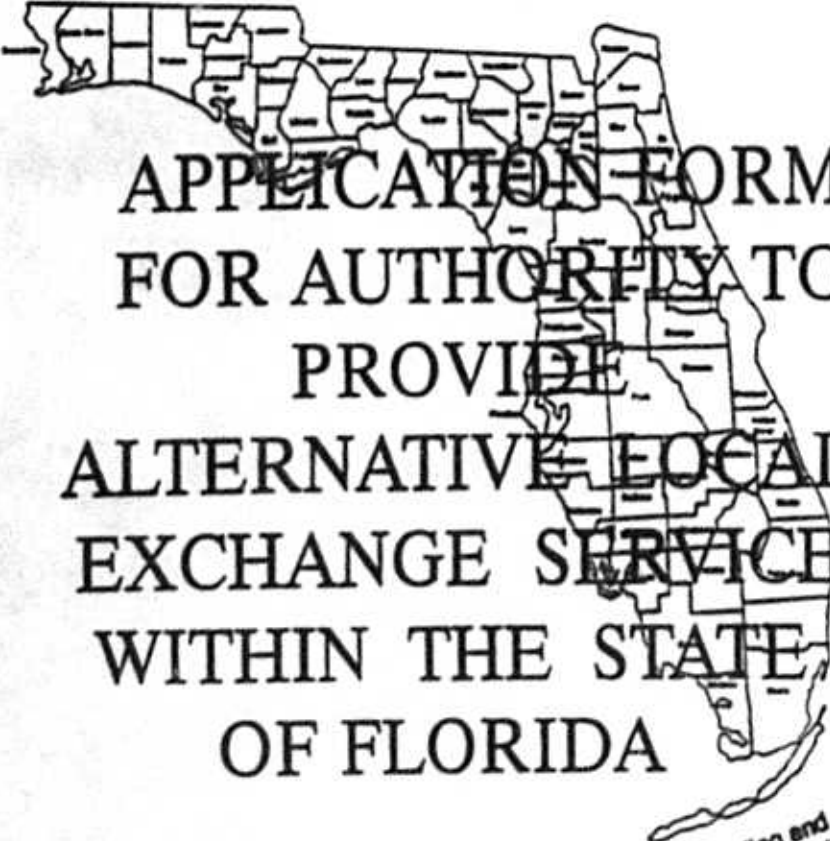


990610-TX



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

Check received with filing and
forwarded to Fiscal for deposit.
Fiscal to forward a copy of check
to RAR with proof of deposit.
Initials of person who forwarded check:
ADP

DOCUMENT NUMBER-DATE

05064 MAY 20 5

FPSC-RECORDS/REPORTING

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

**APPLICATION FORM
for**

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

INSTRUCTIONS

1. This form is used for an original application for a certificate and for approval of sale, assignment or transfer of an existing alternative local exchange certificate. In case of a sale, assignment or transfer, the information provided shall be for the purchaser, assignee or transferee.
2. Respond to each item requested in the application and appendices. If an item is not applicable, please explain why.
3. Use a separate sheet for each answer which will not fit the allotted space.
4. If you have questions about completing the form, contact:

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

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

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

Original authority (new company)

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

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

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

2. Name of applicant: ALLTEL Long Distance, Inc.

3. A. National mailing address including street name, number, post office box, city, state, zip code, and phone number.

One Allied Drive
Little Rock, Arkansas 72202
(501) 661-8000

B. Florida mailing address including street name, number, post office box, city, state, zip code, and phone number.

601 Riverside Avenue
Jacksonville, Florida 32204-2987
(904) 359-5000

C. Physical address of alternative local exchange service in Florida including street name, number, post office box, city, zip code and phone number.

601 Riverside Avenue
Jacksonville, Florida 32204-2987
(904) 359-5000

4. Structure of organization:

- | | |
|--|--|
| <input type="checkbox"/> Individual | <input checked="" type="checkbox"/> Corporation |
| <input type="checkbox"/> Foreign Corporation | <input type="checkbox"/> Foreign Partnership |
| <input type="checkbox"/> General Partnership | <input type="checkbox"/> Limited Partnership |
| <input type="checkbox"/> Joint Venture | <input type="checkbox"/> Other, Please explain _____ |

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

Corporate charter number: F96000000285

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

Not Applicable

7. If applicable, please provide proof of fictitious name (d/b/a) registration.

Fictitious name registration number: Not Applicable

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

Not Applicable

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

None

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

Jack Mitchell
Vice President - State Regulatory Matters
One Allied Drive, Little Rock, Arkansas 72202
(501) 661-8330; (501) 558-6299 Facsimile

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

Arkansas and North Carolina

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

No

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

No

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

A toll free number will be available for customers to file any customer complaints.

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

A. Financial capability.

Regarding the showing of financial capability, the following applies:

The application should contain the applicant's financial statements, including:

1. the balance sheet
2. income statement
3. statement of retained earnings for the most recent 3 years.

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

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

See Exhibit A. Applicant will rely upon the financial capability of its parent.

B. Managerial capability.

See Exhibit B.

C. Technical capability.

See Exhibit C.

AFFIDAVIT

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

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

Official:

Dennis L. Whipple
Signature

5/15/97
Date

Title:

Dennis L. Whipple
President

501-661-8993
Telephone Number

Address:

One Allied Drive
Little Rock, Arkansas 72202

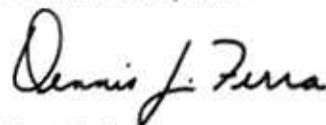
EXHIBIT A

ALLTEL Corporation's management is responsible for the integrity and objectivity of all financial data included in this Annual Report. The consolidated financial statements have been prepared in accordance with generally accepted accounting principles. The financial data include amounts that are based on the best estimates and judgments of management. All financial information in this Annual Report is consistent with that in the consolidated financial statements.

The Company maintains an accounting system and related internal accounting controls designed to provide reasonable assurance that assets are safeguarded against loss or unauthorized use and that the financial records are adequate and can be relied upon to produce financial statements in accordance with generally accepted accounting principles. Arthur Andersen LLP, Independent Public Accountants, have audited these consolidated financial statements and have expressed herein their unqualified opinion.

The Company diligently attempts to select qualified managers, provides appropriate division of responsibility and assures that its policies and standards are understood throughout the organization. The Company's Code of Conduct serves as a guide for all employees with respect to business conduct and conflicts of interest.

The Audit Committee of the Board of Directors, composed of directors who are not employees, meets periodically with management, the independent accountants and the internal auditors to review matters relating to the Company's annual financial statements, internal audit program, internal accounting controls and non-audit services provided by the independent accountants. As a matter of policy the internal auditors and the independent accountants periodically meet alone with the Audit Committee and have access to the Committee at any time.



Dennis J. Ferris
Senior Vice President and
Chief Financial Officer

To the Shareholders of ALLTEL Corporation:

We have audited the accompanying consolidated balance sheets of ALLTEL Corporation (a Delaware corporation) and subsidiaries as of December 31, 1996 and 1995, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ALLTEL Corporation and subsidiaries as of December 31, 1996 and 1995, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1996, in conformity with generally accepted accounting principles.



Little Rock, Arkansas,
January 31, 1997

SELECTED FINANCIAL DATA

For the years ended December 31.

(Dollars in thousands, except per share amounts)

	1996	1995	1994	1993	1992	1991
Revenues and Sales:						
Service revenues	\$2,524,845	\$2,441,826	\$2,249,933	\$1,811,808	\$1,565,544	\$1,371,724
Product sales	667,573	667,899	677,743	510,082	501,865	500,305
Total revenues and sales	3,192,418	3,109,725	2,927,676	2,321,890	2,067,409	1,872,029
Costs and Expenses:						
Cost of products sold	448,456	449,119	422,078	332,923	344,076	345,124
Operating expenses	2,032,057	1,976,628	1,871,732	1,469,921	1,280,591	1,154,066
Provision to reduce carrying value of certain assets	120,280	—	—	—	—	—
Total costs and expenses	2,600,793	2,425,747	2,293,810	1,802,844	1,624,667	1,499,190
Operating Income	591,625	683,978	633,866	519,046	442,742	372,839
Other income, net	2,925	2,481	(6,064)	2,230	13,364	12,117
Interest expense	(130,832)	(145,428)	(137,120)	(98,746)	(93,245)	(94,244)
Gain on disposal or exchange of assets, write-down of assets and other	(2,278)	30,775	(54,157)	27,390	(5,512)	8,347
Income before income taxes	461,440	571,806	436,525	449,920	357,349	299,059
Income taxes	169,703	217,190	164,772	187,903	128,713	99,633
Net income	291,737	354,616	271,753	262,017	228,636	199,426
Preferred dividends	1,071	1,158	1,232	1,578	1,742	2,543
Net income applicable to common shares	\$ 290,666	\$ 353,458	\$ 270,521	\$ 260,439	\$ 226,894	\$ 196,883
Primary Earnings per Share	\$1.53	\$1.86	\$1.43	\$1.39	\$1.22	\$1.09
Dividends per common share	\$1.06	\$.98	\$.90	\$.82	\$.77	\$.71
Common shares —						
average including equivalents	190,370,000	190,072,000	189,454,000	187,665,000	185,672,000	180,007,000
at year end	187,200,000	189,268,000	187,981,000	187,458,000	184,678,000	177,796,000
Total assets	\$5,359,183	\$5,073,105	\$4,713,878	\$4,270,458	\$3,125,976	\$2,957,232
Total shareholders' equity	\$2,097,107	\$1,935,565	\$1,625,369	\$1,554,708	\$1,304,454	\$1,127,878
Total redeemable preferred stock and long-term debt	\$1,762,597	\$1,768,682	\$1,853,979	\$1,604,659	\$1,027,803	\$1,057,277

Note: On November 1, 1993, the Company purchased substantially all of the assets of the telephone operations of GTE Corporation in the State of Georgia ("GTE Georgia"). This acquisition was accounted for as a purchase, and accordingly, GTE Georgia's results have been included in the Company's consolidated financial statements as of November 1, 1993.

CONSOLIDATED STATEMENTS OF INCOME

For the years ended December 31,
(Dollars in thousands, except per share amounts)

	1996	1995	1994
Revenues and Sales:			
Service revenues	\$2,524,845	\$2,441,826	\$2,249,933
Product sales	<u>667,573</u>	<u>667,899</u>	<u>677,743</u>
Total revenues and sales	<u>3,192,418</u>	<u>3,109,725</u>	<u>2,927,676</u>
Costs and Expenses:			
Cost of products sold	448,456	449,119	422,078
Operations	1,397,626	1,352,561	1,292,251
Maintenance	147,223	147,898	151,248
Depreciation and amortization	424,115	409,799	361,963
Taxes, other than income taxes	63,093	66,370	66,270
Provision to reduce carrying value of certain assets	<u>120,280</u>	<u>—</u>	<u>—</u>
Total costs and expenses	<u>2,600,793</u>	<u>2,425,747</u>	<u>2,293,810</u>
Operating income	591,625	683,978	633,866
Other income, net	2,925	2,481	(6,064)
Interest expense	(130,832)	(145,428)	(137,120)
Gain on disposal of assets, write-down of assets and other	<u>(2,278)</u>	<u>30,775</u>	<u>(54,157)</u>
Income before income taxes	461,440	571,806	436,525
Income taxes	<u>169,703</u>	<u>217,190</u>	<u>164,772</u>
Net income	291,737	354,616	271,753
Preferred dividends	<u>1,071</u>	<u>1,158</u>	<u>1,232</u>
Net income applicable to common shares	<u>\$ 290,666</u>	<u>\$ 353,458</u>	<u>\$ 270,521</u>
Primary Earnings per Share	\$1.53	\$1.86	\$1.43

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

CONSOLIDATED BALANCE SHEETS

December 31,
(Dollars in thousands)

Assets	1996	1995
Current Assets:		
Cash and short-term investments	\$ 13,874	\$ 21,421
Accounts receivable (less allowance for doubtful accounts of \$21,271 and \$18,439, respectively)	554,316	582,797
Materials and supplies	17,152	22,191
Inventories	85,977	89,667
Prepaid expenses	38,156	15,165
Total current assets	709,468	731,241
Investments	838,651	641,706
Excess of cost over equity in purchased entities	425,823	480,070
Property, Plant and Equipment:		
Telephone	3,827,659	3,733,468
Cellular	582,707	462,397
Information services	506,905	468,648
Other	27,618	28,965
Under construction	169,439	148,349
Total property, plant and equipment	5,114,328	4,841,827
Less accumulated depreciation	2,072,789	1,869,075
Net property, plant and equipment	3,041,539	2,972,752
Other assets	343,702	277,336
Total Assets	\$5,359,183	\$5,073,105

The accompanying notes are an integral part of these consolidated balance sheets.

Liabilities and Shareholders' Equity	1996	1995
Current Liabilities:		
Current maturities of long-term debt	\$ 37,798	\$ 36,892
Accounts payable	240,570	213,944
Advance payments and customers' deposits	78,080	73,660
Accrued taxes	41,932	58,341
Accrued dividends	52,440	49,149
Other current liabilities	<u>139,876</u>	<u>137,298</u>
Total current liabilities	<u>590,696</u>	<u>569,284</u>
Deferred Credits:		
Investment tax	12,915	21,821
Income taxes	<u>661,972</u>	<u>544,435</u>
Total deferred credits	<u>674,887</u>	<u>566,256</u>
Long-term debt	1,756,142	1,761,604
Other liabilities	233,896	233,318
Preferred stock, redeemable	<u>6,455</u>	<u>7,078</u>
Shareholders' Equity:		
Preferred stock	9,198	9,241
Common stock	187,200	189,268
Additional capital	285,779	355,663
Unrealized holding gain on investments	351,867	208,681
Retained earnings	<u>1,263,063</u>	<u>1,172,712</u>
Total shareholders' equity	<u>2,097,107</u>	<u>1,935,565</u>
Total Liabilities and Shareholders' Equity	<u>\$5,359,183</u>	<u>\$5,073,105</u>

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31,

(Dollars in thousands)

	1996	1995	1994
Cash Provided from Operations:			
Net income	\$291,737	\$354,616	\$271,753
Adjustments to reconcile net income to net cash provided from operations:			
Depreciation and amortization	424,115	409,799	361,963
Provision to reduce carrying value of certain assets, gain on disposal of assets, write-down of assets, and other	74,197	(19,849)	32,223
Other, net	42,532	41,366	41,355
Increase in deferred credits	47,156	65,246	32,754
Changes in operating assets and liabilities:			
Accounts receivable	(24,141)	(71,541)	(181,997)
Inventories, including materials and supplies	7,997	5,101	(27,812)
Accounts payable	28,043	(42,096)	38,154
Other current liabilities	(20,781)	(5,051)	(13,192)
Other, net	(64,673)	(48,405)	21,989
Net cash provided from operations	<u>806,182</u>	<u>689,186</u>	<u>577,190</u>
Cash Flows from Investing Activities:			
Additions to property, plant and equipment	(463,701)	(523,064)	(596,112)
Sale of property	38,687	212,911	—
Additions to capitalized software development costs	(78,319)	(52,308)	(53,547)
Investments sold (acquired)	17,784	(33,729)	(9,464)
Other, net	(63,044)	(72,019)	3,920
Net cash used in investing activities	<u>(548,593)</u>	<u>(468,209)</u>	<u>(655,203)</u>
Cash Flows from Financing Activities:			
Dividends on preferred and common stock	(198,095)	(182,270)	(166,349)
Reductions in long-term debt	(310,258)	(277,636)	(147,784)
Purchase of common stock	(75,604)	—	(10,932)
Preferred stock redemptions and purchases	(704)	(1,137)	(438)
Long-term debt issued	316,001	218,164	404,883
Common stock issued	3,524	17,225	16,850
Net cash provided from (used in) financing activities	<u>(265,136)</u>	<u>(225,654)</u>	<u>96,230</u>
Increase (decrease) in cash and short-term investments	(7,547)	(4,677)	18,217
Cash and Short-term Investments:			
Beginning of year	21,421	26,098	7,881
End of year	<u>\$ 13,874</u>	<u>\$ 21,421</u>	<u>\$ 26,098</u>
Supplemental Cash Flow Disclosures:			
Interest paid	\$124,354	\$141,751	\$129,788
Income taxes paid	\$180,575	\$112,690	\$150,224

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

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

For the years ended December 31,

(Dollars in thousands, except per share amounts)

	1996	1995	1994
Preferred Stock:			
Balance at beginning of the year	\$ 9,241	\$ 9,320	\$ 9,405
Conversion of preferred stock	(43)	(79)	(85)
Balance at end of the year	9,198	9,241	9,320
Common Stock:			
Balance at beginning of the year	189,268	187,981	187,458
Employee plans, net	344	1,227	535
Acquisition of subsidiary	—	—	324
Conversion of preferred stock and debentures	28	60	71
Repurchase of stock	(2,440)	—	(407)
Balance at end of the year	187,200	189,268	187,981
Additional Capital:			
Balance at beginning of the year	355,663	339,436	333,698
Employee plans, net	3,180	15,998	7,815
Acquisition of subsidiary	—	—	8,176
Conversion of preferred stock and debentures	100	229	272
Repurchase of stock	(73,164)	—	(10,525)
Balance at end of the year	285,779	355,663	339,436
Unrealized Holding Gain on Investments:			
Balance at beginning of the year	208,681	84,275	121,507
Change in unrealized holding gain on investments	143,186	124,406	(37,232)
Balance at end of the year	351,867	208,681	84,275
Retained Earnings:			
Balance at beginning of the year	1,172,712	1,004,357	902,640
Net income for the year	291,737	354,616	271,753
Dividends:			
Common per share, \$1.06 in 1996, \$.98 in 1995 and \$.90 in 1994	(200,315)	(185,103)	(168,804)
Preferred	(1,071)	(1,158)	(1,232)
Balance at end of the year	1,263,063	1,172,712	1,004,357
Total shareholders' equity	\$2,097,107	\$ 1,935,565	\$ 1,625,369

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

BUSINESS SEGMENTS

For the years ended December 31,
(Dollars in thousands)

	1996	1995	1994
Revenues and Sales:			
Telephone:			
Local service	\$ 429,297	\$ 411,434	\$ 389,784
Network access and long-distance	595,566	637,731	644,020
Miscellaneous	144,213	148,508	144,473
Total telephone	1,169,076	1,197,673	1,178,277
Cellular	475,109	398,122	287,346
Information services	959,071	926,345	861,500
Product distribution	452,380	448,119	436,643
Other operations	136,782	139,466	163,910
Total	\$3,192,418	\$3,109,725	\$2,927,676
Operating Income:			
Telephone	\$ 408,382	\$ 422,542	\$ 400,207
Cellular	151,720	121,507	84,655
Information services	67,035	132,043	129,765
Product distribution	23,660	27,338	23,920
Other operations	11,281	7,040	15,270
Corporate expenses	(70,453)	(26,492)	(19,951)
Total	\$ 591,625	\$ 683,978	\$ 633,866
Identifiable Assets:			
Telephone	\$2,759,683	\$2,782,471	\$2,909,028
Cellular	793,133	694,890	573,314
Information services	783,738	745,451	632,518
Product distribution	127,830	168,578	163,628
Other operations	56,091	58,243	65,601
Corporate	838,708	623,472	369,789
Total	\$5,359,183	\$5,073,105	\$4,713,878
Capital Expenditures:			
Telephone	\$ 279,622	\$ 308,468	\$ 331,395
Cellular	94,932	121,274	107,647
Information services	83,530	77,871	124,005
Product distribution	974	2,034	6,029
Other operations and corporate	4,643	13,417	27,036
Total	\$ 463,701	\$ 523,064	\$ 596,112
Depreciation and Amortization Expense:			
Telephone	\$ 235,543	\$ 243,975	\$ 229,474
Cellular	68,603	54,856	36,821
Information services	112,911	102,033	88,627
Product distribution	1,409	1,277	1,181
Other operations and corporate	5,649	7,658	5,860
Total	\$ 424,115	\$ 409,799	\$ 361,963

Note: A. Information services operating income for 1996 includes pretax write-downs of \$75.0 million to reduce the carrying value of certain assets. (See Note B.)
 B. Corporate expenses for 1996 include a pretax write-down of \$45.3 million to reduce the carrying value of the Company's wire and cable subsidiary. (See Note B.)
 C. Refer to page 47 for additional information concerning business segments.

1. ACCOUNTING POLICIES:

Consolidation — The consolidated financial statements include the accounts of ALLTEL Corporation, its subsidiary companies and majority-owned partnerships (the "Company"). Investments in 20% to 50% owned entities and all unconsolidated partnerships are accounted for using the equity method. Other investments are recorded in accordance with Statement of Financial Accounting Standards No. 115 (see Note 2). All intercompany transactions, except those with certain affiliates described below, have been eliminated in the consolidated financial statements.

Financial Statement Presentation — The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities. The estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from the estimates and assumptions used in preparing the accompanying consolidated financial statements.

Service revenues consist of local service, network access and miscellaneous telephone operating revenues, information services' data processing, software licensing and maintenance revenues, and cellular access and network usage revenues. Product sales revenues consist of the product distribution and directory publishing operations and telephone and information services' equipment sales. Certain prior-year amounts have been reclassified to conform with the 1996 financial statement presentation.

Transactions with Certain Affiliates — ALLTEL Supply, Inc. sells equipment and materials to telephone subsidiaries of the Company (\$119,874,000 in 1996, \$137,951,000 in 1995 and \$140,410,000 in 1994) as well as to other telephone companies and related industries. The cost of equipment and materials sold to such subsidiaries is included, principally, in telephone plant in the consolidated financial statements. ALLTEL Information Services, Inc. provides the data processing services for the Company's telephone operations (\$77,195,000 in 1996, \$85,131,000 in 1995 and \$77,427,000 in 1994) in addition to other companies. Intercompany profit, to the extent not offset by depreciation on the capitalized cost of equipment and materials, has not been eliminated because prices charged by the supply and information services subsidiaries are comparable to prices the individual telephone subsidiaries would be required to pay other suppliers and are recovered through the regulatory process.

Regulatory Accounting — The Company's telephone subsidiaries follow the accounting for regulated enterprises prescribed by Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation" ("SFAS 71"). This accounting recognizes the economic effects of rate regulation by recording costs and a return on investment as such amounts are recovered through rates authorized by regulatory authorities. Accordingly, SFAS 71 requires the Company's telephone subsidiaries to depreciate telephone plant over useful lives as approved by regulators which could be longer than the useful lives that would otherwise be determined by management. SFAS 71 also requires deferral of certain costs and obligations based upon approvals received from regulators to permit recovery of such amounts in future years. The Company's telephone subsidiaries periodically review the applicability of SFAS 71 based on the developments in their current regulatory and competitive environments.

Cash and Short-term Investments — Cash and short-term investments consist of highly liquid investments with original maturities of less than three months. These investments are readily convertible into cash.

Inventories — Inventories are stated at the lower of cost or market value. Cost is determined using the first-in, first-out method of valuation.

Property, Plant and Equipment — Property, plant and equipment are stated at original cost. Depreciation is computed using the straight-line method for financial reporting purposes. The composite depreciation rates by class of property as a percent of average depreciable plant and equipment were:

	1996	1995	1994
Telephone	6.2%	6.4%	6.1%
Cellular	12.1	12.7	12.2
Information services	16.8	15.7	16.3
Other	10.3	9.6	9.7

For the Company's telephone operations, when utility property, plant and equipment are retired, the original cost, net of salvage, is charged against accumulated depreciation. All other property, plant and equipment retirements are recorded at net book value plus salvage, if any, with the corresponding gain or loss recognized in the accompanying consolidated statements of income. The cost of maintenance and repairs of property, plant and equipment, including the cost of replacing minor items not affecting substantial betterments, is charged to maintenance expense as incurred. The Company capitalized estimated interest during periods of construction.

Excess of Cost Over Equity in Purchased Entities — Excess of cost over equity of \$398,851,000 relating to certain entities purchased subsequent to November 1970 is being amortized on a straight-line basis for periods up to 40 years. Amortization expense amounted to \$16,805,000 in 1996, \$17,890,000 in 1995 and \$15,427,000 in 1994. The carrying value of the excess cost over equity is periodically evaluated by the Company for the existence of impairment on the basis of whether the excess of cost over equity is fully recoverable from projected, undiscounted net cash flows of the related business unit.

Investment Tax Credit — The investment tax credit is amortized to income over the productive lives of the related property, plant and equipment.

Revenue Recognition — Telephone revenues are recognized when earned and are primarily derived from usage of the Company's local exchange networks and facilities or under revenue-sharing arrangements with other telecommunications carriers. Information services revenues consist of data processing revenue recognized as services are performed, software licensing revenue recognized when delivery of the software occurs, and software maintenance revenue recognized ratably over the maintenance period. Certain long-term contracts are accounted for using the percentage-of-completion method. Under this method, revenue and profit are recognized throughout the term of the contract, based upon estimates of the total costs to be incurred and revenues to be generated throughout the term of the contract. Changes in estimates for revenues, costs and profits are recognized in the period in which they are determinable. In accordance with contractual arrangements with customers, cellular access service revenue is recognized when billed, while revenue from network usage is recognized when the services are rendered. For all other operations, revenue is recognized when products are delivered or services are rendered to customers.

Included in accounts receivable and other assets are unbilled receivables related to the information services segment totaling \$141,201,000 and \$127,767,000 at December 31, 1996 and 1995, respectively. Included in these unbilled receivables are amounts totaling \$46,982,000 and \$39,050,000 at December 31, 1996 and 1995, respectively, which represent costs and estimated earnings in excess of billings related to one long-term contract accounted for under the percentage-of-completion method.

Computer Software Development Costs — For the Company's information services operations, research and development expenditures related to internally developed computer software are charged to expense as incurred. The development costs of software to be marketed are charged to expense until technological feasibility is established. After that time, the remaining software development costs are capitalized and recorded in other assets in the accompanying consolidated balance sheets. As of December 31, 1996 and 1995, capitalized software development costs, net of amortization, were \$197,913,000 and \$180,370,000, respectively. Amortization of the capitalized amounts is computed on a product-by-product basis using primarily the straight-line method over the remaining estimated economic life of the product, not exceeding six years. Amortization expense amounted to \$28,072,000 in 1996, \$29,468,000 in 1995 and \$19,727,000 in 1994.

The net realizable value of capitalized software development costs is periodically evaluated by the Company. This evaluation requires considerable judgment by management with respect to certain external factors, including, but not limited to, anticipated future revenues generated by the software, estimated economic life of the software and changes in software and hardware technologies. Accordingly, it is reasonably possible that estimates of anticipated future revenues generated by the software, the remaining economic life of the software, or both, may be reduced significantly in the near term, materially impacting the carrying value of capitalized software development costs. As a result of this periodic evaluation, the Company recorded a write-down of software in 1996. (See Note 8.)

Earnings Per Share — Primary earnings per share of common stock was determined by dividing net income applicable to common shares by the average number of common shares outstanding, including common stock equivalents, during each year. The numbers of shares used in computing primary earnings per share were 190,370,000 in 1996, 190,072,000 in 1995 and 189,454,000 in 1994. Conversion of all convertible preferred stock and convertible debentures would not have a significant dilutive effect on earnings per share.

2. FINANCIAL INSTRUMENTS AND INVESTMENT SECURITIES:

The carrying amount of cash and short-term investments approximates fair value due to the short maturity of the instruments. The fair value of investments is \$838.7 million based on the quoted market price and the carrying value of investments for which there is no quoted market price. The fair value of the Company's long-term debt, after deducting current maturities, is estimated to be \$1.772 billion in 1996 and \$1.857 billion in 1995 compared to a carrying value of \$1.756 billion in 1996 and \$1.762 billion in 1995. The fair value estimates are based on the overall weighted rates and maturity compared to rates and terms currently available in the long-term financing markets. The fair value of the Company's redeemable preferred stock is estimated to be \$16.6 million in 1996 and \$16.9 million in 1995 compared to a carrying amount of \$6.5 million in 1996 and \$7.1 million in 1995. The fair value estimates are based on the conversion of the Series D convertible redeemable preferred stock to common stock of the Company and the carrying value of

the Series A redeemable preferred stock for which there is no quoted market price. The fair value of all other financial instruments is estimated by management to approximate the carrying value.

Equity securities owned by the Company have been classified as available-for-sale and are reported at fair value, with unrealized gains and losses reported, net of tax, in a separate component of shareholders' equity. The Company had unrealized gains, net of tax, on its investment in WorldCom, Inc. of \$351.9 million, \$208.7 million and \$84.3 million at December 31, 1996, 1995 and 1994, respectively. The unrealized gains, including the related tax impact, are non-cash items and accordingly have been excluded from the accompanying consolidated statements of cash flows. All other unrealized gains and losses on investments in equity securities are not material to the Company's financial position or results of operations.

3. DEBT:

Long-term debt, after deducting current maturities, was as follows at December 31:

	(Thousands)	
	1996	1995
First mortgage bonds and collateralized notes,		
Weighted rate 8.7% in 1996 and 1995		
Weighted maturity 5 years in 1996 and 6 years in 1995	\$ 14,488	\$ 19,797
Debentures and notes, without collateral,		
Weighted rate 7.1% in 1996 and 7.6% in 1995		
Weighted maturity 13 years in 1996 and 14 years in 1995	1,320,141	1,254,819
Industrial revenue bonds and collateralized notes,		
Weighted rate 6.0% in 1996 and 1995		
Weighted maturity 9 years in 1996 and 10 years in 1995	8,358	8,475
Revolving credit agreement,		
Weighted rate 7.1% in 1996 and 6.0% in 1995		
Weighted maturity 5 years in 1996 and 3 years in 1995	83,700	151,490
Rural Utilities Service notes,		
Weighted rate 4.4% in 1996 and 4.2% in 1995		
Weighted maturity 16 years in 1996 and 1995	66,911	66,149
Rural Telephone Bank and Federal Financing Bank notes,		
Weighted rate 7.7% in 1996 and 7.8% in 1995		
Weighted maturity 17 years in 1996 and 18 years in 1995	262,547	260,834
Total long-term debt	<u>\$1,756,143</u>	<u>\$1,761,604</u>
Weighted rate	7.1%	7.3%
Weighted maturity	13 years	14 years

The Company has a \$750 million revolving credit agreement which has a termination date of October 1, 2001, with provision for annual extensions. It is the Company's intention to continue to renew the agreement. The revolving credit agreement provides a variety of pricing options.

The indentures and agreements, as amended, provide, among other things, for various restrictions on the payment of dividends by the Company. Retained earnings unrestricted as to payment of dividends by the Company amounted to \$1,024.4 million at December 31, 1996. Certain properties have been pledged as collateral on \$352.3 million of obligations.

Interest expense on long-term debt amounted to \$129.4 million in 1996, \$144.4 million in 1995 and \$135.2 million in 1994.

Maturities and sinking fund requirements for the four years after 1997 for long-term debt outstanding, excluding the revolving credit agreement as of December 31, 1996, were \$47.1 million, \$53.7 million, \$45.1 million and \$49.2 million for the years 1998 through 2001, respectively.

A. COMMON STOCK:

There are 500,000,000 shares of \$1 par value common stock authorized of which 187,199,811 and 189,267,712 shares were outstanding at December 31, 1996 and 1995, respectively. At December 31, 1996, the Company had 17,617,619 common shares reserved for issuance in connection with convertible preferred stock (918,639) and stock options (16,698,980).

The Company has stock-based compensation plans. Under stock option plans implemented prior to 1994 (the "Pre-1994 Plans") and the 1994 Stock Option Plan for Employees (the "1994 Plan"), the Company may grant fixed, incentive and non-qualified stock options to officers and other key employees. The maximum number of shares of the Company's common stock that may be issued under the Pre-1994 Plans and the 1994 Plan are 5,698,980 and 10,000,000, respectively. Options granted under the Pre-1994 Plans and the 1994 Plan become exercisable in equal increments over a five-year period beginning one year from the date of grant. Under the 1994 Stock Option Plan for Nonemployee Directors (the "Directors Plan"), the Company may grant fixed, non-qualified stock options to directors for up to 1,000,000 shares of common stock. Under the Directors Plan, directors receive a one-time grant to purchase 10,000 shares of common stock. Directors are also granted each year, on the date of the annual meeting of stockholders, an option to purchase a specified number of shares of common stock (currently 2,000 shares). Options granted under the Directors Plan become exercisable the day immediately preceding the date of the first annual meeting of stockholders following the date of grant. For all plans, the exercise price of the option equals the market value of the Company's common stock on the date of grant, and the maximum term for each option granted is 10 years.

The following is a summary of stock options outstanding, granted, exercised and forfeited under the Company's stock-based compensation plans:

	Shares			Weighted Average Price Per Share		
	1994	1995	1996	1994	1995	1996
Outstanding at beginning of period	5,206,509	6,811,202	6,945,928	\$22.45	\$20.32	\$19.06
Granted	855,000	126,000	650,500	\$1.37	26.15	26.41
Exercised	(419,729)	(1,472,982)	(553,194)	\$4.76	12.45	11.59
Forfeited	(125,612)	(257,710)	(212,037)	\$7.48	25.05	21.35
Outstanding at end of period	5,516,168	5,206,509	6,811,202	\$24.30	\$22.45	\$20.32
Exercisable at end of period	3,385,268	3,001,109	3,178,800	\$21.82	\$19.84	\$15.44
Weighted average fair value of stock options granted during the year	\$5.95	\$5.49				
Reserved for future options	11,382,812	11,912,812	11,784,812			

For stock options granted subsequent to January 1, 1995, the fair value of each option was estimated on the grant date using the Black-Scholes option-pricing model and the following assumptions: dividend yield of 3.3% in 1996 and 3.7% in 1995, expected volatility of 19.6% in 1996 and 21% in 1995, and expected option life of 5 years in 1996 and 1995. For options granted under the Directors Plan, the risk-free interest rates were 6% and 6.7% for 1996 and 1995, respectively. For options granted under the 1994 Plan, the risk-free interest rates were 5.4% and 6.4% for 1996 and 1995, respectively. There were no options granted under the Pre-1994 Plans in either 1996 or 1995.

The following is a summary of stock options outstanding as of December 31, 1996:

Range of Exercise Price	Options Outstanding		Options Exercisable	
	Options Outstanding	Weighted Average Remaining Contract Life	Options Exercisable	Weighted Average Exercise Price Per Share
\$11.20-\$16.12	894,364	3.0 years	894,364	\$12.71
\$20.00-\$25.38	1,156,104	5.2 years	925,304	\$20.22
\$26.12-\$32.50	3,465,700	7.5 years	1,565,600	\$27.96
	5,516,168	6.3 years	3,385,268	\$21.82

The Company applies the provisions of Accounting Principles Board Opinion No. 25 and related Interpretations in accounting for its stock-based compensation plans. Accordingly, no compensation cost has been recognized by the Company in the accompanying consolidated statements of income for any of the fixed stock options granted in 1995 and 1996. Had compensation cost for options granted been determined on the basis of the fair value of the awards at the date of grant, consistent with the methodology prescribed by Statement of Financial Accounting Standards No. 123, the Company's net income and earnings per share would have been reduced to the following pro forma amounts for the years ended December 31:

(Dollars in thousands, except per share amounts)	1996	1995
Net income:		
As reported	\$291,737	\$354,616
Pro forma	\$291,012	\$354,502
Primary earnings per share:		
As reported	\$1.53	\$1.86
Pro forma	\$1.52	\$1.86

The above pro forma amounts reflect only the effect of stock options granted subsequent to January 1, 1995. Accordingly, the pro forma amounts may not be representative of the future effects on reported net income and primary earnings per share that will result from the future granting of stock options, since the pro forma compensation expense is allocated over the periods in which options become exercisable and new option awards are granted each year.

5. PREFERRED STOCK:

Cumulative preferred stock is issuable in series, and the Board of Directors is authorized to designate the number of shares and fix the terms. There are 50,000,000 \$25 par value voting shares and 50,000,000 no par value non-voting shares authorized.

The outstanding cumulative preferred stock, which is not redeemable at the option of the holder, was as follows at December 31:

	Quarterly Dividend Per Share	Amount Outstanding (Thousands)		
		1996	1995	1994
\$25 par value:				
Series A, 5%				
Shares — 39,853 in 1996, 1995 and 1994	.51 %	\$ 996	\$ 996	\$ 996
Series C, 5%				
Shares — 5,000 in 1996, 1995 and 1994	.31 %	125	125	125
Series E, 6%				
Shares — 32,000 in 1996, 1995 and 1994	.37 %	800	800	800
Series F, 5 1/2%				
Shares — 245,955 in 1996, 1995 and 1994	.34 %	6,149	6,149	6,149
Series H, 6%				
Shares — 12,184 in 1996, 1995 and 1994	.37 %	305	305	305
Series I, 5 1/2%				
Shares — 4,000 in 1996, 1995 and 1994	.34 %	100	100	100
Series L, 6%				
Shares — 1,800 in 1996, 1995 and 1994	.37 %	45	45	45
No par value:				
Series C, \$2.06 Convertible				
Shares — 27,137 in 1996, 28,855 in 1995 and 31,991 in 1994	.51 %	678	721	800
		\$9,198	\$9,241	\$9,320

The \$25 par value preferred stock may be redeemed at the option of the Company at par value. The no par value Series C preferred shares are convertible at any time prior to redemption into 5.963 shares of the Company's common stock. The rate of conversion is subject to adjustment under certain conditions.

The outstanding cumulative preferred stock, which is redeemable at the option of the holder, was as follows at December 31:

	Quarterly Dividend Per Share	Amount Outstanding (Thousands)		
		1996	1995	1994
No par value:				
Series A, 7 1/2%				
Shares — 44,800 in 1996, 50,200 in 1995 and 55,600 in 1994	\$1.93 %	\$4,480	\$5,020	\$5,560
Series D, \$2.25 Convertible				
Shares — 70,535 in 1996, 73,500 in 1995 and 81,046 in 1994	.56 %	1,975	2,058	2,269
		\$6,455	\$7,078	\$7,829

The Company's Series A preferred stock is redeemed through required annual sinking fund payments. The sinking fund requirements in each of the five years ending December 31, 1997 through 2001 amount to \$540,000.

In addition to redemption at the option of the holder and through required sinking fund payments at the stated value per share, the Company may at its option, under certain conditions, redeem outstanding cumulative preferred stock at varying premiums above par or stated value.

The Company's Series D stock is convertible at any time prior to redemption into 5.486 shares of the Company's common stock. The rate of conversion is subject to adjustment under certain conditions. During 1996, \$83,000 of Series D stock was converted. The stock may be redeemed at the option of the Company or the holder at the \$28 per share stated value.

6. EMPLOYEE BENEFIT PLANS:

The Company has a trustee, non-contributory, defined benefit pension plan which provides retirement benefits for eligible employees of the Company. Pension benefits are based on an employee's years of service and compensation. The Company's funding policy for the defined benefit contributions is to satisfy the funding requirements of the Employees' Retirement Income Security Act of 1974 ("ERISA").

Certain key officers have unfunded executive compensation agreements that provide retirement benefits in lieu of payments under the Company's pension plan.

Pension expense, including provision for executive compensation agreements, totaled \$577,000 in 1996, \$5,662,000 in 1995 and \$2,225,000 in 1994.

Pension expense includes the following components:

	(Thousands)		
	1996	1995	1994
Benefits earned during the year	\$12,589	\$14,966	\$13,386
Interest cost on projected benefit obligation	23,597	22,301	21,410
Actual return on plan assets	(40,660)	(61,720)	13,092
Net amortization and deferral	5,051	30,115	(45,643)
Pension expense	\$ 577	\$ 5,662	\$ 2,225

The following table presents the funded status of the plan at December 31:

	(Thousands)	
	1996	1995
Actuarial present value of accumulated benefit obligation, including vested benefits of \$257,236 in 1996 and \$262,972 in 1995	\$266,348	\$272,277
Actuarial present value of projected benefit obligation	313,878	323,381
Plan assets at fair value	394,533	369,091
Plan assets in excess of projected benefit obligation	80,655	45,710
Unrecognized net gain	(44,689)	(10,534)
Remaining unrecognized prior service cost	(4,315)	(5,432)
Unrecognized transition asset being amortized over 16 years	(8,283)	(9,466)
Prepaid pension expense	\$ 23,368	\$ 20,278

Actuarial assumptions used to calculate the projected benefit obligations were 7.75% for the settlement rate in 1996 and 7.25% in 1995, and 5% for future compensation level increases in 1996 and 1995. The investment earnings rate was 9% in 1996 and 1995. The changes in the actuarial present value of the accumulated benefit obligation and the projected benefit obligation for 1996 primarily resulted from the increase in the settlement rate assumption. Assets of the plan consist primarily of listed stocks, including common stock of the Company amounting to \$19,191,000 and \$17,437,000 at December 31, 1996 and 1995, respectively, and corporate and government debt.

The Company has a non-contributory defined contribution plan in the form of profit sharing arrangements for eligible employees, except bargaining unit employees. The amount of profit sharing contributions to the plan is determined annually by the Company's Board of Directors. Profit sharing expense amounted to \$20,426,000 in 1996, \$28,672,000 in 1995 and \$26,351,000 in 1994.

The Company also sponsors an employee savings plan under section 401(k) of the Internal Revenue Code. The plan covers substantially all full-time employees, except bargaining unit employees. Employees may elect to contribute to the plan a portion of their eligible pretax compensation up to certain limits as specified by the plan. The Company also makes annual contributions to the plan. Amounts charged to income and contributed by the Company to the plan amounted to \$9,425,000 in 1996, \$3,367,000 in 1995 and \$7,158,000 in 1994.

7. POSTRETIREMENT BENEFITS OTHER THAN PENSIONS:

The Company provides postretirement healthcare and life insurance benefits for eligible employees. The healthcare benefit is based on comprehensive hospital, medical and surgical benefit provisions, while the life insurance is based on annual earnings at the time of retirement. The employees share in the cost of these benefits. The Company is not currently funding these plans.

The postretirement expense includes the following components:

	(Thousands)		
	1996	1995	1994
Benefits earned	\$ 102	\$ 112	\$ 426
Amortization of transition obligation	976	976	976
Other amortization and deferral	40	(918)	(3)
Interest cost on accumulated postretirement benefit obligation	2,719	2,454	2,722
Postretirement expense	\$3,837	\$2,624	\$4,121

The following table presents the plan status at December 31:

	(Thousands)	
	1996	1995
Accumulated postretirement benefit obligation:		
Retirees	\$34,337	\$37,392
Fully eligible active plan participants	709	1,088
Other active plan participants	1,119	2,613
Total accumulated postretirement benefit obligation	36,165	40,893
Unrecognized net gain	5,162	3,168
Unrecognized prior service cost	(712)	(2,157)
Unrecognized transition obligation being amortized over 20 years	(15,614)	(16,590)
Accrued postretirement benefit obligation	\$25,001	\$25,319

Actuarial assumptions used to calculate the accumulated postretirement benefit obligation were 7.75% for the weighted average discount rate in 1996 and 7.25% for 1995, and 10% for the healthcare cost trend rate in 1996 and 11% for 1995, decreasing on a graduated basis to an ultimate rate of 6% in the year 2000. A one percentage point change in the assumed healthcare cost trend rate for each future year would change the postretirement benefit cost by approximately \$152,000 for the year ended December 31, 1996, and the accumulated postretirement benefit obligation as of December 31, 1996, by approximately \$1.9 million.

During 1996, the Company made certain changes to its postretirement healthcare benefits for non-bargaining unit employees retiring on or after January 1, 1998. The reductions for 1996 in the total accumulated postretirement obligation and the unrecognized prior service cost reflect the impact of these plan changes.

B. PROVISION TO REDUCE CARRYING VALUE OF CERTAIN ASSETS:

During the third quarter of 1996, the Company incurred non-cash, pretax charges of \$120.3 million to write down the carrying value of certain assets. The Company recorded a pretax write-down of \$45.3 million in the carrying value of goodwill related to its product distribution segment's wire and cable subsidiary, HWC Distribution Corp., ("HWC"). This write-down resulted from the Company's plan to dispose of this non-strategic operation. The Company expects to complete the sale of HWC in 1997. In addition, the information services segment recorded a pretax write-down of \$53.0 million, primarily consisting of an adjustment to the carrying value of certain capitalized software development costs. The write-down of software resulted from performing a net realizability evaluation of software-related products that have been impacted by changes in software and hardware technologies. Finally, due to current and projected future operating losses sustained by its community banking operations, information services also recorded a pretax write-down of \$22.0 million to adjust the carrying value of these operations to their estimated fair value based upon projections of future cash flows. The Company expects to dispose of or discontinue these operations by the end of 1997. The net income impact of these write-downs resulted in a decrease in net income of \$72.7 million or \$.38 per share for the year ended December 31, 1996.

Operating results of the wire and cable subsidiary included in the Company's consolidated results of operations were as follows:

	(Thousands)		
	1996	1995	1994
Revenues and sales	\$156,536	\$158,605	\$158,958
Operating income	\$ 7,919	\$ 11,039	\$ 9,766

9. GAIN ON DISPOSAL OF ASSETS, WRITE-DOWN OF ASSETS AND OTHER:

During the first quarter of 1996, the Company recorded a pretax gain of \$15.3 million from the sale of telephone properties in Nevada to Citizens Utilities Company ("Citizens"). The Company also incurred \$15.8 million of termination fees related to the early retirement of \$200 million of long-term debt, and the Company realized a pretax loss of \$1.8 million related to the withdrawal of its investment in GO Communications Corporation. The net income impact from these transactions resulted in a decrease of \$.01 per share for the year ended December 31, 1996.

During the fourth quarter of 1995, the Company recorded a pretax gain of \$18.9 million on the sale of its telephone properties in Arizona, California, New Mexico, Tennessee and Utah to Citizens, and the Company incurred \$14.0 million of termination fees related to the early retirement of \$200 million of long-term debt. During the second quarter of 1995, the Company recorded a pretax gain of \$30.9 million on the sale of its telephone properties in West Virginia and Oregon to Citizens, and the Company recorded an additional pretax write-down of \$5.0 million to reflect the net realizable value of its information services segment's check processing operations. The net income impact from these transactions resulted in an increase of \$.10 in earnings per share for the year ended December 31, 1995.

In 1994, the Company recorded a write-down of \$54.2 million to reflect the estimated net realizable value of its information services segment's community banking and check processing operations. This write-down resulted in a decrease of \$.17 in earnings per share in 1994.

10. INCOME TAXES:

Income tax expense was as follows:

	(Thousands)		
	1996	1995	1994
Federal	\$141,320	\$181,947	\$137,277
State and other	28,383	35,243	27,495
	<u>\$169,703</u>	<u>\$217,190</u>	<u>\$164,772</u>

The federal income tax expense consists of the following:

	(Thousands)		
	1996	1995	1994
Currently payable	\$141,035	\$128,589	\$104,359
Deferred	9,218	62,614	40,416
Investment tax credit amortized	(8,933)	(9,256)	(7,498)
	<u>\$141,320</u>	<u>\$181,947</u>	<u>\$137,277</u>

Deferred income tax expense results principally from temporary differences between depreciation expense for income tax purposes and depreciation expense recorded in the financial statements. Deferred tax balances are adjusted to reflect tax rates, based on currently enacted tax laws, that will be in effect in the years in which the temporary differences are expected to reverse. For the Company's regulated operations, the adjustment in deferred tax balances for the change in tax rates is reflected as a regulatory asset or liability. These regulatory assets and liabilities are amortized over the lives of the related depreciable asset or liability concurrent with recovery in rates.

Differences between the federal income tax statutory rates and effective income tax rates, which include both federal and state income taxes, were as follows:

	1996	1995	1994
Statutory income tax rates	35.0%	35.0%	35.0%
Increase (decrease):			
Investment tax credit	(1.9)	(1.6)	(1.7)
State income taxes, net of federal benefit	4.0	4.0	4.1
Other items	(0.3)	0.6	0.4
Effective income tax rates	<u>36.7%</u>	<u>38.0%</u>	<u>37.8%</u>

The significant components of the Company's net deferred income tax liability were as follows at December 31:

	(Thousands)	
	1996	1995
Property, plant and equipment	\$400,725	\$346,482
Capitalized computer software	71,609	49,365
Unrealized holding gain on investments	231,982	150,161
Other, net	(42,344)	(1,573)
Total	<u>\$661,972</u>	<u>\$544,435</u>

At December 31, 1996 and 1995, total deferred tax assets were \$201.1 million and \$211.8 million, respectively, and total deferred tax liabilities were \$863.1 million and \$756.2 million, respectively.

11. OTHER INCOME, NET:

The components of other income, net were as follows:

	(Thousands)		
	1996	1995	1994
Equity earnings in unconsolidated partnerships	\$31,353	\$20,282	\$11,662
Minority interest in consolidated partnerships	(37,538)	(28,997)	(20,038)
Capitalized interest during construction	5,160	6,221	3,361
Interest and dividend income	500	1,052	919
Other non-operating income (expense)	3,450	3,923	(1,968)
	<u>\$ 2,925</u>	<u>\$ 2,481</u>	<u>\$ 16,064</u>

12. BUSINESS SEGMENTS:

The Company's telephone operating subsidiaries provide primary local telephone service and network access in 14 states. Cellular operations provide wireless communications services in a number of major U.S. markets — primarily in the Sun Belt. Information services provides information processing management, outsourcing services and application software, primarily to financial and telecommunications clients. The principal markets for information services' products and services are commercial banks and financial institutions and local telephone and wireless companies in the United States and major international markets. Product distribution sells communications and data products to affiliated and non-affiliated telephone companies and related industries in the United States and specialty electrical and electronic wire and cable to other domestic distributors and wholesalers. Other operations primarily include directory publishing and wide-area paging services. Corporate identifiable assets consist primarily of cash, investments and headquarters facilities and equipment. Corporate items represent general corporate expenses and assets not allocated to segments. (Refer to page 40 for a schedule of business segment information.)

13. QUARTERLY FINANCIAL INFORMATION — (UNAUDITED)

	1996					1995				
	Total	4th	3rd	2nd	1st	Total	4th	3rd	2nd	1st
Revenues and sales	\$3,192,418	\$806,301	\$807,398	\$804,453	\$774,266	\$3,109,725	\$773,855	\$785,779	\$786,476	\$763,615
Operating income	\$ 591,625	\$183,735	\$ 55,835	\$180,890	\$171,165	\$ 683,978	\$177,302	\$175,355	\$169,783	\$161,538
Net income	\$ 291,737	\$ 96,932	\$ 18,824	\$ 91,908	\$ 84,073	\$ 354,616	\$ 92,577	\$ 85,312	\$ 98,104	\$ 78,623
Preferred dividends	1,071	258	265	274	274	1,158	275	287	279	317
Net income applicable to common shares	\$ 290,666	\$ 96,674	\$ 18,559	\$ 91,634	\$ 83,799	\$ 353,458	\$ 92,302	\$ 85,025	\$ 97,825	\$ 78,306
Primary earnings per share	\$1.53	\$.51	\$.10	\$.48	\$.44	\$1.86	\$.48	\$.45	\$.52	\$.41
Excluding provision to reduce carrying value of certain assets, gain on disposal of assets, write-down of assets, and other:										
Operating income	\$ 711,905	\$183,735	\$176,115	\$180,890	\$171,165	\$ 683,978	\$177,302	\$175,355	\$169,783	\$161,538
Net income	\$ 365,934	\$ 96,932	\$ 91,540	\$ 91,908	\$ 85,554	\$ 334,767	\$ 89,335	\$ 85,312	\$ 81,497	\$ 78,623
Primary earnings per share	\$1.92	\$.51	\$.48	\$.48	\$.45	\$1.76	\$.47	\$.45	\$.43	\$.41
Dividends per common share	\$1.06	\$.28	\$.26	\$.26	\$.26	\$.98	\$.26	\$.24	\$.24	\$.24

Note: A. Third quarter 1996 operating income includes pretax write-downs of \$45.3 million and \$22.0 million in the carrying value of the Company's electron. wire and cable operations and the information services segment's community banking operations, respectively. In addition, the information services segment recorded a pretax write-down of \$53.0 million to reflect the net realizable value of certain capitalized software development costs. These transactions decreased net income by \$72.7 million or \$1.38 per share. (See Note 8.)

B. First quarter 1996 net income includes a pretax gain of \$15.3 million from the sale of certain telephone properties, \$15.8 million of termination fees related to the early retirement of long-term debt and a pretax loss of \$1.8 million from the withdrawal of an investment. These transactions decreased net income by \$1.5 million or \$0.01 per share. (See Note 9.)

C. Fourth quarter 1995 net income includes a pretax gain of \$18.9 million from the sale of certain telephone properties and \$14.0 million of termination fees related to the early retirement of long-term debt. These transactions increased net income by \$3.2 million or \$0.01 per share. (See Note 9.)

D. Second quarter 1995 net income includes a pretax gain of \$30.9 million from the sale of certain telephone properties and an additional pretax write-down of \$3.0 million on the Company's check processing operations. These transactions increased net income by \$16.6 million or \$0.09 per share. (See Note 9.)

E. All adjustments necessary for a fair presentation of results for each period have been included.

**DESCRIPTION OF
QUALIFICATIONS OF OFFICERS**

Dennis L. Whipple is President. Prior to this position, Mr. Whipple served as President of ALLTEL's wireless operations. Prior to joining ALLTEL, Mr. Whipple served as President and CEO of Contel Cellular, Inc. and Vice President of Marketing and Business Development for General Telephone Company. Mr. Whipple holds a Master's Degree of Business Administration from Mankato State University in Mankato, Minnesota and has done post-graduate studies in business administration at Princeton. Mr. Whipple serves on the Cellular Telecommunications Industry Association Executive Committee and on the Board of Directors of Scientific Games, Inc.

Michael T. Flynn is President of Communications Operations. Prior to joining ALLTEL in 1994, Mr. Flynn served as President of Arkansas for Southwestern Bell Telephone Company which he had held since 1991. Mr. Flynn began his Southwestern Bell career in 1970 and held a variety of positions in the company's network and telecommunications research operations. In 1983, the year divestiture occurred, Mr. Flynn was with AT&T in New Jersey and later served with Bell Communications Research there. In 1987, he was appointed Managing Director-Technology Planning for SBC Technology Resources. Mr. Flynn later moved to Dallas, where he served as Vice President-Network for Southwestern Bell's Texas Division. Mr. Flynn holds a Bachelor's Degree in Industrial Engineering from Texas A&M University. He has attended the Dartmouth Institute and the Harvard Advanced Management Program.

J. Scott Chesbro is Executive Vice President of Marketing and Business Development. Prior to this position, Mr. Chesbro served as President of ALLTEL Georgia, Inc., ALLTEL Georgia Communications Corp., and Georgia ALLTELCom, Inc., headquartered in Dalton, Georgia. Prior to serving as President of the Georgia Companies, he was President of ALLTEL's Northeast Region, based in Jamestown, New York. Mr. Chesbro's telecommunications career has spanned the United States through positions with both ALLTEL and CONTEL in Minnesota, Iowa, Missouri, Florida, Virginia, California and New York. He studied business administration at the University of Kansas and has served on the Board of Directors for the Georgia Chamber of Commerce, the Georgia Telephone Association and Waynesburg (Pennsylvania) College.

James F. Gadberry is Executive Vice President of Finance and Administration. Mr. Gadberry began his thirty seven year career in telecommunications in 1960 with AT&T. While with AT&T, Mr. Gadberry held various management positions in sales and operations in Dallas, St. Louis and Kansas City. Mr. Gadberry joined ALLTEL in 1966 as General Commercial Manager. Mr. Gadberry has held various other positions with the company, including President of the Southwest Region and President of ALLTEL Telephone Services Corporation. Mr. Gadberry holds a Bachelor's Degree in Engineering from the University of Arkansas where he graduated with honors.

**TECHNICAL EXPERIENCE OF INDIVIDUALS RESPONSIBLE FOR
FLORIDA OPERATIONS**

Shannon Leach is Director - Product and Product Technology Development. Prior to this position, Mr. Leach served as the Area Manager - Network Sales Support for Southwestern Bell Telephone Company in Little Rock, Arkansas, where he was responsible for implementation of new business products and technologies and network coordination with IXC's and cellular providers. Mr. Leach was instrumental in the development and implementation of the fiberoptic infrastructure plan within the metropolitan areas, developed the distance learning and telemedicine network proposal, project manager for ISDN deployment within Arkansas, project manager and lead technical advisor for the introduction of Asynchronous Transfer Mode (ATM) services, including Beta site for Southwestern Bell. Mr. Leach also planned and implemented the first integration of ATT pair gain systems into an NTI digital switch and developed the first OSP fiber optic engineering course for Southwestern Bell. Mr. Leach has a total of twenty-one years of technical experience within the telecommunications field and holds a B.S. degree in Electrical Engineering from the University of Arkansas.

Charles C. Morse is Staff Manager of Applications Engineering. Prior to this position, Mr. Morse served as Senior Systems Engineering Consultant for Southwestern Bell Telephone Company in Little Rock, Arkansas where he was responsible for planning, developing and designing complex telecommunication networks for major customers in Arkansas and conducting numerous seminars covering voice/data networks, ISDN, ATM, frame relay, LAN interconnection and video conferencing. Mr. Morse is a Certified Professional Engineer and holds a B.S. in Engineering Science from the University of Arkansas graduating Cum Laude and the Outstanding Senior Engineer. Additionally, Mr. Morse has over twelve years of technical experience.

TITLE SHEET

FLORIDA TELECOMMUNICATIONS PRICE LIST

This price list contains the descriptions, regulations, service standards, and rates applicable to the furnishing of service and facilities for telecommunications services provided by ALLTEL Long Distance, Inc., with offices at One Allied Drive, Little Rock, Arkansas 72202. This price list applies for services furnished within the state of Florida. This price list is on file with the Florida Public Service Commission, and copies may be inspected, during normal business hours, at the Company's principal place of business.

ISSUED: MAY 19, 1997

EFFECTIVE:

BY: Dennis Whipple
President
One Allied Drive
Little Rock, Arkansas 72202

CHECK SHEET

Sheets 1 through 13 inclusive of this price list are effective as of the date shown at the bottom right hand corner of the respective sheet(s). Original and revised sheets, if applicable, are named below and contain all changes from the original price list and are currently in effect as of the effective date shown below.

1	Original
2	Original
3	Original
4	Original
5	Original
6	Original
7	Original
8	Original
9	Original
10	Original
11	Original
12	Original

ISSUED: MAY 19, 1997

EFFECTIVE:

BY: Dennis Whipple
President
One Allied Drive
Little Rock, Arkansas 72202

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ISSUED: MAY 19, 1997

EFFECTIVE:

BY: Dennis Whipple
President
One Allied Drive
Little Rock, Arkansas 72202

SYMBOL DEFINITIONS

- D - Discontinue or delete
- I - Change resulting in an increase to a Customer's bill
- M - Item has been moved from another location in the price list
- N - New
- R - Change resulting in a reduction to a Customer's bill
- T - Change in text or regulation, but not change in the rate or charge

ISSUED: MAY 19, 1997

EFFECTIVE:

BY: Dennis Whipple
President
One Allied Drive
Little Rock, Arkansas 72202

PRICE LIST FORMAT SHEETS

- A. Sheet Numbering - Sheet numbers appear in the upper right corner of the page. Sheets are numbered sequentially. However, new sheets are occasionally added to the price list. When a new sheet is added between sheets already in effect, a decimal is added. For example, a new sheet added between sheets 11 and 12 would be 11.1.
- B. Sheet Revision Numbers - Revision numbers also appear in the upper right corner of each page. These numbers are used to determine the most current sheet version on file with the Florida Public Service Commission. For example, the 4th Revised Sheet 12 cancels the 3rd Revised Sheet 12. Because of various suspension periods, deferrals, etc., the Florida Public Service Commission follows in their price list approval process, the most current sheet number on file with the Commission is not always the price list page in effect. Consult the Check Sheet for the sheet currently in effect.
- C. Paragraph Numbering Sequence - There are nine levels of paragraph coding. Each level of coding is subservient to its next higher level:

2.
2.1.
2.1.1.
2.1.1.A.
2.1.1.A.1.
2.1.1.A.1.(a).
2.1.1.A.1.(a).i.
2.1.1.A.1.(a).i.(f).
2.1.1.A.1.(a).i.(f).(1).

ISSUED: MAY 19, 1997

EFFECTIVE:

BY: Dennis Whipple
President
One Allied Drive
Little Rock, Arkansas 72202

PRICE LIST FORMAT SHEETS

- D. Check Sheets - When a price list filing is made with the Florida Public Service Commission, an updated check sheet accompanies the price list filing. The check sheet lists the sheets contained in the price list, with a cross-reference to the current revision number. When new pages are added, the check sheet is changed to reflect the revision. All revisions made in a given filing are designated by an asterisk (*). There will be no other symbols used on this page if these are the only changes made to it (i.e., the format, etc. remains the same, just revised revision levels on some pages). The price list user should refer to the latest check sheet to fine out if a particular sheet is the most current on file with the Florida Public Service Commission.

ISSUED: MAY 19, 1997

EFFECTIVE:

BY: Dennis Whipple
President
One Allied Drive
Little Rock, Arkansas 72202

EXCHANGE SERVICE LIST

ALLTEL Long Distance, Inc. would be providing local telephone service to customers on a statewide basis.

ISSUED: MAY 19, 1997

EFFECTIVE:

BY: Dennis Whipple
President
One Allied Drive
Little Rock, Arkansas 72202

SECTION 1 - TECHNICAL TERMS AND ABBREVIATIONS

1.1 Definitions

COMPANY - ALLTEL Long Distance, Inc.

CUSTOMER - Any person who is furnished telephone service by the Company. This person is responsible for payment of charges due and compliance with the Company's tariff.

ISSUED: MAY 19, 1997

EFFECTIVE:

**BY: Dennis Whipple
President
One Allied Drive
Little Rock, Arkansas 72202**

SECTION 2 - RULES AND REGULATIONS

2.1 Undertaking of ALLTEL Long Distance, Inc.

ALLTEL Long Distance, Inc. services and facilities are furnished for communications originating at specified points within the state of Florida under terms of this tariff.

ALLTEL Long Distance, Inc. offers the communications services provided herein accordance with the terms and conditions set forth under this tariff. It may act as the Customer's agent for ordering access connection facilities provided by other carriers or entities when authorized by the Customer to allow connection of a Customer's location to the ALLTEL Long Distance, Inc. network. The Customer shall be responsible for all charges due for such service arrangement.

The Company's services and facilities are provided on a monthly basis unless ordered on a longer term basis, and are available twenty-four hours per day, seven days per week.

2.2 Limitations

2.2.1 Service is offered subject to the availability of facilities and the provisions of this tariff.

2.2.2 ALLTEL Long Distance, Inc. reserves the right to discontinue furnishing service, or limit the use of service necessitated by conditions beyond its control, or when the Customer is using service in violation of the law or the provisions of this tariff.

2.2.3 The Customer may not transfer or assign the use of Company service or facilities, except with the express written consent of the Company.

2.2.4 In view of the fact that the subscriber has exclusive control of his communications over the facilities furnished him by the Company, and of the other uses for which facilities may be furnished him by the Company, and because unavoidable errors incidental to services and use of such facilities of the Company may occur, the services and facilities furnished by the Company are subject to the terms, conditions and limitations herein specified.

2.2.5 Accessories which aid a subscriber's convenience in his use of the services provided by the Company which are not furnished under this price list, are permissible provided any such accessory so used would not endanger the safety of Company employees or the public; damage, require change in or alteration of, or involve direct electrical connection to the equipment or other facilities of the Company, or interfere with the proper functioning of such equipment or facilities; or impair the operation of the telecommunications system or otherwise injure the public in its use of the Company's services.

2.2.6 The Company reserves the right to limit the length of communication when necessary because of a shortage of facilities caused by emergency conditions.

2.2.7 The Company will not transmit messages, but offers the use of its facilities when available, and will not be liable for errors in transmission or for failure to establish connections.

2.2.8 The service is furnished subject to the condition that it will not be used for any unlawful purpose. Service will be discontinued if any law enforcement agency, acting within its apparent jurisdiction, advises in writing that such service is being used in violation of the law. The Company will refuse to furnish service when it has reasonable grounds to believe that such service will be used in violation of the law.

ISSUED: MAY 19, 1997

EFFECTIVE:

BY: Dennis Whipple
President
One Allied Drive
Little Rock, Arkansas 72202

SECTION 2 - RULES AND REGULATIONS**2.2 Limitations (Continued)**

2.2.9 The Company, with written notification giving reason, may either suspend service or terminate the subscriber's service without suspension or following a suspension of service, disconnect the service and remove any of its equipment from the subscriber's premises upon:

- a. Abandonment of the service.
- b. Impersonation of another with fraudulent intent.
- c. Non-payment of any sum due the Company.
- d. Abuse or fraudulent use of service.

2.2.10 Prior written permission from the Company is required before any assignment or transfer. All regulations and conditions contained in this tariff shall apply to all such permitted assignees or transferees, as well as all conditions for service.

2.3 Liabilities of the Company**2.3.1 Service Irregularities**

The liability of the Company for damages arising out of mistakes, omissions, interruptions, delays, errors, or defect in the transmission, or failure or defects in the service and/or facilities furnished by the Company, occurring in the course of furnishing service or other facilities and not caused by the negligence of the subscriber, or of the Company in failing to maintain proper standards of maintenance and operation and to exercise reasonable supervision shall in no event exceed an amount equivalent to the proportionate charge to the subscriber for the period of service during which such mistake, omission, interruption, delay, error, or defect in transmission or defect or failure in service or facilities occurs.

2.3.2 ALLTEL Long Distance, Inc. shall be indemnified and held harmless by the Customer against the following:

- A) Claims for slander, libel or infringement of copyright arising out of the materials, data, information or other content transmitted over the Company's facilities.
- B) All other claims arising out of any act or omission of the Customer in connection with any service or facility provided by the Company.

2.4 Deposits

The Company does not require any deposits from the Customer.

ISSUED: MAY 19, 1997

EFFECTIVE:

BY: Dennis Whipple
President
One Allied Drive
Little Rock, Arkansas 72202

SECTION 2 - RULES AND REGULATIONS**2.6 Taxes**

All local and state taxes are listed as separate line items and are not included in the quoted rates.

2.7 Payment Terms

Monthly invoices sent to the Customers are due upon receipt and are considered delinquent ten (10) days after receipt by the Customers, and the account may be subject to disconnection.

In no case shall service be actually disconnected until after five days written notice has been given to the customer.

2.8 Late Payment Fee

A one-time late fee of no more than 1.5 percent of the unpaid balance may be assessed against a Customer for non-payment of an invoice.

2.9 Returned Check Fee

A \$25.00 processing fee will be charged if a check for payment of an invoice is dishonored for any reason.

ISSUED: MAY 19, 1997

EFFECTIVE:

BY: Dennis Whipple
President
One Allied Drive
Little Rock, Arkansas 72202

SECTION 3 - BASIC SERVICE DESCRIPTIONS AND RATES**3.1 Service Offerings**

ALLTEL Long Distance, Inc. will be providing "basic" local telephone service to customers at the following rates:

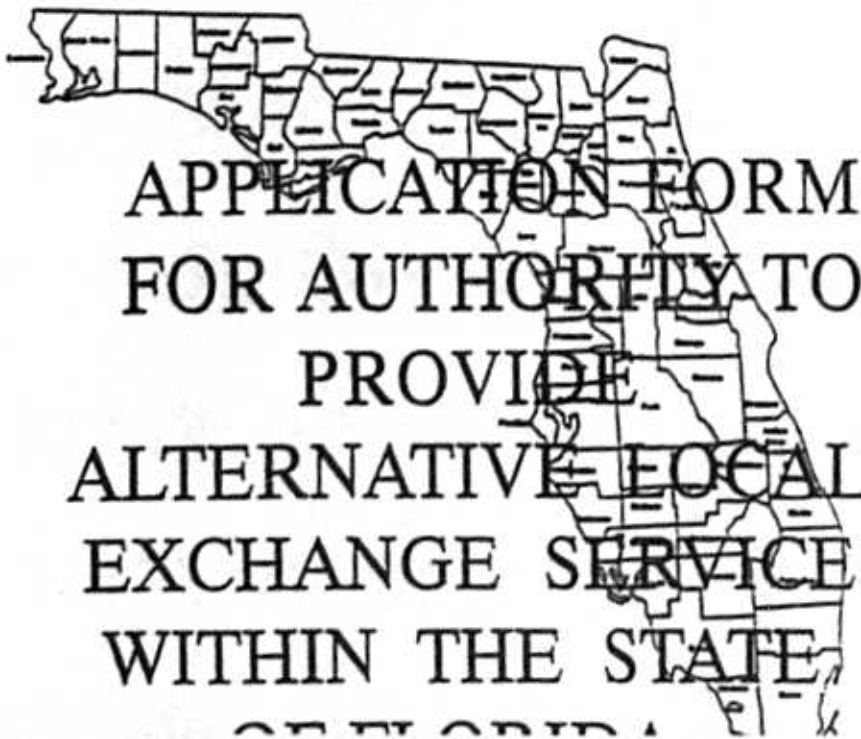
- 3.1.1 Basic Residential Local Line @ \$13.80 per month, and a \$35.00 installation charge will be collected with the first month's billing.
- 3.1.2 Basic Business Local Line @ \$34.00 per month, and a \$35.00 installation charge will be collected with the first month's billing.

ISSUED: MAY 19, 1997

EFFECTIVE:

BY: Dennis Whipple
President
One Allied Drive
Little Rock, Arkansas 72202

DEPOSIT DATE
D528 - MAY 20 1997
990610-TX



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

THIS MULTI-TONE AREA OF THE DOCUMENT IS FOR SECURITY AND TO PREVENT FALSIFICATION. IT IS NOT TO BE REPRODUCED OR TRANSMITTED IN ANY FORM OR BY ANY MEANS, ELECTRONIC OR MECHANICAL, INCLUDING PHOTOCOPYING, RECORDING, OR BY ANY INFORMATION STORAGE AND RETRIEVAL SYSTEM.

ALLTEL ALLTEL CORPORATION
ONE ALLIED DRIVE, P.O. BOX 2177, LITTLE ROCK, AR 72203

Check Number: 5004617

Control Number	Date	Pay This Amount
\$\$	05/16/97	\$250.00

NOT VALID AFTER 180 DAYS

ALLTEL CORPORATION
Authorized Signature
Jay S. Bentley

BOATMEN'S NATIONAL BANK OF NEWARK
NEWARK, ARKANSAS 72962