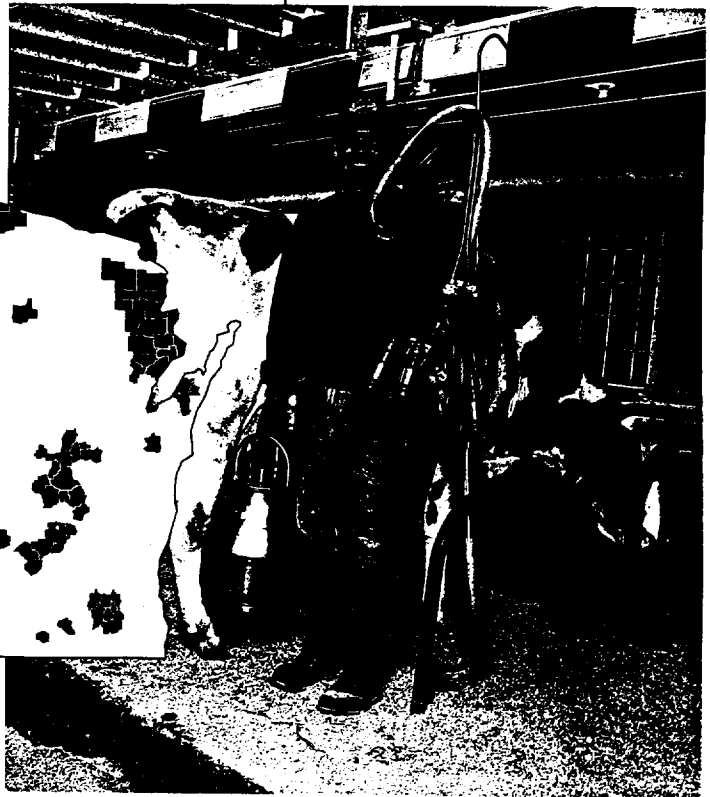
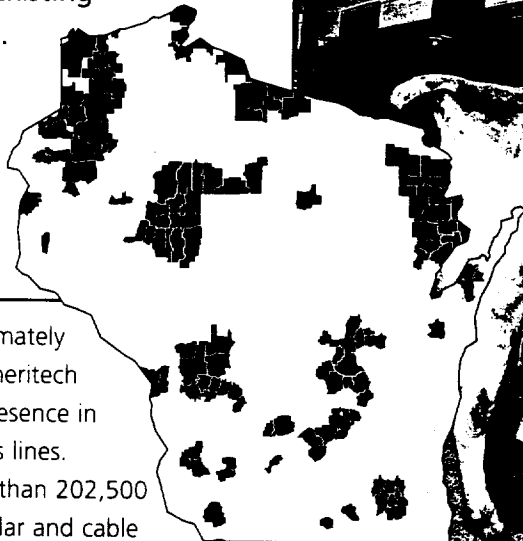
550,000 PCS (Personal Communication Services) pops. The Alaskan operations are remote from other CenturyTel properties and widely dispersed across the state. We will utilize the proceeds from the sale to fund future acquisitions and to reduce debt.

In January 1999 we announced an agreement to sell our southern Texas cellular operations for \$72.0 million in cash. As a result of this sale, we are relinquishing 625,072 pops and approximately 7,300 cellular subscribers. These properties are isolated from other CenturyTel operating areas and offer limited

The Holschbach Dairy Farm in Baraboo, Wisconsin is located in a newly acquired exchange adjacent to Poynette, De Forest, Rio and Cambria, all existing CenturyTel exchanges. Baraboo is one of 19 exchanges CenturyTel purchased from Ameritech during 1998.

CenturyTel acquired approximately 86,000 access lines from Ameritech during 1998, boosting its presence in Wisconsin to 340,895 access lines. CenturyTel also serves more than 202,500 Internet, long distance, cellular and cable customers in the state.

- Newly acquired exchanges
- Existing exchanges

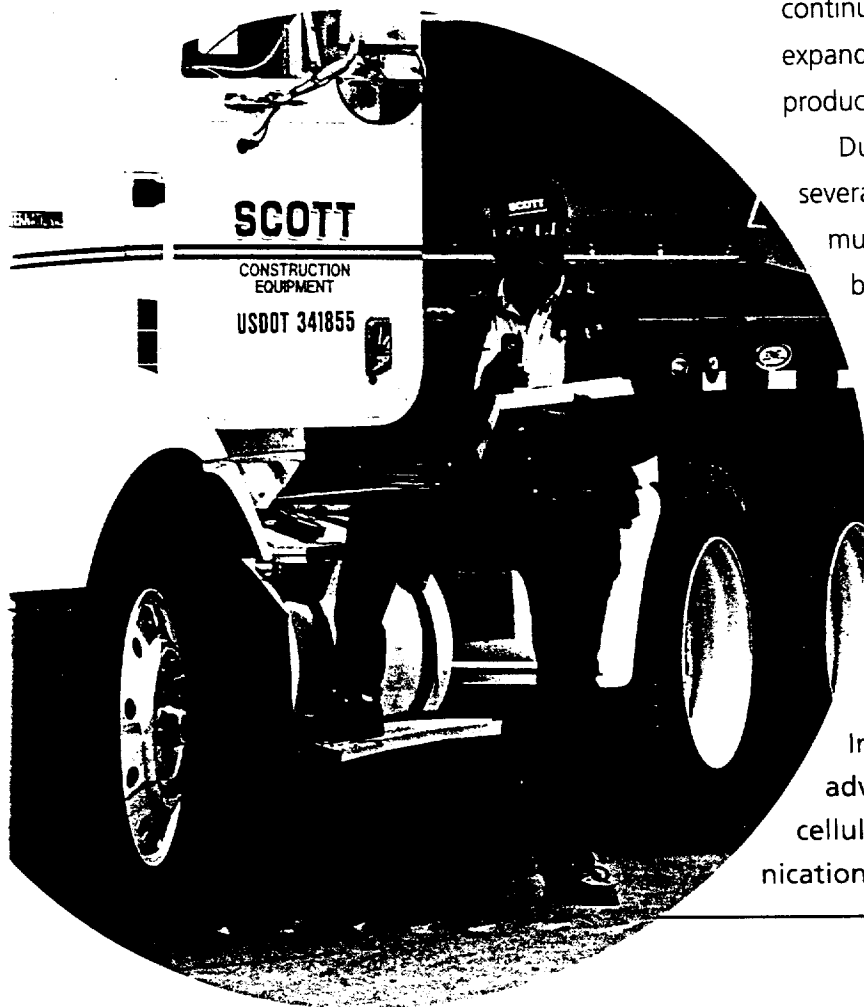


expansion opportunities. We believe the sale of these properties is a smart long-term strategic move as CenturyTel continues to pursue additional growth geographically closer to our operating clusters.

Clustering of operations is also a critical aspect of growth in wireless communications. Our clustering strategy allows CenturyTel to offer cellular coverage over large geographic regions in the Midwest and Midsouth United States. CenturyTel has strategically grouped its cellular markets in Michigan and Wisconsin, as well as Louisiana, Arkansas, Texas and Mississippi.

Like our telephone operations, CenturyTel's cellular markets are concentrated in rural and smaller urban markets with excellent growth potential. Fifty-seven percent of CenturyTel's operated cellular markets are in rural service areas. Many interstate highways traverse these rural markets, and CenturyTel's cellular properties generate excellent roaming revenues. Roaming revenues were 23.6 percent of CenturyTel's total 1998 cellular revenues of \$407.7 million. CenturyTel's cellular markets continue to offer growth opportunities as we expand our coverage areas and introduce new products.

During 1998 CenturyTel introduced PCS in several Michigan markets. We are utilizing much of our existing cellular infrastructure, both physical and employee-based, for this service. The product name of our new all-digital wireless service is ZONE. Customers in Grand Rapids, Lansing



Scott Truck and Tractor has more than 40 locations in Louisiana, Mississippi, Texas and Arkansas with many of those along the Interstate 20 corridor. Scott takes advantage of CenturyTel's clustered cellular operations to maintain communication with its fleet of 500 vehicles.



In preparing for the anticipated demand for wireless data services, CenturyTel acquired 32 Local Multipoint Distribution System (LMDS) licenses, encompassing markets with a total population of 10.6 million. In the future, CenturyTel plans to offer services such as high-speed wireless Internet access, data transfer and video transmission utilizing this new wireless spectrum. The licenses complement existing

CenturyTel introduced ZONE, its digital PCS service, in Michigan during 1998. The Grand Rapids Hilton takes advantage of this fixed wireless service to stay in touch with its employees and to maintain excellent customer service.

and Kalamazoo, Michigan were among the first to try out this new service. ZONE service packages a large bundle of wireless minutes with voice mail, Caller ID, call waiting, three-way calling and call forwarding for one low monthly fee. The new service allows customers to use the phone as a super cordless phone with additional mobility for roaming purposes when they are outside their home ZONE. Our plans are to make ZONE wireless service available in additional markets during 1999.

CenturyTel markets in Michigan, Wisconsin, Texas, Arkansas, Indiana, Louisiana, Minnesota and Mississippi.

CenturyTel is well positioned for future growth as a result of clustering our operations for marketing and operational efficiencies. Aggregating communications properties in a geographic area enables CenturyTel to offer one-stop shopping for communications services.

Products
that meet our
customers'
needs



CenturyTel began offering EasyGo, a no-contract, prepaid option for cellular service, in July 1998. By the end of the year, the company had sold more than 24,500 EasyGo units.



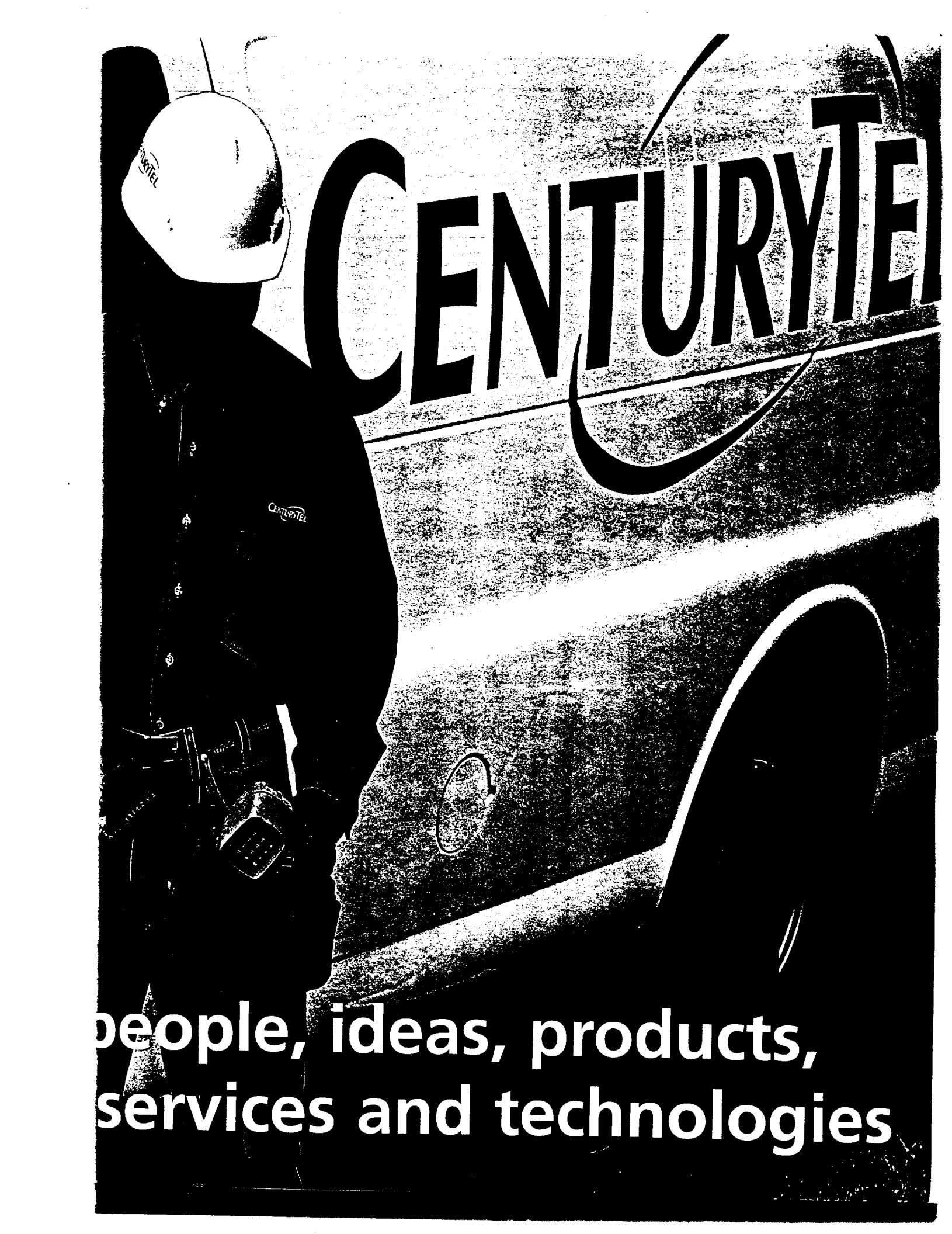
4

One-Stop Shopping

During 1998 CenturyTel introduced a dynamic brand to facilitate future growth and meet customer demand for integrated communications services.

- Local telephone
- Cellular
- PCS
- Long distance
- Internet
- Security ►

Connecting p



CENTURYTEL

people, ideas, products,
services and technologies

"Bundling" has become a buzzword in the communications industry. We simply think one-stop shopping makes life easier for the customer and creates excellent business opportunities for CenturyTel.

In order to capitalize on the growing trend of marketing integrated communications services, we introduced our new CenturyTel brand during 1998. The CenturyTel brand allows us to better reinforce our marketing initiatives and makes it easier for consumers to identify our

company as a provider of a broad array of valuable communications services. A new, more dynamic brand, coupled with good distribution channels, will enhance the value of the CenturyTel franchise and assist our growth.

In recent years CenturyTel has branched out into long distance, call centers, security monitoring and Internet services to meet our customers' needs.

Revenues from CenturyTel's developing businesses grew 23.0 percent to \$77.7 million during 1998. Operating cash flow and operating income increased 112.0 percent to \$19.2 million, and 142.4 percent to \$15.5 million, for this rapidly growing business segment.

Along with the Internet and call management features such as Caller ID, long distance continues to be one of the most popular bundled services. CenturyTel added more



LaCrosse Footwear in La Crosse, Wisconsin takes advantage of multiple CenturyTel services including local exchange, long distance, cellular and Internet. LaCrosse employs more than 1,200 people in its retail, manufacturing and catalog operations.

than 54,700 long distance customers during the year, bringing the total number to 226,730, a 31.8 percent increase. Fifteen percent of CenturyTel's local telephone customers also subscribe to CenturyTel long distance.

An increasing number of our customers want data services included in their communications bundle. Data services represent one of the fastest-growing segments of the communications industry. The explosive growth of



1998 was a busy year for CenturyTel's security operations as we completed one acquisition and opened four new branch offices in our local exchange areas. Security monitoring services offer customers a convenient way to secure their homes and businesses while dealing with a company they know and trust.

the Internet has been a key driver of the increased demand for high-speed data services and second telephone lines. It is estimated that there are now approximately 65 million Internet users in the United States, and by the year 2003, the number of Internet subscribers is projected to almost triple. CenturyTel continues to benefit from the Internet boom. Our Internet customer base grew 58.7 percent to more than

59,000, while revenues from Internet and data-related services increased 177.0 percent to \$15.9 million during 1998.

Fueled by the demand for information and the convenient connectivity of the Internet, many businesses are turning to CenturyTel to provide high-speed access for data transmission.

During 1998 we introduced CenturyTel's Express Services to help individuals and businesses tailor their data and networking needs.

Utilizing Digital Subscriber Line (DSL) technology, CenturyTel unveiled a suite of Express LAN, Express Internet and Express Telecommute products that allow businesses and individuals to be more productive.

With this technology, a customer can connect to a corporate LAN or mainframe from a remote location up to five times faster than with an Integrated Services Digital Network (ISDN) connection. CenturyTel can also provide frame relay service in select markets for customers wanting additional data transmission options.

Security monitoring services represent a new growth opportunity for the company.

These services complement our existing networks and core operational competencies. CenturyTel now offers 24-hour burglary and fire protection to customers in select markets in Louisiana, Arkansas, Mississippi, Texas and Ohio. We will be expanding the availability of this service to more of our markets in 1999. New businesses and developing technologies will continue to help drive CenturyTel's growth in the months and years ahead.

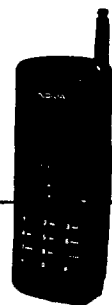
Whether growing markets, adding new services or acquiring other properties, CenturyTel is a well-positioned growth company in the communications industry with excellent opportunities for further expansion. We continue to look for opportunities to provide added



*One-Stop
Shopping
Resource*



CenturyTel's internal telephone access line growth was 4.7 percent as we added nearly 57,000 telephone access lines during 1998.



CenturyTel added 54,136 cellular customers during 1998 achieving a 9.5 percent growth rate.

service and convenience for our customers while striving to achieve high levels of financial performance. Our focus on rural and suburban markets allows CenturyTel to achieve performance levels attained only by the elite in our industry. We are focused on growing our company and achieving excellent results in our never-ending quest to enhance shareholder value.

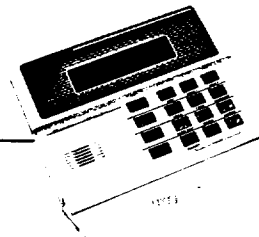
Over the past few years CenturyTel has strengthened its retail distribution channels. Through CenturyTel's retail stores, customers can purchase cellular, long distance and Internet services in one convenient location.



CenturyTel's long distance customer base grew 31.8 percent in 1998 bringing the number of year-end customers to more than 226,700. Long distance revenues reached \$53.0 million.



CenturyTel gives its customers a gateway to the world via local Internet access. The company also operates a state-of-the-art Internet help center customers can call 24 hours a day, 7 days a week.



Security monitoring services represent a new growth opportunity for CenturyTel, complementing our core businesses.

GLOSSARY

▼ Centrex

a business telephone service that provides custom calling features such as call forwarding, call waiting, speed dialing and others through the telephone company's central office

▼ Companion

the Companion is a digital, wireless, portable telephone system that has all the features of a standard telephone system

▼ Custom Local Area Signaling Services (CLASS)

a grouping of optional enhancements to basic, local exchange telephone service that gives subscribers the ability to screen and selectively reject, forward, trace and redial incoming calls

▼ Digital Subscriber Line (DSL)

a technology used to provide high-speed signal transport for Internet access and other bandwidth intensive services

▼ Exchange

an area in which there is a uniform set of charges for local telephone service; it sometimes refers to a telephone switching center

▼ Frame Relay

a form of packet switching (sending data in packets through a network) that uses smaller packets and requires less error checking than traditional forms of packet switching; efficiently handles high-speed, bursts of data over wide area networks

▼ Integrated Services Digital Network (ISDN)

switched network providing end-to-end digital transparency where voice and data services are provided over the same transmission circuit and switching facilities simultaneously

▼ Key System

a system in which telephones have multiple buttons permitting the user to select outgoing or incoming central office telephone lines directly; with a key system users don't have to dial 9 to get an outside line

▼ Metropolitan Statistical Area (MSA)

area based on counties as defined by the U.S. Census Bureau that includes cities of 50,000 or more population and the surrounding counties; using data from the 1980 census, the Federal Communications Commission (FCC) allocated two cellular licenses in each of the 305 MSAs in the United States

▼ Personal Communication Services (PCS)

wireless communications that encompass mobile and fixed ancillary services that can be integrated into a variety of competing networks

▼ Pops

the portion of the population of the service area based on ownership interest

▼ Roaming

using a cellular telephone in a calling area other than the one in which the caller is a subscriber

▼ Rural Service Area (RSA)

areas as defined by the U. S. Census Bureau that are not included in either a Metropolitan Statistical Area (MSA) or a New England County Metropolitan Area for which a common carrier may have a license to provide cellular service

OWNERSHIP DATA

■ TELEPHONE ACCESS LINES

	Access Lines	Percent of Total
Wisconsin	340,895	25.3%
Washington	175,508	13.0%
Alaska	131,858	9.8%
Michigan	108,769	8.1%
Louisiana	97,676	7.3%
Colorado	86,249	6.4%
Ohio	80,400	6.0%
Oregon	75,392	5.6%
Montana	60,657	4.5%
Sub total	1,157,404	86.0%

Arkansas	43,778	14.0%
Texas	44,822	
Minnesota	29,708	
Tennessee	25,609	
Mississippi	19,648	
Idaho	5,881	
New Mexico	5,770	
Indiana	5,136	
Wyoming	4,663	
Iowa	1,938	
Arizona	1,780	
Nevada	430	

Total 1,346,567 **100.0%**

CELLULAR OWNERSHIP

Operated pops	8,522,919
Non-operated pops	1,530,197
Total	<u><u>10,053,116</u></u>

■ MIDWEST

TELEPHONE	
Access lines	566,846
CELLULAR	
Operated pops	4,824,689
Non-operated pops	774,591
Total pops	<u><u>5,599,280</u></u>
PCS POPS	7,568,667

■ NORTHWEST

TELEPHONE	
Access lines	454,389
CELLULAR	
Operated pops	159,768
Non-operated pops	15,204
Total pops	<u><u>174,972</u></u>
PCS POPS	1,611,216

■ SOUTH

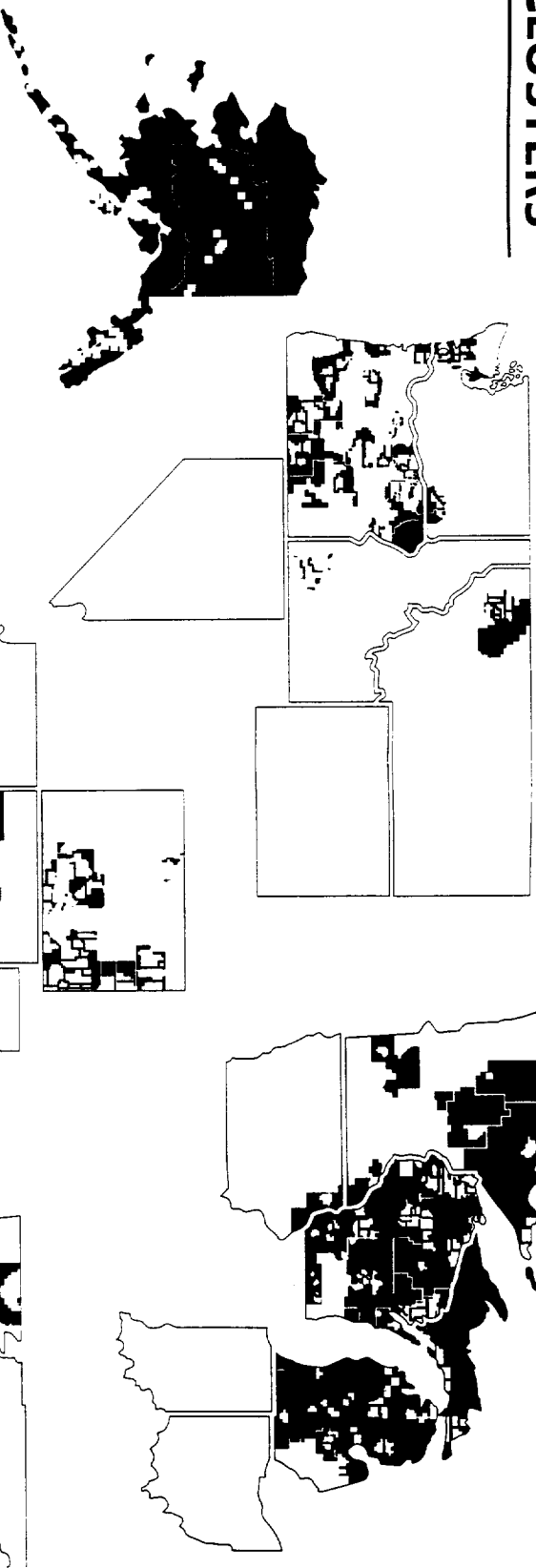
TELEPHONE	
Access lines	325,332
CELLULAR	
Operated pops	3,538,462
Non-operated pops	740,402
Total pops	<u><u>4,278,864</u></u>
PCS POPS	506,499
Total PCS POPS	<u><u>9,686,382</u></u>

Pops - The portion of the population of the service area based on ownership interest

OPERATING CLUSTERS

NORTHWEST

MIDWEST



Telephone

■ Cellular

■ PCS

■ Cellular/PCS

SOUTH

CenturyTel

February

Announced three for two stock split to be distributed as a 50 percent stock dividend

April

Awarded 32 LMDS licenses by the FCC

May

CenturyTel brand introduced

June

Surpassed the 200,000 mark in total long distance customers

August

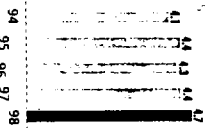
Signed agreement to sell Alaska operations to ALEC Acquisition Corporation

December

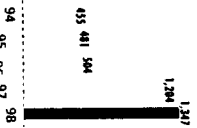
Completed the cash purchase of Ameritech's telephone operations in 21 communities in northern and central Wisconsin

On December 31, CenturyTel's stock closed at \$67.50, a 104.4 percent increase for the year.

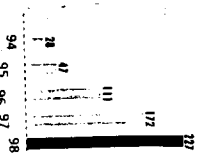
INTERNAL ACCESS LINE GROWTH RATE PERCENTAGE



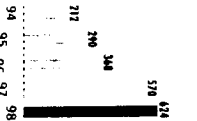
ACCESS LINES Thousands



LONG DISTANCE CUSTOMERS Thousands



CELLULAR UNITS IN SERVICE Thousands



AVERAGE MONTHLY CELLULAR SERVICE REVENUE PER USER



From 1989-1995 the total number of jobs grew at a 1.6 percent annual rate in nonmetro areas while metro areas grew at 1.3 percent. usda

Since 1990 two million more Americans have moved from metro counties to rural areas than have migrated in the other direction. Time Magazine, December 8, 1997

In 1997 there were 54.3 million people in the nonmetropolitan population. From 1990-1996 nonmetro counties grew at an annual pace more than double that of the 1980s. usda

STATISTICAL INFORMATION

THE FINANCIALS

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

RESULTS OF OPERATIONS

Overview

Century Telephone Enterprises, Inc., which operates under the trade name of CenturyTel, and its subsidiaries (the "Company"), is a regional diversified communications company engaged primarily in providing local exchange telephone services and cellular telephone communications services. At December 31, 1998, the Company's local exchange telephone subsidiaries operated over 1.3 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 624,000 cellular subscribers. On December 1, 1997, the Company significantly expanded its operations by acquiring Pacific Telecom, Inc. ("PTI") for \$1.503 billion cash. As a result of the acquisition, the Company acquired (i) over 660,000 telephone access lines, (ii) over 88,000 cellular subscribers and (iii) various wireless, cable television and other communications assets. On December 1, 1998, the Company acquired from affiliates of Ameritech Corporation ("Ameritech") telephone operations serving 86,000 access lines in northern and central Wisconsin and the related telephone directories for approximately \$221 million cash. The operations of PTI are included in the Company's results of operations beginning December 1, 1997 and the operations of the former Ameritech properties are included in the Company's results of operations beginning December 1, 1998. See Acquisitions and Note 2 of Notes to Consolidated Financial Statements for additional information. During the three years ended December 31, 1998, the Company has acquired various other telephone and cellular operations, the impact of which has not been material to the financial position and results of operations of the Company.

The net income of the Company for 1998 was \$228.8 million, compared to \$256.0 million during 1997 and \$129.1 million during 1996. Diluted earnings per share for 1998 were \$1.64 compared to \$1.87 in 1997 and \$.95 in 1996. Excluding gain on sale or exchange of assets, the Company's net income (and diluted earnings per share) for 1998, 1997 and 1996 was \$198.2

million (\$1.42), \$149.6 million (\$1.09) and \$128.6 million (\$.95), respectively.

Year ended December 31,	1998	1997	1996
<i>(Dollars, except per share amounts, and shares in thousands)</i>			
Operating income			
Telephone	\$ 333,708	173,285	155,183
Cellular	130,580	88,081	67,914
Other	15,523	6,404	199
	479,811	267,770	223,296
Gain on sale or exchange of assets, net	49,859	169,640	815
Interest expense	(167,552)	(56,474)	(44,662)
Income from unconsolidated cellular entities	32,869	27,794	26,952
Minority interest	(12,797)	(5,498)	(6,675)
Other income and expense	5,268	5,109	3,916
Income tax expense	(158,701)	(152,363)	(74,565)
Net income	\$ 228,757	255,978	129,077
Diluted earnings per share* \$	1.64	1.87	.95
Average diluted shares outstanding*	140,105	137,412	135,980

*Adjusted to reflect stock split in early 1999. See Note 21 of Notes to Consolidated Financial Statements.

The Company's operating income for 1998 was \$479.8 million, an increase of \$212.0 million (79.2%) over 1997 operating income of \$267.8 million. During 1998 the operating income of the Company's telephone and cellular segments increased \$160.4 million (92.6%) and \$42.5 million (48.2%), respectively, while the operating income of the Company's other operations increased \$9.1 million (142.4%). The Company's operating income for 1996 was \$223.3 million.

Contributions to operating revenues and operating income by the Company's telephone, cellular and other operations for each of the years in the three-year period ended December 31, 1998 were as follows:

Year ended December 31,	1998	1997	1996
Operating revenues			
Telephone operations	69.2%	58.9	60.2
Cellular operations	25.9%	34.1	33.4
Other operations	4.9%	7.0	6.4
Operating income			
Telephone operations	69.6%	64.7	69.5
Cellular operations	27.2%	32.9	30.4
Other operations	3.2%	2.4	.1

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

As indicated by the chart above, the percentage of the Company's total operating revenues and operating income contributed by its telephone operations significantly increased during 1998 as a result of the Company's acquisition of PTI on December 1, 1997.

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 newly-acquired properties 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, 1998. 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.

Telephone Operations

The Company conducts its telephone operations in rural, suburban and small urban communities in 21 states. As of December 31, 1998, approximately 86% of the Company's 1.3 million telephone access lines were in Wisconsin, Washington, Alaska, Michigan, Louisiana, Colorado, Ohio, Oregon and Montana. In August 1998 the Company entered into a definitive agreement to sell all of its operations in Alaska. This

transaction is expected to close in the second quarter of 1999. As of December 31, 1998, the Company had approximately 132,000 access lines in Alaska. The operating revenues, expenses and income of the Company's telephone operations for 1998, 1997 and 1996 are summarized below.

Year ended December 31,	1998	1997	1996
	<i>(Dollars in thousands)</i>		
Operating revenues			
Local service	\$ 331,736	147,589	121,728
Network access	629,583	319,301	276,123
Other	130,291	63,707	53,687
	1,091,610	530,597	451,538
Operating expenses			
Plant operations	245,164	110,220	90,083
Customer operations	92,552	50,819	43,413
Corporate and other	157,293	80,551	67,066
Depreciation and amortization	262,893	115,722	95,793
	757,902	357,312	296,355
Operating income	\$ 333,708	173,285	155,183

Local service revenues Local service revenues are derived from the provision of local exchange telephone services in the Company's service areas. The \$184.1 million (124.8%) increase in such revenues in 1998 included \$171.0 million from acquired properties, of which \$169.2 million was from the PTI properties; \$10.7 million due to the internal increase in the number of customer access lines; and \$3.0 million due to the increased provision of custom calling features. The \$25.9 million increase in revenues in 1997 included \$17.4 million from acquired properties, of which \$15.0 million was from the PTI properties; \$5.6 million due to the internal increase in the number of customer access lines; and \$2.8 million due to the increased provision of custom calling features. Internal access line growth during 1998, 1997 and 1996 was 4.7%, 4.4% and 4.3%, respectively.

Network access revenues Network access revenues are primarily derived from charges to long distance companies and other customers for access to the Company's local exchange carrier ("LEC") networks in connection with the completion of long distance telephone calls. These access charges are based on tariffed access rates filed with the Federal Communications

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Commission ("FCC") for interstate services and with the respective state regulatory agency for intrastate services. Certain of the Company's interstate network access revenues are based on access charges filed directly with the FCC; the remainder of such revenues are derived under revenue sharing arrangements with other LECs administered by the National Exchange Carrier Association. Intrastate network access revenues are based on access charges or are derived under revenue sharing arrangements with other LECs.

Network access revenues increased \$310.3 million (97.2%) in 1998 and \$43.2 million in 1997 due to the following factors:

	1998 increase (decrease)	1997 increase (decrease)
<i>(Dollars in thousands)</i>		
PTI acquisition	\$ 278,471	26,040
Increased recovery from the federal Universal Service Fund ("USF")	8,329	11,314
Increased minutes of use	8,846	5,033
Acquisitions, excluding PTI	1,013	3,465
Partial recovery of increased operating costs through revenue sharing arrangements with other telephone companies and return on rate base	10,440	2,454
Other, net	3,183	(5,128)
	<u>\$ 310,282</u>	<u>43,178</u>

Included in "Other, net" for 1998 and 1997 were decreases of \$1.8 million and \$3.8 million, respectively, in access revenues due to the reductions in intrastate switched access rates mandated by the Louisiana Public Service Commission ("LPSC") which were phased in from July 1995 through July 1997.

Other revenues Other revenues include revenues related to (i) leasing, selling, installing, maintaining and repairing customer premise telecommunications equipment and wiring ("CPE services"), (ii) providing billing and collection services for long distance carriers, (iii) participating in the publication of local directories and (iv) providing Internet access. Acquisitions contributed \$60.7 million (which includes \$60.3 million related to PTI) to the \$66.6 million increase in other revenues in 1998. Exclusive of acquisitions, revenues from the provision of Internet access and CPE services increased \$3.9 million and \$3.5 million, respectively,

in 1998. Other revenues increased \$10.0 million in 1997, of which \$4.6 million was attributable to the PTI acquisition. Revenues from CPE services and the provision of Internet access contributed \$3.5 million and \$2.5 million, respectively, of the remainder of the increase in other revenues in 1997.

Operating expenses Plant operations expenses during 1998 and 1997 increased \$134.9 million (122.4%) and \$20.1 million (22.4%), respectively. Expenses incurred by the PTI and former Ameritech operations in 1998 accounted for \$120.4 million of the 1998 increase. The remainder of the increase in 1998 was primarily due to an increase in salaries and benefits. Expenses incurred by the PTI operations in 1997 accounted for \$12.0 million of the 1997 increase. Exclusive of PTI, expenses incurred in connection with providing Internet access to a larger number of customers contributed \$3.5 million to the 1997 increase and other acquisitions accounted for \$1.8 million of such increase.

Customer operations, corporate and other expenses increased \$118.5 million (90.2%) in 1998, of which \$110.7 million was applicable to the PTI properties. Exclusive of acquisitions, the remainder of the 1998 increase was due to a \$4.3 million increase in salaries and benefits and a \$2.0 million increase in marketing expenses. Of the \$20.9 million increase in these expenses in 1997, \$13.4 million was incurred by acquired properties (of which \$11.2 million was incurred by PTI). Exclusive of acquisitions, \$1.7 million of the remaining increase in 1997 expenses was due to an increase in marketing expenses, \$1.6 million was due to higher operating taxes and \$1.4 million was due to expenses incurred in the increased provision of CPE services.

Depreciation and amortization increased \$147.2 million (127.2%) and \$19.9 million (20.8%) in 1998 and 1997, respectively. Approximately \$136.6 million of the 1998 increase was applicable to acquiring and operating PTI (of which \$27.9 million represented amortization of goodwill) and \$1.3 million was applicable to the former Ameritech properties. Approximately \$11.4 million of the 1997 increase was applic-

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able to acquiring and operating PTI (of which \$1.5 million represented amortization of goodwill). Exclusive of acquisitions, depreciation expense included nonrecurring additional depreciation charges approved by regulators in certain jurisdictions which aggregated \$6.2 million in 1998 and \$4.4 million in 1997. In addition, the Company obtained increased depreciation rates in certain jurisdictions which increased depreciation expense by \$1.1 million in 1998 and \$4.4 million in 1997. The remaining increases in depreciation and amortization in 1998 and 1997 were due to higher levels of plant in service. The composite depreciation rate for the Company's regulated telephone properties, including the additional depreciation charges, was 6.9% for 1998, 7.4% for 1997 and 7.5% for 1996. The properties acquired in the PTI acquisition historically have had a lower composite depreciation rate than the Company's incumbent properties.

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

Cellular Operations and Income From Unconsolidated Cellular Entities

Year ended December 31.	1998	1997	1996
	<i>(Dollars in thousands)</i>		
Operating income - cellular operations	\$ 130,580	88,081	67,914
Minority interest	(12,635)	(6,916)	(7,062)
Income from unconsolidated cellular entities	32,869	27,794	26,952
	<u>\$ 150,814</u>	<u>108,959</u>	<u>87,804</u>

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

Income from Unconsolidated Cellular Entities for additional information.

Cellular Operations

All of the Company's cellular customers are located in Michigan, Louisiana, Wisconsin, Mississippi, Texas, Alaska and Arkansas. The operating revenues, expenses and income of the Company's cellular operations for 1998, 1997 and 1996 are summarized below.

Year ended December 31.	1998	1997	1996
	<i>(Dollars in thousands)</i>		
Operating revenues			
Service revenues	\$ 398,661	302,156	246,037
Equipment sales	9,088	5,586	4,206
	<u>407,749</u>	<u>307,742</u>	<u>250,243</u>
Operating expenses			
Cost of equipment sold	16,954	14,576	12,771
System operations	59,920	47,572	36,301
General, administrative and customer service	80,827	62,258	52,891
Sales and marketing	57,466	54,128	46,793
Depreciation and amortization	62,002	41,127	33,573
	<u>277,169</u>	<u>219,661</u>	<u>182,329</u>
Operating income	<u>\$ 130,580</u>	<u>88,081</u>	<u>67,914</u>

Operating revenues Service revenues include monthly service fees for providing access and airtime to customers, service fees for providing airtime to other carriers' customers roaming through the Company's service areas and toll revenue. Cellular service revenues during 1998 increased to \$398.7 million from \$302.2 million in 1997 and \$246.0 million in 1996.

Of the \$96.5 million increase in service revenues in 1998 and the \$56.1 million increase in 1997, \$76.1 million and \$11.8 million, respectively, was attributable to acquisitions of properties. Excluding acquisitions, the remainder of the increases in cellular service revenues were primarily attributable to the increases in cellular usage in the Company's incumbent markets due to the increased demand for wireless services. Exclusive of acquisitions, local and toll revenues increased \$9.4 million (4.0%) in 1998 and \$34.9 million (17.5%) in 1997 while roaming revenues increased \$10.9 million (18.5%) in 1998 and \$12.6 million (27.1%) in 1997.

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The following table further illustrates the growth in the Company's cellular customer base in its majority-owned markets:

Year ended December 31,	1998	1997	1996
Customers at beginning of period	569,983	368,233	290,075
Gross units added internally	214,596	193,623	165,377
Disconnects	160,460	115,473	92,069
Net units added	54,136	78,150	73,308
Net effect of property acquisitions	-	123,600	4,850
Customers at end of period	624,119	569,983	368,233

The average monthly service revenue per customer (including acquisitions) declined to \$57 during 1998 from \$61 in 1997 and \$63 in 1996 due to the continued trend that a higher percentage of new subscribers tend to be lower usage customers and to a reduction in rates. 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.

Operating expenses System operations expenses increased \$12.3 million (26.0%) in 1998 primarily due to \$15.6 million of expenses attributable to acquisitions. Such increase was partially offset by a \$6.1 million decrease in the net amounts paid to other carriers for cellular service provided to the Company's customers who roam in the other carriers' service areas primarily due to a decrease in rates. The \$11.3 million (31.0%) increase in system operations expenses in

1997 included a \$4.7 million increase in the net amounts paid to other carriers for cellular service provided to the Company's customers who roam in the other carriers' service areas and \$2.8 million of expenses incurred by acquired properties. The remainder of the increase in system operations expenses in 1997 resulted primarily from the operation of more cell sites.

The Company operated 615 cell sites at December 31, 1998 in entities in which it had a majority interest, compared to 558 at December 31, 1997 and 354 at December 31, 1996. In 1997, 155 cell sites were added through acquisitions.

General, administrative and customer service expenses increased \$18.6 million (29.8%) in 1998, of which \$13.4 million was attributable to expenses of entities acquired. The remainder of the 1998 increase was primarily due to a \$2.1 million increase in the provision for doubtful accounts and a \$1.8 million increase in customer service expenses. Of the \$9.4 million (17.7%) increase in 1997 expenses, \$3.0 million was applicable to acquired operations. The remainder of the increase in 1997 was primarily due to a \$2.4 million increase in customer service and retention costs and a \$2.4 million increase in billing costs.

Churn rate (the percentage of cellular customers that terminate service) is an industry-wide concern. The Company faces substantial competition from other wireless providers, including Personal Communication Services ("PCS"). A significant portion of the churn in the Company's cellular markets is due to the Company disconnecting service to customers for non-payment. The Company's average monthly churn rate was 2.23% in 1998, 2.31% in 1997 and 2.37% in 1996.

Sales and marketing expenses increased \$3.3 million (6.2%) in 1998 primarily due to \$9.7 million of expenses of acquired entities, a \$2.9 million increase in costs incurred in selling products and services in retail locations and a \$2.4 million increase in advertising expenses. Such increases were substantially offset by a \$10.6 million reduction in commissions paid to agents for selling services to new customers primarily as a

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result of fewer cellular units being added through this distribution channel during 1998 as compared to 1997. The 1997 increase in sales and marketing expenses of \$7.3 million (15.7%) included a \$4.9 million increase in costs incurred in selling products and services in retail locations and a \$2.8 million increase applicable to operations acquired.

Depreciation and amortization increased \$20.9 million (50.8%) in 1998 and \$7.6 million in 1997, of which \$14.5 million and \$2.1 million, respectively, was attributable to acquisitions. The remainder of the 1998 and 1997 increases were primarily due to higher levels of plant in service.

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

Other Operations

Other operations include the results of operations of subsidiaries of the Company which are not included in the telephone or cellular segments including, but not limited to, the Company's non-regulated long distance and call center operations and the Company's competitive access subsidiary (which was sold to Brooks Fiber Properties, Inc. ("Brooks") in May 1997). The operating revenues, expenses and income of the Company's other operations for 1998, 1997 and 1996 are summarized below.

Year ended December 31,	1998	1997	1996
	<i>(Dollars in thousands)</i>		
Operating revenues			
Long distance	\$ 53,027	36,550	28,894
Call center	9,701	14,285	8,832
Competitive access	-	2,499	2,730
Other	14,998	9,848	7,440
	77,726	63,182	47,896
Operating expenses			
Cost of sales and operating expenses	58,544	54,132	45,042
Depreciation and amortization	3,659	2,646	2,655
	62,203	56,778	47,697
Operating income	\$ 15,523	6,404	199

The 1998 and 1997 increases of \$16.5 million and \$7.7 million, respectively, in long distance revenues

were attributable to the growth in the number of customers. The number of long distance customers as of December 31, 1998, 1997 and 1996 was 226,700, 172,000 and 110,600, respectively. The \$4.6 million decrease in 1998 call center revenues was primarily due to the loss of two major customers in the fourth quarter of 1997. The \$5.5 million increase in call center revenues in 1997 was primarily due to an increase in customers prior to the loss of the two major customers in late 1997. The increases in other revenues of \$5.2 million in 1998 and \$2.4 million in 1997 was primarily attributable to the acquisition of cable television properties in the PTI acquisition and the acquisition of two security businesses.

Operating expenses in 1998 increased due to (i) an increase of \$13.6 million in expenses of the Company's long distance operations due primarily to an increase in customers and (ii) \$6.6 million of operating expenses applicable to acquisitions. Such increases were substantially offset by decreases in operating expenses because (i) 1997 included \$9.2 million of costs applicable to entities sold during 1997 and (ii) the amount of intercompany profit with regulated affiliates (the recognition of which in accordance with regulatory accounting principles acts to offset operating expenses) increased \$5.8 million as a result of the acquisition of PTI.

In 1997 an increase in operating expenses of \$11.7 million incurred by the long distance and call center operations was partially offset by a decrease of \$4.1 million in operating expenses incurred by the Company's competitive access subsidiary.

Certain of the Company's service subsidiaries provide managerial, operational, technical and accounting services, along with materials and supplies, to the Company's telephone subsidiaries. In accordance with regulatory accounting, intercompany profit on transactions with regulated affiliates has not been eliminated in connection with consolidating the results of operations of the Company. When the regulated operations of the Company no longer qualify for the application of Statement of Financial Accounting Standards No. 71 ("SFAS 71"), "Accounting for the Effects of Certain Types of Regulation," such intercompany profit will be eliminated in subsequent financial statements, the pri-

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mary result of which will be a decrease in operating expenses applicable to the Company's telephone operations and an increase in operating expenses applicable to the Company's other operations segment. The amount of intercompany profit with regulated affiliates which was not eliminated was approximately \$14.4 million, \$8.9 million and \$7.7 million in 1998, 1997 and 1996, respectively. For additional information applicable to SFAS 71, see Regulation and Competition - Other Matters.

Gain on Sale or Exchange of Assets, Net

In 1998 the Company recorded net pre-tax gains aggregating \$49.9 million (\$30.5 million after-tax; \$.22 per diluted share) primarily due to the conversion of its investment in the common stock of Brooks into common stock of MCIWorldCom, 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 14 of Notes to Consolidated Financial Statements for additional information.

In the second quarter of 1997, the Company sold its competitive access subsidiary to Brooks in exchange for approximately 4.3 million shares of Brooks' common stock and recorded a pre-tax gain of approximately \$71 million (\$46 million after-tax; \$.34 per diluted share). In November 1997 the Company sold approximately 3.8 million shares of Brooks' stock and recorded a pre-tax gain of approximately \$108 million (\$66 million after-tax; \$.48 per diluted share).

Interest Expense

Interest expense increased \$111.1 million in 1998 primarily due to \$89.7 million of interest expense on the borrowings used to finance the PTI and Ameritech acquisitions and \$23.2 million of interest expense applicable to PTI's debt.

Interest expense increased \$11.8 million in 1997 primarily due to \$7.2 million of interest expense on the borrowings used to finance the PTI acquisition and \$3.5 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 \$5.1 million (18.3%) in 1998 primarily due to \$7.3 million of earnings of unconsolidated cellular entities acquired in the PTI acquisition. Such increase was partially offset by a \$2.5 million decrease due to the sale of the Company's minority interests in two non-strategic cellular entities during the second quarter of 1998.

The improvement in profitability in 1997 of most of the cellular entities in which the Company owns less than a majority interest was substantially offset by a \$2.4 million decrease in the Company's portion of the profits of a partnership in which the Company has a significant ownership interest.

Minority Interest

Minority interest is the expense recorded by the Company to reflect the minority interest owners' share of the earnings of the Company's majority-owned and operated cellular entities and majority-owned subsidiaries. Of the \$7.3 million increase in minority interest in 1998, \$2.0 million was associated with entities acquired in the PTI acquisition. The remainder of the increase was primarily due to the increased profitability of the Company's majority-owned and operated cellular entities.

The decrease in minority interest in 1997 of \$1.2 million was due to the effect of the Company's acquisition, during the second quarter of 1996, of an additional 25% interest in a Louisiana cellular partnership which decreased the minority interest percentage of such partnership.

Income Tax Expense

The Company's effective income tax rate was 41.0%, 37.3% and 36.6% in 1998, 1997 and 1996, respectively. Such increase in the effective income tax rate for 1998 was primarily due to the increase in non-deductible amortization of excess cost of net assets acquired (goodwill) attributable to the PTI acquisition.

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Acquisitions

On December 1, 1998, the Company acquired the assets of certain of Ameritech's telephone operations and the related telephone directories in 19 telephone exchanges covering 21 communities in northern and central Wisconsin for approximately \$221 million cash. The operations acquired by the Company include the telephone property and equipment that serves nearly 69,000 customers, or approximately 86,000 access lines, as well as the related nine telephone directories. The Company provided initial financing for this acquisition through its committed credit facilities and will ultimately finance this transaction with proceeds from the sale of the Company's Alaska operations, which the Company expects to close during the second quarter of 1999 for \$415 million cash, subject to various adjustments.

On December 1, 1997, the Company acquired PTI in exchange for \$1.503 billion cash. To finance the acquisition, the Company borrowed \$1.288 billion under its committed credit facility and paid the remainder of the purchase price with available cash, most of which consisted of the proceeds of the sale of Brooks' common stock in November 1997. See Liquidity and Capital Resources - Financing Activities for additional information. As a result of the acquisition, the Company acquired (i) over 660,000 telephone access lines located in four midwestern states, seven western states and Alaska, (ii) over 88,000 cellular subscribers in two midwestern states and Alaska and (iii) various wireless, cable television and other communications assets. For additional information, see Note 2 of Notes to Consolidated Financial Statements.

Accounting Pronouncements

In 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 stan-

dards 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.

In February 1998 the FASB issued Statement of Financial Accounting Standards No. 132, "Employers' Disclosures About Pensions and Other Postretirement Benefits," which standardizes the disclosure requirements for pensions and other postretirement benefits.

In March 1998 the Accounting Standards Executive Committee issued Statement of Position 98-1 ("SOP 98-1"), "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." SOP 98-1 requires that certain costs related to the development or purchase of internal-use software be capitalized and amortized over the estimated useful life of the software. The impact of SOP 98-1 on the Company's results of operations is not expected to be material. SOP 98-1 is effective for financial statements issued for fiscal years beginning after December 15, 1998.

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.

Inflation

The effects of increased costs historically have been mitigated by the ability to recover certain costs applicable to the Company's regulated telephone operations

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

Market Risk

The Company is not exposed to material future earnings or cash flow exposures from changes in interest rates on long-term debt obligations since the majority of the Company's long-term obligations are fixed rate. At December 31, 1998, the fair value of the Company's long-term debt was estimated to be \$2.7 billion based on the overall weighted average rate of the Company's long-term debt of 6.6% and an overall weighted maturity of 14 years compared to terms and rates currently available in long-term financing markets. Market risk is estimated as the potential decrease in fair value of the Company's long-term debt resulting from a hypothetical increase of 66 basis points in interest rates (ten percent of the Company's overall weighted average borrowing rate). Such an increase in interest rates would result in approximately a \$115.3 million decrease in fair value of the Company's long-term debt. In early 1998 the Company utilized interest rate hedge contracts to manage its interest rate risk related to the issuance of \$765.0 million of senior notes and debentures. During 1998 the Company did not enter into any derivative financial instruments and is currently not evaluating the future use of such financial instruments.

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 telecommunications 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

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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:

- 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.
- With respect to critical services provided by utilities and other third parties, the Company has contacted all such suppliers during 1998. Thus far, a majority of those suppliers who have responded have indicated 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.
- 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.

- 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 CPE.

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 increased expenses associated with stabilizing operations and executing mitigation plans.

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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 during 1999.

Although the total costs to implement the Plan cannot be precisely estimated, the Company incurred costs of \$4.2 million during 1998 (none of which was related to hardware costs) and anticipates spending an aggregate of approximately \$32.1 million during 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.

LIQUIDITY AND CAPITAL RESOURCES

Excluding cash used for acquisitions, the Company relies on cash provided by operations to provide substantially all of its cash needs. The Company's opera-

tions have historically provided a stable source of cash flow which has helped the Company continue its long-term program of capital improvements.

Operating activities Net cash provided by operating activities was \$467.8 million, \$297.3 million and \$264.7 million in 1998, 1997 and 1996, respectively. The Company's accompanying consolidated statements of cash flows identify major differences between net income and net cash provided by operating activities for each of those years. For additional information relating to the telephone operations, cellular operations and other operations of the Company, see Results of Operations.

Investing activities Net cash used in investing activities was \$375.6 million, \$1.503 billion and \$241.8 million in 1998, 1997 and 1996, respectively. Cash used for acquisitions was \$225.6 million during 1998 compared to \$1.544 billion during 1997 and \$46.3 million during 1996. See Results of Operations - Acquisitions for additional information. Capital expenditures for 1998 were \$233.2 million for telephone operations, \$49.5 million for cellular operations and \$28.2 million for corporate and other operations. Capital expenditures during 1997 and 1996 were \$181.2 million and \$222.9 million, respectively. Proceeds from the sale of assets were \$132.3 million in 1998 and \$202.7 million in 1997.

Financing activities Net cash used in financing activities in 1998 was \$112.4 million. Net cash provided by financing activities was \$1.223 billion during 1997, of which \$1.288 billion was related to the acquisition of PTI. Net cash used in financing activities was \$23.0 million during 1996. In December 1997 the Company filed a shelf registration statement with the United States Securities and Exchange Commission registering \$1.5 billion of senior unsecured debt securities, preferred stock, common stock and warrants, under which the Company issued \$665 million of senior debt securities in January 1998 concurrent with the issuance of the remaining \$100 million of senior debt securities under its predecessor shelf registration statement. The net proceeds of approximately \$758 million were used to reduce the bank indebtedness incurred by the Company in connection with its December 1997 acquisition of PTI. In addition, the

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

Company paid approximately \$40 million in 1998 to settle numerous interest rate hedge contracts that had been entered into in anticipation of these debt issuances.

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

Other Budgeted capital expenditures for 1999 total \$215 million for telephone operations, \$70 million for cellular operations and \$60 million for corporate and other operations. The Company anticipates that capital expenditures in its telephone operations will continue to include the installation of fiber optic cable and the upgrading of its plant and equipment, including its digital switches, to provide enhanced services. Capital expenditures in the cellular operations are expected to continue to focus on constructing additional cell sites (which will provide additional capacity and expanded areas where hand-held cellular phones may be used) and providing digital service. Capital expenditures for corporate and other operations include \$20 million for construction of the Company's fiber network in Michigan and \$15 million for continued expansion of the Company's PCS operations.

In April 1998 the Company acquired 32 Local Multipoint Distribution System licenses in the FCC's A and B band auctions 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.

The Company continually evaluates the possibility of acquiring additional telecommunications operations and expects to continue its long-term strategy of pursuing the acquisition of attractive communications properties in exchange for cash, securities or both. Over the past few years, the amount of communications properties available to be purchased by the Company has increased substantially. The Company may require additional financing in connection with

any such acquisitions. Approximately 3.8 million shares of Century common stock and 200,000 shares of Century preferred stock remain available for future issuance in connection with acquisitions under an acquisition shelf registration statement.

As of December 31, 1998, the Company's telephone subsidiaries had available for use \$135.1 million of commitments for long-term financing from the Rural Utilities Service and the Company had \$332.6 million of undrawn committed bank lines of credit. The Company also has access to debt and equity capital markets, including its shelf registration statement mentioned above.

The following table reflects the Company's debt to total capitalization percentage and ratio of earnings to fixed charges as of and for the years ended December 31:

	1998	1997	1996
Debt to total capitalization percentage	63.0%	67.2	38.6
Ratio of earnings to fixed charges	2.25	7.80	5.10
Ratio of earnings to fixed charges excluding gain on sale or exchange of assets	1.96	4.87	5.09

REGULATION AND COMPETITION

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

Events affecting the communications industry

In 1996 the United States Congress enacted the Telecommunications Act of 1996 (the "1996 Act"), which obligates LECs to permit competitors to interconnect their facilities to the LEC's network and to take various other steps that are designed to promote

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competition. The 1996 Act provides certain exemptions for rural LECs such as those operated by the Company. Under the FCC's August 1996 order implementing most of the 1996 Act's interconnection provisions, rural LECs have the burden of proving the availability of these exemptions.

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

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

As part of its universal service order, the FCC also established a new program in January 1998 to provide up to \$2.25 billion of discounted telecommunications services annually to schools and libraries. In addition, the FCC established a \$400 million annual fund to provide discounted telecommunications services for rural health care providers. All communications carriers providing interstate telecommunications services, including the Company's LECs and its cellular and long distance operations, are required to contribute to these programs. The FCC has stated that LECs will recover their funding contributions in their rates for interstate services. The Company's contribution by its

cellular and long distance operations for 1998, which was passed on to its customers, was approximately \$3.1 million.

In an access charge reform order adopted in May 1997, the FCC changed its system of interstate access charges to make them compatible with the deregulatory framework established by the 1996 Act. Such changes are primarily applicable to price-cap companies. The Company's telephone subsidiaries determine interstate revenues under rate of return regulation and are, therefore, only minimally impacted by the access charge reform order. In July 1998 the FCC issued a Notice of Proposed Rulemaking to amend the access charge rules for rate of return companies in a manner similar to that adopted for price cap companies, subject to reviewing whether differences exist between price cap companies and rate of return companies that would require different rules in order to achieve the goal of fostering an efficient, competitive marketplace. Comments were filed with the FCC in August 1998; the FCC has not yet issued a final ruling on this matter.

In 1998 the FCC created a federal-state joint board to review jurisdictional separations procedures through which the costs of regulated telecommunications services are allocated to the interstate and intrastate jurisdictions.

In recent years the FCC has allocated additional frequency spectrum for wireless technologies that compete or are expected to compete with cellular, including PCS and mobile satellite services. The FCC has also authorized certain specialized mobile radio service licensees to operate in a manner competitive with cellular systems.

In September 1998 the FCC initiated a proceeding to rescribe the authorized rate of return for interstate access services provided by LECs. The FCC periodically rescribes 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. It is uncertain whether or by how much the FCC may lower the authorized rate of return.

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

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

Recent events affecting the Company During 1998 the Company's revenues from the USF increased approximately \$62.3 million (of which \$58.8 million was applicable to the PTI properties) to \$127.6 million after increasing \$16.1 million during 1997. Although the Company anticipates that it may experience a reduction in its federal support revenues at some point in the future, management believes it is premature to assess or estimate the ultimate impact thereof. There can be no assurance, however, that such impact will not be material.

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

In June 1997 the Louisiana Public Service Commission ("LPSC") adopted a Consumer Price Protection Plan (the "Consumer Plan"), effective July 1997, which froze the local rates and access rates that can be charged by the Company's LECs operating in Louisiana. Although the Consumer Plan has no specified term, the LPSC is required to review it by mid-2000. The Company's Louisiana LECs have the option to propose a new plan at any time if the LPSC determines that (i) effective competition exists or (ii) unforeseen events threaten the LEC's ability to provide adequate service or impair its financial health. Certain other states have implemented various forms of alternative regulation plans, the impact of which has not

been material either individually or in the aggregate to the results of operations of the Company.

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

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

Other matters The Company's regulated telephone operations are subject to the provisions of SFAS 71, under which the Company is required to account for the economic effects of the rate-making process, including the recognition of depreciation of plant and equipment over lives approved by regulators. The ongoing applicability of SFAS 71 to the Company's regulated telephone operations is being monitored due to the changing regulatory, competitive and legislative environments. When the regulated operations of the Company no longer qualify for the application of SFAS 71, the net adjustments required will result in a material, extraordinary, noncash charge against earnings. While the amount of such charge cannot be precisely estimated at this time, management believes that the noncash, after-tax, extraordinary charge would be between \$350 million and \$400 million. See Note 12 of Notes to Consolidated Financial Statements for additional information.

The Company has certain obligations based on federal, state and local laws relating to the protection of the environment. Costs of compliance through 1998 have not been material, and the Company currently has no reason to believe that such costs will become material.

Report of Management

The Shareholders
Century Telephone Enterprises, Inc.:

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

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

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

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



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

Independent Auditors' Report

The Board of Directors
Century Telephone Enterprises, Inc.:

We have audited the accompanying consolidated balance sheets of Century Telephone Enterprises, Inc. and subsidiaries as of December 31, 1998 and 1997, and the related consolidated statements of income, stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 1998. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Century Telephone Enterprises, Inc. and subsidiaries as of December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1998, in conformity with generally accepted accounting principles.



KPMG LLP

Shreveport, Louisiana
January 28, 1999, except as to Note 21 which is as of
February 23, 1999

Consolidated Statements of Income

	Year ended December 31,		
	1998	1997	1996
	<i>(Dollars in thousands, except per share amounts)</i>		
OPERATING REVENUES			
Telephone	\$ 1,091,610	530,597	451,538
Cellular	407,749	307,742	250,243
Other	77,726	63,182	47,896
Total operating revenues	1,577,085	901,521	749,677
OPERATING EXPENSES			
Cost of sales and operating expenses	768,720	474,256	394,360
Depreciation and amortization	328,554	159,495	132,021
Total operating expenses	1,097,274	633,751	526,381
OPERATING INCOME	479,811	267,770	223,296
OTHER INCOME (EXPENSE)			
Gain on sale or exchange of assets, net	49,859	169,640	815
Interest expense	(167,552)	(56,474)	(44,662)
Income from unconsolidated cellular entities	32,869	27,794	26,952
Minority interest	(12,797)	(5,498)	(6,675)
Other income and expense	5,268	5,109	3,916
Total other income (expense)	(92,353)	140,571	(19,654)
INCOME BEFORE INCOME TAX EXPENSE	387,458	408,341	203,642
Income tax expense	158,701	152,363	74,565
NET INCOME	\$ 228,757	255,978	129,077
BASIC EARNINGS PER SHARE*	\$ 1.67	1.89	.96
DILUTED EARNINGS PER SHARE*	\$ 1.64	1.87	.95
DIVIDENDS PER COMMON SHARE*	\$.173	.164	.16

*Adjusted to reflect stock split in early 1999. See Note 21.

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

	Year ended December 31,		
	1998	1997	1996
<i>(Dollars in thousands)</i>			
NET INCOME	\$ 228,757	255,978	129,077
OTHER COMPREHENSIVE INCOME, NET OF TAX:			
Unrealized holding gains arising			
during period, net of tax of \$8,509 and \$6,404	15,802	11,893	-
Reclassification adjustment for gains included			
in net income, net of tax of \$11,027	(20,478)	-	-
Other comprehensive income, net of tax	(4,676)	11,893	-
COMPREHENSIVE INCOME	\$ 224,081	267,871	129,077

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets

	December 31,	
	1998	1997
	(Dollars in thousands)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 5,742	26,017
Accounts receivable		
Customers, less allowance of \$4,155 and \$5,954	130,289	143,613
Other	55,109	83,659
Materials and supplies, at average cost	23,709	21,994
Other	11,389	8,197
Total current assets	226,238	283,480
NET PROPERTY, PLANT AND EQUIPMENT	2,351,453	2,258,563
INVESTMENTS AND OTHER ASSETS		
Excess cost of net assets acquired, less accumulated amortization of \$133,135 and \$84,132	1,956,701	1,767,352
Other	401,063	400,006
Total investments and other assets	2,357,764	2,167,358
TOTAL ASSETS	\$ 4,935,455	4,709,401
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 53,010	55,244
Accounts payable	87,627	83,378
Accrued expenses and other current liabilities		
Salaries and benefits	36,900	38,225
Taxes	33,411	74,898
Interest	36,926	20,821
Other	24,249	25,229
Advance billings and customer deposits	32,721	24,213
Total current liabilities	304,844	322,008
LONG-TERM DEBT	2,558,000	2,609,541
DEFERRED CREDITS AND OTHER LIABILITIES	541,129	477,580
STOCKHOLDERS' EQUITY		
Common stock, \$1.00 par value, authorized		
175,000,000 shares, issued and outstanding		
138,082,926* and 91,103,674 shares	138,083	91,104
Paid-in capital	451,535	469,586
Unrealized holding gain on investments, net of taxes	7,217	11,893
Retained earnings	932,611	728,033
Unearned ESOP shares	(6,070)	(8,450)
Preferred stock - non-redeemable	8,106	8,106
Total stockholders' equity	1,531,482	1,300,272
TOTAL LIABILITIES AND EQUITY	\$ 4,935,455	4,709,401

*Adjusted to reflect stock split in early 1999. See Note 21.
See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

	Year ended December 31,		
	1998	1997	1996
	<i>(Dollars in thousands)</i>		
OPERATING ACTIVITIES			
Net income	\$ 228,757	255,978	129,077
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	328,554	159,495	132,021
Income from unconsolidated cellular entities	(32,869)	(27,794)	(26,952)
Minority interest	12,797	5,498	6,675
Deferred income taxes	16,196	16,230	7,935
Gain on sale of assets, net	(49,859)	(169,640)	(815)
Changes in current assets and current liabilities:			
Accounts receivable	(15,227)	7,649	(4,353)
Accounts payable	4,249	(25,440)	5,103
Other accrued taxes	(34,908)	58,205	1,285
Other current assets and other current liabilities, net	15,033	7,263	6,220
Increase (decrease) in other noncurrent liabilities	(1,706)	2,173	4,305
Other, net	(3,243)	7,702	4,151
Net cash provided by operating activities	467,774	297,319	264,652
INVESTING ACTIVITIES			
Acquisitions, net of cash acquired	(225,569)	(1,543,814)	(46,327)
Payments for property, plant and equipment	(310,919)	(181,225)	(222,885)
Proceeds from sale of assets	132,307	202,705	-
Investment in unconsolidated personal communication services entity	-	-	18,900
Distributions from unconsolidated cellular entities	26,515	16,825	15,648
Purchase of life insurance investment, net	(2,786)	(12,962)	(5,944)
Proceeds from note receivable	-	22,500	1,667
Other, net	4,807	(7,156)	(2,850)
Net cash used in investing activities	(375,645)	(1,503,127)	(241,791)
FINANCING ACTIVITIES			
Proceeds from issuance of long-term debt	957,668	1,312,546	59,649
Payments of long-term debt	(1,015,015)	(79,203)	(57,021)
Payment of hedge contracts	(40,237)	-	-
Notes payable, net	-	-	(14,199)
Proceeds from issuance of common stock	15,033	14,156	10,089
Payment of debt issuance costs	(6,625)	-	-
Cash dividends	(24,179)	(22,671)	(21,775)
Other, net	951	(1,405)	258
Net cash provided by (used in) financing activities	(112,404)	1,223,423	(22,999)
Net increase (decrease) in cash and cash equivalents	(20,275)	17,615	(138)
Cash and cash equivalents at beginning of year	26,017	8,402	8,540
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 5,742	26,017	8,402

See accompanying notes to consolidated financial statements.

Consolidated Statements of Stockholders' Equity

	Year ended December 31,		
	1998	1997	1996
	(Dollars and shares in thousands)		
COMMON STOCK			
Balance at beginning of year	\$ 91,104	59,859	59,114
Issuance of common stock for acquisitions	28	75	257
Conversion of convertible securities into common stock	169	237	33
Issuance of common stock through dividend reinvestment, incentive and benefit plans	754	565	455
Three-for-two stock split	46,028	30,368	-
Balance at end of year	138,083	91,104	59,859
PAID-IN CAPITAL			
Balance at beginning of year	469,586	474,607	453,584
Issuance of common stock for acquisitions	1,059	3,241	8,201
Conversion of convertible securities into common stock	3,131	4,998	163
Issuance of common stock through dividend reinvestment, incentive and benefit plans	14,279	13,591	9,676
Amortization of unearned compensation and other	9,508	3,517	2,983
Three-for-two stock split	(46,028)	(30,368)	-
Balance at end of year	451,535	469,586	474,607
UNREALIZED HOLDING GAIN ON INVESTMENTS, NET OF TAXES			
Balance at beginning of year	11,893	-	-
Change in unrealized holding gain on investments, net of taxes	(4,676)	11,893	-
Balance at end of year	7,217	11,893	-
RETAINED EARNINGS			
Balance at beginning of year	728,033	494,726	387,424
Net income	228,757	255,978	129,077
Cash dividends declared			
Common stock - \$.173, \$.164 and \$.16 per share*	(23,771)	(22,211)	(21,355)
Preferred stock	(408)	(460)	(420)
Balance at end of year	932,611	728,033	494,726
UNEARNED ESOP SHARES			
Balance at beginning of year	(8,450)	(11,080)	(13,960)
Release of ESOP shares	2,380	2,630	2,880
Balance at end of year	(6,070)	(8,450)	(11,080)
PREFERRED STOCK - NON-REDEEMABLE			
Balance at beginning of year	8,106	10,041	2,262
Issuance of preferred stock for acquisitions	-	-	7,975
Conversion of preferred stock into common stock	-	(1,935)	(196)
Balance at end of year	8,106	8,106	10,041
TOTAL STOCKHOLDERS' EQUITY	\$ 1,531,482	1,300,272	1,028,153
COMMON SHARES OUTSTANDING			
Balance at beginning of year	91,104	59,859	59,114
Issuance of common stock for acquisitions	28	75	257
Conversion of convertible securities into common stock	169	237	33
Issuance of common stock through dividend reinvestment, incentive and benefit plans	754	565	455
Three-for-two stock split	46,028	30,368	-
Balance at end of year	138,083	91,104	59,859

*Adjusted to reflect stock split in early 1999. See Note 21.

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

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

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

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

Property, plant and equipment - Telephone plant is stated substantially at original cost. Normal retirements of telephone plant are charged against accumulated depreciation, along with the costs of removal, less salvage, with no gain or loss recognized. Renewals and betterments of plant and equipment are capitalized while repairs, as well as renewals of minor items, are charged to operating expense. Depreciation of telephone plant is provided on the straight line

method, using class or overall group rates acceptable to regulatory authorities; such rates range from 1.8% to 25%.

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

Impairment of long-lived assets and excess cost of net assets acquired (goodwill) - The carrying value of long-lived assets, including allocated goodwill, is reviewed for impairment at least annually, or whenever events or changes in circumstances indicate that such carrying value may not be recoverable, by assessing the recoverability of such carrying value through estimated undiscounted future net cash flows expected to be generated by the assets or the acquired business. The excess cost of net assets acquired of substantially all of the Company's acquisitions accounted for as purchases is being amortized over 40 years.

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

Income taxes - Century files a consolidated federal income tax return with its eligible subsidiaries. The Company uses the asset and liability method of accounting for income taxes under which deferred tax assets and liabilities are established for the future tax consequences attributable to differences between the

Notes to Consolidated Financial Statements

financial statement carrying amounts of assets and liabilities and their respective tax bases. Investment tax credits related to telephone plant have been deferred and are being amortized as a reduction of federal income tax expense over the estimated useful lives of the assets giving rise to the credits.

Derivative financial instruments - During 1997 the Company entered into certain interest rate hedge contracts in anticipation of a public debt issuance, utilizing such hedge contracts to manage interest rate exposure. The hedge contracts were treated as off-balance sheet financial instruments. In connection with the settlement of these contracts, all losses related to these transactions have been deferred and amortized as interest expense over the life of the underlying debt issuance. Such contracts were settled in 1998. See Note 6 for additional information. The Company does not utilize derivative financial instruments for trading or other speculative purposes.

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

Stock compensation - The Company accounts for employee stock compensation plans in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" as allowed by Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation."

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

2. Acquisitions

On December 1, 1997, Century acquired Pacific Telecom, Inc. ("PTI") in exchange for \$1.503 billion

cash. To finance the acquisition, which was accounted for as a purchase, Century borrowed \$1.288 billion under its \$1.6 billion senior unsecured credit facility (the "Senior Credit Facility") dated August 28, 1997 with NationsBank of Texas, N.A. and a syndicate of other lenders. Century paid the remainder of the PTI acquisition price with available cash.

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

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

Year ended December 31,	1997	1996
	<i>(Dollars in thousands, except per share amounts)</i> <i>(unaudited)</i>	
Operating revenues	\$ 1,392,268	1,245,036
Net income	256,992	120,632
Diluted earnings per share	1.87	.89

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

On December 1, 1998, the Company acquired the assets of certain local telephone and directory operations in parts of northern and central Wisconsin from affiliates of Ameritech Corporation ("Ameritech"), in exchange for approximately \$221 million cash. The assets included (i) access lines and related property and equipment in 21 predominantly rural communities in Wisconsin and (ii) Ameritech's directory publishing operations that relate to nine telephone directories.

Notes to Consolidated Financial Statements

3. Investments and Other Assets

Investments and other assets at December 31, 1998 and 1997 were composed of the following:

December 31,	1998	1997
	<i>(Dollars in thousands)</i>	
Excess cost of net assets acquired, less accumulated amortization	\$ 1,956,701	1,767,352
Investments in unconsolidated cellular entities	118,016	189,363
Cash surrender value of life insurance contracts, net	84,976	78,658
Marketable equity securities	29,496	40,570
Deferred hedge contracts	38,027	-
Other	130,548	91,415
	<u>\$ 2,357,764</u>	<u>2,167,358</u>

As a result of the purchase of PTI, the Company recorded approximately \$1.2 billion of excess cost of net assets acquired in 1997.

Goodwill amortization of \$47.8 million, \$16.6 million and \$12.8 million for 1998, 1997 and 1996, respectively, is included in "Depreciation and amortization" in the Company's Consolidated Statements of Income.

Included in investments in unconsolidated cellular entities at December 31, 1997 was approximately \$67.0 million of costs allocated to licenses from acquisitions made by PTI prior to Century's acquisition of PTI. Upon finalization of the PTI purchase price allocation, such costs were assigned to excess cost of net assets acquired.

The Company's investments in marketable equity securities are classified as available for sale and are reported at fair value with unrealized holding gains and losses reported, net of taxes, as a separate component of stockholders' equity. As of December 31, 1998, gross unrealized holding gains of the Company's marketable equity securities were \$11.1 million.

4. Property, Plant and Equipment

Net property, plant and equipment at December 31, 1998 and 1997 was composed of the following:

December 31,	1998	1997
	<i>(Dollars in thousands)</i>	
Telephone, at original cost		
Cable and wire	\$ 2,046,638	1,843,002
Central office	1,197,438	1,070,477
General support	269,431	256,203
Information origination/termination	73,984	65,304
Construction in progress	66,241	53,382
Other	6,520	7,492
	<u>3,660,252</u>	<u>3,295,860</u>
Accumulated depreciation	<u>(1,661,315)</u>	<u>(1,375,835)</u>
	<u>1,998,937</u>	<u>1,920,025</u>
Cellular, at cost		
Cell site	316,706	284,599
General support	82,618	66,400
Construction in progress	23,733	23,664
Other	5,927	5,555
	<u>428,984</u>	<u>380,218</u>
Accumulated depreciation	<u>(178,569)</u>	<u>(133,357)</u>
	<u>250,415</u>	<u>246,861</u>
Corporate and other, at cost		
General support	180,359	148,883
Other	20,063	20,537
	<u>200,422</u>	<u>169,420</u>
Accumulated depreciation	<u>(98,321)</u>	<u>(77,743)</u>
	<u>102,101</u>	<u>91,677</u>
Net property, plant and equipment	<u>\$ 2,351,453</u>	<u>2,258,563</u>

Depreciation expense was \$280.5 million, \$142.6 million and \$118.9 million in 1998, 1997 and 1996, respectively. The composite depreciation rate for telephone properties was 6.9% for 1998, 7.4% for 1997 and 7.5% for 1996.

5. Investments in Unconsolidated Cellular Entities

The Company's share of earnings from cellular entities in which it does not own a majority interest was \$34.1 million, \$29.4 million and \$28.2 million in 1998, 1997 and 1996, respectively, and is included, net of \$1.2 million, \$1.6 million and \$1.3 million of amortization of goodwill attributable to such investments, in "Income from unconsolidated cellular entities" in the Company's Consolidated Statements of Income. Over 74% of the 1998 income from unconsolidated cellular entities was attributable to the following investments.

Notes to Consolidated Financial Statements

	Ownership interest
Lafayette MSA Limited Partnership	49%
GTE Mobilnet of Austin Limited Partnership	35%
Milwaukee SMSA Limited Partnership	18%
Alltel Cellular Associates of Arkansas Limited Partnership	36%
Detroit SMSA Limited Partnership	3%
Michigan RSA #9 Limited Partnership	43%
Cellular North Michigan Network General Partnership	43%

The following summarizes the unaudited combined assets, liabilities and equity, and the unaudited combined results of operations, of the cellular entities in which the Company's investments (as of December 31, 1998 and 1997) were accounted for by the equity method.

December 31,	1998	1997
	<i>(Dollars in thousands)</i>	
	<i>(unaudited)</i>	
Assets		
Current assets	\$ 293,339	322,863
Property and other noncurrent assets	759,665	767,123
	<u>\$ 1,053,004</u>	<u>1,089,986</u>
Liabilities and equity		
Current liabilities	\$ 109,787	157,492
Noncurrent liabilities	25,099	25,413
Equity	918,118	907,081
	<u>\$ 1,053,004</u>	<u>1,089,986</u>
Year ended December 31,	1998	1997
	<i>(Dollars in thousands)</i>	
	<i>(unaudited)</i>	
Results of operations		
Revenues	\$ 1,281,803	1,277,524
Operating income	\$ 430,859	419,246
Net income	\$ 435,744	395,990
	339,040	

At December 31, 1998, \$59.0 million of the Company's consolidated retained earnings represented undistributed earnings of unconsolidated cellular entities.

6. Long-Term Debt

December 31,	1998	1997
	<i>(Dollars in thousands)</i>	
Century		
5.61%* Senior Credit Facility, due through 2002	\$ 752,063	1,535,000
6.875% senior notes, due 2028	425,000	-
6.30% senior notes, due 2008	240,000	-
6.15% senior notes, due 2005	100,000	-
8.25% senior notes, due 2024	100,000	100,000
7.20% senior notes, due 2025	100,000	100,000
6.39%* notes payable to banks, due 2002	40,000	30,000
7.75% senior notes, due 2004	50,000	50,000
6.55% senior notes, due 2005	50,000	50,000
9.38% senior notes, due through 2003	18,900	21,200
6.64%* Employee Stock Ownership Plan commitment, due in installments through 2004	6,070	8,450
9.85%* notes, due in installments through 2006	266	304
Total Century	<u>1,882,299</u>	<u>1,894,954</u>

Subsidiaries

First mortgage debt		
5.97%* notes, payable to agencies of the United States government and cooperative lending associations, due in installments through 2025	341,817	348,971
7.98% notes, due through 2002	5,871	5,969
Other debt		
7.21%* unsecured medium-term notes, due through 2008	335,667	360,678
7.43%* notes, due in installments through 2020	29,301	40,805
6.50% note, due in installments through 2001	9,308	12,040
6.15%* capital lease obligations, due through 2003	6,747	1,368
Total subsidiaries	<u>728,711</u>	<u>769,831</u>
Total long-term debt	2,611,010	2,664,785
Less current maturities	53,010	55,244
Long-term debt, excluding current maturities	<u>\$ 2,558,000</u>	<u>2,609,541</u>

* weighted average interest rate at December 31, 1998

Notes to Consolidated Financial Statements

The approximate annual debt maturities for the five years subsequent to December 31, 1998 are as follows: 1999 - \$53.0 million; 2000 - \$62.6 million; 2001 - \$144.5 million; 2002 - \$735.0 million; and 2003 - \$67.5 million.

Short-term borrowings of \$40.0 million at December 31, 1998 were classified as long-term debt on the accompanying balance sheet as the Company had adequate committed amounts available under long-term revolving facilities.

Certain of the Company's loan agreements contain various restrictions, among which are limitations regarding issuance of additional debt, payment of cash dividends, reacquisition of the Company's capital stock and other matters. At December 31, 1998, all of the consolidated retained earnings reflected on the balance sheet was available for the declaration of dividends.

The transfer of funds from certain consolidated subsidiaries to Century is restricted by various loan agreements. Subsidiaries which have loans from government agencies and cooperative lending associations, or have issued first mortgage bonds, generally may not loan or advance any funds to Century, but may pay dividends if certain financial ratios are met. At December 31, 1998, restricted net assets of subsidiaries were \$604.4 million. Subsidiaries' retained earnings in excess of amounts restricted by debt covenants totaled \$726.1 million.

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

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 under the Senior Credit Facility. In addition, the

Senior Credit Facility's committed amount was reduced from \$1.6 billion to \$880 million in accordance with its terms. This facility carries floating rate interest based upon London InterBank Offered Rates for short-term periods.

In mid-January 1998 the Company settled numerous interest rate hedge contracts that had been entered into in anticipation of the above-mentioned debt issuances. The amounts paid by the Company upon settlement of the hedge contracts aggregated approximately \$40 million, which is being amortized as interest expense over the lives of the underlying debt instruments. The effective weighted average interest rate of the 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.

Century's telephone subsidiaries had approximately \$135.1 million in commitments for long-term financing from the Rural Utilities Service available at December 31, 1998. Approximately \$332.6 million of additional borrowings were available to the Company through committed lines of credit with various banks.

7. Deferred Credits and Other Liabilities

Deferred credits and other liabilities at December 31, 1998 and 1997 were composed of the following:

December 31,	1998	1997
	(Dollars in thousands)	
Deferred federal and state income taxes	\$ 332,151	272,290
Accrued postretirement benefit costs	109,000	99,429
Minority interest	44,970	47,695
Regulatory liability - income taxes	17,380	22,856
Deferred investment tax credits	3,939	6,355
Other	33,689	28,955
	<u>\$ 541,129</u>	<u>477,580</u>

8. Postretirement Benefits

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

Notes to Consolidated Financial Statements

Net periodic postretirement benefit cost for 1998, 1997 and 1996 included the following components:

Year ended December 31,	1998	1997	1996
	<i>(Dollars in thousands)</i>		
Service cost	\$ 5,519	2,578	2,354
Interest cost	10,744	5,047	4,212
Expected return on plan assets	(3,250)	(458)	-
Amortization of unrecognized actuarial losses	430	292	475
Amortization of unrecognized prior service cost	121	121	121
Net periodic postretirement benefit cost	\$ 13,564	7,580	7,162

The following is a reconciliation for the benefit obligation and the plan assets.

December 31,	1998	1997	1996
	<i>(Dollars in thousands)</i>		
Change in benefit obligation			
Benefit obligation at beginning of year	\$ 152,632	59,157	60,128
Service cost	5,519	2,578	2,354
Interest cost	10,744	5,047	4,212
Participant contributions	298	119	96
Acquisition	-	80,166	-
Actuarial (gain) loss	9,720	7,789	(5,420)
Benefits paid	(6,590)	(2,224)	(2,213)
Benefit obligation at end of year	\$ 172,323	152,632	59,157
Change in plan assets (primarily listed stocks and bonds)			
Fair value of plan assets at beginning of year	\$ 34,618	-	-
Return on assets	4,080	-	-
Employer contributions	749	-	-
Acquisition	-	34,618	-
Benefits paid	(3,648)	-	-
Fair value of plan assets at end of year	\$ 35,799	34,618	-

The following table sets forth the amounts recognized as liabilities for postretirement benefits at December 31, 1998, 1997 and 1996.

December 31,	1998	1997	1996
	<i>(Dollars in thousands)</i>		
Benefit obligation	\$ (172,323)	(152,632)	(59,157)
Fair value of plan assets	35,799	34,618	-
Unamortized prior service cost	1,060	1,182	1,303
Unrecognized net actuarial loss	23,972	14,622	6,986
Accrued benefit cost	\$ (111,492)	(102,210)	(50,868)

Assumptions used in accounting for postretirement benefits as of December 31, 1998 and 1997 were:

	1998	1997
Weighted average assumptions		
Discount rate	6.5-6.75%	7.0
Expected return on plan assets	10.0%	10.0

For measurement purposes, a 6.0-7.4% annual rate in the per capita cost of covered health care benefits was assumed for 1999 and beyond. A one-percentage-point change in assumed health care cost rates would have the following effects:

	1-Percentage Point Increase	1-Percentage Point Decrease
	<i>(Dollars in thousands)</i>	
Effect on total of service and interest cost components	\$ 1,012	(934)
Effect on postretirement benefit obligation	\$ 9,884	(9,089)

9. Stockholders' Equity

Common stock - At December 31, 1998, unissued shares of Century common stock were reserved as follows:

December 31,	1998
	<i>(In thousands)</i>
Incentive compensation program	6,488
Acquisitions	4,825
Employee stock purchase plan	1,016
Conversion of convertible preferred stock	511
Other employee benefit plans	3,849
	16,689

Under Century's Articles of Incorporation each share of common stock beneficially owned continuously by the same person since May 30, 1987 generally entitles the holder thereof to ten votes per share. All other shares entitle the holder to one vote per share. At December 31, 1998, the holders of 12.6 million shares of common stock were entitled to ten votes per share.

Preferred stock - As of December 31, 1998, Century had 2.0 million shares of preferred stock, \$25 par value per share, authorized. At December 31, 1998 and 1997, there were 324,238 shares of outstanding preferred stock. Holders of outstanding Century preferred stock are entitled to receive cumulative dividends, receive preferential distributions equal to \$25 per share plus unpaid dividends upon Century's

Notes to Consolidated Financial Statements

liquidation and vote as a single class with the holders of common stock.

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

Stock split - On February 25, 1998, Century's Board of Directors declared a three-for-two common stock split effected as a 50% stock dividend in March 1998. An amount equal to the par value of the additional common shares issued pursuant to the stock split was reflected as a transfer from paid-in-capital to common stock on the consolidated financial statements for 1997. See Note 21 for additional information concerning a stock split in early 1999.

10. Earnings Per Share

Basic earnings per share amounts are determined on the basis of the weighted average number of common shares outstanding during the year. Diluted earnings per share give effect to all potential dilutive common shares that were outstanding during the period.

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

Year ended December 31,	1998	1997	1996
	<i>(Dollars, except per share amounts, and shares in thousands)</i>		
Income (Numerator):			
Net income	\$ 228,757	255,978	129,077
Dividends applicable to preferred stock	(408)	(460)	(420)
Net income applicable to common stock for computing basic earnings per share	228,349	255,518	128,657
Dividends applicable to preferred stock	408	460	420
Interest on convertible securities, net of taxes	372	480	579
Net income as adjusted for purposes of computing diluted earnings per share	\$ 229,129	256,458	129,656
Shares (Denominator):			
Weighted average number of shares outstanding during period	137,568	135,637	134,147
Employee Stock Ownership Plan shares not committed to be released	(558)	(653)	(747)
Weighted average number of shares outstanding during period for computing basic earnings per share	137,010	134,984	133,400
Incremental common shares attributable to dilutive securities:			
Conversion of convertible securities	1,274	1,676	1,958
Shares issuable under stock option plan	1,821	752	622
Number of shares as adjusted for purposes of computing diluted earnings per share	140,105	137,412	135,980
Basic earnings per share*	\$ 1.67	1.89	.96
Diluted earnings per share*	\$ 1.64	1.87	.95

*Adjusted to reflect stock split in early 1999.

Notes to Consolidated Financial Statements

The weighted average number of options to purchase shares of common stock that were excluded from the computation of diluted earnings per share because the exercise price of the option was greater than the average market price of the common stock was 3,000, 1,099,000 and 1,415,000 for 1998, 1997 and 1996, respectively.

11. Stock Option Program

Century has an incentive compensation program which allows the Board of Directors, through a subcommittee to the Compensation Committee, to grant incentives to employees in any one or a combination of the following forms: incentive and non-qualified stock options; stock appreciation rights; restricted stock; and performance shares. As of December 31, 1998, Century had reserved 6.5 million shares of common stock which may be issued under the incentive compensation program.

Under the program, options have been granted to employees at a price either equal to or exceeding the then-current market price and all of the options expire ten years after the date of grant.

During 1998 the Company granted 121,667 options (the "1998 Options") at market price. The weighted average fair value of each of the 1998 Options was estimated as of the date of grant to be \$8.88 using an option-pricing model with the following assumptions: dividend yield - .5%; expected volatility - 20%; risk-free interest rate - 4.8%; and expected option life - seven years.

During 1997 the Company granted 1,293,909 options (the "1997 Options") at market price. The weighted average fair value of each of the 1997 Options was estimated as of the date of grant to be \$5.68 using an option-pricing model with the following assumptions: dividend yield - .8%; expected volatility - 25%; risk-free interest rate - 6.5%; and expected option life - eight years.

Stock option transactions during 1998, 1997 and 1996 were as follows:

	Number of options	Average price
Outstanding December 31, 1995	5,929,196	\$ 11.32
Exercised	(657,906)	8.32
Forfeited	(28,239)	13.01
Outstanding December 31, 1996	5,243,051	12.11
Exercised	(889,173)	10.18
Granted	1,293,909	13.51
Forfeited	(38,856)	13.39
Outstanding December 31, 1997	5,608,931	12.73
Exercised	(937,985)	11.41
Granted	121,667	26.25
Forfeited	(12,000)	13.33
Outstanding December 31, 1998	4,780,613	13.35
Exercisable December 31, 1997	4,712,532	12.59
Exercisable December 31, 1998	4,188,660	13.13

The following tables summarize certain information about Century's stock options at December 31, 1998.

Options outstanding			
Range of exercise prices	Number of options	Weighted average remaining contractual life outstanding	Weighted average exercise price
\$ 9.63-12.30	2,271,662	3.5 years	\$ 11.04
13.33-17.64	2,391,554	7.1	14.87
23.03-26.05	67,133	9.1	25.88
26.98-31.54	50,264	9.1	28.96
9.63-31.54	<u>4,780,613</u>	7.3	13.35

Options exercisable		
Range of exercise prices	Number of options exercisable	Weighted average exercise price
\$ 9.63-12.30	2,271,662	\$ 11.04
13.33-17.64	1,861,935	15.27
23.03-26.05	31,655	26.05
26.98-31.54	23,408	28.65
9.63-31.54	<u>4,188,660</u>	13.13

The Company applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," in accounting for its program. Accordingly, no compensation cost has been recognized for the program. If compensation cost for Century's program had been determined consistent with SFAS 123, the Company's net income and earnings per share on a pro forma basis for 1998, 1997 and 1996 would have been as follows:

Notes to Consolidated Financial Statements

Year ended December 31,	1998	1997	1996
	<i>(Dollars in thousands, except per share amounts)</i>		
Net income			
As reported	\$ 228,757	255,978	129,077
Pro forma	\$ 227,113	252,773	129,077
Diluted earnings per share			
As reported	\$ 1.64	1.87	.95
Pro forma	\$ 1.62	1.84	.95

12. Accounting for the Effects of Regulation

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

The Company's consolidated balance sheet as of December 31, 1998 included regulatory assets of approximately \$5.9 million and regulatory liabilities of approximately \$16.0 million exclusive of (i) property, plant and equipment, (ii) accumulated depreciation and (iii) deferred income taxes and deferred investment tax credits associated with regulatory assets and liabilities. The \$5.9 million of regulatory assets included assets established in connection with postretirement benefits (\$1.0 million), income taxes (\$2.1 million) and deferred financing costs (\$2.7 million). The \$16.0 million of regulatory liabilities was established in connection with the adoption of Statement of Financial Accounting Standards No. 109, "Accounting For Income Taxes." Net deferred income tax assets related to the regulatory assets and liabilities quantified above were \$3.5 million.

Property, plant and equipment of the Company's regulated telephone operations has been depreciated using generally the straight line method over lives approved by regulators. Such depreciable lives have generally exceeded the depreciable lives used by nonregulated entities. In addition, in accordance with regulatory

accounting, retirements of regulated telephone property have been charged to accumulated depreciation, along with the costs of removal, less salvage, with no gain or loss recognized. These accounting policies have resulted in accumulated depreciation being significantly less than if the Company's telephone operations had not been regulated.

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

The ongoing applicability of SFAS 71 to the Company's regulated telephone operations is being monitored due to the changing regulatory, competitive and legislative environments, and it is possible that changes in regulation, legislation or competition or in the demand for regulated services or products could result in the Company's telephone operations no longer being subject to SFAS 71 in the near future. When the regulated operations of the Company no longer qualify for the application of SFAS 71, the net adjustments required will result in a material, noncash charge against earnings which will be reported as an extraordinary item. While the effect of implementing SFAS 101 cannot be precisely estimated at this time, management believes that the noncash, after-tax, extra-

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ordinary charge would be between \$350 million and \$400 million. For regulatory purposes, the accounting and reporting of the Company's telephone subsidiaries will not be affected by the discontinued application of SFAS 71.

13. Income Taxes

The tax effects of temporary differences that gave rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 1998 and 1997 were as follows:

December 31,	1998	1997
	<i>(Dollars in thousands)</i>	
Deferred tax assets		
Postretirement benefit costs	\$ 38,023	35,826
Regulatory support	15,509	15,681
Net operating loss carry forwards of an acquired subsidiary	6,716	8,013
Regulatory liability	6,230	8,000
Long-term debt	3,382	3,957
Other employee benefits	8,812	8,281
Other	9,609	8,788
Gross deferred tax assets	88,281	88,546
Less valuation allowance	(6,716)	(8,013)
Net deferred tax assets	81,565	80,533
Deferred tax liabilities		
Property, plant and equipment, primarily due to depreciation differences	(288,365)	(303,500)
Excess cost of net assets acquired	(8,500)	(7,177)
Basis difference in assets to be sold	(66,998)	(3,382)
Deferred debt costs	(13,309)	-
Customer base	(11,381)	-
Marketable equity securities	(8,928)	(11,840)
Intercompany profits	(3,128)	(3,112)
Other	(13,107)	(23,812)
Gross deferred tax liabilities	(413,716)	(352,823)
Net deferred tax liability	\$ (332,151)	(272,290)

Income tax expense for the years ended December 31, 1998, 1997 and 1996 was as follows:

Year ended December 31,	1998	1997	1996
	<i>(Dollars in thousands)</i>		
Federal			
Current	\$ 117,490	122,861	60,530
Deferred	18,048	14,768	7,390
State			
Current	25,015	13,272	6,100
Deferred	(1,852)	1,462	545
	\$ 158,701	152,363	74,565

Income tax expense was allocated as follows:

Year ended December 31,	1998	1997	1996
	<i>(Dollars in thousands)</i>		
Net tax expense in the consolidated statements of income	\$ 158,701	152,363	74,565
Stockholders' equity, primarily for compensation expense for tax purposes in excess of amounts recognized for financial reporting purposes	(6,579)	(2,554)	(1,866)
	\$ 152,122	149,809	72,699

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

Year ended December 31,	1998	1997	1996
	<i>(Percentage of pre-tax income)</i>		
Statutory federal income tax rate	35.0%	35.0	35.0
State income taxes, net of federal income tax benefit	3.9	2.3	2.1
Amortization of nondeductible excess cost of net assets acquired	3.3	1.1	1.8
Amortization of investment tax credits	(.6)	(.4)	(1.1)
Amortization of regulatory liability	(.6)	(.5)	(.9)
Other, net	-	(.2)	(.3)
Effective income tax rate	41.0%	37.3	36.6

14. Sale or Exchange of Assets

In connection with the first quarter 1998 acquisition of Brooks Fiber Properties, Inc. ("Brooks") by MCIWorldCom, 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; \$.11 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; \$.04 per diluted share).

Notes to Consolidated Financial Statements

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; \$.09 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.

In May 1997 the Company sold its majority-owned competitive access subsidiary to Brooks in exchange for approximately 4.3 million shares of Brooks' common stock. The Company recorded a pre-tax gain of approximately \$71 million (\$46 million after-tax; \$.34 per diluted share). In November 1997 the Company sold approximately 3.8 million shares of Brooks' common stock for \$202.7 million cash and recorded a pre-tax gain of approximately \$108 million (\$66 million after-tax; \$.48 per diluted share).

15. Retirement and Savings Plans

Century sponsors an Outside Directors' Retirement Plan and a Supplemental Executive Retirement Plan to provide directors and officers, respectively, with supplemental retirement, death and disability benefits. In addition, as of December 31, 1998, the bargaining unit employees of a subsidiary are provided benefits under a defined benefit pension plan and substantially all of the employees of PTI are covered under a separate defined benefit pension plan.

The following table sets forth the combined plans' funded status and amounts recognized in the Company's consolidated balance sheet at December 31, 1998, 1997 and 1996.

December 31,	1998	1997	1996
	(Dollars in thousands)		
Benefit obligation	\$ (217,747)	(200,554)	(20,473)
Fair value of plan assets	278,678	237,618	22,158
Unrecognized transition (asset)/obligation	(2,136)	(1,550)	2,519
Unamortized prior service cost	1,053	-	-
Unrecognized net actuarial (gain)/loss	(57,981)	(37,731)	1
Prepaid (accrued) benefit cost	\$ 1,867	(2,217)	4,205

Net periodic pension cost for 1998, 1997 and 1996 included the following components:

Year ended December 31,	1998	1997	1996
	(Dollars in thousands)		
Service cost	\$ 5,361	793	466
Interest cost	13,225	2,508	1,382
Expected return on plan assets	(22,925)	(5,715)	(2,273)
Recognized net gains	(2,688)	-	-
Net amortization and deferral	(300)	2,459	933
Net periodic pension (benefit) cost	\$ (7,327)	45	508

The following is a reconciliation of the beginning and ending balances for the benefit obligation and the plan assets for the retirement and savings plans.

December 31,	1998	1997	1996
	(Dollars in thousands)		
Change in benefit obligation			
Benefit obligation at beginning of year	\$ 200,554	20,473	19,420
Service cost	5,361	793	466
Interest cost	13,225	2,508	1,382
Plan amendments	227	-	-
Acquisition	-	175,165	-
Actuarial loss	8,683	2,548	95
Benefits paid	(10,303)	(933)	(890)
Benefit obligation at end of year	\$ 217,747	200,554	20,473
Change in plan assets (primarily listed stocks and bonds)			
Fair value of plan assets at beginning of year	\$ 237,618	22,158	18,098
Return on plan assets	50,720	4,237	2,274
Employer contributions	643	807	2,676
Acquisition	-	211,349	-
Benefits paid	(10,303)	(933)	(890)
Fair value of plan assets at end of year	\$ 278,678	237,618	22,158

Notes to Consolidated Financial Statements

Assumptions used in accounting for the pension plans as of December 1998 and 1997 were:

	1998	1997
Discount rates	6.5-6.75%	7.0
Expected long-term rate of return on assets	8.0-10.0%	8.0-10.0

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

The Company contributed \$3.7 million, \$2.8 million and \$1.9 million to the ESBP during 1998, 1997 and 1996, respectively. At December 31, 1998, the ESBP owned 5.9 million shares of Century common stock.

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

The ESOP had outstanding debt of \$570,000 at December 31, 1998 which was applicable to shares purchased prior to 1993. Interest incurred by the ESOP on such debt was \$148,000, \$274,000 and \$430,000 in 1998, 1997, and 1996, respectively. The Company contributed and expensed \$1.5 million, \$1.8 million and \$2.1 million during 1998, 1997 and 1996, respectively, with respect to such shares.

Dividends on unallocated ESOP shares used for debt service by the ESOP were \$69,000 in 1998, \$126,000 in 1997 and \$189,000 in 1996. The number of ESOP shares as of December 31, 1998 and 1997 which were purchased prior to 1993 were as follows:

December 31,	1998	1997
	<i>(In thousands)</i>	
Allocated shares	3,153	3,297
Unreleased shares	77	320
	3,230	3,617

The Company accounts for shares purchased subsequent to December 31, 1992 in accordance with Statement of Position 93-6 ("SOP 93-6").

Accordingly, as shares are released from collateral, the Company reports compensation expense equal to the current market price of the shares and the shares become outstanding for earnings per share computations. Dividends on allocated ESOP shares are recorded as a reduction of retained earnings; dividends on unallocated ESOP shares are recorded as a reduction of debt. ESOP compensation expense applicable to shares purchased subsequent to 1992 was \$2.9 million for 1998, \$1.5 million for 1997 and \$1.4 million for 1996. The fair value of unreleased ESOP shares accounted for under SOP 93-6 was \$23.2 million, \$13.5 million and \$9.7 million at December 31, 1998, 1997 and 1996, respectively. ESOP shares purchased subsequent to 1992 totaled 937,913, of which 422,060 were allocated and 515,853 were unreleased as of December 31, 1998.

Century also sponsors a qualified profit sharing plan pursuant to Section 401(k) of the Internal Revenue Code (the "401(k) Plan") which is available to substantially all employees of the Company. The Company's matching contributions to the 401(k) Plan were \$8.5 million in 1998, \$2.8 million in 1997 and \$2.3 million in 1996.

16. Supplemental Cash Flow Disclosures

The Company paid interest of \$151.4 million, \$48.8 million and \$45.1 million during 1998, 1997 and 1996, respectively. Income taxes paid were \$185.9 million in 1998, \$79.3 million in 1997 and \$64.1 million in 1996.

In addition to the acquisitions of PTI and the Ameritech properties, Century has consummated the acquisitions of various telephone and cellular operations, along with certain other assets, during the three years ended December 31, 1998. In connection with these acquisitions, the following assets were acquired, liabilities assumed, and common and preferred stock issued:

Notes to Consolidated Financial Statements

Year ended December 31, 1998 1997 1996
(Dollars in thousands)

Property, plant and equipment	\$ 75,043	1,106,558	4,963
Excess cost of net assets acquired	145,880	1,204,284	53,220
Other investments	5,028	119,356	-
Notes payable	-	(199,824)	-
Long-term debt	-	(527,937)	(3,273)
Deferred credits and other liabilities	-	(246,196)	(171)
Other assets and liabilities, excluding cash and cash equivalents	(382)	90,889	8,021
Common stock issued	-	(3,316)	(8,458)
Preferred stock issued	-	-	(7,975)
Decrease in cash due to acquisitions	\$ 225,569	1,543,814	46,327

During the second quarter of 1998, the Company sold various properties acquired in the PTI acquisition; a portion of its WorldCom stock; and certain cellular operations. See Note 14 for additional information.

In May 1997 the Company sold its majority-owned competitive access subsidiary in exchange for approximately 4.3 million shares of publicly-traded common stock. In November 1997 approximately 85% of such stock was sold. In addition, the Company has consummated the disposition of various cellular operations, along with certain other assets, during the three years ended December 31, 1998. In connection with these dispositions, the following assets were sold, liabilities eliminated, assets received and gain recognized:

Year ended December 31, 1998 1997 1996 (Dollars in thousands)			
Property, plant and equipment	\$ -	(38,481)	900
Excess cost of net assets acquired	-	(597)	-
Marketable equity securities	(21,923)	13,795	-
Other assets and liabilities, excluding cash and cash equivalents	(60,525)	(7,782)	(85)
Gain on sale of assets	(49,859)	(169,640)	(815)
Increase in cash due to dispositions	\$ (132,307)	(202,705)	-

17. Fair Value of Financial Instruments

The following table presents the carrying amounts and estimated fair values of certain of the Company's financial instruments at December 31, 1998 and 1997.

	Carrying amount	Fair value	
<i>(Dollars in thousands)</i>			
<u>December 31, 1998</u>			
Financial assets			
Investments			
Marketable equity securities	\$ 29,496	29,496	(2)
Other	\$ 29,813	29,813	(1)
Financial liabilities			
Long-term debt (including current maturities)	\$ 2,611,010	2,708,680	(3)
Other	\$ 32,721	32,721	(1)

December 31, 1997

Financial assets			
Investments			
Marketable equity securities	\$ 40,570	40,570	(2)
Other	\$ 22,455	24,036	(1)
Financial liabilities			
Long-term debt (including current maturities)	\$ 2,664,785	2,677,348	(3)
Other	\$ 24,213	24,213	(1)
Off-balance sheet financial instruments			
Interest rate hedge contracts	\$ -	(16,061)	(4)

- (1) Fair value was estimated by the Company.
- (2) Fair value was based on quoted market prices.
- (3) Fair value was estimated by discounting the scheduled payment streams to present value based upon rates currently offered to the Company for similar debt.
- (4) Fair value represents the estimated amounts the Company would have to pay to settle these contracts. See Note 6 for additional information related to the settlement of these contracts.

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

Notes to Consolidated Financial Statements

18. Business Segments

The Company has two reportable segments: telephone and cellular. The Company's reportable segments are strategic business units that offer different products and services.

The Company's telephone operations are conducted in rural, suburban and small urban communities in 21 states. Approximately 86% of the Company's telephone access lines are in Wisconsin, Washington, Alaska, Michigan, Louisiana, Colorado, Ohio, Oregon and Montana. The Company's cellular customers are located in Michigan, Louisiana, Wisconsin, Mississippi, Texas, Arkansas and Alaska.

	Operating revenues	Depreciation and amortization	Operating income
<i>(Dollars in thousands)</i>			
<u>Year ended December 31, 1998</u>			
Telephone	\$ 1,091,610	262,893	333,708
Cellular	407,749	62,002	130,580
Other segments	77,726	3,659	15,523
Total	\$ 1,577,085	328,554	479,811

<u>Year ended December 31, 1997</u>			
Telephone	\$ 530,597	115,722	173,285
Cellular	307,742	41,127	88,081
Other segments	63,182	2,646	6,404
Total	\$ 901,521	159,495	267,770

<u>Year ended December 31, 1996</u>			
Telephone	\$ 451,538	95,793	155,183
Cellular	250,243	33,573	67,914
Other segments	47,896	2,655	199
Total	\$ 749,677	132,021	223,296

	1998	1997	1996
<i>(Dollars in thousands)</i>			
Operating income	\$ 479,811	267,770	223,296
Gain on sale or exchange of assets, net	49,859	169,640	815
Interest expense	(167,552)	(56,474)	(44,662)
Income from unconsolidated cellular entities	32,869	27,794	26,952
Minority interest	(12,797)	(5,498)	(6,675)
Other income and expense	5,268	5,109	3,916
Income before income tax expense	\$ 387,458	408,341	203,642

	1998	1997	1996
<i>(Dollars in thousands)</i>			
<u>Capital expenditures</u>			
Telephone	\$ 233,190	115,854	110,147
Cellular	49,538	39,102	83,679
Other segments	28,191	26,269	29,059
Total	\$ 310,919	181,225	222,885

<u>Identifiable assets</u>			
Telephone	\$ 3,674,148	3,379,376	1,174,317
Cellular	1,097,789	989,729	644,587
Other segments	163,518	340,296	209,601
Total assets	\$ 4,935,455	4,709,401	2,028,505

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

19. Commitments and Contingencies

Construction expenditures and investments in vehicles, buildings and other work equipment during 1999 are estimated to be \$215 million for telephone operations, \$70 million for cellular operations and \$60 million for corporate and other operations.

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

20. Pending Dispositions

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. The Alaska transaction is anticipated to close in the second quarter of 1999, subject to regulatory approvals and various closing conditions.

In January 1999 the Company signed definitive asset purchase agreements to sell all of the operations of the Brownsville and McAllen, Texas, cellular markets to Western Wireless Corporation for \$95 million cash, subject to various adjustments. The Company is the majority owner in these markets and, therefore, will

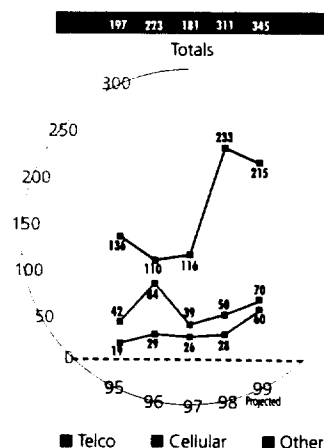
Notes to Consolidated Financial Statements

receive its proportionate share of the sale proceeds (approximately \$39 million after-tax.) The transaction is expected to close in the second quarter of 1999, subject to regulatory approvals and various closing conditions.

21. Subsequent Event

On February 23, 1999, Century's Board of Directors declared a three-for-two common stock split effected as a 50% stock dividend in March 1999. All per share data included in this report has been restated to reflect this stock split. An amount equal to the par value of the additional common shares issued pursuant to the stock split has been reflected as a transfer from paid-in-capital to common stock on the consolidated financial statements for 1998.

Capital Expenditures
Dollars in Millions



Consolidated Quarterly Income Information (Unaudited)

	First quarter	Second quarter	Third quarter	Fourth quarter
<i>(Dollars in thousands, except per share amounts)</i>				
<i>(unaudited)</i>				
1998				
Operating revenues	\$ 371,720	388,378	401,949	415,038
Operating income	\$ 110,132	121,488	128,184	120,007
Net income	\$ 57,694	64,191	54,678	52,194
Diluted earnings per share*	\$.41	.46	.39	.37
1997				
Operating revenues	\$ 198,985	210,576	218,351	273,609
Operating income	\$ 57,698	62,405	69,815	77,852
Net income	\$ 33,135	83,176	41,433	98,234
Diluted earnings per share*	\$.24	.61	.30	.71

*Adjusted to reflect stock split in early 1999. See Note 21 of Notes to Consolidated Financial Statements.

Diluted earnings per share for both the first quarter and second quarter of 1998 included \$.11 of net gain on sale or exchange of assets. See Note 14 for additional information.

Diluted earnings per share for the second quarter and fourth quarter of 1997 included \$.34 and \$.44 per share, respectively, of gain on sale of assets. The fourth quarter of 1997 includes one month of results of operations of Pacific Telecom, Inc.

CENTURYTEL LEADERSHIP

DIRECTORS

Clarke M. Williams ^(1*)

Occupation: Chairman of the Board
Century Telephone Enterprises, Inc.
Monroe, Louisiana
Joined Board: 1968

Glen F. Post, III ^{(1) (7)}

Occupation: Vice Chairman of the Board,
President and Chief Executive Officer
Century Telephone Enterprises, Inc.
Monroe, Louisiana
Joined Board: 1985

William R. Boles, Jr. ^{(5*) (6)}

Occupation: Vice President, Director
and practicing attorney
Boles, Boles & Ryan
Monroe, Louisiana
Joined Board: 1992

Virginia Boulet ^{(2) (6)}

Occupation: Partner, Phelps Dunbar, L.L.P.
New Orleans, Louisiana
Joined Board: 1995

Ernest Butler, Jr. ^{(2) (4*) (6)}

Occupation: President, I.E. Butler Securities, Inc.
Little Rock, Arkansas
Joined Board: 1971

Calvin Czeschin ^{(1) (2*) (6) (7)}

Occupation: President
Yelcot Telephone Company
Mountain Home, Arkansas
Joined Board: 1974

James B. Gardner ^{(1) (2) (4) (7)}

Occupation: Managing Director
SAMCO Capital Markets
Dallas, Texas
Joined Board: 1981

W. Bruce Hanks ⁽⁵⁾

Occupation: Executive Vice President
and Chief Operating Officer
Century Telephone Enterprises, Inc.
Monroe, Louisiana
Joined Board: 1992

R. L. Hargrove, Jr. ^{(1) (2) (6*)}

Occupation: Certified Public Accountant
Monroe, Louisiana
Joined Board: 1985

Johnny Hebert ^{(2) (3*) (5)}

Occupation: Private investments
West Monroe, Louisiana
Joined Board: 1968

F. Earl Hogan ^{(1) (2) (4)}

Occupation: Retired Managing Partner
EDJ Farms Partnership
Oak Ridge, Louisiana
Joined Board: 1968

C. G. Melville, Jr. ^{(2) (3) (5)}

Occupation: Private investments
New Orleans, Louisiana
Joined Board: 1968

Harvey P. Perry ⁽¹⁾

Occupation: Senior Vice President, General
Counsel and Secretary
Century Telephone Enterprises, Inc.
Monroe, Louisiana
Joined Board: 1990

Jim D. Reppond ^{(1) (5)}

Occupation: Retired telephone executive
Century Telephone Enterprises, Inc.
Salem, Arkansas
Joined Board: 1986

Committees

(1) Executive	(5) Insurance Evaluation
(2) Audit	(6) Shareholder Relations
(3) Nominating	(7) Special Pricing
(4) Compensation	*Denotes chairperson

OFFICERS

Clarke M. Williams

Chairman of the Board

Glen F. Post, III

Vice Chairman of the Board, President and Chief
Executive Officer

W. Bruce Hanks

Executive Vice President and Chief Operating
Officer

David D. Cole

Senior Vice President - Operational Support

Kenneth R. Cole

Senior Vice President - Operations

R. Stewart Ewing, Jr.

Senior Vice President and Chief Financial Officer

Harvey P. Perry

Senior Vice President, General Counsel and
Secretary

Alan B. Alford

Vice President - Finance

Jerry M. Allen

Vice President - Finance

Douglas O. Bieniek

Vice President - Network Services

Nick Bowman

Vice President - Operations and Network Design

Kay C. Buechart

Subsidiary Secretary

James R. Crabtree

Region Vice President

Marvin C. Cunningham, Jr.

Vice President - Revenues and External Affairs

Wayne Davis

Vice President - Engineering

Leslie L. Dickerson

Region Vice President

Paul Eason

Vice President

Arvil L. Fowler

Vice President - Network Communications

Dale J. Fox

Region Vice President

Murray H. Greer

Controller

Roger T. Hall

Region Vice President

Charles D. Heath

Vice President - Northern Regional Counsel

William F. Kasdorf

Vice President - Sales

Clarence G. Marshall

Vice President - Corporate Planning

Margaret Osborne McKoin

Vice President - Marketing

Robert J. Mirabito

Vice President - Emerging Services

Thomas W. Singletary

Vice President - Information Systems

Kenneth L. Sprain

Vice President - Operations Planning

David G. Thiels

Treasurer

NEED INFORMATION?

Call 1-800-833-1188, Monday through Friday from 8 a.m. to 5 p.m. Central Time for stock-related inquiries. Certain financial information can also be found on CenturyTel's corporate website at <http://www.centurytel.com>. Additional financial information is available at no charge. To obtain a copy of CenturyTel's annual report on Form 10-K and Corporate Summary contact:

Jeff Glover

Director of Investor Relations
Century Telephone Enterprises, Inc.
P.O. Box 4065
Monroe, Louisiana 71211-4065
1-800-833-1188 Telephone
318-388-9064 Fax
jeff.glover@centurytel.com

DIVIDEND REINVESTMENT PLAN

By participating in CenturyTel's Dividend Reinvestment and Stock Purchase Service (the Service), shareholders may purchase common stock with their reinvested dividends at market price. In order to participate in this plan, individuals must own at least one share of CenturyTel stock. Under this service, shareholders pay no commission or handling charge for purchases made with reinvested dividends or those made under the optional cash purchasing provision of the Service. Purchases under the optional cash purchase provision are also made at market price. Optional payments must be at least \$25 per payment with a maximum of \$5,000 per quarter. Upon request, shareholders can obtain information on the Service from CenturyTel's Transfer Agent.

Harris Trust & Savings Bank
P.O. Box A3504
Chicago, Illinois 60690-3504
1-800-969-6718

CenturyTel participates in the NAIC (National Association of Investors' Corporation) Low-Cost Investment Plan and the Green Sheets program.

ANNUAL MEETING

CenturyTel's annual meeting of shareholders will be held Thursday, May 6, 1999, at 2 p.m. Central Time at the following location.

Holiday Inn Professional Centre/Atrium
2001 Louisville Avenue
Monroe, Louisiana

TRADING AND DIVIDEND INFORMATION*

	High	Low	Close	Dividend Declared
1998				
1st Quarter	\$ 27 3/8	\$ 21 9/16	\$ 27 3/16	\$.0433
2nd Quarter	33 5/16	27 1/16	30 9/16	.0433
3rd Quarter	35 1/8	29 15/16	31 1/2	.0433
4th Quarter	45 3/16	30 1/16	45	.0433
1997				
1st Quarter	\$ 14 7/8	\$ 12 3/4	\$ 13 1/8	\$.0411
2nd Quarter	15 1/16	12 11/16	15	.0411
3rd Quarter	19 9/16	14 11/16	19 9/16	.0411
4th Quarter	22 7/16	18 1/4	22 1/8	.0411

*Adjusted to reflect stock split in early 1999. See Note 21 of Notes to Consolidated Financial Statements.

CENTURY TELEPHONE ENTERPRISES, INC. STOCK

CenturyTel's common stock is listed on the New York Stock Exchange under the symbol CTL. The newspaper stock listing is CntyTL.

PROJECTED DIVIDEND DATES**

	Record Date	Payment Date
1st Quarter	March 5, 1999	March 19, 1999
2nd Quarter	June 4, 1999	June 18, 1999
3rd Quarter	September 3, 1999	September 17, 1999
4th Quarter	December 3, 1999	December 17, 1999

**Subject to discretion of the Century Telephone Enterprises, Inc. Board of Directors.

CORPORATE HEADQUARTERS

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

HOW TO CONTACT CENTURYTEL

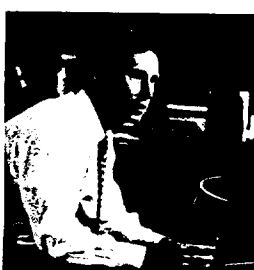
Headquarters 318-388-9000
Investor Relations 1-800-833-1188
Internet www.centurytel.com
Investor Relations
E-mail jeff.glover@centurytel.com



Ken Cole
Senior Vice President
Operations



Harvey Perry
Senior Vice President,
General Counsel and
Secretary



Bruce Hanks
Executive Vice
President and Chief
Operating Officer



David Cole
Senior Vice President
Operational Support



Stewart Ewing
Senior Vice President
and Chief Financial
Officer

EXHIBIT D

Corporate Officers

The names, addresses, and telephone numbers of CTS's officers and directors are as follows:

Officers: *Glen F. Post, III*, Chief Executive Officer; *Vacant*, President; *R. Stewart Ewing, Jr.*, Executive Vice President and Asst. Secretary; *David Cole*, Senior Vice President; *Harvey P. Perry*, Executive Vice President & Asst. Secretary; *David G. Thiels*, Treasurer, and Assistant Secretary; *Kay O. Buchart*, Secretary.

Directors: *Clarke M. Williams* (Chairman); *Glen F. Post, III*, Director; *Harvey P. Perry*, Director.

All the above-listed Directors and Officers may be reached at the following address and phone numbers:

CenturyTel Solutions, LLC
100 Century Park Drive
Monroe, LA 71203
318/388-9000 (Telephone)
318/388-9562 (Facsimile)

EXHIBIT E

**Articles of Organization
and Application for
Certificate of Authority to Transact Business in the State of Tennessee**

UNITED STATES OF AMERICA
State of Louisiana

Box McKeithen
SECRETARY OF STATE

In testimony whereof, I do hereby Certify that

a copy of the Articles of Organization and Initial Report of

CENTURYTEL SOLUTIONS, LLC

Domiciled at BATON ROUGE, LOUISIANA,

Was filed and recorded in this Office on June 22, 1999,

And all fees having been paid as required by law, the
limited liability company is authorized to transact business
in this State, subject to the restrictions imposed by law,
including the provisions of R.S. Title 12, Chapter 22.

*In testimony whereof, I have hereunto set
my hand and caused the Seal of my Office
to be affixed at the City of Baton Rouge on:*

June 23, 1999

Box McKeithen

BBE 34806286K

Secretary of State



W. Fox McKeithen
Secretary of State



ARTICLES OF ORGANIZATION (R.S. 12:1301)

Domestic Limited Liability Company
Enclose \$50.00 filing fee
Make remittance payable to
Secretary of State
Do not send cash

Return to Corporations Division
P.O. Box 94215
Baton Rouge, LA 70804-9125
Phone (504) 925-4704

STATE OF LOUISIANA

Check one: (X) Business

PARISH OF Orachita

FOX MCKEITHEN
Secretary of State
Received & Filed
DATE JUN 22 1999

1. The name of this limited liability company is: CenturyTel Solutions, LLC

2. This company is formed for the purpose of: (check one)

(X) Engaging in any lawful activity for which limited liability companies may be formed.

() _____
(use for limiting activity)

3. The duration of this limited liability company is: (may be perpetual) Perpetual

4. Other provisions: _____

THUS DONE AND PASSED in my office in Monroe, LA,

on this the 18th day of June, 19 99, in my presence and in the

presence of the undersigned witnesses who sign their names with me, Notary, after due reading of the whole.

[Signature]
Witness Della Hale Drenning

[Signature]
Witness Jennifer K. Johnston

Signature:

[Signature]
Arvil Fowler

[Signature]
Notary

State of Tennessee



Department of State
Corporations Section
18th Floor, James K. Polk Bldg.
Nashville, TN 37243-0306

APPLICATION FOR
CERTIFICATE OF AUTHORITY

RECEIVED
OFFICE OF STATE
FILED
JUN 21 11:12

SECRET

APPLICATION FOR CERTIFICATE OF AUTHORITY FOR:

CenturyTel Solutions, LLC

To the Secretary of State of the State of Tennessee:

Pursuant to the provisions of §48A-48-301 of the Tennessee Limited Liability Company Act, the undersigned hereby applies for a certificate of authority to transact business in the State of Tennessee, and for that purpose sets forth:

1. The name of the Limited Liability Company is: CenturyTel Solutions, LLC

If different, the name under which the certificate of authority is to be obtained is:

NOTE: The Secretary of State of the State of Tennessee may not issue a certificate of authority to a foreign Limited Liability Company if its name does not comply with the requirements of § 48A-7-101 of the Tennessee Limited Liability Company Act. If obtaining a certificate of authority under an assumed Limited Liability Company name, an application must be filed pursuant to § 48A-7-101(1D).

2. The state or country under whose law it is formed is: Louisiana

3. The date of its organization is: June 18, 1999 (must be month, day and year)

4. The complete street address (including zip code) of its principal office is:

100 Century Park Drive, Monroe, LA 71203

Street City/State Zip Code

5. The complete street address (including the county and the zip code) of its registered office in Tennessee:

C/o C T Corporation System, 530 Gay Street Knoxville, Tennessee, Knox 37902

Street City/State County Zip Code

The name of its registered agent at that office is: C T Corporation System.

6. Please insert the number of members at the date of filing 1

NOTE: This application must be accompanied by a certificate of existence (or a document of similar import) duly authenticated by the Secretary of State or other official having custody of the Limited Liability Company records in the state or country under whose law it is organized. The certificate shall not bear a date of more than two (2) months prior to the date the application is filed in this state.

June 18, 1999
Signature Date

Manager
Signer's Capacity

CenturyTel Solutions, LLC
Name of Limited Liability Company

Arvil Fowler
Signature

Arvil Fowler
Name (typed or printed)

SS-4233

RDA Pending

ITN - TNC - 3372 - 12/28/97

EXHIBIT F

Illustrative Local Exchange Tariff

CENTURYTEL SOLUTIONS, LLC
REGULATIONS AND SCHEDULE OF INTRASTATE CHARGES
APPLYING TO END USER TELECOMMUNICATIONS
SERVICES WITHIN THE STATE OF TENNESSEE

This tariff applies to the Competitive Local Exchange Telecommunications Services furnished by CenturyTel Solutions, LLC ("Company") between one or more points in the State of Tennessee. This tariff is on file with the Tennessee Regulatory Authority, and copies may be inspected, during normal business hours, at the Company's principal place of business, 3505 Summerhill Road, #4 Texarkana, TX 75503.

Issued:

Effective:

By: Susan Smith, Director of External Affairs
3505 Summerhill Road, #4
Texarkana, TX 75503

CHECK SHEET

The Pages of this tariff are effective as of the date shown. The original and revised Pages named below contain all changes from the original tariff and are in effect on the date shown.

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EXPLANATION OF SYMBOLS

A revision of a Tariff Page is coded to designate the type of change from the previous revision. These symbols, which appear in the right-hand margin of the Page, are used to signify:

C - Change in Regulation

D - Discontinued rate or regulation

I - Increased rate

M - Moved from another tariff location

N - New rate or regulation

R - Reduction in a rate or charge

T - Changed in text but no change in rate or regulation

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EXPLANATION OF TERMS

AGENCY

For 911 or E911 service, the government agency(ies) designated as having responsibility for the control and staffing of the emergency report center.

ALTERNATE ROUTING ("AR")

Allows E911 calls to be routed to a designated alternate location if (1) all E911 exchange lines to the primary PSAP (see definition of PSAP below) are busy, or (2) the primary PSAP closes for a period (night service).

AUTHORIZED USER

A person, corporation or other entity who is authorized by the Company's customer to utilize service provided by the Company to the customer. The customer is responsible for all charges incurred by an Authorized User.

ATTENDANT

An operator of a PBX console or telephone switchboard.

AUTOMATIC LOCATION IDENTIFICATION ("ALI")

The name and address associated with the calling party's telephone number (identified by ANI as defined below) is forwarded to the PSAP for display. Additional telephones with the same number as the calling party's (secondary locations, off premises, etc.) will be identified with the address of the telephone number at the main location.

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EXPLANATION OF TERMS (Cont'd)

AUTOMATIC NUMBER IDENTIFICATION ("ANI")

A system whereby the calling party's telephone number is identified and sent forward with the call record for routing and billing purposes. E911 Service makes use of this system.

CALL INITIATION

The point in time when the exchange network facility are initially allocated for the establishment of a specific call.

CALL TERMINATION

The point in time when the exchange network facility allocated to a specific call is released for reuse by the network.

CENTRAL OFFICE

An operating office of the Company where connections are made between telephone exchange lines.

CENTRAL OFFICE LINE

A line providing direct or indirect access from a telephone or switchboard to a central office. Central office lines subject to PBX rate treatment are referred to as central office trunks.

CHANNEL

A point-to-point bi-directional path for digital transmission. A channel may be furnished in such a manner as the Company may elect, whether by wire, fiber optics, radio or a combination thereof and whether or not by means of single physical facility or route. One 1.544 Mbps Service is equivalent to 24 channels.

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EXPLANATION OF TERMS (Cont'd)

AUTHORITY

Tennessee Regulatory Authority

COMPANY

CenturyTel Solutions, LLC, unless otherwise clearly indicated from the context.

CUSTOMER

The person, firm, corporation, or other entity which orders service pursuant to this Tariff and utilizes service provided under Tariff by the Company. A customer is responsible for the payment of charges and for compliance with all terms of the Company's Tariff.

CUSTOMER PREMISES EQUIPMENT ("CPE")

Equipment provided by the customer for use with the Company's services. CPE can include a station set, facsimile machine, key system, PBX, or other communication system.

DEFAULT ROUTING ("DR")

When an incoming E911 call cannot be selectively routed due to an ANI failure, garbled digits or other causes, such incoming calls are routed from the E911 Control Office to a default PSAP. Each incoming E911 facility group to the Control Office is assigned to a designated default PSAP.

DIAL PULSE ("DP")

The pulse type employed by a rotary dial station set.

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EXPLANATION OF TERMS (Cont'd)

DIRECT INWARD DIAL ("DID")

A service attribute that routes incoming calls directly to stations, by-passing a central answer point.

DIRECT OUTWARD DIAL ("DOD")

A service attribute that allows individual station users to access and dial outside numbers directly.

DUAL TONE MULTI-FREQUENCY ("DTMF")

The pulse type employed by tone dial station sets. (Touch tone)

E911 SERVICE AREA

The geographic area in which the government agency will respond to all E911 calls and dispatch appropriate emergency assistance.

E911 CUSTOMER

A governmental agency that is the customer of record and is responsible for all negotiations, operations and payment of bills in connection with the provision of E911 service.

EXCHANGE

An area, consisting of one or more central office districts, within which a call between any two points is a local call.

EXCHANGE ACCESS LINE

A central office line furnished for direct or indirect access to the exchange system.

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EXPLANATION OF TERMS (Cont'd)

EXCHANGE SERVICE

The provision to the subscriber of access to the exchange system for the purpose of sending and receiving calls. This access is achieved through the provision of a central office line (exchange access line) between the central office and the subscriber's premises.

FINAL ACCOUNT

A customer whose service has been disconnected who has outstanding charges still owed to the Company.

FLAT RATE SERVICE

The type of exchange service provided at a monthly rate with an unlimited number of calls within a specified primary calling area.

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EXPLANATION OF TERMS (Cont'd)

HANDICAPPED PERSON

A person who is legally blind, visually handicapped or physically handicapped, under the following definitions from the Federal Register (Vol. 35 #126 dated June 30, 1970).

Legally Blind - a person whose visual acuity is 20/200 or less in the better eye with correcting glasses, or whose widest diameter of visual field subtends an angular distance no greater than 20 degrees.

Visually Handicapped - a person whose visual disability, with correction and regardless of optical measurement with respect to legal blindness, are certified as unable to read normal printed material.

Physically Handicapped - a person who is certified by competent authority as unable to read or use ordinary printed materials as a result of physical limitation, or a person whose disabling condition causes difficulty with hand and finger coordination and use of a coin telephone.

The term "Handicapped Person", when used in connection with a person having a speech or hearing impairment which requires that they communicate over telephone facilities by means other than voice is defined below:

Hearing - a person with binaural hearing impairment of 60% or higher on the basis of the procedure developed by the American Academy of Otolaryngology (A.A.O.) as set forth in "Guide for Conservation of Hearing in Noise" 38-43, A.A.O., 1973; "guides to the Evaluation of Permanent Impairment" 103-107, American Medical Association, 1971.

Speech - a person with 65% or higher of impairment on the basis of the procedure recommended by the American Medical Association's Committee on Rating of Mental and Physical Impairment to evaluate speech impairment as to three categories: audibility, intelligibility and functional efficiency, as set forth in "Guides to the Evaluation of Permanent Impairment" 109-III, American Medical Association, 1971.

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EXPLANATION OF TERMS (Cont'd)

ICB

Individual Case Basis

INTERFACE

That point on the premises of the subscriber at which provision is made for connection of facilities provided by someone other than the Company to facilities provided by the Company.

INTERRUPTION

The inability to complete calls, either incoming or outgoing or both, due to Company facilities malfunction or human errors.

LATA

Local Access and Transport Area. The area within which the Company provides local and long distance ("intraLATA") service. For call to numbers outside the area ("interLATA") service is provided by long distance companies.

LINK

The physical facility from the network interface on an end-user's or carrier's premises to the point of interconnection on the main distribution frame of the Company's central office.

LOCAL CALL

A call which, if placed by a customer over the facilities of the Company, is not rated as a toll call.

LOCAL CALLING AREA

The area, consisting of one or more central office districts, within which a subscriber for exchange service may make telephone calls without a toll charge.

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EXPLANATION OF TERMS (Cont'd)

LOCAL SERVICE

Telephone exchange service within a local calling area.

LOOP START

Describes the signaling between the terminal equipment or PBX/key system interface and the Company's switch. It is the signal requesting service.

LOOPS

Segments of a line which extend from the serving central office to the originating and to the terminating point.

MESSAGE RATE SERVICE

A type of exchange service provided at a monthly rate with an additional charge for local calling based on the usage of the local network. One completed call is equal to one message.

MOVE

The disconnection of existing equipment at one location and reconnection of the same equipment at a new location in the same building or in a different building on the same premises.

MULTILINE HUNT

A method of call signaling by which a call placed to one number is subsequently routed to one or more alternative numbers when the called number is busy.

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EXPLANATION OF TERMS (Cont'd)

NOC

Not Offered Currently

ON-NET

Telecommunications services which are transported exclusively over facilities installed by the Company rather than the facilities of another carrier.

PORT

A connection to the switching network with one or more voice grade communications channels, each with a unique network address (telephone number) dedicated to the customer. A port connects a link to the public switched network.

PRIVATE BRANCH EXCHANGE SERVICE

Service providing facilities for connecting central office trunks and tie lines to PBX stations, and for interconnecting PBX station lines by means of a switchboard or dial apparatus.

RATE CENTER

A geographic reference point with specific coordinates on a map used for determining mileage when calculating charges.

REFERRAL PERIOD

The time frame during which calls to a number which has been changed will be sent to a recording which will inform the caller of the new number.

SELECTIVE ROUTING ("SR")

A feature that routes an E911 call from a Central Office to the designated primary PSAP based upon the identified number of the calling party.

TOLL CALL

Any call extending beyond the local exchange of the originating caller which is rated on a toll schedule by the Company.

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APPLICATION OF TARIFF

Issued:

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By: Susan Smith, Director of External Affairs
3505 Summerhill Road, #4
Texarkana, TX 75503

Section 1 - APPLICATION OF TARIFF

1.1 Application of Tariff

This Tariff sets forth the service offerings, rates, terms and conditions applicable to facilities-based and resold services provided by CenturyTel Solutions, LLC, to customers within the State of Tennessee.

1.1.1 Service Territory

CenturyTel Solutions, LLC will provide service within the State of Tennessee.

1.1.2 Availability

Service is available where facilities permit.

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GENERAL RULES AND REGULATIONS

Issued:

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By: Susan Smith, Director of External Affairs
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Section 2 - GENERAL RULES AND REGULATIONS

2.1 USE OF FACILITIES AND SERVICE

2.1.1 Obligation of the Company

In furnishing facilities and service, the Company does not undertake to transmit messages, but furnishes the use of its facilities to its customers for communications. The Company undertakes to furnish communications service pursuant to the terms of this tariff in connection with one-way and/or two-way information transmission between points within the State of Tennessee.

- a. The Company reserves the right to limit or to allocate the use of existing facilities, or of additional facilities offered by the Company, when necessary because of lack of facilities, or due to some other cause beyond the Company's control.
- b. The furnishing of service under this tariff is subject to the availability on a continuing basis of all the necessary facilities and is limited to the capacity of the Company's facilities as well as facilities the Company may obtain from other carriers to furnish service from time to time as required at the sole discretion of the Company.

The Company's obligation to furnish facilities and service is dependent upon its ability (a) to secure and retain, without unreasonable expense, suitable facilities and rights for the construction and maintenance of the necessary circuits and equipment; (b) to secure and retain, without unreasonable expense, suitable space for its plant and facilities in the building where service is or will be provided to the customer; or (c) to secure reimbursement of all costs where the owner or operator of a building demands relocation or rearrangement of plant and facilities used in providing service therein.

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Section 2 - GENERAL RULES AND REGULATIONS (Cont'd)

2.1 USE OF FACILITIES AND SERVICE (Cont'd)

2.1.1 Obligation of the Company (Cont'd)

The Company shall not be required to furnish, or continue to furnish, facilities or service where the circumstances are such that the proposed use of the facilities or service would tend to adversely affect the Company's plant, property or service.

The Company reserves the right to refuse an application for service made by a present or former customer who is indebted to the Company for service previously rendered pursuant to this Tariff until the indebtedness is satisfied.

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Section 2 - GENERAL RULES AND REGULATIONS (Cont'd)

2.1 USE OF FACILITIES AND SERVICE (Cont'd)

2.1.2 Limitations on Liability

2.1.2.1 The liability of the Company for damages arising out of the furnishing of its services, including but not limited to mistakes, omissions, interruptions, delays, or errors, or other defects, representations, or use of these services or arising out of the failure to furnish the service, whether caused by acts or omission, shall be limited to the extension of allowances for interruption as set forth in this tariff. The extension of such allowances for interruption shall be the sole remedy of the Customer and the sole liability of the Company. The Company will not be liable for any direct, indirect, incidental, special, consequential, exemplary or punitive damages to Customer as a result of any Company service, equipment or facilities, or the acts or omissions or negligence of the Company's employees or agents.

2.1.2.2 The Company shall not be liable for any delay or failure of performance or equipment due to causes beyond its control, including but not limited to: acts of God, fire, flood, explosion or other catastrophes; any law, order, regulation, direction, action, or request of the United States Government, or of any other government, including state and local governments having or claiming jurisdiction over the Company, or of any department, agency, commission, bureau, corporation, or other instrumentality of any one or more of these federal, state, or local governments, or of any civil or military authority; national emergencies; insurrections; riots; wars; unavailability of rights-of-way or materials; or strikes, lock-outs, work stoppages, or other labor difficulties.

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Section 2 - GENERAL RULES AND REGULATIONS (Cont'd)

2.1 USE OF FACILITIES AND SERVICE (Cont'd)

2.1.2 Limitations on Liability (Cont'd)

2.1.2.3 The Company shall not be liable for any act or omission of any entity furnishing to the Company or to the Company's Customers facilities or equipment used for or with the services the Company offers.

2.1.2.4 The Company shall not be liable for any damages or losses due to the fault or negligence of the Customer or due to the failure or malfunction of Customer-provided equipment or facilities.

2.1.2.5 The Company does not guarantee nor make any warranty with respect to installations it provides for use in an explosive atmosphere. The Customer indemnifies and holds the Company harmless from any and all loss, claims, demands, suits, or other action, or any liability whatsoever, whether suffered, made, instituted, or asserted by any other party or person(s), and for any loss, damage, or destruction of any property, whether owned by the Customer or others, caused or claimed to have been caused directly or indirectly by the installation, operation, failure to operate, maintenance, removal presence, condition, location, or use of any installation so provided. The Company reserves the right to require each Customer to sign an agreement acknowledging acceptance of the provisions of this section as a condition precedent to such installations.

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Section 2 - GENERAL RULES AND REGULATIONS (Cont'd)

2.1 USE OF FACILITIES AND SERVICE (Cont'd)

2.1.2 Limitations on Liability (Cont'd)

2.1.2.6 The Company is not liable for any defacement of or damage to Customer premises resulting from the furnishing of services or equipment on such premises or the installation or removal thereof, unless such defacement or damage is caused by negligence or willful misconduct of the Company's agents or employees.

2.1.2.7 The Company is not liable for any claims for loss or damages involving:

- (a) Breach in the privacy or security of communications transmitted over the Company's facilities;
- (b) Injury to property or injury or death to persons, including claims for payments made under Worker's Compensation law or under any plan for employee disability or death benefits arising out of, or caused by, any act or omission of the Customer, or the construction, installation, maintenance, presence, use or removal of the Customer's facilities or equipment connected or to be connected to the Company's facilities;
- (c) Any representations made by Company employees that do not comport, or that are inconsistent, with the provisions of this tariff;
- (d) Any act or omission in connection with the provision of 911, E911 or similar services;
- (e) Any noncompletion of calls due to network busy conditions.

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Section 2 - GENERAL RULES AND REGULATIONS (Cont'd)

2.1 USE OF FACILITIES AND SERVICE (Cont'd)

2.1.2 Limitations on Liability (Cont'd)

2.1.2.8 The Company shall be indemnified, defended held harmless by the Customer against any claim, loss, or damage arising from Customer's use of services, involving claims for libel, slander, invasion of privacy, or infringement of copyright arising from the Customer's own communications.

- a. The Company shall be indemnified, defended and held harmless by the Customer or end user from and against any and all claims, loss, demands, suits, expense, or other action or any liability whatsoever, including attorney fees, whether suffered, made, instituted, or asserted by the Customer or by any other party, for any personal injury to or death of any person or persons, and for any loss, damage or destruction of any property, including environmental contamination, whether owned by the Customer or by any other party, caused or claimed to have been caused directly or indirectly by the installation, operation, failure to operate, maintenance, presence, condition, location, use or removal of any Company or Customer equipment or facilities or service provided by the Company.

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Section 2 - GENERAL RULES AND REGULATIONS (Cont'd)**2.1 USE OF FACILITIES AND SERVICE (Cont'd)****2.1.2 Limitations on Liability (Cont'd)****2.1.2.8 (Cont'd)**

- b. The Company does not guarantee nor make any warranty with respect to installations provided by it for use in an explosive atmosphere. The Company shall be indemnified, defended and held harmless by the Customer from and against any and all claims, loss, demands, suits, or other action, or any liability whatsoever, including attorney fees, whether suffered, made, instituted or asserted by the Customer or by any other party, for any personal injury to or death of any person or persons, and for any loss, damage or destruction of any property, including environmental contamination, whether owned by the Customer or by any other party, caused or claimed to have been caused directly or indirectly by the installation, operation, failure to operate, maintenance, presence, condition, location, use or removal of any equipment or facilities or the service.
- c. The Company assumes no responsibility for the availability or performance of any cable or satellite systems or related facilities under the control of other entities, or for other facilities provided by other entities used for service to the Customer, even if the Company has acted as the Customer's agent in arranging for such facilities or services. Such facilities are provided subject to such degree of protection or nonpreemptibility as may be provided by the other entities.
- d. Any claim of whatever nature against the Company shall be deemed conclusively to have been waived unless presented in writing to the Company within thirty (30) days after the date of the occurrence that gave rise to the claim.

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Section 2 - GENERAL RULES AND REGULATIONS (Cont'd)

2.1 USE OF FACILITIES AND SERVICE (Cont'd)

2.1.2 Limitations on Liability (Cont'd)

2.1.2.9 The liability of the Company for errors in billing that result in overpayment by the Customer shall be limited to credit equal to the dollar amount erroneously billed or, in the event that payment has been made and service has been discontinued, to a refund of the amount erroneously billed.

2.1.2.10 The entire liability for any claim, loss, damage or expense from any cause whatsoever shall in no event exceed sums actually paid Company by Customer for the specific services giving rise to the claim. No action or proceeding against the Company shall be commenced more than one year after the service is rendered.

2.1.2.11 THE COMPANY MAKES NO WARRANTIES OR REPRESENTATIONS, EXPRESS OR IMPLIED EITHER IN FACT OR BY OPERATION OF LAW, STATUTORY OR OTHERWISE, INCLUDING WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR USE, EXCEPT THOSE EXPRESSLY SET FORTH HEREIN.

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Section 2 - GENERAL RULES AND REGULATIONS (Cont'd)**2.1 USE OF FACILITIES AND SERVICE (Cont'd)****2.1.3 Use of Service**

Any service provided under this Tariff may be resold to or shared (jointly used) with other persons at the customer's option. The customer remains solely responsible for all use of service ordered by it or billed to its telephone number(s) pursuant to this Tariff, for determining who is authorized to use its service, and for promptly notifying the Company of any unauthorized use. The customer may advise its customers that a portion of its service is provided by the Company, but the customer shall not represent that the Company jointly participates with the customer in the provision of the service.

2.1.4 Use and Ownership of Equipment

The Company's equipment, apparatus, channels and lines shall be carefully used. Equipment furnished by the Company shall remain its property and shall be returned to the Company whenever requested, within a reasonable period following the request, in good condition, reasonable wear and tear accepted. The customer is required to reimburse the Company for any loss of, or damage to, the facilities or equipment on the customer's premises, including loss or damage caused by agents, employees or independent contractors of the customer through any negligence.

2.1.5 Directory Errors

In the absence of gross negligence or willful misconduct and except for the allowances stated below, no liability for damages arising from errors or mistakes in or omissions of directory listings, or errors or mistakes in or omissions of listings obtainable from the directory assistance operator, including errors in the reporting thereof, shall attach to the Company.

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Section 2 - GENERAL RULES AND REGULATIONS (Cont'd)

2.1 USE OF FACILITIES AND SERVICE (Cont'd)

2.1.5 Directory Errors (Cont'd)

An allowance for errors or mistakes in or omissions of published directory listings or for errors or mistakes in or omissions of listings obtainable from the directory assistance operator shall be given as follows:

1. Free Listings: For free or no-charge published directory listings, credit shall be given at the rate of two times the monthly tariff rate for an additional or charge listing for each individual, auxiliary or party line, PBX trunk or Centrex attendant loop affected, for the life of the directory or the charge period during which the error, mistake or omission occurs.
2. Charge Listings: For additional or charge published directory listings, credit shall be given at the monthly tariff rate for each such listing for the life of the directory or the charge period during which the error, mistake or omission occurs.
3. Operator Records: For free or charge listings obtainable from records used by the directory assistance operator, upon notification to the Company of the error, mistake or omission in such records by the subscriber, the Company shall be allowed a period of three business days to make a correction. If the correction is not made in that time, credit shall be given at the rate of 2/30ths of the basic monthly rate for the line or lines in question for each day thereafter that the records remain uncorrected. (Where Centrex attendant loops are involved, credit shall be given at the rate of 2/30ths of the basic monthly rate for PBX trunks.)

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Section 2 - GENERAL RULES AND REGULATIONS (Cont'd)

2.1 USE OF FACILITIES AND SERVICE (Cont'd)

2.1.5 Directory Errors (Cont'd)

4. Credit limitation: The total amount of the credit provided for the preceding paragraphs 1, 2, and 3 shall not exceed, on a monthly basis, the total of the charges for each charge listing plus the basic monthly rate, as specified in paragraph 3, for the line or lines in question.
5. Definitions: As used in Paragraphs 1, 2, 3, and 4 above, the terms "error," "mistake" or "omission" shall refer to a discrepancy in the directory listing or directory assistance records which the Company has failed to correct and where the error affects the ability to locate a particular subscriber's correct telephone number. The terms shall refer to addresses only to the extent that an error, mistake or omission of an address places the subscriber on an incorrect street or in an incorrect community.
6. Notice: Such allowances or credits as specified in Paragraphs 1, 2, and 3 above, shall be given upon notice to the Company by the subscriber that such error, mistake or omission has occurred; provided, however, that when it is administratively feasible for the Company to have knowledge of such error, mistake or omission, the Company shall give credit without the requirement of notification by the subscribers.

2.1.6 Blocking of Service

The Company's facilities can not be used to originate calls to other telephone company or Information Provider caller-paid information services.

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Section 2 - GENERAL RULES AND REGULATIONS (Cont'd)

2.2 MINIMUM PERIOD OF SERVICE

The minimum period of service is one month except as otherwise provided in this Tariff. The customer must pay the regular tariffed rate for the service they subscribe to for the minimum period of service. If a customer disconnects service before the end of the minimum service period, that customer is responsible for paying the regular rates for the remainder of the minimum service period. When the service is moved within the same building, to another building on the same premises, or to a different premises entirely, the period of service at each location is accumulated to calculate if the customer has met the minimum period of service obligation.

If service is terminated before the end of the minimum period of service as a result of condemnation of property, damage to property requiring the premises to be abandoned, or by the death of the customer, the customer is not obligated to pay for service for the remainder of the minimum period.

If service is switched over to a new customer at the same premises after the first month's service, the minimum period of service requirements are assigned to the new customer if the new customer agrees in writing to accept them. For facilities not taken over by the new customer, the original customer is responsible for the remaining payment for the minimum service period in accordance with the terms under which the service was originally furnished.

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Section 2 - GENERAL RULES AND REGULATIONS (Cont'd)**2.3 PAYMENT FOR SERVICES RENDERED****2.3.1 Responsibility for All Charges**

Any applicant for facilities or service may be required to sign an application form requesting the Company to furnish the facilities or service in accordance with the rates, charges, rules and regulations from time to time in force and effect. The customer is responsible for all local and toll calls originating from the customer's premises and for all calls charged to the customer's line where any person answering the customer's line agrees to accept such charge.

2.3.2 Deposits

Subject to special provisions as may be set forth below and in Sections 2.10 and 2.11 of this Tariff, any applicant or customer whose financial responsibility is not established to the satisfaction of the Company may be required to deposit a sum up to an amount equal to the total of the estimated local service and intraLATA toll charges for up to two months for the facilities and service. If the minimum period of service for the requested facilities and service is more than one month, as specified in this Tariff, the customer may also be required to deposit a sum up to an amount equal to the total charges for service for the minimum service period less any connection charge paid by the customer.

The fact that a deposit has been made shall in no way relieve the applicant or customer from complying with the Tariff regulations for the prompt payment of bills on presentation. Each applicant from whom a deposit is collected will be given a certificate of deposit and circular containing the terms and conditions applicable to deposits, in accordance with the Rules and Regulations of the Authority pertaining to customer deposits.

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Section 2 - GENERAL RULES AND REGULATIONS (Cont'd)

2.3 PAYMENT FOR SERVICES RENDERED (Cont'd)

2.3.2 Deposits (Cont'd)

a. Interest on Deposits

Simple interest at the rate specified by the Authority shall be credited or paid to the customer while the Company holds the deposit.

b. Inadequate Deposit

If the amount of a deposit is proven to be less than required to meet the requirements specified above, the customer shall be required to pay an additional deposit upon request.

c. Return of Deposit

When a deposit is to be returned, the customer may request that the full amount of the deposit be issued by check. If the customer requests that the full amount be credited to amounts owed the Company, the Company will process the transaction on the billing date and apply the deposit to any amount currently owed to the Company, and return any remaining amount of the deposit to the customer by check.

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Section 2 - GENERAL RULES AND REGULATIONS (Cont'd)**2.3 PAYMENT FOR SERVICES RENDERED (Cont'd)****2.3.3 Payment of Charges**

Charges for facilities and service, other than usage charges, are due monthly in advance. All other charges are payable upon request of the Company. Bills are due on the due date shown on the bill and are payable at any business office of the Company, by U.S. Mail, or at any location designated by the Company. If objection is not received by the Company within three months after the bill is rendered, the items and charges appearing thereon shall be determined to be correct and binding upon the customer. A bill will not be deemed correct and binding upon the customer if the Company has records on the basis of which an objection may be considered, or if the customer has in his or her possession such Company records. If objection results in a refund to the customer, such refund will be with interest at the greater of the unadjusted customer deposit rate or the applicable late payment rate, if any, for the service classification under which the customer was billed. Interest will be paid from the date when the customer overpayment was made, adjusted for any changes in the deposit rate or late payment rate, compounded monthly, until the overpayment is refunded. Notwithstanding the foregoing, no interest will be paid by the Company on customer overpayments that are refunded within 30 days after the overpayment is received by the Company.

Where an objection to the bill involves a superseded service order, the items and charges appearing on the bill shall be deemed to be correct and binding upon the customer if objection is not received by the Company within two months after the bill is rendered.

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Section 2 - GENERAL RULES AND REGULATIONS (Cont'd)**2.3 PAYMENT FOR SERVICES RENDERED (Cont'd)****2.3.4 Return Check Charge**

When a check which has been presented to the Company by a customer in payment for charges is returned by the bank, the customer shall be responsible for the payment of a Returned Check Charge of \$10.00.

2.3.5 Late Payment Charges

- a. Customer bills for telephone service are due on the due date specified on the bill. A customer is in default unless payment is made on or before the due date specified on the bill. If payment is not received by the customer's next billing date, a late payment charge of 1.5% will be applied to all amounts previously billed under this Tariff, excluding one month's local service charge, but including arrears and unpaid late payment charges.
- b. Late payment charges do not apply to those portions (and only those portions) of unpaid balances that are associated with disputed amounts. Undisputed amounts on the same bill are subject to late payment charges if unpaid and carried forward to the next bill.
- c. Late payment charges do not apply to final accounts.
- d. Late payment charges do not apply to government agencies of the State of Tennessee. These agencies are required to make payment in accordance with applicable state law.

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Section 2 - GENERAL RULES AND REGULATIONS (Cont'd)

2.3 PAYMENT FOR SERVICES RENDERED (Cont'd)

2.3.6 Customer Overpayments

The Company will provide interest on customer overpayments that are not refunded within 30 days of the date the Company receives the overpayment. An overpayment is considered to have occurred when payment in excess of the correct charges for service is made because of erroneous Company billing. The customer will be issued reimbursement for the overpayment, plus interest, or, if agreed to by the customer, credit for the amount will be provided on the next regular Company bill. The rate of interest shall be the greater of the customer deposit interest rate or the Company's applicable Late Payment Charge.

Interest shall be paid from the date when overpayment was made, adjusted for any changes in the deposit rate or late payment rate, and compounded monthly, until the date when the overpayment is refunded. The date when overpayment is considered to have been made will be the date on which the customer's overpayment was originally recorded to the customer's account by the Company.

2.4 INSTALLATION SERVICE

The Company provides a Half-Day Installation Plan, which offers customers half-day appointments (i.e., morning/afternoon or a rolling interval) for connection of Authority regulated service involving a customer premise visit.

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Section 2 - GENERAL RULES AND REGULATIONS (Cont'd)

2.5 ACCESS TO CUSTOMER'S PREMISES

The customer shall be responsible for making arrangements or obtaining permission for safe and reasonable access for Company employees or agents of the Company to enter the premises of the customer or any joint user or customer of the customer at any reasonable hour for the purpose of inspecting, repairing, testing or removing any part of the Company's facilities.

2.6 TELEPHONE SURCHARGES/TAXES

2.6.1 General

In addition to the rates and charges applicable according to the rules and regulations of this Tariff, various surcharges and taxes may apply to the customer's monthly billing statement. The Customer is responsible for payment of any fees (including franchise and right-of-way fees), charges, surcharges and taxes (however designated) (including without limitation sales, use, gross receipts, excise, access or other taxes but excluding taxes on the Company's net income) imposed by any local, state, or federal government on or based upon the provision, sale or use of Network Services. Fees, charges, and taxes imposed by a city, county, or other political subdivision will be collected only from those Customers receiving service within the boundaries of that subdivision.

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Section 2 - GENERAL RULES AND REGULATIONS (Cont'd)

2.7 SUSPENSION OR TERMINATION OF SERVICE

2.7.1 Suspension or Termination for Nonpayment

In the event that any bill rendered or any deposit required is not paid, the Company may suspend service or terminate service until the bill or the required deposit has been paid. If service is suspended or terminated for nonpayment, the customer will be billed a Connection Charge as well as any payment due and any applicable deposits upon reconnection.

- a. Termination shall not be made until at least 20 days after written notification has been mailed to the billing address of the customer.
- b. Suspension will not be made until at least 8 days after written notification has been mailed to the customer.

Telephone service shall only be suspended during the hours between 8:00 AM and 4:00 PM, Monday through Thursday. It shall not be suspended or terminated for nonpayment on weekends, public holidays, other federal and state holidays proclaimed by the President or the Governor, or on days when the main business office of the Company is not open for business, or during the periods from December 23rd through December 26th or December 30th through January 1st.

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Section 2 - GENERAL RULES AND REGULATIONS (Cont'd)

2.7 SUSPENSION OR TERMINATION OF SERVICE (Cont'd)

2.7.2 Exceptions to Suspension and Termination

Telephone service shall not be suspended or terminated for:

- a. Nonpayment of bills rendered for charges other than telephone service or deposits requested in connection with telephone service;
- b. Nonpayment for service for which a bill has not been rendered;
- c. Nonpayment of any billed charge which is in dispute or for the nonpayment of a deposit which is in dispute during the period before a determination of the dispute is made by the Company in accordance with Company's complaint handling procedures. These procedures shall be in accordance with the Authority's Rules and Regulations.

Telephone service may be suspended or terminated for nonpayment of the undisputed portion of a disputed bill or deposit if the customer does not pay the undisputed portion after being asked to do so.

- d. Nonpayment of back-billed amounts as outlined in 2.11.12.

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Section 2 - GENERAL RULES AND REGULATIONS (Cont'd)

2.7 SUSPENSION OR TERMINATION OF SERVICE (Cont'd)

2.7.3 Verification of Nonpayment

Telephone service shall not be suspended or terminated for nonpayment of a bill rendered or a required deposit unless:

- a. The Company has verified, in a manner approved by the Authority, that payment has not been received at any office of the Company or at any office of an authorized collection agent through the end of the period indicated in the notice, and
- b. The Company has checked the customer's account on the day that suspension or termination is to occur to determine whether payment has been posted to the customer's account as of the opening of business on that day.

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Section 2 - GENERAL RULES AND REGULATIONS (Cont'd)

2.7 SUSPENSION OR TERMINATION OF SERVICE (Cont'd)

2.7.4 Termination For Cause Other Than Nonpayment

a. General

The Company, after notice in writing to the customer and after having given the customer an appropriate opportunity to respond to such notice, may terminate service and sever the connection(s) from the customer's premises under the following conditions:

1. in the event of prohibited, unlawful or improper use of the facilities or service, or any other violation by the customer of the rules and regulations governing the facilities and service furnished, or
2. if, in the judgment of the Company, any use of the facilities or service by the customer may adversely affect the Company's personnel, plant, property or service. The Company shall have the right to take immediate action, including termination of the service and severing of the connection, without notice to the customer when injury or damage to telephone personnel, plant, property or service is occurring, or is likely to occur, or
3. in the event of unauthorized use, where the customer fails to take reasonable steps to prevent the unauthorized use of the facilities or service received from the Company, or
4. in the event that service is connected for a customer who is indebted to the Company for service or facilities previously furnished, that service may be terminated by the Company unless the customer satisfies the indebtedness within 20 days after written notification. See Section 2.10.7 regarding Deferred Payment Agreements.

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Section 2 - GENERAL RULES AND REGULATIONS (Cont'd)

2.7 SUSPENSION OR TERMINATION OF SERVICE (Cont'd)

2.7.4 Termination For Cause Other Than Nonpayment (Cont'd)

b. Prohibited, Unlawful or Improper Use of the Facilities or Service

Prohibited, unlawful or improper use of the facilities or service includes, but is not limited to:

1. The use of facilities or service of the Company without payment of tariff charges;
2. Calling or permitting others to call another person or persons so frequently or at such times of the day or in such manner as to harass, frighten, abuse or torment such other person or persons;
3. The use of profane or obscene language;
4. The use of the service in such a manner such that it interferes with the service of other customers or prevents them from making or receiving calls;
5. The use of a mechanical dialing device or recorded announcement equipment to seize a customer's line, thereby interfering with the customer's use of the service;
6. Permitting fraudulent use.

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Section 2 - GENERAL RULES AND REGULATIONS (Cont'd)

2.7 SUSPENSION OR TERMINATION OF SERVICE (Cont'd)

2.7.4 Termination For Cause Other Than Nonpayment (Cont'd)

c. Abandonment or Unauthorized Use of Facilities

1. If it is determined that facilities have been abandoned, or are being used by unauthorized persons, or that the customer has failed to take reasonable steps to prevent unauthorized use, the Company may terminate telephone service.
2. In the event that telephone service is terminated for abandonment of facilities or unauthorized use and service is subsequently restored to the same customer at the same location:
 - a) No charge shall apply for the period during which service had been terminated, and
 - b) Reconnection charges will apply when service is restored. However, no charge shall be made for reconnection if the service was terminated due to an error on the part of the Company.

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Section 2 - GENERAL RULES AND REGULATIONS (Cont'd)

2.7 SUSPENSION OR TERMINATION OF SERVICE (Cont'd)

2.7.4 Termination For Cause Other Than Nonpayment (Cont'd)

d. Change in the Company's Ability to Secure Access

Any change in the Company's ability (a) to secure and retain suitable facilities and rights for the construction and maintenance of the necessary circuits and equipment or (b) to secure and retain suitable space for its plant and facilities in the building where service is provided to the customer may require termination of a customer's service until such time as new arrangements can be made. No charges will be assessed the customer while service is terminated, and no connection charges will apply when the service is restored.

2.7.5 Emergency Termination of Service

The Company will immediately terminate the service of any customer, on request, when the customer has reasonable belief that the service is being used by an unauthorized person or persons. The Company may require that the request be submitted in writing as a follow-up to a request made by telephone.

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Section 2 - GENERAL RULES AND REGULATIONS (Cont'd)

2.8 ADDITIONAL PROVISIONS APPLICABLE TO BUSINESS CUSTOMERS

2.8.1 Application of Rates

- a. Business rates as described in this Tariff apply to service furnished:
 - 1. In office buildings, stores, factories and all other places of a business nature;
 - 2. In hotels, apartment houses, clubs and boarding and rooming houses except when service is within the customer's domestic establishment and no business listings are provided; colleges, hospitals and other institutions; and in churches except when service is provided to an individual of the clergy for personal use only and business service is already established for the church at the same location;
 - 3. At any location when the listing or public advertising indicates a business or a profession;
 - 4. At any location where the service includes an extension which is at a location where business rates apply unless the extension is restricted to incoming calls;
 - 5. At any location where the customer resells or shares exchange service;
- b. Public Access Line service is classified as business service regardless of the location.
- c. The use of business facilities and service is restricted to the customer, customers, agents and representatives of the customer, and joint users.

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Section 2 - GENERAL RULES AND REGULATIONS (Cont'd)**2.8 ADDITIONAL PROVISIONS APPLICABLE TO BUSINESS CUSTOMERS (Cont'd)****2.8.2 Telephone Number Changes**

When a business customer requests a telephone number change, the referral period for the disconnected number is 90 days.

The Company reserves all rights to the telephone numbers assigned to any customer. The customer may order a Customized Number where facilities permit for an additional charge as specified in Section 5.11 of this Tariff.

When service in an existing location is continued for a new customer, the existing telephone number may be retained by the new customer only if the former customer consents in writing, and if all charges against the account are paid or assumed by the new customer.

2.8.3 Deposits

Deposits will be returned to a business customer upon cancellation of service or after one year, whichever event occurs first, unless the customer is delinquent in payment, in which case the Company will continue to retain the deposit until the delinquency is satisfied. If a service is involuntarily discontinued, the deposit is applied against the final bill, and any balance is returned to the customer.

2.8.4 Dishonored Checks

If a business customer who has received a notice of discontinuance pays the bill with a check that is subsequently dishonored, the account remains unpaid and the Company is not required to issue any additional notice before disconnecting service.

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Section 2 - GENERAL RULES AND REGULATIONS (Cont'd)

2.9 ADDITIONAL PROVISIONS APPLICABLE TO RESIDENTIAL CUSTOMERS

2.9.1 Application of Rates

Residential rates as described in this Tariff apply to service furnished in private homes or apartments (including all parts of the customer's domestic establishment) for domestic use. Residential rates also apply in college fraternity or sorority houses, convents and monasteries, and to the clergy for domestic use in residential quarters.

Residential rates do not apply to service in residential locations if the listing indicates a business or profession. Residential rates do not apply to service furnished in residential locations if there is an extension line from the residential location to a business location unless the extension line is limited to incoming calls.

The use of residential service and facilities is restricted to the customer, members of the customer's domestic establishment, and joint users.

2.9.2 Telephone Number Changes

When a residential customer requests a telephone number change, the referral period for the disconnected number is 90 days.

The Company reserves all rights to any telephone number assigned to a customer for local service. The customer may order a Customized Number where facilities permit for an additional charge as specified in Section 5.11 of this Tariff.

When service in an existing location is continued for a new customer, the existing number may be retained by the new customer only if the former customer consents in writing, and if all charges against the account are paid or assumed by the new customer.

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Section 2 - GENERAL RULES AND REGULATIONS (Cont'd)

2.9 ADDITIONAL PROVISIONS APPLICABLE TO RESIDENTIAL CUSTOMERS (Cont'd)

2.9.3 Deposits

a. General

Except as provided in (b) following, the Company may require a deposit, as described in Section 2.3.2 of this Tariff, from a residential customer who is applying for service if the customer: 1) has had service terminated for nonpayment once within the preceding six-month period, or 2) is delinquent in payment. A customer is delinquent in payment if that customer has received two consecutive telephone bills without making payment of at least one-half the total arrears due on the due date of the second bill. A customer is not considered delinquent, however, if an amount in dispute is not paid before the dispute is resolved.

An existing customer is an applicant for service who was a customer of the Company within twelve months of making the request, provided that prior service was not terminated for nonpayment, unless service is requested within 10 days of such termination for nonpayment. Applicants for residential service and existing residential customers are permitted to pay deposits in installments over a period not to exceed 6 months.

A new customer is an applicant for service who has not been a customer of the Company within twelve months of making the request for service. A new customer shall not be required to post a security deposit as a condition of receiving telephone service.

A seasonal customer is an individual who applies for and receives telephone service periodically each year, intermittently during the year or at other regular intervals scheduled at the time of application. A seasonal customer may be required to post a deposit.

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Section 2 - GENERAL RULES AND REGULATIONS (Cont'd)

2.9 ADDITIONAL PROVISIONS APPLICABLE TO RESIDENTIAL CUSTOMERS (Cont'd)

2.9.3 Deposits (Cont'd)

b. Customers Exempt from Deposits

1. A new customer or existing customer who is 62 years of age or older shall be exempt from any deposit requirement unless such person's telephone service was terminated for nonpayment during the preceding six months. Proof of age will be required from any person claiming exemption from deposit requirements because of age. If the proof requested by the Company is not received within 30 days from the date service is connected, or 30 days from the date that verification of age is requested from an existing customer, the Company may suspend or terminate service unless the customer pays the required deposit. Any new customer or existing customer 62 years of age or older shall be permitted to pay a deposit in installments over a period not to exceed 12 months.
2. The Company shall not require any person it knows to be a recipient of public assistance, supplemental security income or additional state payments to post a deposit.

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Section 2 - GENERAL RULES AND REGULATIONS (Cont'd)**2.9 ADDITIONAL PROVISIONS APPLICABLE TO RESIDENTIAL CUSTOMERS (Cont'd)****2.9.3 Deposits (Cont'd)****c. Recent Payment History**

A customer who has a recent payment history (within the preceding twelve months) with the Company are entitled to service without payment of a deposit unless their records indicate that they are delinquent in payment or have had service terminated for nonpayment. A customer who still owes money to the Company for residential service on a prior account shall be offered a deferred payment plan provided that the customer had service for three months and was not terminated for nonpayment during that period. (See Deferred Payment Agreements, 2.10.7 below.)

New deposits from a residential customer is reviewed after the first 3 monthly bills have been rendered; if too much has been taken, the excess is returned. The entire deposit is returned to a residential customer after 1 year, unless the customer is delinquent in payment, in which case the Company may continue to retain the deposit until the delinquency is satisfied. If the service is discontinued, the deposit is applied against the final bill, and any balance is returned to the customer.

2.9.4 Installment Billing for Nonrecurring Charges

A residential customer may elect to pay service connection and other nonrecurring charges associated with a service order in monthly installments for up to a 12-month period. When installment billing is requested, all nonrecurring charges associated with a given service order will be included in the calculation of the monthly installment.

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Section 2 - GENERAL RULES AND REGULATIONS (Cont'd)

2.9 ADDITIONAL PROVISIONS APPLICABLE TO RESIDENTIAL CUSTOMERS (Cont'd)

2.9.4 Installment Billing for Nonrecurring Charges (Cont'd)

Installment billing is subject to the following restrictions:

- a. Installment billing may be used only by residential customers;
- b. Charges will be billed in the number of installments of equal dollar amounts as requested by the customer up to a maximum of 12 installments over the course of 12 months;
- c. A customer may not pay a portion of the charges and then request installment billing for the remaining charges;
- d. More than one installment plan may be in effect for the same customer at the same time;
- e. If a customer disconnects service during the installment payment period, all unbilled charges will be included in the final bill rendered;
- f. A customer may elect to pay the unbilled charges before the expiration of the installment plan;
- g. Installment billing payments will continue even when an account is temporarily suspended;
- h. No interest or carrying charges will be applied to the outstanding balance during the installment period.

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Section 2 - GENERAL RULES AND REGULATIONS (Cont'd)**2.9 ADDITIONAL PROVISIONS APPLICABLE TO RESIDENTIAL CUSTOMERS (Cont'd)****2.9.5 Adjusted Payment Schedule**

A customer on a fixed income (e.g., pension and public assistance) shall be offered the opportunity to pay his or her bills on a reasonable schedule that is adjusted for periodic receipt of income.

2.9.6 Suspension or Termination for Nonpayment

- a. Suspension/termination notices may not be issued until at least 25 days after the date of the bill. Bills must be mailed to the customer no later than 6 business days after the date of the bill.
- b. After issuing the written notification in accordance with the terms of this Tariff, at least one attempt shall be made during non-working hours to contact the residential customer by telephone before the scheduled date of suspension/termination.
- c. Suspension/termination may occur only between the hours of 8 a.m. and 4 p.m. Monday through Thursday, provided that such day or the following day is not a public holiday or a day on which the main office is closed. In addition, service may not be disconnected during the periods of December 23 through the 26 and December 30 through January 2.
- d. Telephone service may be suspended or terminated for nonpayment of the undisputed portion of a disputed bill or deposit if the customer does not pay the undisputed portion after being asked to do so. Suspended or terminated residential service shall be reconnected within 24 hours following payment or within 24 hours of the end of circumstances beyond the Company's control which delay the reconnection. The Authority may direct that service be reconnected in less than 24 hours.

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Section 2 - GENERAL RULES AND REGULATIONS (Cont'd)**2.9 ADDITIONAL PROVISIONS APPLICABLE TO RESIDENTIAL CUSTOMERS (Cont'd)****2.9.7 Deferred Payment Agreements**

Service will not be suspended or terminated unless the customer has been advised that a deferred payment plan can be arranged. An existing residential customer with three or more months service and for whom service has not been terminated for nonpayment is eligible for Deferred Payment Arrangements (DPA). Final notice of suspension/termination will advise the customer of deferred payment arrangements and will include, in bold print, a notice that assistance in reaching an agreement may be obtained from the Authority. The DPA notice will be mailed no less than six days before termination of total service.

A Deferred Payment Agreement will be for a period agreed to by both the customer and the Company.

If the Company believes that the customer has the resources to pay the bill, it shall notify both the customer and the Authority in writing of the reasons for its belief. The Authority shall make the final determination as to whether a DPA should be provided. A customer with medical emergencies and a customer who is elderly, blind or disabled shall be exempt from such eligibility criteria.

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Section 2 - GENERAL RULES AND REGULATIONS (Cont'd)**2.9 ADDITIONAL PROVISIONS APPLICABLE TO RESIDENTIAL CUSTOMERS (Cont'd)****2.9.8 Dishonored Checks**

When a check received from a residential customer is dishonored, the company shall make two attempts, one outside of normal business hours, to contact the customer within 24 hours. The customer shall be given an additional 24 hours to pay before suspension/termination. The additional notice will be given provided that the customer has not submitted a dishonored check within the past 12 months.

2.9.9 Suspension or Termination - Abandonment

Suspension/termination of residential service for abandonment or unauthorized use may occur only after the Company makes a reasonable attempt to determine occupancy or authorized use, or the customer takes reasonable steps to prevent unauthorized use. A notice must be sent to the customer five days before such suspension or termination. The notification requirement is waived when previous mailings are returned by the Post Office or the company is advised that a new customer has moved into the location.

2.9.10 Suspension or Termination - Medical Emergencies

In the event of a medical emergency, an additional 30 days will be allowed for a residential customer before suspension or termination. A medical certificate must be supplied. The medical emergency status may be extended beyond 30 days upon submission of specified documentation. During the emergency, the customer will be able to defer payment of monthly charges up to an amount specified by the Authority until the emergency ceases or it is determined that the customer has the ability to pay the charges. Charges in any month in excess of the amount specified are due by the due date of the bill.

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Section 2 - GENERAL RULES AND REGULATIONS (Cont'd)

2.9 ADDITIONAL PROVISIONS APPLICABLE TO RESIDENTIAL CUSTOMERS (Cont'd)

2.9.11 Suspension or Termination - Elderly, Blind or Disabled

An additional 20 days will be allowed before suspension or termination may occur when:

- a. the customer is known to or identified to the Company as being blind or disabled;
- b. the customer is 62 years of age or older, and all other residents of the customer's household are: under 18 years of age, over 62 years of age, blind or disabled.

In cases where service has been suspended or terminated and the Company subsequently learns that the customer is entitled to the protection established herein, the Company shall within 24 hours of such notification restore service for an additional 20 days and make a diligent effort to contact in person an adult resident at the customer's premises for the purpose of devising a payment plan.

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Section 2 - GENERAL RULES AND REGULATIONS (Cont'd)**2.9 ADDITIONAL PROVISIONS APPLICABLE TO RESIDENTIAL CUSTOMERS (Cont'd)****2.9.12 Backbilling for Residential Customers**

The Company shall not charge a residential customer for previously unbilled service or adjust upward a bill previously rendered when the period for the unbilled service or billing adjustment is more than twenty-four months prior to the mailing of the bill or the upward adjustment unless the conduct of the customer caused or contributed to the failure of the Company to render timely accurate billing. Unless the customer causes the late billing, the Company shall explain the reason for the late billing and shall advise the customer that suspension/termination of service is not permitted for charges billed in excess of six months after the service was provided. The customer will be given the opportunity to pay the charges under an installment plan on a schedule equal in time to the length of the backbilling period.

2.10 ALLOWANCES FOR INTERRUPTIONS IN SERVICE

Interruptions in service, which are not due to the negligence of, or non-compliance with the provisions of this Tariff by the Customer, or the operation or malfunction of the facilities, power, or equipment provided by the Customer, will be credited to the Customer as set forth below for the part of the service that the interruption affects. A credit allowance will be made when an interruption occurs because of a failure of any component furnished by the Company under this Tariff.

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Section 2 - GENERAL RULES AND REGULATIONS (Cont'd)

2.10 ALLOWANCES FOR INTERRUPTIONS IN SERVICE (Cont'd)

2.10.1 Credit for Interruptions

- a. An interruption period begins when the Customer reports a service, facility, or circuit to be interrupted and releases it for testing and repair. An interruption period ends when the service, facility, or circuit is operative. If the Customer reports a service, facility, or circuit to be inoperative but declines to release it for testing and repair, it is considered to be impaired, but not interrupted.
- b. For calculating credit allowances, every month is considered to have 30 days. A credit allowance is applied on a pro rata basis against the rates specified hereunder and is dependent upon the length of the interruption. Only those facilities on the interrupted portion of the circuit will receive a credit.
- c. A credit allowance will be given, upon request of the customer to the business office, for interruptions of 30 minutes or more. Credit allowances will be calculated as follows:
 - i. If interruption continues for less than 24 hours:
 - a) 1/30th of the monthly rate if it is the first interruption in the same billing period.
 - b) 2/30ths of the monthly rate if there was a previous interruption of at least 24 hours in the same billing period.

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Section 2 - GENERAL RULES AND REGULATIONS (Cont'd)

2.10 ALLOWANCES FOR INTERRUPTIONS IN SERVICE (Cont'd)

2.10.1 Credit for Interruptions (Cont'd)

- ii. if interruption continues for more than 24 hours:
 - a) if caused by storm, fire, flood or other condition out of Company's control, 1/30th of the monthly rate for each 24 hours of interruption.
 - b) for other interruption, 1/30 of the monthly rate for the first 24 hours and 2/30ths of such rate for each additional 24 hours (or fraction thereof); however, if service is interrupted for over 24 hours, more than once in the same billing period, the 2/30ths allowance applies to the first 24 hours of the second and subsequent interruptions

Two or more interruptions of 15 minutes or more during any one 24-hour period shall be considered as one interruption.

d. Credit to Customer

Credits attributable to any billing period for interruptions of service shall not exceed the total charges for that period for the service and facilities furnished by the Company rendered useless or substantially impaired.

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Section 2 - GENERAL RULES AND REGULATIONS (Cont'd)**2.10 ALLOWANCES FOR INTERRUPTIONS IN SERVICE (Cont'd)****2.10.1 Credit for Interruptions (Cont'd)****e. "Interruption" Defined**

For the purpose of applying this provision, the word "interruption" shall mean the inability to complete calls either incoming or outgoing or both due to equipment malfunction or human errors. "Interruption" does not include and no allowance shall be given for service difficulties such as slow dial tone, circuits busy or other network and/or switching capacity shortages. Nor shall the interruption allowance apply where service is interrupted by the negligence or willful act of the subscriber or where the Company, pursuant to the terms of the Tariff, suspends or terminates service because of nonpayment of bills due to the company, unlawful or improper use of the facilities or service, or any other reason covered by the Tariff. No allowance shall be made for interruptions due to electric power failure where, by the provisions of this Tariff, the subscriber is responsible for providing electric power. Allowance for interruptions of measured rate service will not affect the subscriber's local call allowance during a given billing period.

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Section 2 - GENERAL RULES AND REGULATIONS (Cont'd)

2.10 ALLOWANCES FOR INTERRUPTIONS IN SERVICE (Cont'd)

2.10.2 Limitations on Credit Allowances

No credit allowance will be made for:

- a. interruptions due to the negligence of, or non-compliance with the provisions of this Tariff, by any party other than the Company, including but not limited to the customer, authorized user, or other common carriers connected to, or providing service connected to, the service of the Company or to the Company's facilities;
- b. interruptions due to the failure or malfunction of non-Company equipment, including service connected to customer provided electric power;
- c. interruptions of service during any period in which the Company is not given full and free access to its facilities and equipment for the purpose of investigating and correcting interruptions;
- d. interruptions of service during any period when the customer has released service to the Company for maintenance purposes or for implementation of a customer order for a change in service arrangements;
- e. interruptions of service due to circumstances or causes beyond the control of the Company.

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Section 2 - GENERAL RULES AND REGULATIONS (Cont'd)

2.11 AUTOMATIC NUMBER IDENTIFICATION

2.11.1 Regulations

The Company will provide Automatic Number Identification (ANI) associated with an intrastate service, by tariff, to any entity (ANI recipient), only under the following terms and conditions:

- a. The ANI recipient or its designated billing agent may use or transmit ANI information to third parties for billing and collection, routing, screening, ensuring network performance, and completion of a telephone subscriber's call or transaction, or for performing a service directly related to the telephone subscriber's original call or transaction, or for performing a service directly related to the telephone subscriber's original call or transaction.
- b. The ANI recipient may offer to any telephone subscriber with whom the ANI recipient has an established customer relationship, a product or service that is directly related to products or service previously purchased by the telephone subscriber from the ANI recipient.
- c. The ANI recipient or its designated billing agent is prohibited from utilizing ANI information to establish marketing lists or to conduct outgoing marketing calls, except as permitted by the preceding paragraph, unless the ANI recipient obtains the prior written consent of the telephone subscriber permitting the use of ANI information for such purposes. The foregoing provisions notwithstanding, no ANI recipient or its designated billing agent may utilize ANI information if prohibited elsewhere by law.

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Section 2 - GENERAL RULES AND REGULATIONS (Cont'd)

2.11 AUTOMATIC NUMBER IDENTIFICATION (Cont'd)

2.11.1 Regulations (Cont'd)

- d. The ANI recipient or its designated billing agent is prohibited from reselling, or otherwise disclosing ANI information to any other third party for any use other than those listed in Provision 1, unless the ANI recipient obtains the prior written consent of the subscriber permitting such resale or disclosure.
- e. Violation of any of the foregoing terms and conditions by any ANI recipient other than a Telephone Corporation shall result, after a determination through the Authority's complaint process, in suspension of the transmission of ANI by the Telephone Corporation until such time as the Authority receives written confirmation from the ANI recipient that the violations have ceased or have been corrected. If the Authority determines that there have been three or more separate violations in a 24 month period, delivery of ANI to the offending party shall be terminated under terms and conditions determined by the Authority.

2.11.2 Terms and Conditions

Violation of any of the foregoing terms and conditions by a Telephone Corporation may result in Authority prosecution of penalty and enforcement proceedings.

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CONNECTION CHARGES

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3505 Summerhill Road, #4
Texarkana, TX 75503

Section 3 - CONNECTION CHARGES

3.1 CONNECTION CHARGE

3.1.1 General

The Connection Charge is a nonrecurring charge which applies to the following: (a) the installation of a new service; (b) the transfer of an existing service to a different location; (c) a change from one class of service to another at the same or a different location; or (d) restoral of service after suspension or termination for nonpayment. Connection Charges are listed with each service to which they apply.

The connection Charge is comprised of two charges:

- a. Service Order;
- b. Premises Visit

Both charges may not be applicable in all cases.

The general application of these charges is as follows:

- a. A Service Order charge applies per customer order for all work or service ordered to be provided at one time, on the same premises, for the same customer. The charge recovers the cost of receiving, recording, and processing a customer's request for service.
- b. A Premises Visit charge applies per customer order when the company must dispatch an employee to complete a customer-requested installation or service charge. Only one charge applies per customer order.

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Section 3 - CONNECTION CHARGES (Cont'd)

3.1 CONNECTION CHARGE (Cont'd)

3.1.2 Exceptions to the Charge

- a. No charge applies for a change to a service for which a lower monthly rate applies, made within 90 days after any general rate increase, if a lower grade of service is offered in the customer's exchange.
- b. No charge applies for one change in the class of residence service, provided that the change is ordered within 90 days of the initial connection of the customer's exchange service.
- c. The Company may from time to time waive or reduce the charge as part of a promotion. See Section 5.4.

3.2 RESTORAL CHARGE

A restoral charge applies each time a service is reconnected after suspension or termination for nonpayment but before cancellation of the service, as deemed in Section 1 of this Tariff.

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Section 3 - CONNECTION CHARGES (Cont'd)

3.3 MOVES, ADDS AND CHANGES

The Company alone may make changes in the location of its lines and equipment. When it is found that a move or change of such lines or equipment has been made by others, the Connection Charge for the underlying service will apply as if the work had been done by the Company.

The customer will be assessed a charge for any move, add or change of a Company service. Move, Add and Change are defined as follows:

- Move: The disconnection of existing equipment at one location and reconnection of the same equipment at a new location in the same building or in a different building on the same premises.
- Add: The addition of a vertical service to existing equipment and/or service at one location.
- Change: Change - including rearrangement or reclassification - of existing service at the same location.

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Section 3 - CONNECTION CHARGES (Cont'd)

3.4 RECORD ORDER CHARGE

A Record Order Charge applies for work performed by the Company in connection with receiving, recording, and processing customer requests for the following.

- a. addition of directory listings
- b. change in listed name
- c. change of address
- d. change of billing party
- e. change in listed service to non-published service, not involving a change of telephone number.

A Record Order Charge does not apply when a Service Order charge also applies.

3.5 CHARGES ASSOCIATED WITH PREMISES VISIT

3.5.1 Terms and Conditions

The customer may request an estimate or a firm bid before ordering wire installation work to be done. When an estimate is provided, the estimate is not binding on the Company and the charge to be billed will be based on the actual time and materials charges incurred. When a firm bid is provided at customer request, the charge to be billed is the amount quoted to the customer for the work requested.

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Section 3 - CONNECTION CHARGES (Cont'd)**3.5 CHARGES ASSOCIATED WITH PREMISES VISIT (Cont'd)****3.5.1 Terms and Conditions (Cont'd)**

Inside Wire charges apply per service call when billable premises work is performed on noncomplex premises wire and jacks. Residence and Business charges may differ. Such charges are due and payable when billed.

Noncomplex wire, jacks and materials include:

- 2 to 6 pair inside wire
- Faceplates
- RJ11C, RJ14C, RJ11W and RJ14W type station jacks
- Staples, screws, nail, tape, connectors, etc.

3.5.2 Trouble Isolation Charge

When a visit to the customer's premises is necessary to isolate a problem reported to the Company but identified by the Company's technician as attributable to customer-provided equipment or inside wire, a separate charge applies in addition to all other charges for the visit.

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Section 3 - CONNECTION CHARGES (Cont'd)

3.5 CHARGES ASSOCIATED WITH PREMISES VISIT (Cont'd)

3.5.3 Inside Wire Maintenance and Installation

The customer may provide inside wiring for single-line station equipment or may elect to have the Company's technicians install or maintain inside wire.

a. Inside Wire Installation Charge

Charge to be billed will be based on the actual time and materials charges incurred when a customer requests new wire and jack installation or requests existing wire and jack moves, changes, removals, rearrangements, replacements or pre-wiring.

b. Inside Wire Maintenance Charge

The Inside Wire Maintenance Charge applies when a customer requests wire and jack maintenance. Charge to be billed will be based on the actual time and materials charges incurred when a customer requests maintenance of wiring.

3.6 PRIMARY INTEREXCHANGE CARRIER (PIC) CHANGE CHARGE

The customer will incur a charge each time there is a change in the long distance carrier associated with the customer's line after the initial installation of service.

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PAY TELEPHONE SERVICE

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Section 4 - PAY TELEPHONE SERVICE

4.1 GENERAL

4.1.1 Pay Telephone Line exchange service is one-party exchange service for use by pay telephone providers, location owners and interexchange carriers and is furnished solely for connection with coin, coinless, or combination coin/coinless pay telephone equipment to the Telephone Company's network.

4.1.2 Pay Telephone Line Service:

- a. Is available in all exchanges of the Company; foreign exchange service is not available to these lines.
- b. Provides for one listing in the white pages and one listing in the yellow pages of the Telephone Company directory for each Pay Telephone Line furnished. However, Non-published Number Service or Non-Listed Number Service at no charge are also available to Pay Telephone Line customers.
- c. Only one coin-operated or coinless public access telephone unit may be connected to each Pay Telephone Line.
- d. Will be provided on a dial-tone-first basis to enable end users to dial certain calls without requiring coin deposits, i.e., all emergency calls, telecommunications relay service calls, and non-sent paid calls.
- e. Service will be provided on a two-way basis, except lines for which a specific exemption has been granted by the Tennessee Regulatory Authority.
- f. The pay telephone provider is responsible for meeting all federal, state and local statutes with respect to provision of pay telephones in accordance with all hearing impaired and handicapped person requirements.

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Section 4 - PAY TELEPHONE SERVICE (Cont'd)

4.1 GENERAL (Cont'd)

4.1.2 Pay Telephone Line Service: (Cont'd)

- g. Temporary suspension of service (vacation service) is not available for Pay Telephone Line Service.
- h. Pay telephones connected to a Pay Telephone Line must be registered in compliance with Part 68 of the FCC's Rules and Regulations.
- i. Each pay telephone connected to a Pay Telephone Line must be capable of providing user call completion to 911 Universal Emergency Service, if available. If 911 service is not available, the pay telephone must permit access to the operator.
- j. Failure of the subscriber to comply with the provisions of this Tariff may result in the suspension or disconnection of the subscriber's service.

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Section 4 - PAY TELEPHONE SERVICE (Cont'd)

4.2 REGULATIONS

- 4.2.1 Pay Telephone Line Service is provided at the corresponding exchange's one-party business line rate as contained in the Telephone Company's corresponding Tariff on file with the Commission
- 4.2.2 Where measured service is available in a given exchange, the business measured service rates apply to Pay Telephone Line Service.
- 4.2.3 Line Connection charges listed in Section 13 of this Tariff apply to Pay Telephone Line Service.
- 4.2.4 Per call directory assistance charges apply to pay Telephone Access Lines.
- 4.2.5 Pay Telephone Line Service customers will not be charged for non-published or non-listed telephone numbers. However, a non-recurring charge applies for each change of telephone number required to establish a non-published or non-listed number.
- 4.2.6 All subscribers to Pay Telephone Service shall have the right to select their presubscribed intraLATA toll provider at such time that intraLATA presubscription is available in the Company's service territory.

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Section 4 - PAY TELEPHONE SERVICE (Cont'd)**4.3 AVAILABLE FEATURES FOR PAY TELEPHONE SERVICE**

4.3.1 Optional call screening/blocking/coin supervision functions, as listed below, are provided at the monthly rates stated. The non-recurring charges shown below do not apply to initial installations, but do apply to subsequent requests made by the customer.

- a. Inbound Call Operator Screening – Automatically screens and blocks incoming third-number billed or collect calls or both, so that callers cannot charge these calls to the customer's line.
- b. Outbound Call Operator Screening – Helps prevent unauthorized charges on outgoing calls, just as Inbound Call Operator Screening does for incoming calls.
- c. 900/976 Block – Prevents call to fee for information services
- d. International Call Block – Restricts direct-dialed 011+ and 10+10XXX+011+International calls but allows operator assisted International calls, which are dialed using 01+ and 10+10XXX+01.
- e. Answer Supervision – Billing immediately begins when the called party answers the phone, thus assuring the price of calls will be accurate.
- f. 1+ Block – Restricts direct-dialed 1+ domestic or 011+ International call, but allows local calls, toll-free calls and alternate billed long distance calls.
- g. Block on Caller ID – Blocks outbound caller identifier digits.
- h. Block on Phone Smart Features – Prevents the automatic connection of directory assistance calls that will be charged to customer line.
- i. PIC Freeze – Eliminates the possibility of unauthorized changes to the payphone provider's primary intra/interlata carrier (PIC). No intra/interlata carrier can manually or electronically change a restricted PIC. This feature is automatically included.
- j. NXX Blocking – Certain NXX's may be blocked at the customer's request.

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SUPPLEMENTAL SERVICES

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3505 Summerhill Road, #4
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Section 5 - SUPPLEMENTAL SERVICES

5.1 CUSTOM CALLING SERVICE

5.1.1 General

The features in this section are made available on an individual basis or as part of multiple feature packages. All features are provided subject to availability; features may not be available with all classes of service. Transmission levels may not be sufficient in all cases.

5.1.2 Description of Features

a. Three Way Conference, Consultation, Transfer

The Three Way Calling feature allows a customer to add a third party to an existing two-way call and form a three-way call. The call must have been originated from outside the station group and terminate to a station within the station group. The Call Hold feature allows a customer to put any in-progress call on hold by flashing the switchhook and dialing a code. This frees the line to allow the customer to make an outgoing call to another number. Only one call per line can be on hold at a time. The third party cannot be added to the original call.

b. Call Forwarding

Call Forwarding, when activated, redirects attempted terminating calls to another customer-specific line. The customer may have to activate and deactivate the forwarding function and specify the desired terminating telephone number during each activation procedure. Call originating ability is not affected by Call Forwarding.

The calling party is billed for the call to the called number. If the forwarded leg of the call is chargeable, the customer with the Call Forwarding is billed for the forwarded leg of the call.

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Section 5 - SUPPLEMENTAL SERVICES (Cont'd)

5.1 CUSTOM CALLING SERVICE (Cont'd)

5.1.2 Description of Features (Cont'd)

b. Call Forwarding (Cont'd)

Call Forwarding - Busy automatically reroutes an incoming call to a customer predesignated number when the called number is busy.

Call Forwarding - Don't Answer automatically reroutes an incoming call to a customer predesignated number when the called number does not answer within the number of rings programmed by the Company.

Call Forwarding - Variable allows the customer to choose to reroute incoming calls to another specified telephone number. The customer must activate and deactivate this feature.

c. Call Waiting/Cancel Call Waiting

Call Waiting provides a tone signal to indicate to a customer already engaged in a telephone call that a second caller is attempting to dial in. It will also permit the customer to place the first call on hold, answer the second call and then alternate between both callers. Cancel Call Waiting (CCW) allows a Call Waiting (CW) customer to disable CW for the duration of an outgoing telephone call. CCW is activated (i.e., CW is disabled) by dialing a special code prior to placing a call, and is automatically deactivated when the customer disconnects from the call.

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Section 5 - SUPPLEMENTAL SERVICES (Cont'd)

5.1 CUSTOM CALLING SERVICE (Cont'd)

5.1.2 Description of Features (Cont'd)

d. Distinctive Ringing

This feature enables a user to determine the source of an incoming call from a distinctive ring. The user is provided with up to two additional telephone numbers.

e. Multiline Hunting

This feature is a line hunting arrangement that provides sequential search of available numbers within a multiline group. Circular and uniform hunting can also be selected.

Hunt group charges apply to sequential, circular and uniform hunting and queuing with announcement per queue slot.

f. Speed Calling

This feature allows a user to dial selected numbers using one or two digits. Up to eight numbers (single digit, or thirty numbers with two digits) can be selected.

5.1.3 Rates and Charges

a. Monthly Rates

Rates for this service are located in Section 13.

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Section 5 - SUPPLEMENTAL SERVICES (Cont'd)

5.1 CUSTOM CALLING SERVICE (Cont'd)

5.1.3. Rates and Charges (Cont'd)

b. Connection Charges (Nonrecurring Charges)

Connection charges may apply when a customer requests connection to one or more custom calling features. Orders requested for the same customer account made at the same time for the same premises will be considered one request. These charges may not apply if the features are ordered at the same time as other work for the same customer account at the same premises.

See Rate Schedule in Section 13 of this tariff.

c. Trial Period

The Company may elect to offer a free or reduced rate trial of any new custom calling feature(s) to prospective customers within 90 days of the establishment of the new feature. See 5.4, Service and Promotional Trials, below.

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Section 5 - SUPPLEMENTAL SERVICES (Cont'd)

5.2 LASS SERVICES

5.2.1 General

The features in this section are made available on an individual basis or as part of multiple feature packages. All features are provided subject to availability; features may not be available with all LASS services. Transmission levels may not be sufficient in all cases.

5.2.2 Description of Features

a. Call ID / Block Call ID

The Call ID feature allows a customer to see a caller's name and number previewed on a display screen before the call is answered allowing a customer to prioritize and or screen incoming calls. Call ID records the name, number, date and time of each incoming call -- including calls that aren't answered by the customer. Call ID service requires the use of specialized CPE not provided by the company. It is the responsibility of the customer to provide the necessary CPE.

b. Automatic Callback

The Automatic Callback feature allows a customer to automatically Callback the last number dialed. This is accomplished by the customer activating a code. The network periodically tests the busy/free status of the called line for up to 30 minutes until both lines are found free and then Callbacks the call for the customer.

The Automatic Callback feature also allows customers, having reached a busy number, to dial a code before hanging up. Automatic Callback feature then continues to try the busy number for up to 30 minutes until it becomes free. Once the busy line is free the call is automatically called back and the customer is notified of the connected call via a distinctive ring.

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Section 5 - SUPPLEMENTAL SERVICES (Cont'd)

5.2 LASS SERVICES (Cont'd)

5.2.2 Description of Features (Cont'd)

b. Automatic Callback (Cont'd)

The following types of calls cannot be Automatically Called back:

- Calls to 800 Service numbers
- Calls to 900 Service numbers
- Calls preceded by an interexchange carrier access code
- International Direct Distance Dialed calls
- Calls to Directory Assistance
- Calls to 911

c. Automatic Recall

The Automatic Recall stores the number of the most recent incoming call (including unanswered incoming calls) to a customer's number. This allows a customer to dial back any missed or unanswered telephone calls.

d. Call Trace

Call Trace allows customers to key in a code that alerts the network to trace the last call received. The traced telephone number is automatically sent to the company for storage for a limited amount of time and is retrievable by legally constituted authorities upon proper request by them. By contacting the company the customer can use this application to combat nuisance calls.

e. Selective Call Acceptance, Forwarding, Rejection

Selective Calling affords the customer the ability to specify which of several phones on a line is to receive a message.

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Section 5 - SUPPLEMENTAL SERVICES (Cont'd)

5.2 LASS SERVICES (Cont'd)

5.2.3 Rates and Charges

a. Monthly Rates

Rates for this service are located in Section 6, Residential Network Switched Service, and Section 7, Business Network Switched Service.

b. Connection Charges (Nonrecurring Charges)

Connection charges may apply when a customer requests connection to one or more features. Orders requested for the same customer account made at the same time for the same premises will be considered one request. These charges may not apply if the features are ordered at the same time as other work for the same customer account at the same premises.

See Rate Schedule in Section 13 of this Tariff.

c. Trial Period

The Company may elect to offer a free or reduced rate trial of any new LASS feature(s) to prospective customers within 90 days of the establishment of the new feature. See 5.4, Service and Promotional Trials, below.

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Section 5 - SUPPLEMENTAL SERVICES (Cont'd)**5.3 CENTREX SERVICE****5.3.1 General**

The features in this section are made available on an individual basis or as part of multiple feature packages. All features are provided subject to availability; features may not be available with all classes of service. Transmission levels may not be sufficient in all cases.

5.3.2 Description of Features**a. Three Way Conference, Consultation, Transfer**

The Three Way Calling feature allows a customer to add a third party to an existing two-way call and form a three-way call. The call must have been originated from outside the station group and terminate to a station within the station group. The Call Hold feature allows a customer to put any in-progress call on hold by flashing the switchhook and dialing a code. This frees the line to allow the customer to make an outgoing call to another number. Only one call per line can be on hold at a time. The third party cannot be added to the original call.

b. Call Pickup

This feature allows a user to answer any call within an associated preset pickup group. If more than one line in the pickup group has an unanswered incoming call, the call to be answered is selected by the switching system. Call Pickup answers a call that has been directed to another station within the same preset Call Pickup group.

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Section 5 - SUPPLEMENTAL SERVICES (Cont'd)

5.3 CENTREX SERVICE (Cont'd)

5.3.2 Description of Features (cont'd)

c. Call Transfer - All Calls

Call Transfer allows a station user to transfer an established call to another station. The station from which the call is transferred will be assessed any long distance charges incurred as a result of the transfer.

d. Directed Call Pickup with Barge-In

This feature answers calls directed to a specific line from any other telephone line in the user group.

e. Directed Call Pickup without Barge-In

This feature is identical to the Directed Call Pickup with Barge-In except, if the line being picked up has already been answered, the party dialing the pickup code is routed to reorder (i.e., fast busy) rather than permitted to barge in on the established connection and create a three-way call.

f. Distinctive Ringing

This feature enables a user to determine the source of an incoming call from a distinctive ring. The pattern is based on whether the call is from within the station group, external to the station group, forwarded from the attendant position, or from a station within the Call Waiting feature.

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Section 5 - SUPPLEMENTAL SERVICES (Cont'd)**5.3 CENTREX SERVICE (Cont'd)****5.3.2 Description of Features (Cont'd)****g. Distinctive Ringing / Call Waiting Tone (Centrex only)**

This feature applies a distinctive ringing or call waiting tone that enables a user to determine the source of an incoming call. The pattern is based on whether the call is from within the station group, external to the station group, forwarded or extended from the attendant position, or from a station within the Call Waiting feature.

h. Regular Multiline Hunting

This feature is a line hunting arrangement that provides sequential search of available numbers within a multiline group.

i. Circular Hunting

This feature (similar to regular hunting) is a line hunting arrangement that allows all lines in a multi-line hunt group (MLHG) to be tested for busy, regardless of the point of entry into the group. When a call is to a line in a MLHG, a regular hunt is performed starting at the station associated with the dialed number. It continues to the last station in the MLHG, then proceeds to the first station in the group and continues to hunt sequentially through the remaining lines in the group. Busy tone is returned if the original called station is reached without finding a station that is idle.

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Section 5 - SUPPLEMENTAL SERVICES (Cont'd)

5.3 CENTREX SERVICE (Cont'd)

5.3.2 Description of Features (Cont'd)

j. Speed Calling (Centrex only)

This feature allows a user to dial selected numbers using one and two digits. Up to eight telephone numbers may be selected.

k. Terminal Group and Station Restriction (Centrex only)

This feature defines a station's network access capability, either individually within a Centrex group, or for the group as a whole. It defines the Centrex group and what level of access a station will have; i.e. intragroup only, toll restriction, etc.

l. Series Completion

This feature is a form of hunting similar to the multiline hunt group hunting and the Call Forwarding Busy Line feature. It allows calls to be made to a busy directory number to be routed to another specified directory number. The series completion hunt begins with the originally dialed member of the series completion group, and searches for an idle directory number from the list of directory numbers.

m. Uniform Call Distribution (Uniform Hunting) (Centrex only)

This feature is a hunting arrangement that assigns incoming calls uniformly among the stations in the group.

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Section 5 - SUPPLEMENTAL SERVICES (Cont'd)**5.3 CENTREX SERVICE (Cont'd)****5.3.2 Description of Features (Cont'd)****n. Account Codes**

This feature adds an account number (code) to an Automatic Message Accounting (AMA) and/or Message Detail Recording (MDR) record for assigning customer charges. The number of digits in a customer's account code group will be defined by the Company.

o. Terminal Group and Station Restriction

This feature defines a station's network access capability either individually within a Centrex group or for the group as a whole. It defines the Centrex group and what level of access a station will have; i.e., intragroup only, toll restriction, etc.

p. Uniform Call Distribution (Uniform Hunting)

This feature is a hunting arrangement that assigns incoming calls uniformly among the stations in the group.

q. Call Forwarding

Call Forwarding, when activated, redirects attempted terminating calls to another customer-specific line. The customer may have to activate and deactivate the forwarding function and specify the desired terminating telephone number during each activation procedure. Call originating ability is not affected by Call Forwarding.

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Section 5 - SUPPLEMENTAL SERVICES (Cont'd)

5.3 CENTREX SERVICE (Cont'd)

5.3.2 Description of Features (Cont'd)

q. Call Forwarding (Cont'd)

The calling party is billed for the call to the called number. If the forwarded leg of the call is chargeable, the customer with the Call Forwarding is billed for the forwarded leg of the call.

Call Forwarding - Busy automatically reroutes an incoming call to a customer predesignated number when the called number is busy.

Call Forwarding - Don't Answer automatically reroutes an incoming call to a customer predesignated number when the called number does not answer within the number of rings programmed by the Company.

Call Forwarding - Variable allows the customer to choose to reroute incoming calls to another specified telephone number. The customer must activate and deactivate this feature.

r. Call Waiting/Cancel Call Waiting

Call Waiting provides a tone signal to indicate to a customer already engaged in a telephone call that a second caller is attempting to dial in. It will also permit the customer to place the first call on hold, answer the second call and then alternate between both callers. Cancel Call Waiting (CCW) allows a Call Waiting (CW) customer to disable CW for the duration of an outgoing telephone call. CCW is activated (i.e., CW is disabled) by dialing a special code prior to placing a call, and is automatically deactivated when the customer disconnects from the call.

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Section 5 - SUPPLEMENTAL SERVICES (Cont'd)

5.3 CENTREX SERVICE (Cont'd)

5.3.3 Rates and Charges

a. Monthly Rates

Rates for this service are located in Section 6, Residential Network Switched Service, and Section 7, Business Network Switched Service.

b. Connection Charges

Connection charges may apply when a customer requests connection to one or more features. Orders requested for the same customer account made at the same time for the same premises will be considered one request. These charges may not apply if the features are ordered at the same time as other work for the same customer account at the same premises.

See Rate Schedule in Section 13 of this tariff.

c. Trial Period

The Company may elect to offer a free or reduced rate trial of any new Centrex feature(s) to prospective customers within 90 days of the establishment of the new feature. See Section 5.4, Service and Promotional Trials.

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Section 5 - SUPPLEMENTAL SERVICES (Cont'd)**5.4 SERVICE AND PROMOTIONAL TRIALS****5.4.1 General**

The Company may establish temporary promotional programs wherein it may waive or reduce nonrecurring or recurring charges, to introduce a present or potential customer to a service not previously subscribed to by the customer.

5.4.2 Regulations

- a. Appropriate notification of the Trial will be made to all eligible customers and to the Authority. Appropriate notification may include direct mail, bill inserts, broadcast or print media, direct contact or other comparable means of notification.
- b. During a Service Trial, the service(s) is provided automatically to all eligible customers, except those customers who choose not to participate. Customers will be offered the opportunity to decline the trial service both in advance and during the trial. A customer can request that the designated service be removed at any time during the trial and not be billed a recurring charge for the period that the feature was in place. At the end of the trial, customers that do not contact the Company to indicate they wish to retain the service will be disconnected from the service at no charge.
- c. During a Promotional Trial, the service is provided to all eligible customers who ask to participate. Customers will be notified in advance of the opportunity to receive the service in the trial for free. A customer can request that the service be removed at any time during the trial and not be billed a recurring charge for the period that the service was in place. At the end of the trial, customers that do not contact the Company will be disconnected from the service.

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Section 5 - SUPPLEMENTAL SERVICES (Cont'd)

5.4 SERVICE AND PROMOTIONAL TRIALS (Cont'd)

5.4.2 Regulations (Cont'd)

- d. Customers can subscribe to any service listed as part of a Promotional Trial and not be billed the normal Connection Charge. The offering of this trial period option is limited in that a service may be tried only once per customer, per premises.
- e. The Company retains the right to limit the size and scope of a Promotional Trial.

5.5 BUSY VERIFICATION AND INTERRUPT SERVICE

5.5.1 General

Upon request of a calling party, the Company will verify a busy condition on a called line. An operator will determine if the line is clear or in use and report to the calling party. In addition, the operator will intercept an existing call on the called line if the calling party indicates an emergency and requests interruption.

5.5.2 Rate Application

- a. A Verification Charge will apply when:
 - 1. The operator verifies that the line is busy with a call in progress,
or
 - 2. The operator verifies that the line is available for incoming calls.

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Section 5 - SUPPLEMENTAL SERVICES (Cont'd)

5.5 BUSY VERIFICATION AND INTERRUPT SERVICE (Cont'd)

5.5.2 Rate Application (Cont'd)

- b. Both a Verification Charge and an Interrupt Charge will apply when the operator verifies that a called number is busy with a call in progress and the customer requests interruption. The operator will interrupt the call advising the called party of the name of the calling party and the called party will determine whether to accept the interrupt call. Charges will apply whether or not the called party accepts the interruption.

See Rate Schedule in Section 13 of this tariff.

- c. No charge will apply when the calling party advises that the call is from an official public emergency agency.

5.6 TRAP CIRCUIT SERVICE

5.6.1 General

Trap Circuit Service is designed to allow the customer to control the release of an incoming call so that in situations involving emergency or nuisance calls, calls may be held and traced.

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Section 5 - SUPPLEMENTAL SERVICES (Cont'd)

5.6 TRAP CIRCUIT SERVICE (Cont'd)

5.6.2 Regulations

- a. This service is provided when there is a continuing requirement for the identification of the calling party in cases involving nuisance calls or emergency situations or other situations involving law enforcement or public safety.
- b. The customer shall be required to sign a written request for this service. By signing the request the customer shall release the Company from any liability, and the customer agrees to indemnify and hold the Company harmless from any liability it may incur in providing this service. The Company may require the recommendation of an appropriate law enforcement agency prior to providing this service. Any information obtained by the Company in the tracing of a call will be provided only to the law enforcement agency designated. The only exception to this will be emergency situations such as fire, serious illness or other similar situations, in which case the appropriate agency will be notified.
- c. The equipment required to provide this service cannot be operated in all central offices. The service is restricted to locations where facilities permit.
- d. The Company makes no guarantee concerning the tracing and identification of any call when the service is provided. The Company will furnish the service only on the express condition that no liability shall attach to it for any reason arising out of the provision of the service.

5.6.3 Rates

Upon request for this service, the monthly charge to the customer will be increased by any charges incurred by the Company for the provision of this service.

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Section 5 - SUPPLEMENTAL SERVICES (Cont'd)

5.7 DIRECTORY ASSISTANCE SERVICE

5.7.1 General

A customer may obtain assistance, for a charge, in determining a telephone number by dialing Directory Assistance Service. A customer can also receive assistance by writing the Company with a list of names and addresses for which telephone numbers are desired.

5.7.2 Regulations

A Directory Assistance Charge applies for each telephone number, area code, and/or general information requested from the Directory Assistance operator except as follows:

- a. Calls from pay telephones.
- b. Requests for telephone numbers of non-published service.
- c. Requests in which the Directory Assistance operator provides an incorrect number. The customer must inform the Company of the error in order to receive credit.

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Section 5 - SUPPLEMENTAL SERVICES (Cont'd)

5.7 DIRECTORY ASSISTANCE SERVICE (cont'd)

5.7.2 Regulations (cont'd)

- d. Requests from individuals with certified visual or physical handicaps in which the handicap prevents the use of a local directory. Individuals must be certified in accordance with the terms outlined under "Handicapped Person" in Sections 9.3-9.4 of this Tariff, up to a maximum of 50 requests per month.
- e. Requests from patients in hospitals, skilled nursing homes and convalescent homes which have been properly licensed by the State of Tennessee and which have as their predominant undertaking the surgical, medical and nursing care of the sick and disabled. Such hospitals, skilled nursing homes and convalescent homes shall provide to Company proof of non-profit status as granted by the IRS.

5.7.3 Rates

Unless one of the exceptions listed above applies, the charges as shown below apply for each request made to the Directory Assistance operator:

See Rate Schedule in Section 13 of this tariff.

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Section 5 - SUPPLEMENTAL SERVICES (Cont'd)

5.8 LOCAL OPERATOR SERVICE

Local calls may be completed or billed with the live or mechanical assistance by the Company's operator center. Calls may be billed collect to the called party, to an authorized 3rd party number, to the originating line, or to a valid authorized calling card. Local calls may be placed on a station to station basis or to a specified party (see Person to Person), or designated alternate. Usage charges for local operator assisted calls are those usage charges that would normally apply to the calling party's service.

See Rate Schedule in Section 13 of this tariff.

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Section 5 - SUPPLEMENTAL SERVICES (Cont'd)

5.9 STAND ALONE VOICE MAIL SERVICE

5.9.1 Description

Stand Alone Voice Mail Service is offered to a customer when a physical Service Line is not necessary. The customer must access Voice Mail through the use of other network access service provided by the Company or other telecommunications common carriers. Such access, including applicable local usage and toll charges, is the responsibility of the Voice Mail Service customer. Voice mail that is offered in conjunction with line-based service is offered pursuant to the terms specified in the applicable section of this tariff pertaining to the associated line-based service.

5.9.2 Recurring and Nonrecurring Charges

See Rate Schedule in Section 13 of this tariff.

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Section 5 - SUPPLEMENTAL SERVICES (Cont'd)

5.10 BLOCKING SERVICE

5.10.1 General

Blocking service is a feature that permits customers to restrict access from their telephone line to various discretionary services. The following blocking options are available to residential and business customers:

- a. 900, 700 Blocking - allows the subscriber to block all calls beginning with the 900 and 700 prefixes (i.e. 900-XXX-XXXX) from being placed.
- b. 900, 971, 974 & 700 Blocking - allows the subscriber to block all calls beginning with the 900, 971, 974 and 700 prefixes from being placed.
- c. Third Number Billed and Collect Call Restriction - provides the subscriber with a method of denying all third number billed and collect calls to a specific telephone number provided the transmitting operator checks their validation data base.
- d. Toll Restriction (1+ and 0+ Blocking) - provides the subscriber with local dialing capabilities but blocks any customer-dialed call that has a long distance charge associated with it.

Toll Restriction will not block the following types of calls: 911 (Emergency), 1 + 800 (Toll Free), and operator assisted toll calls.
- e. Toll Restriction Plus - provides subscribers with Toll Restriction, as described in 1.d. of this Section, and blocking of 411 calls.
- f. Direct Inward Dialing Blocking (Third Party and Collect Call) - provides business customers who subscribe to DID service to have Third Party and Collect Call Blocking on the number ranges provided by the Company.

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Section 5 - SUPPLEMENTAL SERVICES (Cont'd)

5.10 BLOCKING SERVICE (Cont'd)

5.10.2 Regulations

- a. The Company will not be liable for any charge incurred when any long distance carrier or alternative operator service provider accepts third number billed or collect calls.
- b. Blocking Service is available where equipment and facilities permit.

5.10.3 Rates and Charges

See Rate Schedule in Section 13 of this tariff.

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Section 5 - SUPPLEMENTAL SERVICES (Cont'd)

5.11 CUSTOMIZED NUMBER SERVICE

5.11.1 General

- a. Customized Number Service allows a customer to order a specified telephone number rather than the next available number.
- b. Customized Number Service is furnished subject to the availability of facilities and requested telephone numbers.
- c. The Company will not be responsible for the manner in which Customized Numbers are used for marketing purposes by the customer.
- d. When a new customer assumes an existing service which includes Customized Number Service, the new customer may keep the Customized Number, at the tariffed rate, with the written consent of the Company and the former customer.
- e. The Company reserves and retains the right:
 - 1. To reject any request for specialized telephone numbers and to refuse requests for specialized telephone numbers;
 - 2. Of custody and administration of all telephone numbers, and to prohibit the assignment of the use of a telephone number by or from any customer to another, except as otherwise provided in this Tariff;
 - 3. To assign or withdraw and reassign telephone numbers in any exchange area as it deems necessary or appropriate in the conduct of its business.

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Section 5 - SUPPLEMENTAL SERVICES (Cont'd)

5.11 CUSTOMIZED NUMBER SERVICE (Cont'd)

5.11.1 General (Cont'd)

- e. The Company reserves and retains the right: (Cont'd)
 - 4. The limitation of liability provisions of this tariff in Section 2.1.2 are applicable to Customized Number Service.

5.11.2 Conditions

- a. Charges for Customized Number Service apply when a customer:
 - 1. Requests a telephone number other than the next available number from the assignment control list, and such requested number is placed into service within six months of the date of the request.
 - 2. Requests a number change from the customer's present number to a Customized Number.
- b. The Company shall not be liable to any customer for direct, indirect or consequential damages caused by a failure of service, change of number, or assignment of a requested number to another customer whether prior to or after the establishment of service. In no case shall the Company be liable to any person, firm or corporation for an amount greater than such person, firm or corporation has actually paid to the Company for Customized Number Service.

See Rate Schedule in Section 13 of this tariff.

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Section 5 - SUPPLEMENTAL SERVICES (Cont'd)**5.12 CUSTOMER REQUESTED SERVICE SUSPENSION****5.12.1 General**

At the request of the customer the Company will suspend incoming and outgoing service on the customer's access line for a period of time not to exceed one year. The equipment is left in place and directory listings are continued during the suspension period without change. At the customer's request the Company will provide the customer with an intercept recording referring callers to another number.

5.12.2 Rate Adjustment

The company will assess a lower monthly rate for Customer Requested Service Suspension as noted below. However, any mileage charges, monthly cable charges or monthly construction charges are still due, without reduction during the period of suspension.

<u>Period of Suspension</u>	<u>Charge</u>
- First Month or Partial Month	Regular Monthly Rate (no reduction)
- Each Additional Month (up to the one-year limit)	½ Regular Monthly Rate

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Section 5 - SUPPLEMENTAL SERVICES (Cont'd)

5.13 REMOTE CALL FORWARDING SERVICE

Service Area: Where facilities are available, the service area is defined by the NPA-NXX Codes and Exchanges listed below.

Local Calling Area: Exchanges and zones included in the local calling area for the NXX designations are specified below. NXXs associated with each particular exchange or zone may be found in the directory listings directory published by the incumbent local exchange carrier in the Customer's exchange area.

5.13.1 General

Remote Call Forwarding (RCF) is a local exchange service that utilizes a telephone number and Electronic Central Office facilities by which all incoming calls to the RCF telephone number are forwarded automatically to the subscriber's central office line in the same exchange as the RCF number or in a different exchange or to an inward WATS (800 Service) access line.

5.13.2 Regulations

- a. Remote Call Forwarding service is offered in Electronic offices where facilities permit.
- b. RCF paths may be used singly, in groups, or as overflow paths for foreign exchange trunk groups. Only one forwarding number is permitted per group.
- c. Remote Call Forwarding is not offered where the terminating number is a coin telephone.
- d. Identification of the originating telephone number is not provided to the Remote Call Forwarding customer.

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Section 5 - SUPPLEMENTAL SERVICES (Cont'd)

5.13 REMOTE CALL FORWARDING SERVICE (Cont'd)

5.13.2 Regulations (Cont'd)

- e. Transmission may not be satisfactory on all calls.
- f. Remote Call Forwarding is not represented as suitable for the transmission of data.
- g. [Reserved]
- h. Remote Call Forwarding is provided on condition that the customer subscribe to sufficient RCF paths and terminating facilities to adequately handle calls to the RCF customer without interfering with or impairing any other services offered by the Company.
- i. The minimum charge for the RCF Service is the monthly rate for one month plus the Service Connection Charge.
- j. Charges for the call to the Remote Call Forwarding directory number shall be paid by the calling party.
- k. Each RCF group is entitled to one alphabetical and one classified listing at no additional charge in the directory which serves the associated RCF central office. Overflow paths associated with foreign exchange trunk groups are not listed. All other listing regulations for business individual lines apply, except that no charge applies for non-published service in connection with RCF.

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Section 5 - SUPPLEMENTAL SERVICES (Cont'd)**5.13 REMOTE CALL FORWARDING SERVICE (Cont'd)****5.13.3 Rates**

In addition to the rates specified in Section 13 of this tariff, the subscriber to Remote Call Forwarding is responsible for dial type (DDD) station-to-station local and toll charges applicable to calls transferred from the forwarding location to the terminating location. The charge applies for each call answered, including person-to-person and collect calls which are refused at the terminating location. For calls transferred within the same local calling area, the message rate schedule for business service in the RCF central office applies. In exchanges where only flat rate service is furnished, the charge for each local call transferred is a Rate Band 1 (A) charge. No allowance for local calls is included in the RCF monthly rate.

5.14 CALLING CARD SERVICES

Calling Card Service can be used from anywhere in the United States and may terminate in over 200 countries in the world. Calls are originated by dialing 0 + area code and telephone number.

5.15 PREPAID DEBIT CARD SERVICES

5.15.1 Prepaid debit card service is a prepaid long distance calling card service, under which Customers purchase cards in predetermined amounts for long distance usage. Customers access the service by dialing a Company specified access code. As a Customer accesses the service, usage rates and taxes are automatically deducted from the remaining card balance. Customers are notified with a usage remaining message each time a call is placed. Customers will also receive a remainder message when the balance of the card reaches one (1) minute of usage. Calls in progress will be terminated if the balance on the Pre-paid card is insufficient to cover the charges associated with the call. When the card balance reaches zero, the user must purchase another card or have the card recharged pursuant to instructions the Company provides to users purchasing the cards. Calls are billed in initial and additional one (1) minute increments, with any fractional portion of call rounded up to the next highest billing increment.

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Section 5 - SUPPLEMENTAL SERVICES (Cont'd)

5.15 PREPAID DEBIT CARD SERVICES (Cont'd)

- 5.15.2 The value of the telephone service assigned to the prepaid calling card will be clearly and prominently printed on the card or individual enclosure containing the card, in dollar, minute, or unit amounts. At the time of sale, prepaid calling card customers will have information which allows the Customer to know or compute the price per minute of intrastate calls for the prepaid card (i.e., either the price per minute or the price of the card and the number of minutes provided on the card).
- 5.15.3 The name of the Company will be clearly printed on the prepaid calling card.
- 5.15.4 If a prepaid card expires on a certain date, that date will be clearly and prominently indicated on the card or on the individual enclosure containing the card. If the card expires within a specified time after activation or after first use, or after last use, such terms of expiration will be clearly indicated. If an expiration date is not disclosed, the card will be considered active as long as time remains on the card.
- 5.15.5 Each card will include a toll free customer service number. The toll free number will be manned by a live operator for 8 hours a day, 5 days a week, Customer complaints will be responded to within 24 hours of the Company receiving the complaint.
- 5.15.6 A prepaid calling card will have a clearly defined procedure for refunding the Customer's money or reissuing a new prepaid card should a prepaid card become unusable. The refund will be equal to the value remaining on the customer's card. This information is available from the Company either through its toll free 1-800 customer service number or is printed on the card. The Company will not be required to provide a refund when a card has been lost or stolen.
- 5.15.7 Customers will only be charged for calls when completed. Customers will not be charged for ring time and uncompleted calls. Billing for a call will end either when the calling or called party hangs up.
- 5.15.8 If a card is a sample (a sample card is one with no time allocated to it) or other non-functioning card, there will be clear information either on the card or the individual enclosure containing the card that indicates that the card is a sample with no time assigned to it.

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Section 5 - SUPPLEMENTAL SERVICES (Cont'd)

5.15 PREPAID DEBIT CARD SERVICES (Cont'd)

5.15.9 Each card will have clearly printed dialing instructions for the use of the card.

5.15.10 Customers will be provided with, upon request, up to date, time, dollar, or unit amounts remaining on their prepaid calling cards at no additional cost. Service rates of the cards will remain uniform or in no instance increase during the life of initial value of the card and prior to recharge. Service rates at the time of recharge may differ from the rates in effect during the initial value of the card, but will not increase during any specific recharge period. The recharge rate will be disclosed to the customer at the time of purchase.

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RESIDENTIAL NETWORK SWITCHED SERVICES

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3505 Summerhill Road, #4
Texarkana, TX 75503

Section 6 - RESIDENTIAL NETWORK SWITCHED SERVICES**6.1 GENERAL**

Residential Network Switched Service provides a residential customer with a connection to the Company's switching network which enables the customer to:

- a. place and receive calls from other stations on the public switched telephone network;
- b. access the Company's local calling service;
- c. access the Company's operators and business office for service related assistance; access toll-free telecommunications services such as 800 NPA; and access 911 service for emergency calling; and
- d. access the service of providers of interexchange service. A customer may presubscribe to such provider's service to originate calls on a direct dialed basis or to receive 800 service from such provider, or may access a provider on an ad hoc basis by dialing the provider's Carrier Identification Code (10XXX). At the time of initial subscription, the customer shall designate a Primary Interexchange Carrier (PIC) for intra-LATA and inter-LATA toll service. If the customer does not select an intra-LATA PIC, and does not request blocking of intra-LATA toll calls, the Company shall be deemed to have been designated as the customer's intra-LATA PIC.

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Section 6 - RESIDENTIAL NETWORK SWITCHED SERVICES (Cont'd)

6.2 SERVICE DESCRIPTIONS AND RATES

The following Residential Network Switched Service Options are offered:

- Residential Measured Rate Service
- Residential Flat Rate Service
- Residential Message Rate Service

All Residential Network Switched Service may be connected to customer-provided terminal equipment such as station sets or facsimile machines. Service may be arranged for two-way calling, inward calling only or outward calling only. Optional Voice Mail Service is available.

The following Custom Calling Service features are offered to Residential Network Switched Service Subscribers:

- Three Way Conference, Consultation, Transfer
- Call Forward Busy
- Call Forward Don't Answer
- Call Forward Variable
- Call Waiting, Terminating, and Originating
- Cancel Call Waiting
- Distinctive Ringing
- Speed Calling (One/Two Digit)

The following Supplemental Service features are offered to Residential Network Switched Service Subscribers:

- Remote Call Forwarding

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Section 6 - RESIDENTIAL NETWORK SWITCHED SERVICES (Cont'd)

6.2 SERVICE DESCRIPTIONS (Cont'd)

The following features are available with Residential Line Service at an additional charge:

HUNT GROUP CHARGES

Sequential Hunting
Circular Hunting
Uniform Hunting
Queuing With Announcement
Per Queue Set

HUNT LINE CHARGES

Sequential Hunting
Circular Hunting
Uniform Hunting

The following LASS features are offered to Residential Network Switched Service Subscribers:

Call ID
Block Call ID
Automatic Call Back
Automatic Recall
Call Trace
Selective Call Acceptance, Forwarding, Rejection

Charges for Residential Network Switched Service include a nonrecurring service connection charge and a monthly recurring charge for each line. Monthly recurring charges apply to optional voice mail and service features. Measured charges apply to Measured Rated Service, in addition to other rate elements described above.

The following Advanced Features are available at an additional charge:

1) Voice messaging; and 2) 6-Way Conference per line.

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3505 Summerhill Road, #4
Texarkana, TX 75503

Section 6 - RESIDENTIAL NETWORK SWITCHED SERVICES (Cont'd)**6.2 SERVICE DESCRIPTIONS (Cont'd)****6.2.1 Measured Rate Service****a. Description**

Measured Rate Service provides calls to points within the local exchange area are charged on the basis of call duration in addition to a base monthly charge. Local calling areas are as specified in Section 12.

Each Measured Rate Service has the following characteristics:

Terminal Interface: 2-wire

Signaling Type: Loop Start

Pulse Type: Dual Tone Multi-Frequency (DTMF) or Dial Pulse (DP)

Directionality: Two-way, In-Only, or Out-Only, as specified by the customer.

b. Local Measured Service Time Periods:**3. Suburban Exchange Area****Dial Station-To-Station Calls - Metro Call Bands B-F (Cont'd)**

Day Rate: applies to directly dialed station-to-station calls placed Monday through Friday, 8:00 a.m. to 5:00 p.m.*

Evening Rate: applies to directly dialed station-to-station calls placed Monday through Friday, 5:00 p.m. to 10:00 p.m.*

Night and Weekend: applies to directly dialed station-to-station calls placed Monday through Friday, 10:00 p.m. to 8:00 a.m., and all day Saturday and Sunday.*

* The time shown indicates the termination of one rate application period and the beginning of the next. Calls connected at exactly the time shown are considered in the next time period.

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Texarkana, TX 75503

Section 6 - RESIDENTIAL NETWORK SWITCHED SERVICES (Cont'd)

6.2 SERVICE DESCRIPTIONS (Cont'd)

6.2.1 Measured Rate Service (Cont'd)

c. Integrated Services Digital Network - Basic Rate Interface (ISDN-BRI)

(1) Description

ISDN is a single integrated digital telecommunications network architecture which provides for the simultaneous access, transmission and switching of voice data and image services via channelized transport facilities over a set of standard multipurpose user-network interfaces.

- a. The ISDN-BRI feature supports one 16 kb/s D-channel path between customer digital PBS equipment and the protocol handler in a PSU of the 5ESS(R) switch. This feature also provides the administration software for up to 2 B-channels associated with a D-channel in the same T1 facility (1.544 Mb/s for domestic). This interface supports both ISDN PBSs and host computers.

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Section 6 - RESIDENTIAL NETWORK SWITCHED SERVICES (Cont'd)**6.2 SERVICE DESCRIPTIONS AND RATES (Cont'd)****6.2.2 Flat Rate Service****a. Description**

Flat Rate Service provides the customer with an unlimited number of outgoing calls within a specified local calling area. Local calling areas are as specified in Section 12.

Each Flat Rate Service has the following characteristics:

Terminal Interface: 2-wire

Signaling Type: Loop Start

Pulse Type: Dual Tone Multi-Frequency (DTMF) or Dial Pulse (DP)

Directionality: Two-way, In-Only, or Out-Only, as specified by the customer.

b. Recurring and Nonrecurring Charges

In addition to the nonrecurring charges listed below, service order charges apply as described in Section 3 of this tariff. In certain circumstances, service to customers may require the use of a link (and, or) number portability arrangement provided by the Incumbent Local Exchange Carrier. In such circumstances, the monthly recurring charge to the customer will be the greater of the company's Base Service Line charge set forth below or the charge to the company by the Incumbent Local Exchange Carrier for the link used to serve the customer. If the customer is served through a Number Portability Arrangement, the monthly charge to the customer will be increased by the applicable charge from the Incumbent Local Exchange Carrier to the company of the Number Portability arrangement.

Charges for each Flat Rate Service line include a monthly recurring Base Service Charge.

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3505 Summerhill Road, #4
Texarkana, TX 75503

BUSINESS NETWORK SWITCHED SERVICES

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3505 Summerhill Road, #4
Texarkana, TX 75503

Section 7 - BUSINESS NETWORK SWITCHED SERVICES

7.1 GENERAL

Business Network Switched Service provide a business customer with a connection to the Company's switching network which enables the customer to:

- a. receive calls from other stations on the public switched telephone network;
- b. access the Company's local calling service;
- c. access the Company's operators and business office for service related assistance; access toll-free telecommunications service such as 800 NPA; and access 911 service for emergency calling; and
- d. access the service of providers of interexchange service or intraLATA toll service. A customer may presubscribe to such provider's service to originate calls on a direct dialed basis or to receive 800 service from such provider, or may access a provider on an ad hoc basis by dialing the provider's Carrier Identification Code (10XXX). At the time of initial subscription, the customer shall designate a Primary Interexchange Carrier (PIC) for intra-LATA and inter-LATA toll service. If the customer does not select an intra-LATA PIC, and does not request blocking of intra-LATA toll calls, the Company shall be deemed to have been designated as the customer's intra-LATA PIC.

Business Network Switched Service is provided via one or more channels terminated at the customer's premises. Each Business Network Switched Service channel corresponds to one or more analog, voice-grade telephonic communications channels that can be used to place or receive one call at a time.

Connection charges as described in Section 3 apply to all service on a one-time basis unless waived pursuant to this Tariff.

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Section 7 - BUSINESS NETWORK SWITCHED SERVICES (Cont'd)

7.2 SERVICE DESCRIPTIONS

The following Business Access Service Options are offered:

- Basic Business Line Service
- Public Access Lines Service
- PBX Trunks
- Centrex Service

Basic Business Line Service, PBX trunks, and Centrex service are offered with measured rate local service.

All Business Network Switched Service may be connected to customer-provided terminal equipment such as station sets, key systems, PBX systems, or facsimile machines. Service may be arranged for two-way calling, inward calling only or outward calling only. Optional Voice Mail Service is available.

The following features as described in Section 5 are available with Business Line Service for an additional charge:

- Three Way Conference, Consultation
- Call Forwarding (Variable, Busy Line, Don't Answer)
- Call Hold
- Call Waiting/Cancel Call Waiting
- Speed Calling One Digit
- Speed Calling Two Digit

The following supplemental service features are offered to business network switched service subscribers for an additional charge:

- Remote Call Forwarding

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Section 7 - BUSINESS NETWORK SWITCHED SERVICES (Cont'd)

7.2 SERVICE DESCRIPTIONS (Cont'd)

The following features are available with Business Line Service at an additional charge.

HUNT GROUP CHANGES

Sequential Hunting
Circular Hunting
Uniform Hunting
Queuing With Announcement
Per Queue Set

HUNTING LINE CHANGES

Sequential Hunting
Circular Hunting
Uniform Hunting

The following LASS features are offered to business network switched service subscribers at an additional charge:

Call ID
Block Call ID
Auto Call Back
Auto Redial
Call Trace
Selective Acceptance, Forwarding, Rejection

7.2.1 Basic Business Line Service

a. General

Basic Business Line Service provides a customer with a one or more analog, voice-grade telephonic communications channel that can be used to place or receive one call at a time. Local calling service is available at a flat rate included in the line price, or on a measured usage basis. Basic Business Lines are provided for connection of customer-provided single-line terminal equipment such as station sets or facsimile machines.

The following Advanced Features are available at an additional charge:
1) Voice Messaging; and 2) 6-Way Conference per line.

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Section 7 - BUSINESS NETWORK SWITCHED SERVICES (Cont'd)

7.2 SERVICE DESCRIPTIONS (Cont'd)

7.2.1 Basic Business Line Service (Cont'd)

a. General (Cont'd)

Each Basic Business Line has the following characteristics:

Terminal Interface: 2-wire

Signaling Type: Loop start

Pulse Types: Dual Tone Multi frequency (DTMF) or Dial Pulse (DP)

Directionality: Two-Way, In-Only, or Out-Only, at the option of the customer

b. Measured Rate Basic Business Line Service

1. Description

Calls to points within the local exchange area are charged on the basis of the duration of completed calls originating from the customer's service in addition to a base monthly charge. Local calling areas are as specified in Section 12.

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Section 7 - BUSINESS NETWORK SWITCHED SERVICES (Cont'd)**7.2 SERVICE DESCRIPTIONS (Cont'd)****7.2.1 Basic Business Line Service (Cont'd)****b. Measured Rate Basic Business Line Service (Cont'd)****2. Recurring and Nonrecurring Charges**

Charges for each Measured Rate Service line include a monthly recurring Base Service Charge and usage charges for completed calls originated from the customer's line based on the duration of calls during the billing period. In addition to the nonrecurring charges listed below, service order charges apply as described in Section 3 of this tariff. In certain circumstances, service to customers may require the use of a link (and, or) number portability arrangements provided by the Incumbent Local Exchange Carrier. In such circumstances, the monthly recurring charge to the customer will be the greater of the company's Base Service Line charge set forth below or the charge to the company by the Incumbent Local Exchange Carrier for the link used to serve the customer. If the customer is served through a Number Portability Arrangement, the monthly charge to the customer will be increased by the applicable charge from the Incumbent Local Exchange Carrier to the Company of the Number Portability Arrangement.

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Section 7 - BUSINESS NETWORK SWITCHED SERVICES (Cont'd)**7.2 SERVICE DESCRIPTIONS AND RATES (Cont'd)****7.2.1 Basic Business Line Service (Cont'd)****c. Flat Rate Basic Business Line Service****1. Description**

With the Flat Rate Basic Business Line Service, the customer pays a monthly rate for an unlimited number of outgoing calls with a specified local calling area. Local calling areas are as specified in Section 12.

2. Recurring and Nonrecurring Charges

Charges for each Flat Rate Service line include a monthly recurring Base Service Charge for an unlimited number of outgoing calls within a specified local calling area. In addition to the nonrecurring charges listed below, service order charges apply as described in Section 3 of this tariff. In certain circumstances, service to customers may require the use of a link (and, or) number portability arrangements provided by the Incumbent Local Exchange Carrier. In such circumstances, the monthly recurring charge to the customer will be the greater of the company's Base Service Line charge set forth below or the charge to the company by the Incumbent Local Exchange Carrier for the link used to serve the customer. If the customer is served through a Number Portability Arrangement, the monthly charge to the customer will be increased by the applicable charge from the Incumbent Local Exchange Carrier to the Company of the Number Portability Arrangement.

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Section 7 - BUSINESS NETWORK SWITCHED SERVICES (Cont'd)

7.2 SERVICE DESCRIPTIONS AND RATES (Cont'd)

7.2.1 Basic Business Line Service (Cont'd)

d. Message Rate Basic Business Line Service

1. Description

Calls to points within the local exchange area are charged on a per call basis of completed calls originating from the customer's service in addition to a base monthly charge. Local calling areas are as specified in Section 12.

2. Recurring and Nonrecurring Charges

Charges for each Message Rate Service line include a monthly recurring Base Service Charge and usage charges for completed calls originated from the customer's line based on the duration of calls during the billing period. In addition to the nonrecurring charges listed below, service order charges apply as described in Section 3 of this tariff. In certain circumstances, service to customers may require the use of a link (and, or) number portability arrangement provided by the Incumbent Local Exchange Carrier. In such circumstances, the monthly recurring charge to the customer will be the greater of the company's Base Service Line charge set forth below or the charge to the company by the Incumbent Local Exchange Carrier for the link used to serve the customer. If the customer is served through a Number Portability Arrangement, the monthly charge to the customer will be increased by the applicable charge from the Incumbent Local Exchange Carrier to the Company of the Number Portability Arrangement.

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Section 7 - BUSINESS NETWORK SWITCHED SERVICES (Cont'd)**7.2 SERVICE DESCRIPTIONS (Cont'd)****7.2.2 Public Access Line Service**

Public Access Line Service provides a single, analog, voice-grade telephonic communications channel that can be used to connect a pay telephone to the Company's switching equipment. Local measured usage charges apply to all local calls originating on this line. Service to customers may require the use of a link (and, or) number portability arrangements provided by the Incumbent Local Exchange Carrier. In such circumstances, the monthly recurring charge to the customer will be the greater of the company's Base Service Line charge set forth below or the charge to the company by the Incumbent Local Exchange Carrier for the link used to serve the customer. If the customer is served through a Number Portability Arrangement, the monthly charge to the customer will be increased by the applicable charge from the Incumbent Local Exchange Carrier to the Company of the Number Portability Arrangement.

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Section 7 - BUSINESS NETWORK SWITCHED SERVICES (Cont'd)

7.2 SERVICE DESCRIPTIONS (Cont'd)

7.2.3 PBX Trunk Service

a. General

PBX trunks are provided for connection of customer-provided PBX terminal equipment. Trunks can be delivered at a DS0 level or at the DS1 level.

DID service allows callers to reach the called party without going through a PBX attendant. DOD service allows end users to dial outside of a PBX system without going through the PBX attendant to get access to an outside line. Digital trunks cannot be two-way trunks, but must be ordered as with either Direct Inward Dialing (DID) or Direct Outward Dialing (DOD).

For DID configured PBX trunks additional charges apply for Direct Inward Dial Station numbers.

Each DS0 level Trunk has the following characteristics:

Terminal Interface: 2-wire or 4-wire, as required for the provision of service

Signaling Type: Loop, Ground, E&M I, II, III

Pulse Type: Dual Tone Multi-Frequency (DTMF) or Dial Pulse (DP)

Directionality: In-Coming Only (DID), Out-Going Only (DOD), or Two-Way

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Section 7 - BUSINESS NETWORK SWITCHED SERVICES (Cont'd)**7.2 SERVICE DESCRIPTIONS (Cont'd)****7.2.3 PBX Trunk Service (Cont'd)****b. Measured Rate PBX Trunks****(1) Description**

Measured Rate DS0 PBX Trunks provide the customer with a single voice grade telephonic communications channel which can be used to place or receive one call at a time. Local calls on two-way trunks and DOD trunks are billed on a measured rate basis. DID trunks are arranged for one-way inward calling only.

(2) Recurring and Nonrecurring Charges

In addition to the nonrecurring charges listed below, service order charges apply as described in Section 3 of this tariff. Charges for each Measured Rate PBX Trunk include a monthly recurring Base Service Charge and usage charges for completed calls originated from the customer's lines based on the duration of calls during the billing period. Local calling areas are as specified in Section 10. Service to customers may require the use of a link (and, or) number portability arrangements from the incumbent Local Exchange Carrier. In such circumstances, the monthly recurring charge to the customer will be the greater of the company's Base Service Line charge set forth below or the charge to the Company by the Incumbent Local Exchange Carrier for the link used to serve the customer. If the customer is served through a Number Portability Arrangement, the monthly charge to the customer will be increased by the applicable charge from the Incumbent Local Exchange Carrier to the Company of the Number Portability Arrangement.

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Section 7 - BUSINESS NETWORK SWITCHED SERVICES (Cont'd)

7.2 SERVICE DESCRIPTIONS (Cont'd)

7.2.3 PBX Trunk Service (Cont'd)

c. Measured Rate Analog PBX Trunks

(1) Recurring and Nonrecurring Charges

Terminal Numbers:

1-20 lines in terminal group

100 lines in terminal group

(2) Measured Usage Charges

Measured Usage Charges for Measured Rate PBX Trunks are the same as those indicated for a basic business line.

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3505 Summerhill Road, #4
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Section 7 - BUSINESS NETWORK SWITCHED SERVICES (Cont'd)**7.2 SERVICE DESCRIPTIONS (Cont'd)****7.2.3 PBX Trunk Service (Cont'd)****d. DS1 PBX Trunk Service****(1) Description**

DS1 PBX Trunk Service provides a customer with connection to the Company switch via a DS1 digital fiber optic transmission facility operating at 1.544 Mbps and time division multiplexed into 24 voice grade telephonic communications channels. Digital PBX Trunks are provided for connection of customer-provided PBX equipment or trunk capable key systems to the Company switch. Each DS1 PBX Trunk has the following characteristics:

Terminal Interface: Channel Bank or DSX-1 panel

Signaling Type: Loop, Ground, E&M I, II, III

Start Dial Indicator: Immediate Wink, Delay Dial, Dial Tone

Pulse Type: Dual Tone Multi-Frequency (DTMF)

Directionality: In-Coming or Out-Going Only, as specified by the customer

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Texarkana, TX 75503

Section 7 - BUSINESS NETWORK SWITCHED SERVICES (Cont'd)**7.2 SERVICE DESCRIPTIONS (Cont'd)****7.2.3 PBX Trunk Service (Cont'd)****d. DS1 PBX Trunk Service (Cont'd)****(2) Recurring and Nonrecurring Charges**

In addition to the nonrecurring charges listed in Section 13 of this tariff, service order charges apply as described in Section 3 of this tariff. Charges for each Measured Rate DS1 PBX Trunk include a monthly recurring Base Service Charge and usage charges for completed calls originated from the customer's lines based on the duration of calls during the billing period. In certain circumstances, service to customers may require the use of private line facilities obtained by the company from the Incumbent Local Exchange Carrier or another underlying provider. In such circumstances, the monthly recurring charges to the customer will be the greater of the Company's Monthly Recurring Charges set forth below or the charge to the Company by the Incumbent Local Exchange Carrier or other underlying provider for the private line facility used to serve the customer. If the customer is served through a Number Portability Arrangement, the monthly charge to the customer will be increased by the applicable charge from the Incumbent Local Exchange Carrier to the Company of the Number Portability Arrangement.

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3505 Summerhill Road, #4
Texarkana, TX 75503

Section 7 - BUSINESS NETWORK SWITCHED SERVICES (Cont'd)**7.2 SERVICE DESCRIPTIONS (Cont'd)****7.2.3 PBX Trunk Service (Cont'd)**

- e. Integrated Services Digital Network-Primary Rate Interface (ISDN-PRI)
Basic Rate Interface (ISDN-BRI)

- 1) Description

ISDN is a single integrated digital telecommunications network architecture which provides for the simultaneous access, transmission and switching of voice data and image services via channelized transport facilities over a set of standard multipurpose user-network interfaces. PRI governs the connectivity between switching equipment (network or customer) and customer equipment and allows voice and data services, simultaneously while supporting circuit-switched and packet-switched connections.

- a. The ISDN-PRI feature supports a 64 kb/s D-channel path between customer digital PBX equipment and the protocol handler in a PSU of the 5ESS(R) switch. This path is made up of a dedicated time slot between channel 24 on a digital facility interface (DFI) and the assigned protocol handler. This feature also provides the administration software for up to 23 B-channels associated with a D-channel in the same T1 facility (1.544 Mb/s for domestic). This interface supports both ISDN PBXs and host computers.

- (i) Features

Call-by-Call Service - Provides the ability for the Dedicated B-channel(s) to be configured to access multiple tariffed services on a per-call basis. The customer premises equipment signals the local central office as to what type of services to access for each call.

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Section 7 - BUSINESS NETWORK SWITCHED SERVICES (Cont'd)

7.2 SERVICE DESCRIPTIONS (Cont'd)

7.2.3 PBX Trunk Service (Cont'd)

e. Integrated Services Digital Network-Primary Rate Interface (ISDN-PRI)/Basic Rate Interface (ISDN-BRI) (Cont'd)

1) Description (Cont'd)

- b. The ISDN-BRI feature supports one 16 kb/s D-channel path between customer digital PBS equipment and the protocol handler in a PSU of the 5ESS(R) switch. This feature also provides the administration software for up to 2 B-channels associated with a D-channel in the same T1 facility (1.544 Mb/s for domestic). This interface supports both ISDN PBXs and host computers.

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Section 7 - BUSINESS NETWORK SWITCHED SERVICES (Cont'd)

7.2 SERVICE DESCRIPTIONS (Cont'd)

7.2.4 Centrex Service

a. Description

Centrex Service is a multi-station system offered to the business customer with 4 or more lines or trunks. It consists of digital switching equipment in the Company's switches connected to station lines on the customer's premises. Centrex Service enables the customer to originate and receive local calls within its system at no additional charge. Local measured usage charges apply to all other local calls. Local calling areas are as specified in Section 12.

Centrex Service is offered on a contracted basis with four terms: 24, 36, 60 and 84 months. Thirty days prior to the expiration of the contract term, the subscriber may cancel service or renew for a new term commitment. If the subscriber does not cancel or renew the service, service will continue on a month to month basis at the monthly rate associated with the twenty-four month term plan.

Each Centrex Station Line has the following characteristics:

Terminal Interface: 2-Wire or 4-Wire as required for the provision of service

Signaling Type: Loop Start

Pulse Type: Dual Tone Multi-Frequency (DTMF)

Directionality: Two-Way, In-Only or Out-Only

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Section 7 - BUSINESS NETWORK SWITCHED SERVICES (Cont'd)

7.2 SERVICE DESCRIPTIONS (Cont'd)

7.2.4 Centrex Service (Cont'd)

b. Features

The Centrex customer is provided with standard features as part of the Centrex line and can purchase optional features at an additional charge.

The following Centrex features are available to the customer of Centrex Service and are included in the Centrex line charge:

STANDARD FEATURES

Three-Way Conference, Consultation, Transfer
Call Forwarding Variable
Call Forwarding Busy Line
Call Forwarding Don't Answer
Permanent Hold
Call Hold
Call Park
Call Pick-up
Call Waiting Terminating
Call Waiting Originating
Speed Calling One Digit
Speed Calling Two Digit

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Section 7 - BUSINESS NETWORK SWITCHED SERVICES (Cont'd)

7.2 SERVICE DESCRIPTIONS (Cont'd)

7.2.4 Centrex Service (Cont'd)

b. Features (Cont'd)

The following Centrex features are available to the customer of Centrex Service at an additional charge:

OPTIONAL FEATURES

Hunt Group Charge

Sequential Hunting
Circular Hunting
Uniform Hunting

Hunting Line Charge

Sequential Hunting
Circular Hunting
Uniform Hunting

Advance Features Line Charge

Voice Messaging
6 Way Conference Per Arrangement

LASS Features Line Charge

Call ID
Block Call ID
Auto Callback
Call Trace
Selective Call Acceptance
Selective Call Forwarding
Selective Call Rejection

LASS Features Usage Charge

Call ID
Block Call ID
Auto Callback
Auto Recall
Call Trace Per Activation
Selective Call Acceptance
Selective Call Forwarding
Selective Call Rejection

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Section 7 - BUSINESS NETWORK SWITCHED SERVICES (Cont'd)

7.2 SERVICE DESCRIPTIONS (Cont'd)

7.2.4 Centrex Service (Cont'd)

c. Recurring and Nonrecurring Charges

In addition to the nonrecurring charges listed in Section 13 of this tariff, service order charges apply as described in Section 3 of this tariff. In certain circumstances, service to customers may require the use of a link (and, or) number portability arrangements provided by the Incumbent Local Exchange Carrier. In such circumstances, the monthly recurring charge to the customer will be the greater of the company's Base Service Line charge set forth below or the charge to the company by the Incumbent Local Exchange Carrier for the link used to serve the customer. If the customer is served through a Number Portability Arrangement, the monthly charge to the customer will be increased by the applicable charge from the Incumbent Local Exchange Carrier to the Company of the Number Portability Arrangement.

d. Digital Centrex-Type Service

Digital Centrex-type is a telephone service provided through *the public switched telephone network* (PSTN) via ISDN *basic rate interface* (BRI) lines. BRI provides a capability of up to three digital channels, two bearer (B) channels and 64 Kbps, and one data (D) channel at 16 Kbps. BRI is also commonly known as 2B+D. The B channels are capable of carrying voice, data, image, or video transmissions. The D Channel is used for out-of-band signaling or data transmission. Digital Centrex-type Service is provided via the *central office* (CO) of the local Telephone Company. An *Individualized dialing plan* (IDP) is offered with digital Centrex-type service that incurs a common equipment charge. An IDP allows for four-digit dialing between Centrex-type stations defined within the same IDP group. Default features are provided through Digital Centrex-type service to the customer such as transfer and 3-way conference calling. Enhanced features are also available for an additional charge. These features are charged on a per feature basis. Digital Centrex-type service provides telephone system capabilities through the CO, eliminating the need for customer premise switching equipment.

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Section 7 - BUSINESS NETWORK SWITCHED SERVICES (Cont'd)**7.2 SERVICE DESCRIPTIONS (Cont'd)****7.2.5 Term Liability/Termination Charges**

Several of the services offered above are available at reduced prices if the Customer agrees at the time the order is placed to continued service for a specified period of time ("term"). If the Customer terminates service prior to the end of the term, in part or in whole, then termination charges may apply. If a customer disconnects service prior to the fulfillment of the term plan contracted, then a termination liability will be due to Company from Customer. The termination liability charge will be the difference between the monthly rate for the highest term period which could have been satisfied prior to service discontinuance and the monthly rate for the selected commitment period multiplied by the actual number of months the plan has been in effect. The monthly rates used for this calculation will be those in effect at the time the service is disconnected.

7.2.6 Integrated Services Digital Network – Basic Rate Interface (ISDN-BRI)

Integrated Services Digital Network (ISDN) is an international standard for dial-up digital transmission over a public telephone network. Its stated purpose is to deliver more bandwidth to the end user than analog by moving the signaling out of band and delivering a host of new services to users. The BRI, also known as 2B+D, consists of two bearer and one data channel. Each bearer channel represents a 64kbps channel and each data channel represents a 16 kbps signaling and control data stream. The B channels carry voice, data, image or videos. The D channel corrects any errors that may occur in the transmission, and makes it possible to carry on a conversation and work on the internet at the same time on the same line. Personal modems and fax machines use ISDN-BRI lines. This service is delivered over a T1 circuit and requires a T1 board.

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3505 Summerhill Road, #4
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INTRALATA TOLL USAGE AND MILEAGE CHARGES

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3505 Summerhill Road, #4
Texarkana, TX 75503

Section 8 - INTRALATA TOLL USAGE AND MILEAGE CHARGES

8.1 GENERAL

8.1.1 Description

IntraLATA toll service is furnished for communication between telephones in different local calling areas within a particular LATA in accordance with the regulations and schedules of charges specified in this tariff. The toll service charges specified in this section are in payment for all service furnished between the calling and called telephone, except as otherwise provided in this Tariff.

IntraLATA toll calling includes the following types of calls: direct dialed, calling card, collect, 3rd number billed, special toll billing, requests to notify of time and charges, person to person calling and other station to station calls.

8.1.2 Classes of Calls

Service is offered as two classes: station to station calling and person to person calling.

- a. Station to Station Service is that service where the person originating the call dials the telephone number desired or gives the Company operator the telephone number of the desired telephone station or system.
- b. Person to Person Service is that service where the person originating the call specifies to the Company operator a particular person to be reached, a particular mobile unit to be reached, or a particular station, department or office to be reached. The call remains a person to person call when, after the telephone, mobile telephone, or PBX system has been reached and while the connection remains established, the person originating the call requests or agrees to talk to any person other than the person specified, or to any other agreed upon alternate.

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Section 8 - INTRALATA TOLL USAGE AND MILEAGE CHARGES (Cont'd)

8.2 TIME PERIODS DEFINED

- 8.2.1 Unless otherwise indicated, all calls are timed in one minute increments and all calls which are fractions of a minute are rounded up to the next whole minute.
- 8.2.2 For station to station calls, call timing begins when a connection is established between the calling telephone and the called telephone station.
- 8.2.3 For person to person calls, call timing begins when connection is established between the calling person and the particular person, station or mobile unit specified or an agreed alternate.
- 8.2.4 Call timing ends when the calling station "hangs up," thereby releasing the network connection. If the called station "hangs up" but the calling station does not, chargeable time ends when the network connection is released either by automatic timing equipment in the telephone network or by the Company operator.
- 8.2.5 Calls originating in one time period as defined in Section 8.3 and terminating in another will be billed the rates in effect at the beginning of each minute.
- 8.2.6 All times refer to local time.

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3505 Summerhill Road, #4
Texarkana, TX 75503

Section 8 - INTRALATA TOLL USAGE AND MILEAGE CHARGES (Cont'd)

8.3 REGULATIONS AND COMPUTATION OF MILEAGE

Calls for which rates are mileage sensitive are rated on the airline distance between the originating rate center and the terminating rate center.

8.3.1 Originating Rate Center

A customer's primary local exchange number includes an NXX code that is associated with a specific rate center. The originating point of all calls charged to that customer's account shall be the location of the customer's rate center.

8.3.2 Terminating Rate Center

The terminating point for all calls shall be the location of the local rate center associated with the called number.

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Section 8 - INTRALATA TOLL USAGE AND MILEAGE CHARGES (Cont'd)**8.3 REGULATIONS AND COMPUTATION OF MILEAGE (Cont'd)****8.3.3 Calculation of Mileage**

Usage charges for all mileage sensitive products are based on the airline distance between serving wire centers associated with the originating and terminating points of the call. The serving wire centers of a call are determined by the area codes and exchanges of the origination and destination points.

The distance between any two rate centers is determined as follows:

Airline mileage, where mileage is the basis for rating calls, is obtained by using the "V" and "H" coordinates assigned to each rate center and contained in NECA FCC Tariff No. 4 or successor tariffs. To determine the airline distance between any two locations, proceed as follows:

- a. Obtain the "V" and "H" coordinates for each location. The "V" coordinate is the first four digits in the "VH" column. The "H" coordinate is the next four digits.
- b. Obtain the difference between the "V" coordinates of each of the locations. Obtain the difference between the "H" coordinates.
- c. Square each difference obtained in step b., above.
- d. Add the square of the "V" difference and the "H" difference obtained in step c., above.
- e. Divide the sum of the square by 10. Round to the next higher whole number if any fraction is obtained.

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Texarkana, TX 75503

Section 8 - INTRALATA TOLL USAGE AND MILEAGE CHARGES (Cont'd)**8.3 REGULATIONS AND COMPUTATION OF MILEAGE (Cont'd)****8.3.3 Calculation of Mileage (Cont'd)**

- f. Obtain the square root of the whole number result obtained above. Round to the next higher whole number if any fraction is obtained. This is the airline mileage.

Formula:

$$\sqrt{\frac{(V1 - V2)^2 + (H1 - H2)^2}{10}}$$

8.4 CALL CHARGES

Rates are based on the duration of the call as measured according to Section 8.2 above, time of day rate period of the call as described in Section 8.3 and the airline mileage between points of the call as described in Section 8.4. In addition, where live or automated operator assistance is required for call completion or billing, a per call service applies.

Charges for all classes of calls may be to the calling station, to the called station when the called party agrees to accept the charges, to an authorized telephone number which is not the called station or the calling station (3rd number billing), or to an authorized calling card.

8.4.1 Usage Charges:

- a. Business Two-Point Message Toll Service

See Rate Schedule in Section 13 of this tariff.

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Section 8 - INTRALATA TOLL USAGE AND MILEAGE CHARGES (Cont'd)

8.4 CALL CHARGES (Cont'd)

8.4.1 Usage Charges: (Cont'd)

b. Residence Two-Point Message Toll Service

See Rate Schedule in Section 13 of this tariff.

8.4.2 Per Call Service Charges

The service charges listed in the Rate Schedule specified in Section 13 of this tariff apply to intraLATA toll calls for which live or automated operator assistance is provided for call completion and/or billing.

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3505 Summerhill Road, #4
Texarkana, TX 75503

SPECIAL SERVICES AND PROGRAMS

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3505 Summerhill Road, #4
Texarkana, TX 75503

Section 9 - SPECIAL SERVICES AND PROGRAMS

9.1 LIFELINE TELEPHONE SERVICE

9.1.1 Basic Lifeline Service

This low price individual message rate service provides a full waiver of the \$3.50 federal subscriber line charge. There is no monthly allowance for local calls. Primary area and home region calls are untimed. Extended area calls (where available) are timed.

9.1.2 Eligibility

This service is restricted to low income residential customers. To qualify for Lifeline service a customer must be income eligible for benefits from any one of the following Entitlement Programs:

- Aid to Families with Dependent Children (AFDC)
- Food Stamps
- Home Energy Assistance Program (HEAP)
- Home Relief
- Medicaid
- Supplemental Security Income (SSI)

The applicant must provide proof to the Company that he or she is certified as income eligible to receive one or more of the above benefits. After initial contact the customer is sent an application form to be completed by the customer or authorized representative of the customer, as designated by the appropriate state agencies and identified as so authorized on the customer's card for any of the above benefits.

In addition, applicants are eligible for discounted Life Line rates when approved to receive either a Veterans Disability Pension or a Veterans Surviving Spouse Pension. Applicants must provide proof to the Company that they are receiving one of these pensions.

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3505 Summerhill Road, #4
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Section 9 - SPECIAL SERVICES AND PROGRAMS (Cont'd)

9.1 LIFELINE TELEPHONE SERVICE (Cont'd)

9.1.2 Eligibility (Cont'd)

Life Line services are effective upon receipt of a completed and signed form or an application form certified from an entity authorized by the Company. If the form is not returned, no further action is taken by the Company to establish eligibility. The Life Line discount is credited as of the service connection date.

An individual's eligibility may be documented by information obtained by the Company as a result of enrollment programs, including but not limited to confidential computerized matching programs, conducted by the Company in conjunction with state agencies.

The Company, in coordination with appropriate agencies, will periodically verify each Lifeline customer's eligibility. If a customer is identified as being ineligible, the customer will be notified that unless the information is shown to be in error, the Lifeline discount will be discontinued. The customer will be billed for discounts received for any period in which he or she is proven to be ineligible for the service.

9.1.3 Charges

A qualified customer may choose one of the Lifeline services as described. For connection of new service, service connection charges apply unless the customer qualifies for connection assistance under the Link Up America plan as outlined in 9.2, following.

Service connection charges do not apply to change existing service from:

- a. Message Rate Service to Basic Lifeline service;
- b. Basic Lifeline service to Message Rate Service.

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3505 Summerhill Road, #4
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Section 9 - SPECIAL SERVICES AND PROGRAMS (Cont'd)

9.2 LINK UP AMERICA

The Link Up America program is a connection assistance plan which provides for the reduction of one-half of the charges associated with connection of telephone service, up to \$30.00, subject to the following eligibility criteria:

- a. The applicant must meet the requirements for qualification for Lifeline Telephone Service stipulated in 9.1.2, above;
- b. The assistance can only apply for a single telephone line at the principal place of residence of the applicant;
- c. The applicant must not be a dependent for federal income tax purposes, unless he or she is more than 60 years old.

9.3 SPECIAL EQUIPMENT FOR THE HEARING OR SPEECH IMPAIRED CUSTOMER

- 9.3.1 The Company will provide, upon request, specialized telecommunications equipment for a customer certified as hearing or speech impaired.
- 9.3.2 A customer can be certified as hearing or speech impaired by a licensed physician, otolaryngologist, speech-language pathologist, audiologist or an authorized representative of a social agency that conducts programs for persons with hearing or speech impairments in cooperation with an official agency of the State of Tennessee.
- 9.3.3 The Company will make every reasonable effort to locate and obtain equipment for a certified customer.
- 9.3.4 The customer may purchase equipment at a price not to exceed the actual purchase price (including any applicable shipping costs) the Company pays.
- 9.3.5 The Company will also advise the customer who requests this equipment of the applicable terms for purchase.

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Section 9 - SPECIAL SERVICES AND PROGRAMS (Cont'd)

9.4 DISCOUNTED SERVICE FOR THE HEARING OR SPEECH IMPAIRED CUSTOMER

9.4.1 A handicapped person who has been certified to the Company as having a hearing or speech impairment which requires that he or she communicate over telephone facilities by means other than voice, and who either use non-voice equipment or make calls through an interpreter, will receive, upon application to the Company, a fifty percent (50%) discount on local message rate service.

9.4.2 Certification

Acceptable certifications are:

1. Those made by a licensed physician, otolaryngologist, speech-language pathologist or audiologist or an authorized representative of a social agency that conducts programs for persons with hearing or speech impairment in cooperation with an official agency of the State of Tennessee, or
2. A pre-existing certification establishing the impairment of hearing or speech such as those which qualify the handicapped person for social security benefits on the basis of total hearing impairment or for the use of facilities of an agency for a person with hearing or speech impairment.

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Section 9 - SPECIAL SERVICES AND PROGRAMS (Cont'd)

9.4 DISCOUNTED SERVICE FOR THE HEARING OR SPEECH IMPAIRED CUSTOMER
(Cont'd)

9.4.3 Qualification

A customer qualifying for the discount is one whose impairment is such that competent authority would certify him or her as being unable to use a telephone for voice communication. See Section 9, "Handicapped Person," for a listing of the necessary qualifications.

9.4.4 Billing

The reduction in charges is applied only at one location, designated by the impaired person.

9.5 UNIVERSAL EMERGENCY TELEPHONE NUMBER SERVICE

9.5.1 General

Universal Emergency Telephone Number Service (911 Service) is an arrangement of Company central office and trunking facilities whereby any telephone user who dials the number 911 will reach the emergency report center for the telephone from which the number is dialed or will be routed to an operator if all lines to an emergency report center are busy. If no emergency report center customer exists for a central office entity, a telephone user who dials the number 911 will be routed to an operator. The telephone user who dials the 911 number will not be charged for the call.

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Section 9 - SPECIAL SERVICES AND PROGRAMS (Cont'd)

9.5 UNIVERSAL EMERGENCY TELEPHONE NUMBER SERVICE

9.5.2 Regulations

- a. This service is furnished to municipalities and other governmental agencies only for the purpose of voice reporting of emergencies by the public. For this service, the municipality or government agency(s) designated by the customer as responsible for the control and staffing of the emergency report center is referred to as the "Agency".
- b. When 911 service replaces an existing emergency number, intercept service shall be the responsibility of the Agency. However, if the Agency is unable to provide this service, the operator will intercept and forward requests for emergency aid for a period of at least one year
- c. 911 service is furnished for incoming calls only.

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3505 Summerhill Road, #4
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Section 9 - SPECIAL SERVICES AND PROGRAMS (Cont'd)**9.5 UNIVERSAL EMERGENCY TELEPHONE NUMBER SERVICE****9.5.3 Conditions of Furnishing Service**

This service is offered solely as an aid in handling assistance calls in connection with fire, police, medical, and other emergencies. The Company is not responsible, in the absence of gross negligence or willful misconduct, for any losses, claims, demands, suits, or any liability, whether suffered, made, instituted, or asserted by the customer or by any other party or person, for any personal injury to or death of any person or persons, and for any loss, damage, or destruction of any property, whether owned by the customer or others, caused or claimed to have been caused by the installation, operation, failure to operate, maintenance, removal, presence, condition, location, or use of such facilities. By dialing 911, the customer agrees to release, indemnify, defend, and hold harmless the Company from any and all loss or claims, whatsoever, whether suffered, made, instituted, or asserted by the destruction of any property, whether owned by the customer or others. Notwithstanding any provision to the contrary, in no event shall the Company be liable for any special, incidental, consequential, exemplary, or punitive damages of any nature whatsoever.

The Company is not responsible for any infringement or invasion of the right of privacy of any person or persons, caused, or claimed to have been caused, directly or indirectly, by the installation, operation, failure to operate, maintenance, removal, presence, condition, occasion or use of the 911 service features and the equipment associated therewith, including, but not limited to, the identification of the telephone number, address or name associated with the telephone used by the party or parties accessing the 911 service.

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Section 9 - SPECIAL SERVICES AND PROGRAMS (Cont'd)

9.6 ENHANCED UNIVERSAL EMERGENCY TELEPHONE NUMBER SERVICE

9.6.1 General

Enhanced Universal Emergency Telephone Number Service (E911 Service) is a Call Delivery Network whereby any telephone user who dials the number 911 will reach a designated Public Safety Answering Point (PSAP). E911 Service is offered in the Company's serving area subject to the availability of stored program control central office facilities, Enhanced 911 software, and ANI equipment. The telephone user who dials the 911 number will not be charged for the call.

9.6.2 Regulations

- a. In addition to the following, the regulations in 9.5.2 apply.
- b. This tariff does not provide for the inspection or constant monitoring of facilities to discover errors, defects, or malfunctions in the service, nor does the company undertake such responsibility. The Agency shall make such operational tests as in their judgment are required to determine whether the system is functioning properly for its use. The Agency shall promptly notify the Company in the event the system is not functioning properly.
- c. E911 information, consisting of the names, addresses, and telephone numbers of all telephone customers, is confidential. The Company will release such information to the Agency periodically for the update of their systems.

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Section 9 - SPECIAL SERVICES AND PROGRAMS (Cont'd)

9.6 ENHANCED UNIVERSAL EMERGENCY TELEPHONE NUMBER SERVICE (Cont'd)

9.6.2 Regulations (Cont'd)

- d. The E911 calling party, by dialing 911, waives the privacy afforded by non-listed and non-published service to the extent that the telephone number ("ANI") and address ("ALI") associated with the originating station location are furnished to the PSAP, on a call by call basis, after an E911 call has been received.
- e. Service boundaries of the Company and political subdivision boundaries may not coincide. In the event that the Agency does not subscribe to Selective Routing, it must make arrangements to handle all 911 calls that originate from telephones served by Central offices in the local service areas (i.e., exchange) whether or not the calling telephone is situated on property within the geographical boundaries of the Agency's public safety jurisdiction.

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Section 9 - SPECIAL SERVICES AND PROGRAMS (Cont'd)**9.6 ENHANCED UNIVERSAL EMERGENCY TELEPHONE NUMBER SERVICE (Cont'd)****9.6.3 Conditions of Furnishing Service**

This service is offered solely as an aid in handling assistance calls in connection with fire, police, medical, and other emergencies. The Company is not responsible, in the absence of gross negligence or willful misconduct, including default routing, for any losses, claims, demands, suits, or any liability, whether suffered, made, instituted, or asserted by the customer or by any other party or person, for any personal injury to or death of any person or persons, and for any loss, damage, or destruction of any property, whether owned by the customer or others, caused or claimed to have been caused by the installation, operation, failure to operate, maintenance, removal, presence, condition, location, or use of such facilities. By dialing 911, the customer agrees to release, indemnify, defend, and hold harmless the Company from any and all loss or claims, whatsoever, whether suffered, made, instituted, or asserted by the destruction of any property, whether owned by the customer or others. Notwithstanding any provision to the contrary, in no event shall the Company be liable for any special, incidental, consequential, exemplary, or punitive damages of any nature whatsoever, including for default routing.

The Company is not responsible for any infringement or invasion of the right of privacy of any person or persons, caused, or claimed to have been caused, directly or indirectly, by the installation, operation, failure to operate, maintenance, removal, presence, condition, occasion or use of the 911 service features and the equipment associated therewith, including, but not limited to, the identification of the telephone number, address or name associated with the telephone used by the party or parties accessing the 911 service.

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Section 9 - SPECIAL SERVICES AND PROGRAMS (Cont'd)

9.7 TENNESSEE RELAY SERVICE

9.7.1 General

The Company will provide access to a telephone relay center for the Tennessee Relay Service. The service permits telephone communications between hearing and/or speech impaired individuals who must use a Telecommunications Device for the Deaf (TDD) or a Teletypewriter (TTY) and individuals with normal hearing and speech. The Relay Service can be reached by dialing an 800 number. Specific 800 numbers have been designated for both impaired and non-impaired customers to use.

9.7.2 Regulations

- a. Only intrastate calls can be completed using the Tennessee Relay Service under the terms and conditions of this tariff.
- b. Charges for calls placed through the Relay Service will be billed as if direct distance dialed (DDD) from the point of origination to the point of termination. The actual routing of the call does not affect billing.
- c. Calls through the Relay Service may be billed to a third number only if that number is within the State of Tennessee. Calls may also be billed to calling cards issued by the Company or other carriers who may choose to participate in this service.

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Section 9 - SPECIAL SERVICES AND PROGRAMS (Cont'd)**9.7 TENNESSEE RELAY SERVICE (Cont'd)****9.7.2 Regulations (Cont'd)**

- d. The following calls may not be placed through the Relay Service:
1. calls to informational recordings and group bridging service;
 2. calls to time or weather recorded messages;
 3. station sent paid calls from coin telephones; and
 4. operator-handled conference service and other teleconference calls.

9.7.3 Liability

The Company contracts with an outside provider for the provision of this service. The outside provider has complete control over the provision of the service except for the facilities provided directly by the Company. In addition to other provisions of this Tariff dealing with liability, in the absence of gross negligence or willful misconduct on the part of the Company, the Company shall not be liable for and the customer, by using the service, agrees to release, defend, and hold harmless for all damages, whether direct, incidental or consequential, whether suffered, made, instituted, or asserted by the customer, or by any other person, for any loss or destruction of any property whatsoever, whether covered by the customer or others, or for any personal injury or death of, any person. Notwithstanding any provision to the contrary, in no event shall the Company be liable for any special, incidental, consequential, exemplary, or punitive damages of any nature whatsoever.

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SPECIAL ARRANGEMENTS

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Section 10 - SPECIAL ARRANGEMENTS

10.1 SPECIAL CONSTRUCTION

10.1.1 Basis for Charges

Basis for Charges where the Company furnishes a facility or service for which a rate or charge is not specified in the Company's tariffs, charges will be based on the costs incurred by the Company (including return) and may include:

- a. nonrecurring charges;
- b. recurring charges;
- c. termination liabilities; or
- d. combinations of a., b., and c.

10.1.2 Basis for Cost Computation

The costs referred to in 10.1.1 preceding may include one or more of the following items to the extent they are applicable:

- a. Costs to install the facilities to be provided including estimated costs for the rearrangements of existing facilities. These costs include:
 - (1) equipment and materials provided or used;
 - (2) engineering, labor, and supervision;
 - (3) transportation; and
 - (4) rights of way and/or any required easements.
- b. Cost of maintenance.
- c. Depreciation on the estimated cost installed of any facilities provided, based on the anticipated useful service life of the facilities with an appropriate allowance for the estimated net salvage.

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Section 10 - SPECIAL ARRANGEMENTS (Cont'd)

10.1 SPECIAL CONSTRUCTION (Cont'd)

10.1.2 Basis for Cost Computation (Cont'd)

- d. Administration, taxes, and uncollectible revenue on the basis of reasonable average cost for these items.
- e. License preparation, processing, and related fees.
- f. Tariff preparation, processing and related fees.
- g. Any other identifiable costs related to the facilities provided; or
- h. An amount for return and contingencies.

10.1.3 Termination Liability

To the extent that there is no other requirement for use by the Company, a termination liability may apply for facilities specially constructed at the request of a customer.

- a. The period on which the termination liability is based is the estimated service life of the facilities provided.
- b. The amount of the maximum termination liability is equal to the estimated amounts (including return) for:

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Section 10 - SPECIAL ARRANGEMENTS (Cont'd)

10.1 SPECIAL CONSTRUCTION (Cont'd)

10.1.3 Termination Liability (Cont'd)

b. (Cont'd)

- (1) Costs to install the facilities to be provided including estimated costs for the rearrangements of existing facilities. These costs include:
 - (a) equipment and materials provided or used;
 - (b) engineering, labor, and supervision;
 - (c) transportation; and
 - (d) rights of way and/or any required easements;
- (2) license preparation, processing, and related fees;
- (3) tariff preparation, processing and related fees;
- (4) cost of removal and restoration, where appropriate; and
- (5) any other identifiable costs related to the specially constructed or rearranged facilities.

- c. The termination liability method for calculating the unpaid balance of a term obligation is obtained by multiplying the sum of the amounts determined as set forth in Section 10.1.3.b. preceding by a factor related to the unexpired period of liability and the discount rate for return and contingencies. The amount determined in Section 10.1.3.b. preceding shall be adjusted to reflect the redetermined estimated net salvage, including any reuse of the facilities provided. This amount shall be adjusted to reflect applicable taxes.

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Section 10 - SPECIAL ARRANGEMENTS (Cont'd)**10.2 NON-ROUTINE INSTALLATION AND/OR MAINTENANCE**

At the customer's request, installation and/or maintenance may be performed outside the Company's regular business hours, or (in the Company's sole discretion and subject to any conditions it may impose) in hazardous locations. In such cases, charges based on the cost of labor, material, and other costs incurred by or charged to the Company will apply. If installation is started during regular business hours but, at the Customer's request, extends beyond regular business hours into time periods including, but not limited to, weekends, holidays, and/or night hours, additional charges may apply.

10.3 INDIVIDUAL CASE BASIS (ICB) ARRANGEMENTS

Rates for ICB arrangements will be developed on a case-by-case basis in response to a bona fide request from a customer or prospective customer for service which vary from tariffed arrangements. Rates quoted in response to such requests may be different for tariffed service than those specified for such service in this Tariff. ICB rates will be offered to customers in writing and will be made available to similarly situated customers. A summary of each ICB contract pricing arrangement offered pursuant to this paragraph will be filed as an addendum to this Tariff within 30 days after the contract is signed by both the Company and the customer. The following information will be included in the summary:

- (1) LATA and type of switch
- (2) The V&H distance from the central office to the customer's premises
- (3) Service description
- (4) Rates and charges
- (5) Quantity of circuits
- (6) Length of the agreement.

10.4 MUTUAL COMPENSATION

Mutual compensation arrangements address the transport and termination of Local Traffic between local exchange providers serving the same local calling area. Such payments compensate a local exchange provider for the costs of terminating local calls placed by one provider's customer to a recipient served by a different local provider. For any carrier for which no interconnection or traffic transfer agreement exists, the mutual compensation rates will be as described in Section 13. The mutual compensation rates set forth in Section 13 are not applicable to Switched Exchange Access Service. All Switched Exchange Access Service and all Toll Traffic shall continue to be governed by the terms and conditions of the applicable federal and state tariffs.

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DIRECTORY

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Section 11 - DIRECTORY

11.1 ALPHABETICAL DIRECTORY

11.1.1 Main Listings

- a. The Company contracts with an outside provider, which may be the Incumbent Local Exchange Carrier, for directory listings. All references to the directory of the Company will mean the directory published by the outside provider.
- b. The term "listing" refers to the information in light face type in the alphabetical directory and the Directory Assistance Records of the Company.
- c. Listings provided without charge are as follows:
 1. One listing for each individual line. Where individual lines are grouped for incoming service, only one listing will be provided for each such group.
 2. One listing for each PBX or interconnecting system.
- d. The name listed in the directory has no bearing on who is responsible for payment of the account associated with the number being listed.

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Section 11 - DIRECTORY (Cont'd)

11.1 ALPHABETICAL DIRECTORY (Cont'd)

11.1.2 Composition of Listings

- a. Listings are limited to information essential to the identification of the listed party.
- b. Addresses
 - 1. Each listing normally includes the number and street name location where the telephone service is furnished. the name of a building may be shown in case of buildings commonly known by name.
 - 2. Upon Customer request, the address may be omitted, a post office box number may be shown, or a partial address (omitting number) may be shown. In directories where locality names are normally part of the address, a partial address consisting of the name of a locality may be shown.
- c. The Customer may request a main listing different from the billing name and address of the service. All such requests will be honored to the extent possible under the terms of the contract described in 11.1.1.a above.

11.1.3 Types of Listings

In addition to the main listing as described above, the following options are available for an additional charge.

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Section 11 - DIRECTORY (Cont'd)

11.1 ALPHABETICAL DIRECTORY (Cont'd)

11.1.3 Types of Listings (Cont'd)

a. Indented Listings

An indented listing is indented under a standard listing or under a caption, and may not include more than a designation, address, and telephone number. A caption consists of a name, and may include a designation, but not a telephone number. An address may be included only if all of the services listed under the caption are located at the same address. When the same designation is appropriate for two or more indented listings, it may be shown as a sub-caption. Indented listings are permissible when a Customer is entitled to two or more listings of the same name with different addresses or different telephone numbers.

b. Duplicate Listings

Any listing may be duplicated in a different directory (where offered) or under a separate geographical heading in the same directory. Such listing may be duplicated in indented form.

c. Reference Listing

A Customer with a listing in a different geographic heading may have an indented listing in reference form ("See . . .") in lieu of a duplicate listing.

d. Cross Reference Listing

A Customer may have a related listing in the same alphabetic group listing when required for identification of the listed party and not designated for advertising purposes.

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Section 11 - DIRECTORY (Cont'd)

11.1 ALPHABETICAL DIRECTORY (Cont'd)

11.1.3 Types of Listings (Cont'd)

e. Alternate Telephone Number Listings

Any listed party who has made arrangements for receiving calls at a different telephone number during an absence or at night may have the alternate numbers listed in the directory. Such listings may be furnished as an indented listing or as a sub-caption.

f. Semi-Private Listing

At the request of the Customer, the telephone number is omitted from the Company's alphabetical directory and designated as a "non listed" telephone number and the telephone number is included in the Directory Assistance records available to the general public. In addition, the telephone number is displayed for 911 and E911 emergency service and provided when a law enforcement agency requests it in writing.

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Section 11 - DIRECTORY (Cont'd)

11.1 ALPHABETICAL DIRECTORY (Cont'd)

11.1.4 Non-Published Service

a. General

The telephone numbers of non-published service are not listed in either the Company's alphabetical directory or Directory Assistance records available to the general public. However, where a government agency subscribes to Universal Emergency Telephone Number Service (911) or Enhanced Universal Emergency Telephone Service (E911), the telephone number, name, and address of a Customer with non-published service will be displayed when the Customer dials 911 and is connected to a Public Safety Answering Point (PSAP) for dispatch of emergency service. In addition, the Company will provide a Customer's non-published number when a law enforcement agency requests it in writing.

b. Regulations

1. Except as otherwise provided in this paragraph, incoming calls to non-published service will be completed only when the calling party places the call by number. In claims of emergencies involving life and death, the operator will call the non-published number and request permission to make an immediate connection to the calling party. If the connection is refused, the calling party will be advised.
2. The acceptance by the Company of the Customer's request to refrain from publishing his or her telephone number in the Directory does not create any relationship or obligation, direct or indirect, to any person other than the Customer.

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Section 11 - DIRECTORY (Cont'd)

11.1 ALPHABETICAL DIRECTORY (Cont'd)

11.1.4 Non-Published Service (Cont'd)

b. Regulations (Cont'd)

3. In the absence of gross negligence or willful misconduct, no liability for damages arising from publishing the telephone number of non-published service in the directory or disclosing said number to any person shall attach to the Company, and where such a number is published in the directory, the Company's liability shall be limited to and satisfied by a refund of any monthly charges which the Company may have made for such non-published service.
4. The Customer indemnifies and saves the Company harmless against any and all claims for damages caused or claimed to have been caused, directly, by the publication of the number of a non-published service or the disclosing of said number to any person.

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Section 11 - DIRECTORY (Cont'd)

11.2 DIRECTORY INFORMATION REQUESTS

Requests for directory information are provided by dialing Directory Assistance. (See Section 5.7.) Information will not be issued by the Company outside of normal directory assistance procedures unless the request is made by an emergency agency. Directory information will only be provided to emergency agencies after a formal request is presented to the Company in writing. The requesting agency must agree to pay for the costs incurred by the Company in providing the information, and must certify that the information will be used only for the purpose of providing its services to the community.

11.3 LIABILITY OF THE COMPANY FOR ERRORS

11.3.1 General

In the absence of gross negligence or willful misconduct, and except for the allowances stated elsewhere in this Tariff, no liability for any damage of any nature whatsoever arising from errors in directory listings or errors in listings obtainable from the Directory Assistance operator, including errors in reporting thereof, shall attach to the Company. A listing is considered in error only when it shows the Customer on the wrong street, or in the wrong community. The Customer must notify the Company of an error.

11.3.2 Allowance for Errors

An allowance for errors in published directory listings or for errors in listings obtainable from the Directory Assistance operator shall be given as follows:

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Section 11 - DIRECTORY (Cont'd)

11.3 LIABILITY OF THE COMPANY FOR ERRORS (Cont'd)

11.3.2 Allowance for Errors (Cont'd)

a. Free Listings

For Free or non-charge published directory listings, credit shall be given at the rate of two times the monthly rate for an additional or charge listing affected, for each month of the life of the directory or the charge period during which the error occurs. The Company may issue the credit in a lump sum if it chooses to do so.

b. Charge Listings

For each additional or charge published directory listing, credit shall be given at the monthly tariff rate for each individual line affected, for each month of the life of the directory or the charge period during which the error occurs.

c. Operator Records

For free or charge listings obtainable from records used by the Directory Assistance operator, upon notification to the Company of the error in such records by the Customer, the Company shall be allowed a period of three business days to make the correction. If the correction is not made in that time for reasons within the control of the Company, credit shall be given at the rate of two-thirtieths (2/30) of the basic monthly rate for the line or lines in question for each day thereafter that the records remain uncorrected.

The total amount of any credit shall not exceed, on a monthly basis, the total of the charges for each listing plus the basic monthly rate for the line(s) in question. No allowance will be provided for errors caused by other carriers or operator service providers.

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SERVICE AREAS

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Section 12 - SERVICE AREAS

12.1 Service Area: Where facilities are available, the service area is defined by the Exchanges listed below.

12.2 Bristol, TN Local Calling Areas

12.2.1 Flat Business Service

Usage Charges

No usage charges applicable.

Local calling area covered in NPA 423

BLOUNTVL, TN	279 323 325 917
BLUFF CITY, TN	538
BRISTOL, TN	274 341 366 534 612 652 764 797 844 878 914 956 968 989 990
CHURCHHILL, TN	357
FALLBRANCH, TN	348
KINGSPORT, TN	224 229 230 245 246 247 288 343 367 378 392 578
MIDWAY, TN	239 306 335 361 416 418 467 502 571
SULLVNGRDN, TN	349

Local calling area covered in NPA 540

BRISTOL, VA 466 469 642 645 669

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Section 12 - SERVICE AREAS (cont'd)

12.2 Bristol, TN Local Calling Areas (cont'd)

12.2.2 Measured Business Service

Usage Charges

Time of Day	Rate	Unit
Day Initial	\$0.0320	60 Seconds
Day Additional	\$0.0160	60 Seconds
Evening Initial	\$0.0128	60 Seconds
Evening Additional	\$0.0064	60 Seconds

Local calling area covered in NPA 423

BLOUNTVL, TN 279 323 325 917
BLUFF CITY, TN 538
BRISTOL, TN 274 341 366 534 612 652 764 797 844 878 914 956 968 989 990
CHURCHHILL, TN 357
FALLBRANCH, TN 348
KINGSPORT, TN 224 229 230 245 246 247 288 343 367 378 392 578
MIDWAY, TN 239 306 335 361 416 418 467 502 571
SULLVNGRDN, TN 349

Local calling area covered in NPA 540

BRISTOL, VA 466 469 642 645 669

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Section 12 - SERVICE AREAS (cont'd)

12.3 Johnson City, TN Local Calling Areas

12.3.1 Flat Business Service

Usage Charges

No usage charges applicable.

Local calling area covered in NPA 423

FALLBRANCH, TN 348
JOHNSON CY, TN 232 233 282 283 410 412 431 433 434 439 461 610 737 747 795
854 915 926 928 929 930 952 953 975 979
JONESBORO, TN 753 913
LIMESTONE, TN 257
MIDWAY, TN 360 477

12.3.2 Measured Business Service

Usage Charges

Time of Day	Rate	Unit
Day Initial	\$0.0320	60 Seconds
Day Additional	\$0.0160	60 Seconds
Evening Initial	\$0.0128	60 Seconds
Evening Additional	\$0.0064	60 Seconds

Local calling area covered in NPA 423

JOHNSON CY, TN 232 233 282 283 410 412 431 433 434 439 461 610 737 747 795
854 915 926 928 929 930 952 953 975 979

Local calling area covered in NPA 423

FALLBRANCH, TN 348
JONESBORO, TN 753 913
LIMESTONE, TN 257
MIDWAY, TN 360 477

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Section 12 - SERVICE AREAS (cont'd)

12.4 Chattanooga, TN Local Calling Areas

12.4.1 Flat Rate Service

Usage Charges

No usage charges applicable.

Local calling area covered in NPA 423

APISON, TN	236
CHARLESTON, TN	206 336
CHATTNOOGA, TN	208 209 221 227 240 242 265 266 267 269 275 280 290 296 298 304 309 314 315 316 320 321 322 326 344 385 387 395 400 413 424 480 485 488 490 493 495 499 510 513 514 517 527 550 605 616 618 619 622 624 629 634 642 645 667 697 698 718 751 752 755 756 757 762 763 778 785 802 814 819 821 822 825 827 842 843 846 847 855 867 870 874 875 876 877 883 886 892 893 894 899 902 903 954 987 991
CLEVELAND, TN	244 284 303 331 339 472 473 476 478 479 559 614
COLLEGEDL, TN	396
DAYTON, TN	285 307 570 775
DECATUR, TN	334
GEORGETOWN, TN	961
JASPER, TN	308 942
OOLTEWAH, TN	238
SO PITTSBG, TN	837
SODDYDAISY, TN	243 332 401 451
SPRINGCITY, TN	365 452
WHITWELL, TN	658

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Section 12 - SERVICE AREAS (cont'd)

12.4 Chattanooga, TN Local Calling Areas (cont'd)

12.4.1 Flat Rate Service (cont'd)

Local calling area covered in NPA 706

CHICKAMUGA, GA 375
HIGH POINT, GA 931
KENSINGTON, GA 539
LA FAYETTE, GA 638 639
NOBLE, GA 764
RINGGOLD, GA 935 937 965
ROSSVILLE, GA 820 858 861 866 891
VILLANOW, GA 397
WEST BROW, GA 398

12.4.2 Message Rate Service

Usage Charges

Rate	Unit
\$0.0800	Per call untimed

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Section 12 - SERVICE AREAS (cont'd)**12.4 Chattanooga, TN Local Calling Areas (cont'd)****12.4.2 Message Rate Service (cont'd)****Local calling area covered in NPA 423**

APISON, TN	236
CHARLESTON, TN	206 336
CHATTNOOGA, TN	208 209 221 227 240 242 265 266 267 269 275 280 290 296 298 304 309 314 315 316 320 321 322 326 344 385 387 395 400 413 424 480 485 488 490 493 495 499 510 513 514 517 527 550 605 616 618 619 622 624 629 634 642 645 667 697 698 718 751 752 755 756 757 762 763 778 785 802 814 819 821 822 825 827 842 843 846 847 855 867 870 874 875 876 877 883 886 892 893 894 899 902 903 954 987 991
CLEVELAND, TN	244 284 303 331 339 472 473 476 478 479 559 614
COLLEGEDL, TN	396
DAYTON, TN	285 307 570 775
DECATUR, TN	334
GEORGETOWN, TN	961
JASPER, TN	308 942
OOLTEWAH, TN	238
SO PITTSBG, TN	837
SODDYDAISY, TN	243 332 401 451
SPRINGCITY, TN	365 452
WHITWELL, TN	658

Local calling area covered in NPA 706

CHICKAMUGA, GA	375
HIGH POINT, GA	931
KENSINGTON, GA	539
LA FAYETTE, GA	638 639
NOBLE, GA	764
RINGGOLD, GA	935 937 965
ROSSVILLE, GA	820 858 861 866 891
VILLANOW, GA	397
WEST BROW, GA	398

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Section 12 - SERVICE AREAS (cont'd)

12.4 Chattanooga, TN Local Calling Areas (cont'd)

12.4.3 Measured Rate Service

Usage Charges

Time of Day	Rate	Unit
Day Initial	\$0.0320	60 Seconds
Day Additional	\$0.0160	60 Seconds
Evening Initial	\$0.0208	60 Seconds
Evening Additional	\$0.0104	60 Seconds
Night Initial	\$0.0128	60 Seconds
Night Additional	\$0.0064	60 Seconds

Local calling area covered in NPA 423

APISON, TN 236
 CHARLESTON, TN 206 336
 CHATTNOOGA, TN 208 209 221 227 240 242 265 266 267 269 275 280 290 296 298
 304 309 314 315 316 320 321 322 326 344 385 387 395 400 413
 424 480 485 488 490 493 495 499 510 513 514 517 527 550 605
 616 618 619 622 624 629 634 642 645 667 697 698 718 751 752
 755 756 757 762 763 778 785 802 814 819 821 822 825 827 842
 843 846 847 855 867 870 874 875 876 877 883 886 892 893 894
 899 902 903 954 987 991
 CLEVELAND, TN 244 284 303 331 339 472 473 476 478 479 559 614
 COLLEGEDL, TN 396
 DAYTON, TN 285 307 570 775
 DECATUR, TN 334
 GEORGETOWN, TN 961
 JASPER, TN 308 942
 OOLTEWAH, TN 238
 SO PITTSBG, TN 837
 SODDYDAISY, TN 243 332 401 451
 SPRINGCITY, TN 365 452
 WHITWELL, TN 658

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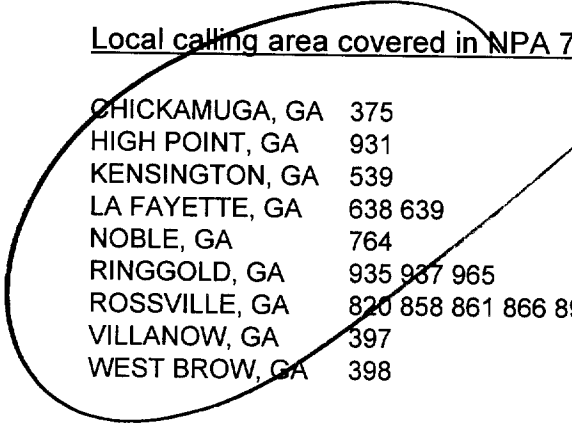
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Section 12 - SERVICE AREAS (cont'd)

12.4 Chattanooga, TN Local Calling Areas (cont'd)

12.4.3 Measured Rate Service (cont'd)

Local calling area covered in NPA 706

CHICKAMUGA, GA	375
HIGH POINT, GA	931
KENSINGTON, GA	539
LA FAYETTE, GA	638 639
NOBLE, GA	764
RINGGOLD, GA	935 937 965
ROSSVILLE, GA	820 858 861 866 891
VILLANOW, GA	397
WEST BROW, GA	398

12.5 Knoxville, TN Local Calling Areas (cont'd)

12.5.3 Flat Rate Service

Usage Charges

No usage charges applicable.

Local calling area covered in NPA 423

BEAN STA, TN	355 993
BENT CREEK, TN	217 383 529
CHESTNUTHL, TN	443 509 548
CLAXTON, TN	299 945
CLINTON, TN	259 399 457 463
CONCORD, TN	218 254 445 643 654 671 675 777 966
DANDRIDGE, TN	347 397
GATLINBURG, TN	277 370 430 436
GREENBACK, TN	390 856
HALLSCRSRD, TN	444 922 925
HARRIMAN, TN	260 441 590 882
JEFFERSNCY, TN	262 449 471 475

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Section 12 - SERVICE AREAS (cont'd)

12.5 Knoxville, TN Local Calling Areas (cont'd)

12.5.3 Flat Rate Service (cont'd)

Local calling area covered in NPA 423 (cont'd)

KINGSTON, TN	270 376 459 717
KNOXVILLE, TN	207 212 215 216 219 226 228 250 251 255 258 281 289 291 292
	293 297 300 301 310 329 330 342 356 358 359 374 382 389 403
	414 417 450 470 515 516 521 522 523 524 525 531 539 540 541
	544 545 546 549 558 564 565 567 573 577 579 583 584 588 594
	595 599 602 603 609 617 631 632 633 637 640 656 659 660 661
	670 673 679 680 686 687 688 689 690 691 692 693 694 696 701
	705 719 769 803 804 805 806 809 810 818 824 850 873 904 905
	906 909 916 918 919 924 946 970 971 974 985 996
LAKE CITY, TN	372 426 456
LENOIRCITY, TN	271 460 986 988
LOUDON, TN	408 458 464
MARYVILLE, TN	273 379 380 448 518 681 977 980 981 982 983 984 995
MASCOT, TN	528 703 932 933
MAYNARDVL, TN	707 992
NORRIS, TN	494 853
OAK RIDGE, TN	220 241 276 294 425 481 482 483 535 574 576
OLIVERSPGS, TN	435 859
POWELL, TN	362 468 938 947
ROCKWOOD, TN	354 489
RUTLEDGE, TN	498 828
SEVIERVL, TN	286 428 429 437 453 774 908
SHARPSCHPL, TN	278 438
SOLWAY, TN	287 831 927
TATE SPGS, TN	767 836
WASHBURN, TN	497 841
WHITE PINE, TN	674 848

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Section 12 - SERVICE AREAS (cont'd)

12.5 Knoxville, TN Local Calling Areas (cont'd)

12.5.2 Message Rate Service

Usage Charges

Rate	Unit
\$0.0800	Per call untimed

Local calling area covered in NPA 423

BEAN STA, TN	355 993
BENT CREEK, TN	217 383 529
CHESTNUTHL, TN	443 509 548
CLAXTON, TN	299 945
CLINTON, TN	259 399 457 463
CONCORD, TN	218 254 445 643 654 671 675 777 966
DANDRIDGE, TN	347 397
GATLINBURG, TN	277 370 430 436
GREENBACK, TN	390 856
HALLSCRSRD, TN	444 922 925
HARRIMAN, TN	260 441 590 882
JEFFERSNCY, TN	262 449 471 475
KINGSTON, TN	270 376 459 717
KNOXVILLE, TN	207 212 215 216 219 226 228 250 251 255 258 281 289 291 292 293 297 300 301 310 329 330 342 356 358 359 374 382 389 403 414 417 450 470 515 516 521 522 523 524 525 531 539 540 541 544 545 546 549 558 564 565 567 573 577 579 583 584 588 594 595 599 602 603 609 617 631 632 633 637 640 656 659 660 661 670 673 679 680 686 687 688 689 690 691 692 693 694 696 701 705 719 769 803 804 805 806 809 810 818 824 850 873 904 905 906 909 916 918 919 924 946 970 971 974 985 996
LAKE CITY, TN	372 426 456
LENOIRCITY, TN	271 460 986 988
LOUDON, TN	408 458 464
MARYVILLE, TN	273 379 380 448 518 681 977 980 981 982 983 984 995
MASCOT, TN	528 703 932 933

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Section 12 - SERVICE AREAS (cont'd)**12.5 Knoxville, TN Local Calling Areas (cont'd)****12.5.2 Message Rate Service (cont'd)****Local calling area covered in NPA 423**

MAYNARDVL, TN	707 992
NORRIS, TN	494 853
OAK RIDGE, TN	220 241 276 294 425 481 482 483 535 574 576
OLIVERSPGS, TN	435 859
POWELL, TN	362 468 938 947
ROCKWOOD, TN	354 489
RUTLEDGE, TN	498 828
SEVIERVL, TN	286 428 429 437 453 774 908
SHARPSCHPL, TN	278 438
SOLWAY, TN	287 831 927
TATE SPGS, TN	767 836
WASHBURN, TN	497 841
WHITE PINE, TN	674 848

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Section 12 - SERVICE AREAS (cont'd)

12.5 Knoxville, TN Local Calling Areas (cont'd)

12.5.3 RegionServ Rate Service

Usage Charges

Listed separately for each area called in NPA 423.

Local calling area covered in NPA 423

KNOXVILLE, TN 207 212 215 216 219 226 228 250 251 255 258 281 289 291 292
 293 297 300 301 310 329 330 342 356 358 359 374 382 389 403
 414 417 450 470 515 516 521 522 523 524 525 531 539 540 541
 544 545 546 549 558 564 565 567 573 577 579 583 584 588 594
 595 599 602 603 609 617 631 632 633 637 640 656 659 660 661
 670 673 679 680 686 687 688 689 690 691 692 693 694 696 701
 705 719 769 803 804 805 806 809 810 818 824 850 873 904 905
 906 909 916 918 919 924 946 970 971 974 985 996

Usage Charges

Time of Day	Rate	Unit
Day Initial	\$0.0160	60 Seconds
Day Additional	\$0.0160	60 Seconds
Evening Initial	\$0.0080	60 Seconds
Evening Additional	\$0.0080	60 Seconds

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Section 12 - SERVICE AREAS (cont'd)

12.5 Knoxville, TN Local Calling Areas (cont'd)

12.5.3 RegionServ Rate Service (cont'd)

Local calling area covered in NPA 423

BEAN STA, TN	355 993
CLAXTON, TN	299 945
CLINTON, TN	259 399 457 463
CONCORD, TN	218 254 445 643 654 671 675 777 966
DANDRIDGE, TN	347 397
GATLINBURG, TN	277 370 430 436
GREENBACK, TN	390 856
HALLSCRSRD, TN	444 922 925
HARRIMAN, TN	260 441 590 882
JEFFERSNCY, TN	262 449 471 475
KINGSTON, TN	270 376 459 717
LAKE CITY, TN	372 426 456
LENOIRCITY, TN	271 460 986 988
LOUDON, TN	408 458 464
MARYVILLE, TN	273 379 380 448 518 681 977 980 981 982 983 984 995
MASCOT, TN	528 703 932 933
MAYNARDVL, TN	707 992
NORRIS, TN	494 853
OAK RIDGE, TN	220 241 276 294 425 481 482 483 535 574 576
OLIVERSPGS, TN	435 859
POWELL, TN	362 468 938 947
ROCKWOOD, TN	354 489
SEVIERVL, TN	286 428 429 437 453 774 908
SOLWAY, TN	287 831 927

Usage Charges

Time of Day	Rate	Unit
Day Initial	\$0.0160	60 Seconds
Day Additional	\$0.0160	60 Seconds
Evening Initial	\$0.0080	60 Seconds
Evening Additional	\$0.0080	60 Seconds

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Section 12 - SERVICE AREAS (cont'd)

12.5 Knoxville, TN Local Calling Areas (cont'd)

12.5.3 RegionServ Rate Service (cont'd)

Local calling area covered in NPA 423

SHARPSCHPL, TN 278 438
TATE SPGS, TN 767 836
WASHBURN, TN 497 841
WHITE PINE, TN 674 848

Usage Charges

Time of Day	Rate	Unit
Day Initial	\$0.0400	60 Seconds
Day Additional	\$0.0400	60 Seconds
Evening Initial	\$0.0200	60 Seconds
Evening Additional	\$0.0200	60 Seconds

Local calling area covered in NPA 423

RUTLEDGE, TN 498 828

Usage Charges

Time of Day	Rate	Unit
Day Initial	\$0.0800	60 Seconds
Day Additional	\$0.0800	60 Seconds
Evening Initial	\$0.0400	60 Seconds
Evening Additional	\$0.0400	60 Seconds

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Section 12 - SERVICE AREAS (cont'd)

12.5 Knoxville, TN Local Calling Areas (cont'd)

12.5.3 RegionServ Rate Service (cont'd)

Local calling area covered in NPA 423

BENT CREEK, TN 217 383 529
CHESTNUTHL, TN 443 509 548

Usage Charges

Time of Day	Rate	Unit
Day Initial	\$0.0800	60 Seconds
Day Additional	\$0.0800	60 Seconds
Evening Initial	\$0.0400	60 Seconds
Evening Additional	\$0.0400	60 Seconds

12.6 Memphis, TN Local Calling Areas

12.6.1 Flat Rate Service

Usage Charges

No usage charges applicable.

Local calling area covered in NPA 601

MEMPHIS, MS 280 342 349 393 781 912
MTPLEASANT, MS 851

Local calling area covered in NPA 870

MARION, AR 739
W MEMPHIS, AR 244 702 732 733 735

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Section 12 - SERVICE AREAS (cont'd)

12.6 Memphis, TN Local Calling Areas

12.6.1 Flat Rate Service

Local calling area covered in NPA 901

ARLINGTON, TN	317 867
COLLIERVL, TN	263 316 850 853 854 861
COVINGTON, TN	313 475 476
DRUMMONDS, TN	478 835
LA GRANGE, TN	314 878
MASON, TN	294 594
MEMPHIS, TN	206 207 208 214 215 216 223 224 226 227 229 230 233 237 241 242 244 245 246 248 251 252 255 256 257 258 259 260 261 262 266 268 269 271 272 273 274 276 277 278 291 301 307 309 312 320 321 322 323 324 325 327 329 330 332 333 335 336 337 340 344 345 346 348 353 354 355 356 357 358 360 362 363 365 366 367 368 369 370 371 372 373 374 375 377 378 379 380 381 382 383 384 385 386 387 388 391 392 395 396 397 398 399 412 413 418 428 432 433 434 441 442 447 448 452 454 458 462 481 482 483 484 485 486 487 488 489 490 491 493 494 495 496 497 521 522 523 524 525 526 527 528 529 531 532 533 534 535 537 539 541 542 543 544 545 546 547 550 552 561 565 566 568 569 570 571 572 573 574 575 576 577 578 579 580 581 583 597 603 604 605 606 624 637 638 639 640 654 678 680 681 682 683 684 685 703 721 722 725 726 728 729 734 737 743 744 745 746 747 748 751 752 753 754 755 756 757 758 759 761 762 763 765 766 767 769 771 773 774 775 777 785 786 788 789 790 794 795 797 818 820 821 825 826 827 828 831 832 833 834 842 843 844 866 869 888 921 922 937 942 946 947 948 954 976
MILLINGTON, TN	461 872 873 874
MOSCOW, TN	319 877
MUNFORD, TN	436 837
ROSEMARK, TN	341 829
SHELBY FOR, TN	338 876
SOMERVILLE, TN	315 465 466
W WHITEVL, TN	231 318

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Section 12 - SERVICE AREAS (cont'd)

12.6 Memphis, TN Local Calling Areas (cont'd)

12.6.2 Message Rate Service

Usage Charges

Time of Day	Rate	Unit
Day Rates	\$0.0800	Per call untimed

Local calling area covered in NPA 661

MEMPHIS, MS 280 342 349 393 781 912
MTPLEASANT, MS 851

Local calling area covered in NPA 870

MARION, AR 739
W MEMPHIS, AR 244 702 732 733 738

Local calling area covered in NPA 901

ARLINGTON, TN 317 867
COLLIERVL, TN 263 316 850 853 854 861
COVINGTON, TN 313 475 476
DRUMMONDS, TN 478 835
LA GRANGE, TN 314 878
MASON, TN 294 594

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Section 12 - SERVICE AREAS (cont'd)

12.6 Memphis, TN Local Calling Areas (cont'd)

12.6.2 Message Rate Service (cont'd)

Local calling area covered in NPA 901 (cont'd)

MEMPHIS, TN	206 207 208 214 215 216 223 224 226 227 229 230 233 237 241
	242 244 245 246 248 251 252 255 256 257 258 259 260 261 262
	266 268 269 271 272 273 274 276 277 278 291 301 307 309 312
	320 321 322 323 324 325 327 329 330 332 333 335 336 337 340
	344 345 346 348 353 354 355 356 357 358 360 362 363 365 366
	367 368 369 370 371 372 373 374 375 377 378 379 380 381 382
	383 384 385 386 387 388 391 392 395 396 397 398 399 412 413
	418 428 432 433 434 441 442 447 448 452 454 458 462 481 482
	483 484 485 486 487 488 489 490 491 493 494 495 496 497 521
	522 523 524 525 526 527 528 529 531 532 533 534 535 537 539
	541 542 543 544 545 546 547 550 552 561 565 566 568 569 570
	571 572 573 574 575 576 577 578 579 580 581 583 597 603 604
	605 606 624 637 638 639 640 654 678 680 681 682 683 684 685
	703 721 722 725 726 728 729 734 737 743 744 745 746 747 748
	751 752 753 754 755 756 757 758 759 761 762 763 765 766 767
	769 771 773 774 775 777 785 786 788 789 790 794 795 797 818
	820 821 825 826 827 828 831 832 833 834 842 843 844 866 869
	888 921 922 937 942 946 947 948 954 976
MILLINGTON, TN	461 872 873 874
MOSCOW, TN	319 877
MUNFORD, TN	436 837
ROSEMARK, TN	341 829
SHELBY FOR, TN	338 876
SOMERVILLE, TN	315 465 466
W WHITEVL, TN	231 318

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Section 12 - SERVICE AREAS (cont'd)**12.6 Memphis, TN Local Calling Areas (cont'd)****12.6.3 Measured Rate Service****Usage Charges**

Time of Day	Rate	Unit
Day Initial	\$0.0320	60 Seconds
Day Additional	\$0.0160	60 Seconds
Evening Initial	\$0.0208	60 Seconds
Evening Additional	\$0.0104	60 Seconds
Night Initial	\$0.0128	60 Seconds
Night Additional	\$0.0064	60 Seconds

Local calling area covered in NPA 601

MEMPHIS, MS 280 342 349 393 781 912
MTPLEASANT, MS 851

Local calling area covered in NPA 870

MARION, AR 739
W MEMPHIS, AR 244 702 732 733 735

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Section 12 - SERVICE AREAS (cont'd)

12.6 Memphis, TN Local Calling Areas (cont'd)

12.6.3 Measured Rate Service (cont'd)

Local calling area covered in NPA 901

ARLINGTON, TN	317 867
COLLIERVL, TN	263 316 850 853 854 861
COVINGTON, TN	313 475 476
DRUMMONDS, TN	478 835
LA GRANGE, TN	314 878
MASON, TN	294 594
MEMPHIS, TN	206 207 208 214 215 216 223 224 226 227 229 230 233 237241
	242 244 245 246 248 251 252 255 256 257 258 259 260261 262
	266 268 269 271 272 273 274 276 277 278 291 301307 309 312
	320 321 322 323 324 325 327 329 330 332 333335 336 337 340
	344 345 346 348 353 354 355 356 357 358360 362 363 365 366
	367 368 369 370 371 372 373 374 375377 378 379 380 381 382
	383 384 385 386 387 388 391 392395 396 397 398 399 412 413
	418 428 432 433 434 441 442447 448 452 454 458 462 481 482
	483 484 485 486 487 488489 490 491 493 494 495 496 497 521
	522 523 524 525 526527 528 529 531 532 533 534 535 537 539
	541 542 543 544545 546 547 550 552 561 565 566 568 569 570
	571 572 573 574 575 576 577 578 579 580 581 583 597 603 604
	605 606 624 637 638 639 640 654 678 680 681 682 683 684 685
	703 721 722 725 726 728 729 734 737 743 744 745 746 747 748
	751 752 753 754 755 756 757 758 759 761 762 763 765 766 767
	769 771 773 774 775 777 785 786 788 789 790 794 795 797 818
	820 821 825 826 827 828 831 832 833 834 842 843 844 866 869
	888 921 922 937 942 946 947 948 954 976
MILLINGTON, TN	461 872 873 874
MOSCOW, TN	319 877
MUNFORD, TN	436 837
ROSEMARK, TN	341 829
SHELBY FOR, TN	338 876
SOMERVILLE, TN	315 465 466
W WHITEVL, TN	231 318

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Section 12 - SERVICE AREAS (cont'd)

12.6 Memphis, TN Local Calling Areas (cont'd)

12.6.4 Extended Local Calling for Flat Rate Service

Usage Charges

Listed separately for each NPA.

Local calling area covered in NPA 601

MEMPHIS, MS 280 342 349 393 781 912
MTPLEASANT, MS 851

Usage Charge

No usage charges applicable

Local calling area covered in NPA 870

MARION, AR 739
W MEMPHIS, AR 244 702 732 733 735

Usage Charge

No usage charges applicable

Local calling area covered in NPA 901

ARLINGTON, TN 317 867
COLLIERVL, TN 263 316 850 853 854 861
COVINGTON, TN 313 475 476
DRUMMONDS, TN 478 835
LA GRANGE, TN 314 878
MASON, TN 294 594

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Section 12 - SERVICE AREAS (cont'd)

12.6 Memphis, TN Local Calling Areas (cont'd)

12.6.4 Extended Local Calling for Flat Rate Service (cont'd)

Local calling area covered in NPA 901 (cont'd)

MEMPHIS, TN	206 207 208 214 215 216 223 224 226 227 229 230 233 237 241 242 244 245 246 248 251 252 255 256 257 258 259 260 261 262 266 268 269 271 272 273 274 276 277 278 291 301 307 309 312 320 321 322 323 324 325 327 329 330 332 333 335 336 337 340 344 345 346 348 353 354 355 356 357 358 360 362 363 365 366 367 368 369 370 371 372 373 374 375 377 378 379 380 381 382 383 384 385 386 387 388 391 392 395 396 397 398 399 412 413 418 428 432 433 434 441 442 447 448 452 454 458 462 481 482 483 484 485 486 487 488 489 490 491 493 494 495 496 497 521 522 523 524 525 526 527 528 529 531 532 533 534 535 537 539 541 542 543 544 545 546 547 550 552 561 565 566 568 569 570 571 572 573 574 575 576 577 578 579 580 581 583 597 603 604 605 606 624 637 638 639 640 654 678 680 681 682 683 684 685 703 721 722 725 726 728 729 734 737 743 744 745 746 747 748 751 752 753 754 755 756 757 758 759 761 762 763 765 766 767 769 771 773 774 775 777 785 786 788 789 790 794 795 797 818 820 821 825 826 827 828 831 832 833 834 842 843 844 866 869 888 921 922 937 942 946 947 948 954 976
MILLINGTON, TN	461 872 873 874
MOSCOW, TN	319 877
MUNFORD, TN	436 837
ROSEMARK, TN	341 829
SHELBY FOR, TN	338 876
SOMERVILLE, TN	315 465 466
W WHITEVL, TN	231 318

Usage Charge

No usage charges applicable

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Section 12 - SERVICE AREAS (cont'd)

12.6 Memphis, TN Local Calling Areas (cont'd)

12.6.4 Extended Local Calling for Flat Rate Service (cont'd)

Local calling area covered in NPA 601

BYHALIA, MS 838
HERNANDO, MS 429 449
OLIVE BRCH, MS 812 890 893 895

Usage Charges

Time of Day	Rate	Unit
Day Initial	\$0.0560	60 Seconds
Day Additional	\$0.0400	60 Seconds

12.6.5 Extended Local Calling for Message Rate Service

Usage ChargesLocal calling area covered in NPA 601

MEMPHIS, MS 280 342 349 393 781 912
MTPLEASANT, MS 851

Usage Charges

Time of Day	Rate	Unit
Day Initial	\$0.0800	60 Seconds

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Section 12 - SERVICE AREAS (cont'd)

12.6 Memphis, TN Local Calling Areas (cont'd)

12.6.5 Extended Local Calling for Message Rate Service (cont'd)

Local calling area covered in NPA 870

MARION, AR 739
W MEMPHIS, AR 244 702 732 733 735

Usage Charges

Time of Day	Rate	Unit
Day Initial	\$0.0800	60 Seconds

Local calling area covered in NPA 901

ARLINGTON, TN 317 867
COLLIERVILLE, TN 263 316 850 853 854 861
COVINGTON, TN 313 475 476
DRUMMONDS, TN 478 835
LA GRANGE, TN 314 878
MASON, TN 294 594
MEMPHIS, TN 206 207 208 214 215 216 223 224 226 227 229 230 233 237 241
242 244 245 246 248 251 252 255 256 257 258 259 260 261 262
266 268 269 271 272 273 274 276 277 278 291 301 307 309 312
320 321 322 323 324 325 327 329 330 332 333 335 336 337 340
344 345 346 348 353 354 355 356 357 358 360 362 363 365 366
367 368 369 370 371 372 373 374 375 377 378 379 380 381 382
383 384 385 386 387 388 391 392 395 396 397 398 399 412 413
418 428 432 433 434 441 442 447 448 452 454 458 462 481 482
483 484 485 486 487 488 489 490 491 493 494 495 496 497 521
522 523 524 525 526 527 528 529 531 532 533 534 535 537 539
541 542 543 544 545 546 547 550 552 561 565 566 568 569 570
571 572 573 574 575 576 577 578 579 580 581 583 597 603 604
605 606 624 637 638 639 640 654 678 680 681 682 683 684 685
703 721 722 725 726 728 729 734 737 743 744 745 746 747 748
751 752 753 754 755 756 757 758 759 761 762 763 765 766 767
769 771 773 774 775 777 785 786 788 789 790 794 795 797 818
820 821 825 826 827 828 831 832 833 834 842 843 844 866 869
888 921 922 937 942 946 947 948 954 976

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Section 12 - SERVICE AREAS (cont'd)

12.6 Memphis, TN Local Calling Areas (cont'd)

12.6.5 Extended Local Calling for Message Rate Service (cont'd)

Local calling area covered in NPA 901 (cont'd)

MILLINGTON, TN 461 872 873 874
MOSCOW, TN 319 877
MUNFORD, TN 436 837
ROSEMARK, TN 341 829
SHELBY FOR, TN 338 876
SOMERVILLE, TN 315 465 466
W WHITEVL, TN 231 318

Usage Charges

Time of Day	Rate	Unit
Day Initial	\$0.0800	60 Seconds

Local calling area covered in NPA 601

BYHALIA, MS 838
HERNANDO, MS 429 449
OLIVE BRCH, MS 812 890 893-895

Usage Charges

Time of Day	Rate	Unit
Day Initial	\$0.0560	60 Seconds
Day Additional	\$0.0400	60 Seconds

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Section 12 - SERVICE AREAS (cont'd)

12.7 Time of Day Tables

Bristol - Flat Rate Local Time of Day TableWeekday Rate

12:00 AM to 7:00 AM	Night Rates
7:00 AM to 4:00 PM	Evening Rates
4:00 PM to 12:00 PM	Day Rates

Saturday Rate

12:00 AM to 7:00 AM	Night Rates
7:00 AM to 4:00 PM	Evening Rates
4:00 PM to 12:00 PM	Day Rates

Sunday Rate

12:00 AM to 7:00 AM	Night Rates
7:00 AM to 4:00 PM	Evening Rates
4:00 PM to 12:00 PM	Day Rates

Holiday Weekday Rate

12:00 AM to 7:00 AM	Night Rates
7:00 AM to 4:00 PM	Evening Rates
4:00 PM to 12:00 PM	Day Rates

Holiday Saturday Rate

12:00 AM to 7:00 AM	Night Rates
7:00 AM to 4:00 PM	Evening Rates
4:00 PM to 12:00 PM	Day Rates

Holiday Sunday Rate

12:00 AM to 7:00 AM	Night Rates
7:00 AM to 4:00 PM	Evening Rates
4:00 PM to 12:00 PM	Day Rates

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Section 12 - SERVICE AREAS (cont'd)

12.7 Time of Day Tables (cont'd)

Bristol - Measured Time of Day TableWeekday Rate

12:00 AM to 9:00 AM	Evening Rates
9:00 AM to 9:00 PM	Day Rates
9:00 PM to 12:00 PM	Evening Rates

Saturday Rate

12:00 AM to 12:00 PM	Evening Rates

Sunday Rate

12:00 AM to 12:00 PM	Evening Rates

Holiday Weekday Rate

12:00 AM to 12:00 PM	Evening Rates

Holiday Saturday Rate

12:00 AM to 12:00 PM	Evening Rates

Holiday Sunday Rate

12:00 AM to 12:00 PM	Evening Rates

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Section 12 - SERVICE AREAS (cont'd)

12.7 Time of Day Tables (cont'd)

Johnson City - Flat Time of Day TableWeekday Rate

12:00 AM to 8:00 AM Evening Rates

8:00 AM to 11:00 PM Day Rates

11:00 PM to 12:00 PM Evening Rates

Saturday Rate

12:00 AM to 12:00 PM Evening Rates

Sunday Rate

12:00 AM to 12:00 PM Evening Rates

Holiday Weekday Rate

12:00 AM to 12:00 PM Evening Rates

Holiday Saturday Rate

12:00 AM to 12:00 PM Evening Rates

Holiday Sunday Rate

12:00 AM to 12:00 PM Evening Rates

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Section 12 - SERVICE AREAS (cont'd)

12.7 Time of Day Tables (cont'd)

Johnson City – Measured Time of Day TableWeekday Rate

12:00 AM to 9:00 AM Evening Rates

9:00 AM to 9:00 PM Day Rates

9:00 PM to 12:00 PM Evening Rates

Saturday Rate

12:00 AM to 12:00 PM Evening Rates

Sunday Rate

12:00 AM to 12:00 PM Evening Rates

Holiday Weekday Rate

12:00 AM to 12:00 PM Evening Rates

Holiday Saturday Rate

12:00 AM to 12:00 PM Evening Rates

Holiday Sunday Rate

12:00 AM to 12:00 PM Evening Rates

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Section 12 - SERVICE AREAS (cont'd)

12.7 Time of Day Tables (cont'd)

Chattanooga – Flat Time of Day TableWeekday Rate

12:00 AM to 8:00 AM	Evening Rates
8:00 AM to 11:00 PM	Day Rates
11:00 PM to 12:00 PM	Evening Rates

Saturday Rate

12:00 AM to 12:00 PM	Evening Rates

Sunday Rate

12:00 AM to 12:00 PM	Evening Rates

Holiday Weekday Rate

12:00 AM to 12:00 PM	Evening Rates

Holiday Saturday Rate

12:00 AM to 12:00 PM	Evening Rates

Holiday Sunday Rate

12:00 AM to 12:00 PM	Evening Rates

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Section 12 - SERVICE AREAS (cont'd)

12.7 Time of Day Tables (cont'd)

Chattanooga – Message Time of Day TableWeekday Rate

12:00 AM to 8:00 AM	Night Rates
8:00 AM to 6:00 PM	Day Rates
6:00 PM to 12:00 PM	Evening Rates

Saturday Rate

12:00 AM to 8:00 AM	Night Rates
8:00 AM to 6:00 PM	Weekend Rates
6:00 PM to 12:00 PM	Evening Rates

Sunday Rate

12:00 AM to 8:00 AM	Night Rates
8:00 AM to 12:00 PM	Evening Rates

Holiday Weekday Rate

12:00 AM to 8:00 AM	Night Rates
8:00 AM to 12:00 PM	Evening Rates

Holiday Saturday Rate

12:00 AM to 8:00 AM	Night Rates
8:00 AM to 12:00 PM	Evening Rates

Holiday Sunday Rate

12:00 AM to 8:00 AM	Night Rates
8:00 AM to 12:00 PM	Evening Rates

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Section 12 - SERVICE AREAS (cont'd)

12.7 Time of Day Tables (cont'd)

Chattanooga – Measured Time of Day Table

Weekday Rate

12:00 AM to 8:00 AM	Night Rates
8:00 AM to 5:00 PM	Day Rates
5:00 PM to 11:00 PM	Evening Rates
11:00 PM to 12:00 PM	Night Rates

Saturday Rate

12:00 AM to 12:00 PM	Night Rates

Sunday Rate

12:00 AM to 5:00 PM	Night Rates
5:00 PM to 11:00 PM	Evening Rates
11:00 PM to 12:00 PM	Night Rates

Holiday Weekday Rate

12:00 AM to 8:00 AM	Night Rates
8:00 AM to 11:00 PM	Evening Rates
11:00 PM to 12:00 PM	Night Rates

Holiday Saturday Rate

12:00 AM to 12:00 PM	Night Rates

Holiday Sunday Rate

12:00 AM to 5:00 PM	Night Rates
5:00 PM to 11:00 PM	Evening Rates
11:00 PM to 12:00 PM	Night Rates

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Section 12 - SERVICE AREAS (cont'd)

12.7 Time of Day Tables (cont'd)

Knoxville – Flat Time of Day Table

Weekday Rate

12:00 AM to 7:00 AM	Night Rates
7:00 AM to 5:00 PM	Day Rates
5:00 PM to 7:00 PM	Evening Rates
7:00 PM to 12:00 PM	Night Rates

Saturday Rate

12:00 AM to 12:00 PM	Night Rates

Sunday Rate

12:00 AM to 12:00 PM	Night Rates

Holiday Weekday Rate

12:00 AM to 12:00 PM	Night Rates

Holiday Saturday Rate

12:00 AM to 12:00 PM	Night Rates

Holiday Sunday Rate

12:00 AM to 12:00 PM	Night Rates

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Section 12 - SERVICE AREAS (cont'd)

12.7 Time of Day Tables (cont'd)

Knoxville – Message Time of Day TableWeekday Rate

12:00 AM to 8:00 AM	Night Rates
8:00 AM to 5:00 PM	Day Rates
5:00 PM to 11:00 PM	Evening Rates
11:00 PM to 12:00 PM	Night Rates

Saturday Rate

12:00 AM to 12:00 PM	Night Rates

Sunday Rate

12:00 AM to 12:00 PM	Night Rates

Holiday Weekday Rate

12:00 AM to 12:00 PM	Night Rates

Holiday Saturday Rate

12:00 AM to 12:00 PM	Night Rates

Holiday Sunday Rate

12:00 AM to 12:00 PM	Night Rates

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Section 12 - SERVICE AREAS (cont'd)

12.7 Time of Day Tables (cont'd)

Knoxville – Region Time of Day Table

Weekday Rate

12:00 AM to 8:00 AM	Evening Rates
8:00 AM to 8:00 PM	Day Rates
8:00 PM to 12:00 PM	Evening Rates

Saturday Rate

12:00 AM to 12:00 PM	Evening Rates

Sunday Rate

12:00 AM to 12:00 PM	Evening Rates

Holiday Weekday Rate

12:00 AM to 12:00 PM	Evening Rates

Holiday Saturday Rate

12:00 AM to 12:00 PM	Evening Rates

Holiday Sunday Rate

12:00 AM to 12:00 PM	Evening Rates

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Section 12 - SERVICE AREAS (cont'd)

12.7 Time of Day Tables (cont'd)

Memphis – Flat Time of Day TableWeekday Rate

12:00 AM to 8:00 AM	Night Rates
8:00 AM to 9:00 PM	Day Rates
9:00 PM to 11:00 PM	Evening Rates
11:00 PM to 12:00 PM	Night Rates

Saturday Rate

12:00 AM to 12:00 PM	Night Rates

Sunday Rate

12:00 AM to 5:00 PM	Night Rates
5:00 PM to 11:00 PM	Evening Rates
11:00 PM to 12:00 PM	Night Rates

Holiday Weekday Rate

12:00 AM to 8:00 AM	Night Rates
8:00 AM to 11:00 PM	Evening Rates
11:00 PM to 12:00 PM	Night Rates

Holiday Saturday Rate

12:00 AM to 12:00 PM	Night Rates

Holiday Sunday Rate

12:00 AM to 5:00 PM	Night Rates
5:00 PM to 11:00 PM	Evening Rates
11:00 PM to 12:00 PM	Night Rates

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Section 12 - SERVICE AREAS (cont'd)

12.7 Time of Day Tables (cont'd)

Memphis – Message Time of Day TableWeekday Rate

12:00 AM to 8:00 AM	Night Rates
8:00 AM to 6:00 PM	Day Rates
6:00 PM to 12:00 PM	Evening Rates

Saturday Rate

12:00 AM to 8:00 AM	Night Rates
8:00 AM to 6:00 PM	Day Rates
6:00 PM to 12:00 PM	Evening Rates

Sunday Rate

12:00 AM to 8:00 AM	Night Rates
8:00 AM to 12:00 PM	Weekend Rates

Holiday Weekday Rate

12:00 AM to 8:00 AM	Night Rates
8:00 AM to 6:00 PM	Evening Rates
6:00 PM to 12:00 PM	Night Rates

Holiday Saturday Rate

12:00 AM to 8:00 AM	Night Rates
8:00 AM to 6:00 PM	Evening Rates
6:00 PM to 12:00 PM	Night Rates

Holiday Sunday Rate

12:00 AM to 8:00 AM	Night Rates
8:00 AM to 12:00 PM	Weekend Rates

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Section 12 - SERVICE AREAS (cont'd)

12.7 Time of Day Tables (cont'd)

Memphis – Measured Time of Day TableWeekday Rate

12:00 AM to 8:00 AM	Night Rates
8:00 AM to 5:00 PM	Day Rates
5:00 PM to 11:00 PM	Evening Rates
11:00 PM to 12:00 PM	Night Rates

Saturday Rate

12:00 AM to 12:00 PM	Night Rates

Sunday Rate

12:00 AM to 5:00 PM	Night Rates
5:00 PM to 11:00 PM	Evening Rates
11:00 PM to 12:00 PM	Night Rates

Holiday Weekday Rate

12:00 AM to 8:00 AM	Night Rates
8:00 AM to 11:00 PM	Evening Rates
11:00 PM to 12:00 PM	Night Rates

Holiday Saturday Rate

12:00 AM to 12:00 PM	Night Rates

Holiday Sunday Rate

12:00 AM to 5:00 PM	Night Rates
5:00 PM to 11:00 PM	Evening Rates
11:00 PM to 12:00 PM	Night Rates

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Section 12 - SERVICE AREAS (cont'd)

12.7 Time of Day Tables (cont'd)

Memphis – Extended Flat Time of DayWeekday Rate

12:00 AM to 7:00 AM	Night Rates
7:00 AM to 5:00 PM	Day Rates
5:00 PM to 7:00 PM	Evening Rates
7:00 PM to 12:00 PM	Night Rates

Saturday Rate

12:00 AM to 12:00 PM	Night Rates

Sunday Rate

12:00 AM to 12:00 PM	Night Rates

Holiday Weekday Rate

12:00 AM to 12:00 PM	Night Rates

Holiday Saturday Rate

12:00 AM to 12:00 PM	Night Rates

Holiday Sunday Rate

12:00 AM to 12:00 PM	Night Rates

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Section 12 - SERVICE AREAS (cont'd)

12.7 Time of Day Tables (cont'd)

Memphis – Extended Message Time of DayWeekday Rate

12:00 AM to 8:00 AM	Night Rates
8:00 AM to 5:00 PM	Day Rates
5:00 PM to 11:00 PM	Evening Rates
11:00 PM to 12:00 PM	Night Rates

Saturday Rate

12:00 AM to 12:00 PM	Night Rates

Sunday Rate

12:00 AM to 5:00 PM	Night Rates
5:00 PM to 11:00 PM	Evening Rates
11:00 PM to 12:00 PM	Night Rates

Holiday Weekday Rate

12:00 AM to 8:00 AM	Night Rates
8:00 AM to 11:00 PM	Evening Rates
11:00 PM to 12:00 PM	Night Rates

Holiday Saturday Rate

12:00 AM to 12:00 PM	Night Rates

Holiday Sunday Rate

12:00 AM to 5:00 PM	Night Rates
5:00 PM to 11:00 PM	Evening Rates
11:00 PM to 12:00 PM	Night Rates

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RATES & CHARGES

The rates and charges listed in Section 13 correspond with the respective sections for each service description previously detailed in this Tariff. A corresponding section number cross-references where each service description is located in this tariff.

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Section 13 - RATES & CHARGES

Section 3 - CONNECTION CHARGES

3.1 Connection Charges

3.1.1(a) Service Order Charge:

	<u>Business</u>	<u>Residence</u>
First	\$ 52.65	\$ NOC
Additional	\$ 27.90	\$ NOC

3.1.1(b) Premises Visit Charge:

	<u>Business</u>	<u>Residence</u>
First (per 15 min. increment)	\$ 25.20	\$ NOC
Add'l. (per 15 min. increment)	\$ 25.20	\$ NOC

3.2 Restoral Charge

	<u>Business</u>	<u>Residence</u>
First	\$ 77.85	\$ NOC
Additional	\$ 53.10	\$ NOC

3.3 Moves, Adds and Changes

	<u>Move</u>	<u>Add</u>	<u>Change</u>
Residence Charge per order:			
First	\$ NOC	\$ NOC	\$ NOC
Additional	\$ NOC	\$ NOC	\$ NOC
Business Charge per order:			
First	\$ 77.85	\$ 77.85	\$ 77.85
Additional	\$ 53.10	\$ 53.10	\$ 53.10

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Section 13 - RATES & CHARGES (Cont'd)

Section 3 - CONNECTION CHARGES

3.4 Record Order Charge

	<u>Business</u>	<u>Residence</u>
First	\$ 52.65	\$ NOC
Additional	\$ 27.90	\$ NOC

3.5 Charges Associated with Premises Visit

3.5.2 Trouble Isolation Charge

	<u>First</u>	<u>Additional</u>
Per Premises Visit, Residence: (per 15 min. increment)	\$ NOC	\$ NOC
Per Premises Visit, Business: (per 15 min. increment)	\$ 25.20	\$ 25.20

3.5.3 Inside Wire Maintenance and Installation

	<u>First</u>	<u>Additional</u>
Inside Wire Installation Charge		
Per Premises Visit Business: (per 15 min. increment)	\$ 25.20	\$ 25.20
Per Premises Visit Residence: (per 15 min. increment)	\$ NOC	\$ NOC
Inside Wire Maintenance Charge		
Per Premises Visit Business: (per 15 min. increment)	\$ 25.20	\$ 25.20
Per Premises Visit Residence: (per 15 min. increment)	\$ NOC	\$ NOC

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Section 13 - RATES & CHARGES (Cont'd)

Section 3 - CONNECTION CHARGES

3.6 Primary Interexchange Carrier (PIC) Change Charge

	<u>Business</u>	<u>Residence</u>
Charge:	\$ 5.00	\$ NOC

Section 4 - PAY TELEPHONE SERVICE

4.3 Available Features

<u>Feature</u>	<u>Monthly</u>	<u>Non-recurring</u>
Inbound Call Operator Screening	\$ 0.00	\$ 0.00
Outbound Call Operator Screening	\$ 0.00	\$ 0.00
900/976 Block	\$ 0.00	\$ 0.00
International Call Block	\$ 0.00	\$ 0.00
Answer Supervision	\$ 0.00	\$ 0.00
1+ Block	\$ 0.00	\$ 0.00
Block on Caller ID	\$ 0.00	\$ 0.00
Block on Phone Smart Features	\$ 0.00	\$ 0.00
PIC Freeze	\$ 0.00	\$ 0.00
NXX Blocking	\$ ICB	\$ ICB
<u>LOCAL CALLS</u>	<u>Initial</u>	<u>Additional</u>
	<u>3 Minutes</u>	<u>3 Minutes</u>
Local	\$ 0.35	\$ 0.35
Local (number not recognized)	\$ 0.35	\$ 0.35
Pay Telephone Surcharge:	\$ 0.24	

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Section 13 - RATES & CHARGES (Cont'd)

Section 4 - PAY TELEPHONE SERVICE (cont'd)

4.3 Available Features (cont'd)

INTRALATA TOLL CALLS

Mileage	DAY		EVENING		NIGHT/WEEKEND	
	Initial Minute	Each Add'l Minute	Initial Minute	Each Add'l Minute	Initial Minute	Each Add'l Minute
0-10	\$0.1000	\$0.1000	\$0.0700	\$0.0700	\$0.0500	\$0.0500
11-16	\$0.1000	\$0.1000	\$0.0700	\$0.0700	\$0.0500	\$0.0500
17-22	\$0.1500	\$0.1500	\$0.1000	\$0.1000	\$0.0700	\$0.0700
23-30	\$0.1500	\$0.1500	\$0.1000	\$0.1000	\$0.0700	\$0.0700
31-40	\$0.1900	\$0.1900	\$0.1300	\$0.1300	\$0.0900	\$0.0900
41-55	\$0.1900	\$0.1900	\$0.1300	\$0.1300	\$0.0900	\$0.0900
56-70	\$0.2100	\$0.2100	\$0.1500	\$0.1500	\$0.1000	\$0.1000
71+	\$0.2100	\$0.2100	\$0.1500	\$0.1500	\$0.1000	\$0.1000

DAY 8AM-5PM MONDAY -FRIDAY*

EVENING 5PM-11PM MONDAY-FRIDAY*
5PM-11PM SUNDAY*
8AM-11PM WEEKDAY HOLIDAYS

(Christmas, New Years, Thanksgiving, Independence, and Labor Days)

NIGHT & WEEKEND ALL DAY SATURDAY
8AM-5PM SUNDAY
11PM-8AM EVERY DAY*

*The time shown indicates the termination of one rate application period and the beginning of the next. Calls connected at exactly the time shown are considered in the next time period.

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Section 13 - RATES & CHARGES (Cont'd)

Section 5 - SUPPLEMENTAL SERVICES

5.1 Custom Calling Service

5.1.3 Rates and Charges

	<u>Recurring Charges - Term</u>					<u>Nonrecurring Charges</u>	
	<u>Monthly</u>	<u>2 Yrs</u>	<u>3 Yrs</u>	<u>5 Yrs</u>	<u>7 Yrs</u>	<u>First</u>	<u>Add'l.</u>
<u>Standard Features - Per Line:</u>							
Three-Way Conference,							
Consultation, Transfer	\$ 3.00	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Call Forwarding Variable	\$ 3.00	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Call Forwarding Busy Line	\$ 2.60	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Call Forwarding Don't Answer	\$ 2.60	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Call Waiting Terminating	\$ 3.12	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Call Waiting Originating	\$ 3.12	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Speed Calling One Digit	\$ 2.56	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	
Speed Calling Two Digit	\$ 3.80	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	
Distinctive Ringing	\$ 5.60	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
<u>Hunt Group Charge</u>							
Sequential Hunting	\$ 0.00	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Circular Hunting	\$ 0.00	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	
Uniform Hunting	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC
Queuing with Announcement (per Queue Slot)	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC
<u>Hunting Line Charge</u>							
Sequential Hunting	\$ 16.50	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Circular Hunting	\$ 16.50	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	
Uniform Hunting	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC

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Section 13 - RATES & CHARGES (Cont'd)

Section 5 - SUPPLEMENTAL SERVICES (cont'd)

5.2 LASS Services

5.2.3 Rates and Charges

	Recurring Charges - Term					Nonrecurring Charges	
	Monthly	2 Yrs	3 Yrs	5 Yrs	7 Yrs	First	Add'l.
<u>LASS Features Line Charge:</u>							
Call ID	\$ 6.00	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Block Call ID	\$ 0.00	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Auto Callback	\$ 3.60	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Auto Recall	\$ 3.60	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Call Trace	\$ 4.00	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Selective Call Acceptance	\$ 2.80	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Selective Call Forwarding	\$ 2.80	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Selective Call Rejection	\$ 3.60	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
<u>LASS Features Usage Charge:</u>							
Call ID	\$ 0.00	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Block Call ID	\$ 0.00	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Auto Callback	\$ 0.60	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Auto Recall	\$ 0.60	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Call Trace	\$ 0.00	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Selective Call Acceptance	\$ 0.00	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Selective Call Forwarding	\$ 0.00	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Selective Call Rejection	\$ 0.00	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00

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Section 13 - RATES & CHARGES (Cont'd)

Section 5 - SUPPLEMENTAL SERVICES (cont'd)

5.3 Centrex-type Service

5.3.3 Rates and Charges

	Recurring Charges - Term					Nonrecurring Charges	
	Monthly	2 Yrs	3 Yrs	5 Yrs	7 Yrs	First	Add'l.
<u>Standard Features - Per Line:</u>							
Three-Way Conference, Consultation, Transfer	\$ 0.00	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Call Forwarding Variable	\$ 0.00	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Call Forwarding Busy Line	\$ 0.00	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Call Forwarding Don't Answer	\$ 0.00	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Call Waiting Terminating	\$ 0.12	\$ NOC	\$ 0.08	\$ 0.04	\$ 0.04	\$ 0.00	\$ 0.00
Call Waiting Originating	\$ 0.12	\$ NOC	\$ 0.08	\$ 0.04	\$ 0.04	\$ 0.00	\$ 0.00
Speed Calling One Digit	\$ 0.00	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	
Speed Calling Two Digit	\$ 0.16	\$ NOC	\$ 0.12	\$ 0.08	\$ 0.08	\$ 0.00	
Distinctive Ringing	\$ 0.15	\$ NOC	\$ 0.10	\$ 0.05	\$ 0.05	\$ 0.00	\$ 0.00
<u>Hunt Group Charge</u>							
Sequential Hunting	\$ 1.84	\$ NOC	\$ 1.68	\$ 1.52	\$ 1.52	\$ 0.00	\$ 0.00
Circular Hunting	\$ 1.84	\$ NOC	\$ 1.68	\$ 1.52	\$ 1.52	\$ 0.00	
Uniform Hunting	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC
Queuing with Announcement (per Queue Slot)	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC
<u>Hunting Line Charge</u>							
Sequential Hunting	\$ 0.00	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Circular Hunting	\$ 0.00	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	
Uniform Hunting	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC
<u>Advance Features Line Charge</u>							
Voice Messaging	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC
6 way Conference Per Line	\$ 2.44	\$ NOC	\$ 2.20	\$ 2.00	\$ 2.00	\$ 1.52	\$ 1.52

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Section 13 - RATES & CHARGES (Cont'd)

Section 5 - SUPPLEMENTAL SERVICES (Cont'd)

5.5 Busy Verification and Interrupt Service

5.5.2 Rate Application

Verification Charge, each request	\$ 1.25
Interrupt Charge, each request	\$ 2.00

5.7 DIRECTORY ASSISTANCE SERVICE

5.7.3 Rates

The directory assistance charge applies after the call allowance of two calls per line.

Local, per request	\$ 0.40
Interstate, per request	\$ 0.40

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Section 13 - RATES & CHARGES (Cont'd)

Section 5 - SUPPLEMENTAL SERVICES (Cont'd)

5.8 Local Operator Service

Operator Station to Station	\$ 1.25
Person to Person	\$ 3.00
3rd Number Billed	\$ 1.50
Collect Calls	\$ 1.50
All other Operator Service	\$ 1.50

5.9 Stand Alone Voice Mail Service

5.9.2 Recurring and Nonrecurring Charges

In addition to the nonrecurring charges listed below, service order charges apply per main billing account as described in Section 3 of this tariff. Service is offered on a month to month basis.

Per Individual Mail Address:

	<u>Residence</u>	<u>Business</u>
Nonrecurring Charge	\$ NOC	\$ NOC
Recurring Charges:		
- Month to Month	\$ NOC	\$ NOC

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Section 13 - RATES & CHARGES (Cont'd)

Section 5 - SUPPLEMENTAL SERVICES (Cont'd)

5.10 Blocking Service

	<u>Nonrecurring Charge</u>
900 and 700 Blocking	
- Residential	\$ NOC
- Business (up to 200 lines)	\$ ICB
900, 971, 974, and 700 Blocking	
- Residential	\$ NOC
- Business (up to 200 lines)	\$ ICB
Third Number Billed and Collect Call Restriction	
- Residential	\$ NOC
- Business (up to 200 lines)	\$ ICB
Toll Restriction	
- Residential	\$ NOC
- Business (up to 200 lines)	\$ ICB
Toll Restriction Plus	
- Residential	\$ NOC
- Business (up to 200 lines)	\$ ICB
Direct Inward Dialing Blocking (Third Party and Collect Call)	
- Initial Activation	\$ NOC
- Subsequent Activation (per line)	\$ NOC

Pricing for Blocking Service for a business customer with more than 200 lines will be based on the costs incurred by Company to provide the service.

Connection charges apply as specified in Section 3 of this tariff.

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Section 13 - RATES & CHARGES (Cont'd)

Section 5 - SUPPLEMENTAL SERVICES (Cont'd)

5.11 Customized Number Service

Nonrecurring Charge

Set-up Charges

Residential Customer

\$ NOC

Business Customer

\$ ICB

5.13 Remote Call Forwarding Service

	<u>Recurring Charges - Term</u>					<u>Nonrecurring Charges</u>	
	<u>Monthly</u>	<u>2 Yrs</u>	<u>3 Yrs</u>	<u>5 Yrs</u>	<u>7 Yrs</u>	<u>First</u>	<u>Add'l.</u>
Terminating	\$ 0.00	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Terminating Paths	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC
Originating	\$ 16.00	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 12.50	\$ 12.50
Originating Paths	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC

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Section 13 - RATES & CHARGES (Cont'd)

Section 5 - SUPPLEMENTAL SERVICES (Cont'd)

5.14 Calling Card Services

Per Minute Rate:	
Day	\$ 0.192
Evening	\$ 0.192
Night/ Weekend	\$ 0.192
Per Call Surcharge:	\$ 0.80

5.15 Prepaid Debt Card Services

Per Minute Rate:	
Day	\$ 0.192
Evening	\$ 0.192
Night/ Weekend	\$ 0.192
Per Call Surcharge:	\$ 0.80

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Section 13 - RATES & CHARGES (Cont'd)

Section 6 - RESIDENTIAL NETWORK SWITCHED SERVICES

6.2 Residential Line Service

	<u>Recurring Charges - Term</u>					<u>Nonrecurring Charges</u>	
	<u>Monthly</u>	<u>2 Yrs</u>	<u>3 Yrs</u>	<u>5 Yrs</u>	<u>7 Yrs</u>	<u>First</u>	<u>Add'l.</u>
<u>Monthly Recurring Charges:</u>							
- Each Base Service Line							
Measured Rate	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC
Flat Rate	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC
Message Rate	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC
- Voice Mail Option, per line	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC
- EUCL Residential/One Line Business	\$ 3.00	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
<u>Remote Call Forwarding(Flat Rate)</u>							
- Terminating	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC
- Terminating Paths	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC
- Originating	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC
- Originating Paths	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC
<u>Custom Calling Features:</u>							
Three-Way Conference, Consultation, Transfer	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC
Call Forwarding Variable	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC
Call Forwarding Busy Line	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC
Call Forwarding Don't Answer	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC
Call Waiting Terminating	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC
Call Waiting Originating	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC
Speed Calling One Digit	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	
Speed Calling Two Digit	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	
Distinctive Ringing	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC
<u>Tiered Features:</u>							
Any 3 Standard Features	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC
Any 4 Standard Features	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC
Any 5 Standard Features	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC
Any 6 Standard Features	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC

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Section 13 - RATES & CHARGES (Cont'd)

Section 6 - RESIDENTIAL NETWORK SWITCHED SERVICES (Cont'd)

6.2 Residential Line Service (Cont'd)

	<u>Recurring Charges - Term</u>					<u>Nonrecurring Charges</u>	
	<u>Monthly</u>	<u>2 Yrs</u>	<u>3 Yrs</u>	<u>5 Yrs</u>	<u>7 Yrs</u>	<u>First</u>	<u>Add'l.</u>
<u>Hunt Group Charge</u>							
Sequential Hunting	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC
Circular Hunting	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	
Uniform Hunting	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC
Queuing with Announcement (per Queue Slot)	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC
<u>Hunting Line Charge</u>							
Sequential Hunting	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC
Circular Hunting	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	
Uniform Hunting	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC
<u>Advanced Features Line Charge</u>							
Voice Messaging	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC
6-Way Conference Per Line	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC

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Section 13 - RATES & CHARGES (Cont'd)

Section 6 - RESIDENTIAL NETWORK SWITCHED SERVICES (Cont'd)

6.2 Residential Line Service (Cont'd)

6.2.2 Integrated Services Digital Network-Basic Rate Interface (ISDN-BRI)

	<u>Recurring Charges - Term</u>					<u>Nonrecurring Charges</u>	
	<u>Monthly</u>	<u>2 Yrs</u>	<u>3 Yrs</u>	<u>5 Yrs</u>	<u>7 Yrs</u>	<u>First</u>	<u>Add'l.</u>
Basic Rate Digital Line	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC
B Channels (up to 2)	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC
Switched Voice/Data Message Rate	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC
Switched Voice/Data Flat Rate	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC
High Speed Packet Switched	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC
D Channel (1 required)	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC
Each Additional Multipoint Terminal (Shared D)	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC

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Section 13 - RATES & CHARGES (Cont'd)

Section 7 - BUSINESS NETWORK SWITCHED SERVICES

7.2 Service Descriptions and Rates

7.2.1 Basic Business Line Service

	<u>Recurring Charges - Term</u>					<u>Nonrecurring Charges</u>	
	<u>Monthly</u>	<u>2 Yrs</u>	<u>3 Yrs</u>	<u>5 Yrs</u>	<u>7 Yrs</u>	<u>First</u>	<u>Add'l.</u>
Flat Rate Basic Business Line Service	\$ 31.76	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Measured Rate Basic Business Line Service	\$ 22.24	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Message Rate Basic Business Line Service	\$ 22.24	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
EUCL Multiline Business	\$ 8.17	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
EUCL Residential/One Line Business	\$ 3.50	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
<u>Custom Calling Features:</u>							
Three-Way Conference, Consultation, Transfer	\$ 3.00	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Call Forwarding Variable	\$ 3.00	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Call Forwarding Busy Line	\$ 2.60	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Call Forwarding Don't Answer	\$ 2.60	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Call Waiting Terminating	\$ 3.12	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Call Waiting Originating	\$ 3.12	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Speed Calling One Digit	\$ 2.56	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Speed Calling Two Digit	\$ 3.80	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Distinctive Ringing	\$ 5.60	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00

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Section 13 - RATES & CHARGES (Cont'd)

Section 7 - BUSINESS NETWORK SWITCHED SERVICES (cont'd)

7.2 Service Descriptions and Rates (cont'd)

7.2.1 Basic Business Line Service (cont'd)

	<u>Recurring Charges - Term</u>					<u>Nonrecurring Charges</u>	
	<u>Monthly</u>	<u>2 Yrs</u>	<u>3 Yrs</u>	<u>5 Yrs</u>	<u>7 Yrs</u>	<u>First</u>	<u>Add'l.</u>
<u>Tiered Features:</u>							
Any 3 Standard Features	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC
Any 4 Standard Features	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC
Any 5 Standard Features	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC
Any 6 Standard Features	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC
Any 7 Standard Features	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC
Any 8 Standard Features	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC
Any 9 Standard Features	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC
Any 10 Standard Features	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC
<u>Remote Call Forwarding:</u>							
Terminating	\$ 0.00	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Terminating Paths	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC
Originating	\$ 16.00	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 12.50	\$ 12.50
Originating Paths	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC
<u>Hunt Group Charge</u>							
Sequential Hunting	\$ 0.00	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Circular Hunting	\$ 0.00	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Uniform Hunting	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC
Queuing with Announcement (per Queue Slot)	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC
<u>Hunting Line Charge</u>							
Sequential Hunting	\$ 16.50	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Circular Hunting	\$ 16.50	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Uniform Hunting	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC

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Section 13 - RATES & CHARGES (Cont'd)

Section 7 - BUSINESS NETWORK SWITCHED SERVICES (cont'd)

7.2 Service Descriptions and Rates (cont'd)

7.2.2 Public Access Line Service

	<u>Recurring Charges - Term</u>					<u>Nonrecurring Charges</u>	
	<u>Monthly</u>	<u>2 Yrs</u>	<u>3 Yrs</u>	<u>5 Yrs</u>	<u>7 Yrs</u>	<u>First</u>	<u>Add'l.</u>
Public Access Line	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC

7.2.3 PBX Trunk Service

	<u>Recurring Charges - Term</u>					<u>Nonrecurring Charges</u>	
	<u>Monthly</u>	<u>2 Yrs</u>	<u>3 Yrs</u>	<u>5 Yrs</u>	<u>7 Yrs</u>	<u>First</u>	<u>Add'l.</u>
Each Group of 20 numbers	\$ 2.72	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 44.00	\$ 44.00
Each Group of 100 numbers	\$ 13.60	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 44.00	\$ 44.00

Measured Rate Digital PBX Trunks

	<u>Recurring Charges - Term</u>					<u>Nonrecurring Charges</u>	
	<u>Monthly</u>	<u>2 Yrs</u>	<u>3 Yrs</u>	<u>5 Yrs</u>	<u>7 Yrs</u>	<u>First</u>	<u>Add'l.</u>
DID Service	\$ 22.24	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 40.00	\$ 40.00
DOD Service	\$ 22.24	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 40.00	\$ 40.00
Combination Service	\$ 22.24	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 40.00	\$ 40.00
DID/Combination Service	\$ 22.24	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 40.00	\$ 40.00
Each DID Trunk Group	\$ 0.00	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Each DOD Trunk Group	\$ 0.00	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Combination Trunk	\$ 0.00	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
DID/Combination Trunk	\$ 0.00	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Voice Mail Option, per line	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC

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Section 13 - RATES & CHARGES (Cont'd)

Section 7 - BUSINESS NETWORK SWITCHED SERVICES (cont'd)

7.2 Service Descriptions and Rates (cont'd)

7.2.3 PBX Trunk Service (cont'd)

Measured Rate Analog PBX Trunks

	Recurring Charges - Term					Nonrecurring Charges	
	Monthly	2 Yrs	3 Yrs	5 Yrs	7 Yrs	First	Add'l.
DID Service	\$ 22.24	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 40.00	\$ 40.00
DOD Service	\$ 22.24	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 40.00	\$ 40.00
Combination Service	\$ 22.24	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 40.00	\$ 40.00
DID/Combination Service	\$ 22.24	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 40.00	\$ 40.00
Each DID Trunk Group	\$ 0.00	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Each DOD Trunk Group	\$ 0.00	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Combination Trunk	\$ 0.00	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
DID/Combination Trunk	\$ 0.00	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Voice Mail Option, per line	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC

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Section 13 - RATES & CHARGES (Cont'd)

Section 7 - BUSINESS NETWORK SWITCHED SERVICES (Cont'd)

7.2 Service Descriptions and Rates (cont'd)

7.2.3 PBX Trunk Service (cont'd)

Flat Rate Digital PBX Trunks

	<u>Recurring Charges - Term</u>					<u>Nonrecurring Charges</u>	
	<u>Monthly</u>	<u>2 Yrs</u>	<u>3 Yrs</u>	<u>5 Yrs</u>	<u>7 Yrs</u>	<u>First</u>	<u>Add'l.</u>
DID Service	\$ 55.58	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 40.00	\$ 40.00
DOD Service	\$ 55.58	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 40.00	\$ 40.00
Combination Service	\$ 55.58	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 40.00	\$ 40.00
DID/Combination Service	\$ 63.52	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 40.00	\$ 40.00
Each DID Trunk Group	\$ 0.00	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Each DOD Trunk Group	\$ 0.00	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Combination Trunk	\$ 0.00	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
DID/Combination Trunk	\$ 0.00	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Voice Mail Option, per line	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC

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Section 13 - RATES & CHARGES (Cont'd)

Section 7 - BUSINESS NETWORK SWITCHED SERVICES (Cont'd)

7.2 Service Descriptions and Rates (cont'd)

7.2.3 PBX Trunk Service (cont'd)

Flat Rate Analog PBX Trunks

	<u>Recurring Charges - Term</u>					<u>Nonrecurring Charges</u>	
	<u>Monthly</u>	<u>2 Yrs</u>	<u>3 Yrs</u>	<u>5 Yrs</u>	<u>7 Yrs</u>	<u>First</u>	<u>Add'l.</u>
DID Service	\$ 55.58	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 40.00	\$ 40.00
DOD Service	\$ 55.58	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 40.00	\$ 40.00
Combination Service	\$ 55.58	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 40.00	\$ 40.00
DID/Combination Service	\$ 63.52	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 40.00	\$ 40.00
Each DID Trunk Group	\$ 0.00	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Each DOD Trunk Group	\$ 0.00	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Combination Trunk	\$ 0.00	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
DID/Combination Trunk	\$ 0.00	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Voice Mail Option, per line	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC

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Section 13 - RATES & CHARGES (Cont'd)

Section 7 - BUSINESS NETWORK SWITCHED SERVICES (Cont'd)

7.2 Service Descriptions and Rates (cont'd)

7.2.3 PBX Trunk Service (cont'd)

Charges on All Trunks

	<u>Recurring Charges - Term</u>					<u>Nonrecurring Charges</u>	
	<u>Monthly</u>	<u>2 Yrs</u>	<u>3 Yrs</u>	<u>5 Yrs</u>	<u>7 Yrs</u>	<u>First</u>	<u>Add'l.</u>
EUCL - Multiline Business	\$ 8.17	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
EUCL - Residential/One Line Business	\$ 3.50	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Remote Call Forwarding							
- terminating	\$ 0.00	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
- terminating paths	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC
- originating	\$ 16.00	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 12.50	\$ 12.50
- originating paths	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC
Sequential Hunting	\$ 16.50	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 19.20	\$ 19.20
Circular Hunting	\$ 16.50	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Uniform Hunting	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC

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Section 13 - RATES & CHARGES (Cont'd)

Section 7 - BUSINESS NETWORK SWITCHED SERVICES (Cont'd)

7.2 Service Descriptions and Rates (cont'd)

7.2.3 PBX Trunk Service (cont'd)

DS1 PBX Trunk Service

Where appropriate facilities do not exist, Special Construction charges will also apply.

	<u>Monthly Recurring Charges</u>					<u>Nonrecurring Charges</u>	
	<u>Monthly</u>	<u>2 Yrs</u>	<u>3 Yrs</u>	<u>5 Yrs</u>	<u>7 Yrs</u>	<u>First</u>	<u>Add'l.</u>
<u>Measured Rate</u>							
Facility	\$ 0.00	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Per Active Channel (DID)	\$ 427.01	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Per Active Channel (DOD)	\$ 427.01	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
<u>Flat Rate</u>							
Facility	\$ 0.00	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Per Active Channel (DID)	\$1,067.14	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Per Active Channel (DOD)	\$1,067.14	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00

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Section 13 - RATES & CHARGES (Cont'd)

Section 7 - BUSINESS NETWORK SWITCHED SERVICES (Cont'd)

7.2 Service Descriptions and Rates (cont'd)

7.2.3 PBX Trunk Service (cont'd)

e. Integrated Services Digital Network-Primary Rate Interface (ISDN-PRI)

Where appropriate facilities do not exist, Special Construction charges will also apply.

	Recurring Charges - Term					Nonrecurring Charges	
	Monthly	2 Yrs	3 Yrs	5 Yrs	7 Yrs	First	Add'l.
<u>ISDN-PRI</u>							
PRI System Termination	\$ 100.40	\$ 104.00	\$ 104.00	\$ 96.00	\$ NOC	\$ 700.00	\$ 700.00
Primary Rate Interface	\$ 289.60	\$ 300.00	\$ 300.00	\$ 272.00	\$ NOC	\$ 88.00	\$ 88.00
Call by Call Service per PRI	\$ 12.00	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
PRI B Channel Message Rate	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC
PRI B Channel Flat Rate	\$ 41.80	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
PRI D Channel Message Rate	\$ 0.00	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
PRI D Channel Flat Rate	\$ 0.00	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00

7.2.4(a) Centrex-type Service

	Recurring Charges - Term					Nonrecurring Charges	
	Monthly	2 Yrs	3 Yrs	5 Yrs	7 Yrs	First	Add'l.
Centrex-type Common							
Equipment	\$ 0.00	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 200.00	\$ 200.00
Message Rate Line Charge	\$ 30.40	\$ NOC	\$ 27.60	\$ 25.20	\$ 25.20	\$ 0.00	\$ 0.00
Flat Rate Line Charge	\$ 42.40	\$ NOC	\$ 38.80	\$ 35.20	\$ 35.20	\$ 0.00	\$ 0.00

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Section 13 - RATES & CHARGES (Cont'd)

Section 7 - BUSINESS NETWORK SWITCHED SERVICES (Cont'd)

7.2 Service Descriptions and Rates (cont'd)

7.2.4(b) Centrex-type Features

	Recurring Charges - Term					Nonrecurring Charges	
	Monthly	2 Yrs	3 Yrs	5 Yrs	7 Yrs	First	Add'l.
<u>Standard Features - Per Line:</u>							
Three-Way Conference,							
Consultation, Transfer	\$ 0.00	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Call Forwarding Variable	\$ 0.00	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Call Forwarding Busy Line	\$ 0.00	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Call Forwarding Don't Answer	\$ 0.00	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Call Waiting Terminating	\$ 0.12	\$ NOC	\$ 0.08	\$ 0.04	\$ 0.04	\$ 0.00	\$ 0.00
Call Waiting Originating	\$ 0.12	\$ NOC	\$ 0.08	\$ 0.04	\$ 0.04	\$ 0.00	\$ 0.00
Speed Calling One Digit \$ 0.00	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00	
Speed Calling Two Digit \$ 0.16	\$ NOC	\$ 0.12	\$ 0.08	\$ 0.08	\$ 0.00	\$ 0.00	
Distinctive Ringing	\$ 0.15	\$ NOC	\$ 0.10	\$ 0.05	\$ 0.05	\$ 0.00	\$ 0.00
<u>Hunt Group Charge</u>							
Sequential Hunting	\$ 1.84	\$ NOC	\$ 1.68	\$ 1.52	\$ 1.52	\$ 0.00	\$ 0.00
Circular Hunting \$ 1.84	\$ NOC	\$ 1.68	\$ 1.52	\$ 1.52	\$ 0.00	\$ 0.00	
Uniform Hunting	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC
Queuing with Announcement (per Queue Slot)	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC
<u>Hunting Line Charge</u>							
Sequential Hunting	\$ 0.00	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Circular Hunting \$ 0.00	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00	
Uniform Hunting	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC
<u>Advance Features Line Charge</u>							
Voice Messaging	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC
6 way Conference Per Line	\$ 2.44	\$ NOC	\$ 2.20	\$ 2.00	\$ 2.00	\$ 1.52	\$ 1.52

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Section 13 - RATES & CHARGES (Cont'd)

Section 7 - BUSINESS NETWORK SWITCHED SERVICES (Cont'd)

7.2 Service Descriptions and Rates (cont'd)

7.2.4(b) Centrex-type Features (cont'd)

	Recurring Charges - Term					Nonrecurring Charges	
	Monthly	2 Yrs	3 Yrs	5 Yrs	7 Yrs	First	Add'l.
<u>LASS Features Line Charge</u>							
Call ID	\$ 6.00	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Block Call ID	\$ 0.00	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Auto Callback	\$ 3.60	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Auto Recall	\$ 3.60	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Call Trace	\$ 4.00	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Selective Call Acceptance	\$ 2.80	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Selective Call Forwarding	\$ 2.80	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Selective Call Rejection	\$ 3.60	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
<u>LASS Features Usage Charge:</u>							
Call ID	\$ 0.00	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Block Call ID	\$ 0.00	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Auto Callback	\$ 0.60	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Auto Recall	\$ 0.60	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Call Trace	\$ 0.00	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Selective Call Acceptance	\$ 0.00	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Selective Call Forwarding	\$ 0.00	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Selective Call Rejection	\$ 0.00	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00

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Section 13 - RATES & CHARGES (Cont'd)

Section 7 - BUSINESS NETWORK SWITCHED SERVICES (Cont'd)

7.2 Service Descriptions and Rates (cont'd)

7.2.4(d) Centrex-type – Integrated Services Digital Network-Basic Rate Interface (ISDN-BRI)

	<u>Recurring Charges - Term</u>					<u>Non-Recurring Charges</u>	
	<u>Monthly</u>	<u>2 Yrs</u>	<u>3 Yrs</u>	<u>5 Yrs</u>	<u>7 Yrs</u>	<u>First</u>	<u>Add'l.</u>
ISDN-BRI Line	\$ 44.00	\$ 44.00	\$ 44.00	\$ 44.00	\$ 44.00	\$ 0.00	\$ 0.00
BRI B Channel Message Rate	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC
BRI B Channel Flat Rate	\$ 13.00	\$ 10.60	\$ 10.60	\$ 9.00	\$ 9.00	\$ 0.00	\$ 0.00
BRI D Channel	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
BRI Multipoint Terminal	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC

7.2.6 Integrated Services Digital Network-Basic Rate Interface (ISDN-BRI)

	<u>Recurring Charges - Term</u>					<u>Nonrecurring Charges</u>	
	<u>Monthly</u>	<u>2 Yrs</u>	<u>3 Yrs</u>	<u>5 Yrs</u>	<u>7 Yrs</u>	<u>First</u>	<u>Add'l.</u>
Basic Rate Digital Line	\$ 71.00	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
B Channels (up to 2):							
Switched Voice/Data							
Message Rate	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC
Switched Voice/Data							
Flat Rate	\$ 0.00	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
High Speed Packet Switched	\$ 96.00	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
D Channel (1 required)	\$ 0.00	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Each Additional Multipoint							
Terminal (Shared D)	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC
EUCL Per BRI Digital Line	\$ 5.00	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00

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Section 13 - RATES & CHARGES (Cont'd)

Section 8 - INTRALATA TOLL USAGE AND MILEAGE CHARGES

8.4 Usage Charges:

8.4.1(a) Business Two-Point Message Toll Service

Sprint Territory (Bristol and Johnson City)

Rates are per 60 seconds.

Mileage Limit	Initial Period			Additional Period		
	Day Rate	Evening Rate	Night Rate	Day Rate	Evening Rate	Night Rate
1-10	\$ 0.0880	\$ 0.0720	\$ 0.0560	\$ 0.0880	\$ 0.0720	\$ 0.0560
11-22	\$ 0.0960	\$ 0.0720	\$ 0.0560	\$ 0.0960	\$ 0.0720	\$ 0.0560
23-55	\$ 0.0960	\$ 0.0800	\$ 0.0800	\$ 0.0960	\$ 0.0800	\$ 0.0800
56-124	\$ 0.1200	\$ 0.0800	\$ 0.0800	\$ 0.1200	\$ 0.0800	\$ 0.0800
125-292	\$ 0.1200	\$ 0.0880	\$ 0.0800	\$ 0.1200	\$ 0.0880	\$ 0.0880
293-430	\$ 0.1200	\$ 0.0880	\$ 0.0800	\$ 0.1200	\$ 0.0880	\$ 0.0880
431-999	\$ 0.1200	\$ 0.0880	\$ 0.0800	\$ 0.1200	\$ 0.0880	\$ 0.0880

DAY 8AM-5PM MONDAY -FRIDAY*

EVENING 5PM-11PM MONDAY-FRIDAY*

5PM-11PM SUNDAY*

8AM-11PM WEEKDAY HOLIDAYS (Christmas, New Years, Thanksgiving, Independence, and Labor Days)

NIGHT & WEEKEND ALL DAY SATURDAY
8AM-5PM SUNDAY
11PM-8AM EVERY DAY*

*The time shown indicates the termination of one rate application period and the beginning of the next. Calls connected at exactly the time shown are considered in the next time period.

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Section 13 - RATES & CHARGES (Cont'd)

Section 8 - INTRALATA TOLL USAGE AND MILEAGE CHARGES

8.4 Usage Charges:

8.4.1(a) Business Two-Point Message Toll Service (cont'd)

Bell South Territory (Chattanooga, Knoxville, and Memphis)

Rates are per 60 seconds.

Mileage Limit	Initial Period			Additional Period		
	Day Rate	Evening Rate	Night Rate	Day Rate	Evening Rate	Night Rate
1-10	\$ 0.0800	\$ 0.0560	\$ 0.0376	\$ 0.0800	\$ 0.0560	\$ 0.0376
11-16	\$ 0.0800	\$ 0.0560	\$ 0.0376	\$ 0.0800	\$ 0.0560	\$ 0.0376
17-22	\$ 0.1200	\$ 0.0840	\$ 0.0564	\$ 0.1200	\$ 0.0840	\$ 0.0564
23-30	\$ 0.1200	\$ 0.0840	\$ 0.0564	\$ 0.1200	\$ 0.0840	\$ 0.0564
31-40	\$ 0.1520	\$ 0.1064	\$ 0.0714	\$ 0.1520	\$ 0.1064	\$ 0.1064
41-55	\$ 0.1520	\$ 0.1064	\$ 0.0714	\$ 0.1520	\$ 0.1064	\$ 0.1064
56-70	\$ 0.1680	\$ 0.1176	\$ 0.0790	\$ 0.1680	\$ 0.1176	\$ 0.1176
71-85	\$ 0.1680	\$ 0.1176	\$ 0.0790	\$ 0.1680	\$ 0.1176	\$ 0.1176
86-100	\$ 0.1680	\$ 0.1176	\$ 0.0790	\$ 0.1680	\$ 0.1176	\$ 0.1176
101-3000	\$ 0.1680	\$ 0.1176	\$ 0.0790	\$ 0.1680	\$ 0.1176	\$ 0.1176

DAY 8AM-5PM MONDAY -FRIDAY*

EVENING 5PM-11PM MONDAY-FRIDAY*

5PM-11PM SUNDAY*

8AM-11PM WEEKDAY HOLIDAYS (Christmas, New Years, Thanksgiving, Independence, and Labor Days)

NIGHT & WEEKEND ALL DAY SATURDAY
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Section 13 - RATES & CHARGES (Cont'd)

Section 8 - INTRALATA TOLL USAGE AND MILEAGE CHARGES

8.4 Usage Charges

8.4.1(b) Residence Two-Point Message Toll Service

Rates are per 60 seconds.

Mileage Limit	Initial Period			Additional Period		
	Day Rate	Evening Rate	Night Rate	Day Rate	Evening Rate	Night Rate
1-17	NOC	NOC	NOC	NOC	NOC	NOC
18-22	NOC	NOC	NOC	NOC	NOC	NOC
23-28	NOC	NOC	NOC	NOC	NOC	NOC
29-34	NOC	NOC	NOC	NOC	NOC	NOC
35-41	NOC	NOC	NOC	NOC	NOC	NOC
42-51	NOC	NOC	NOC	NOC	NOC	NOC
52-66	NOC	NOC	NOC	NOC	NOC	NOC
67-81	NOC	NOC	NOC	NOC	NOC	NOC
82-105	NOC	NOC	NOC	NOC	NOC	NOC
106-3000	NOC	NOC	NOC	NOC	NOC	NOC

DAY 8AM-5PM MONDAY -FRIDAY*

EVENING 5PM-11PM MONDAY-FRIDAY*

5PM-11PM SUNDAY*

8AM-11PM WEEKDAY HOLIDAYS (Christmas, New Years, Thanksgiving,
Independence, and Labor Days)NIGHT & WEEKEND ALL DAY SATURDAY
8AM-5PM SUNDAY
11PM-8AM EVERY DAY*

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Section 13 - RATES & CHARGES (Cont'd)**Section 8 - INTRALATA TOLL USAGE AND MILEAGE CHARGES****8.4 Usage Charges****8.4.2 Per Call Service Charges**

The following service charges apply to intraLATA toll calls for which live or automated operator assistance is provided for call completion and/or billing.

Operator Station to Station	\$ 1.25
Person to Person	\$ 3.00
3rd Number Billing	\$ 1.50
Collect Calls	\$ 1.50
All other Operator Assistance	\$ 1.50

Section 10 - SPECIAL ARRANGEMENTS**10.4 Mutual Compensation**

<u>Tandem</u>	<u>Direct</u>
\$ 0.000676	\$ 0.001900

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Section 13 - RATES & CHARGES (Cont'd)

Section 11 - DIRECTORY

11.1 Alphabetical Directory

11.1.3 a. Additional Listing

	<u>Recurring Charges - Term</u>					<u>Nonrecurring Charges</u>	
	<u>Monthly</u>	<u>2 Yrs</u>	<u>3 Yrs</u>	<u>5 Yrs</u>	<u>7 Yrs</u>	<u>First</u>	<u>Add'l.</u>
Business	\$ 1.80	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Residence	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC

11.1.3 b. Semi-Private Listing

	<u>Recurring Charges - Term</u>					<u>Nonrecurring Charges</u>	
	<u>Monthly</u>	<u>2 Yrs</u>	<u>3 Yrs</u>	<u>5 Yrs</u>	<u>7 Yrs</u>	<u>First</u>	<u>Add'l.</u>
Business	\$ 1.30	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Residence	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC

11.1.4 c. Non-Published Listing

	<u>Recurring Charges - Term</u>					<u>Nonrecurring Charges</u>	
	<u>Monthly</u>	<u>2 Yrs</u>	<u>3 Yrs</u>	<u>5 Yrs</u>	<u>7 Yrs</u>	<u>First</u>	<u>Add'l.</u>
Business	\$ 2.50	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ 0.00	\$ 0.00
Residence	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC	\$ NOC

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VERIFICATION

STATE OF LOUISIANA

)

)

)

COUNTY OF OUACHITA

)

I declare under penalty of perjury that I, R. Stewart Ewing, Jr., am
Exec. V.P. and Asst. Sec of CenturyTel Solutions, Inc., the Applicant in this
proceeding; that I am authorized to make this verification on the Applicant's behalf; that I
have read the foregoing Application, Exhibits, and Motion and know the contents thereof;
and that the same are true to the best of my knowledge, information, or belief.

R. Stewart Ewing, Jr.

(Name) R. Stewart Ewing, Jr.

(Title) Executive V.P. and Assistant Secretary
CenturyTel Solutions, Inc.

Subscribed and sworn to before me this 25th day of January, 2000.

Anthony Littleton
Notary Public

My Commission Expires: at death