

CENTURYTEL INC

FORM 10-K (Annual Report)

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

FORM 10-K

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

For the fiscal year ended December 31, 1994

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.

A Louisiana Corporation I.R.S. Employer Identification
No. 72-0651161

100 Century Park Drive, Monroe, Louisiana 71203

Telephone number (318) 388-9500

Securities registered pursuant to Section 12(b) of the Act: Common Stock,
par value \$1.00

Exchange on which registered: New York Stock Exchange

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

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No []

Indicate by check mark if disclosure of delinquent filers pursuant to

Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

As of February 28, 1995, the aggregate market value of voting stock held by non-affiliates (affiliates being for these purposes only directors and executive officers) was approximately \$1.8 billion.

As of February 28, 1995, there were 58,204,027 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the Proxy Statement prepared in connection with the 1995 annual meeting of shareholders are incorporated in Part III of this Report.

PART I

Item 1. Business

General. Century Telephone Enterprises, Inc. ("Century") is a regional diversified telecommunications company that is primarily engaged in providing traditional telephone services and cellular telephone communications services. For the year ended December 31, 1994, telephone operations and mobile communications operations (substantially all of which are comprised of the Company's cellular telephone operations) provided 72% and 28%, respectively, of the consolidated revenues of Century and its subsidiaries (the "Company"). All of the Company's operations are conducted within the continental United States.

At December 31, 1994 the Company's telephone subsidiaries operated over 454,000 telephone access lines, primarily in rural, suburban and small urban areas in 14 states, with the largest customer bases located in Wisconsin, Louisiana, Michigan and Ohio. According to published sources, the Company is the fifteenth largest local exchange telephone company in the United States based on the number of access lines served.

Whenever used herein with respect to the Company, the term "pops" means the population of licensed cellular telephone markets (based on independent third-party population estimates) multiplied by the Company's proportionate equity interests in the licensed operators thereof. The term "MSA" means a Metropolitan Statistical Area for which the Federal Communications Commission (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. The term "wireline license" refers to the cellular operating license initially reserved by the FCC for companies providing local telephone service in the licensed market and the term "non-wireline license" refers to the license initially reserved for licensees unaffiliated with such local telephone companies.

At December 31, 1994 the Company, through its cellular operations,

owned approximately 7.1 million pops (which includes approximately 300,000 pops the Company either sold during the first quarter of 1995 or which are subject to sale pursuant to definitive agreements) in 28 MSAs, primarily concentrated in Michigan, Louisiana, Mississippi and Texas, and 31 RSAs, most of which are in Michigan, Louisiana and Arkansas. The Company is the majority owner and operator in 19 of the MSAs and 12 of the RSAs, which collectively represent 5.5 million pops, and has minority interests in the other MSAs and RSAs, which collectively represent 1.6 million pops. Of the Company's 7.1 million pops, approximately 76% are attributable to the Company's MSA interests, with the balance attributable to its RSA interests. According to data derived from published sources, at December 31, 1994 the Company was the seventeenth largest cellular telephone company in the United States based on the Company's owned pops. At December 31, 1994, the Company's majority-owned and operated cellular systems had more than 211,000 cellular subscribers. Except for five MSAs, all of the cellular systems operated by the Company are operated under wireline licenses.

Recent Acquisitions and Dispositions. In February 1994 the Company acquired Celutel, Inc. ("Celutel"), which currently provides cellular mobile telephone services to approximately 35,000 customers in three MSA non-wireline cellular markets in Mississippi and two MSA non-wireline cellular markets in Texas which have a combined population of 1.5 million. Celutel's share of these pops is approximately 1.2 million. In March 1994 Century acquired a local exchange telephone company in Michigan which currently serves approximately 2,600 telephone access lines and which owns a 13% interest in a cellular partnership which has been operated by the Company for several years. In November 1994 the Company exchanged its Minnesota RSA 6 non-wireline cellular system for a 100% interest in the Pine Bluff, Arkansas MSA wireline cellular system plus \$10.5 million cash. The Pine Bluff MSA has a population of approximately 85,000. In January 1995 Century acquired Tele-Max, Inc. and its affiliates. In connection with this acquisition, Century acquired approximately 5,300 telephone access lines in a suburban community north of Dallas, Texas and a one-half of one percent interest in the Dallas MSA wireline cellular system (which represents approximately 20,000 pops). In connection with its exercise of first refusal purchase rights during 1994, the Company increased its ownership in markets in which it already holds interests by approximately 35,000 pops.

In accordance with its strategy of clustering its telephone and cellular businesses, Century sold its paging operations in October 1994.

In addition, during late 1994 the Company entered into definitive agreements to sell its ownership interests in several RSAs located primarily in western states and two MSAs located in the midwest, which in the aggregate represent approximately 300,000 pops. Certain of these transactions were consummated during the first quarter of 1995.

The Company is continually evaluating the possibility of acquiring additional telephone access lines and cellular interests in exchange for

cash, securities or both. Although the Company's primary focus will continue to be on acquiring telephone and cellular 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. The Company also provides long distance, operator and interactive services in certain local and regional markets, as well as certain printing and related services, and has recently entered the competitive access business. During 1994 the Company's newly-formed competitive access subsidiary obtained franchises and rights-of-way to build a fiber optic network which will allow the Company to offer voice, data and certain video services in Fort Worth and Arlington, Texas, along with a portion of downtown Dallas. Century expects to begin offering these services in the second quarter of 1995. The Company's competitive access subsidiary has also obtained a franchise to provide similar services in Austin, Texas and is currently attempting to obtain rights-of-way in this market. The results of all of these other operations are recorded for financial reporting purposes in "Other income and expense".

As of December 31, 1994, the Company employed approximately 3,000 persons, of which approximately 200 employees located in Ohio are covered by a three-year collective bargaining agreement between the Company and the Communications Workers of America. The agreement lapses on March 30, 1997.

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) 388-9500.

TELEPHONE OPERATIONS

The Company is the fifteenth largest local exchange telephone company in the United States, based on the more than 454,000 access lines it served at December 31, 1994. Currently, the Company operates over 500 central office and remote switching centers in its telephone operating areas. Over the past decade, Century has installed digital switching platforms throughout much of its switching network. At December 31, 1994, 95% of Century's total access lines were digitally switched. Through its operating telephone subsidiaries, Century provides services to predominately rural, suburban and small urban markets in 14 states. The table below sets forth certain information with respect to Century's access lines as of December 31, 1994:

State	Number of access lines	Percent of access lines	Percent digital
Wisconsin	98,323	22%	92%
Louisiana	84,785	19	98
Michigan	80,032	18	100
Ohio	70,436	15	100
Arkansas	37,554	8	83
Texas	28,741	6	100
Tennessee	21,343	5	100
Mississippi	13,062	3	100
Colorado	5,763	1	100

New Mexico	4,713	1	74
Indiana	4,610	1	100
Idaho	3,949	1	100
Arizona	1,469	0	0
Iowa	183	0	100

	454,963	100%	95%
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As indicated in the following table, Century has experienced growth in its telephone operations over the past several years, a substantial portion of which was attributable to acquisitions of other telephone companies and to the expansion of services:

	Year Ended or As of December 31,			
	1994	1993	1992	1991
	(Dollars in thousands)			
Access lines	454,963	434,691	397,300	314,819
% Residential	79%	80	81	81
% Business	21%	20	19	19
Operating revenues	\$ 389,438	348,485	297,510	235,796
Capital expenditures	\$ 152,336	131,180	108,974	73,913

Future growth in telephone operations is expected to be derived from (i) acquiring additional telephone companies, (ii) providing service to new customers, (iii) upgrading existing customers to higher grades of service, (iv) increasing network usage and (v) 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 telephone subsidiaries derive revenue from providing (i) local telephone services, (ii) network access and long distance services and (iii) other related services. The following table reflects the percentage of telephone operating revenues derived from these respective services:

	1994	1993	1992
Local service	25.7%	25.4	26.3
Network access and long distance	62.6	62.3	61.4
Other	11.7	12.3	12.3
	100.0%	100.0	100.0
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Local service revenues are generated by the provision of local exchange telephone services in the Company's franchised service areas.

Network access and long distance revenues primarily relate to services provided by the Company to interexchange carriers (long distance carriers) in connection with the use of the Company's facilities to originate and complete interstate and intrastate long distance telephone calls.

Substantially all of the Company's interstate network access revenues are derived through pooling arrangements administered by the National Exchange Carrier Association ("NECA"). NECA receives access charges billed by the Company and other participating local exchange carriers ("LECs") to interstate long distance carriers and other LEC customers for use of the participating LECs' local exchange networks to complete long distance calls and subsequently distributes these revenues to such LECs based on cost separation studies or average schedule settlement agreements. The charges billed to the long distance carriers and other LEC customers are based on tariffed access rates filed with the FCC by NECA on behalf of the Company and other participating LECs. Interstate revenues as a percentage of telephone operating revenues amounted to 33.7%, 32.1% and 31.4% in 1994, 1993 and 1992, respectively.

Certain of the Company's intrastate network access revenues are derived through access charges billed by the Company directly 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 state pooling arrangements and are determined based on cost separation studies or special settlement arrangements.

The installation of digital switches and related software continues to be an important component of the Company's growth strategy because it allows the Company to offer new 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

1994 the Company continued to expand its list of premium services offered in certain service areas and aggressively marketed these services. In addition, with digital switching the Company has been able to construct centralized electronic monitoring facilities that allow employees to detect operating malfunctions in digital switches and, in many cases, to correct the malfunctions without a site visit by the Company's personnel, thereby reducing maintenance costs.

The Company is installing fiber optic cable in certain areas in which it operates and has provided alternative routing of telephone service over fiber optic cable networks in several of its strategic operating areas.

At December 31, 1994, the Company had approximately 1,360 miles of fiber optic cable in place.

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 interexchange carriers, (iii) leasing network facilities and (iv) participating in the publication of local directories. Certain large telecommunications companies for which the Company currently provides billing and

collection services have indicated their desire to reduce their billing and collection expenses, which may lead to reduced future 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") (formerly the Rural Electrification Administration or REA), the Rural Telephone Bank ("RTB") and the Federal Financing Bank ("FFB"). 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 money 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 6.05% to 6.35% for the fiscal year ended September 30, 1994), and in some cases makes loans concurrently with RUS loans. In addition, the RUS guarantees certain loans made to telephone companies by the FFB or other qualified lenders. A significant portion of the Company's telephone plant is pledged or mortgaged to secure obligations of the Company's telephone subsidiaries to the RUS, RTB and FFB. The amount of common stock dividends that may be paid by the Company's telephone subsidiaries is limited by certain financial requirements set forth in the financing agreements.

Certain of the Company's telephone subsidiaries have made applications for additional loans from the RUS and intend to make further applications as needs arise. There is no assurance that these applications will be accepted or that the terms or interest rates of any future loan commitments will remain favorable. Federal budget proposals which could

significantly reduce or eliminate the availability of new loan commitments under the RUS and RTB programs were considered in recent years and are expected to continue to be considered. If the Company's telephone subsidiaries are unable to borrow additional funds through the RUS and RTB programs and are forced to borrow from conventional lenders at market rates, the Company's cost of new loans might increase.

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 are 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, various aspects of federal and state regulation have recently been subject to extensive modification and re-examination, which has generally relaxed the regulation of LECs. As further discussed below, several legislative and regulatory initiatives and technological changes have allowed competition in traditionally monopolistic segments of the industry. Although Century anticipates that these trends towards relaxed regulation and increased competition will continue, the form and degree of future regulation and competition is unknown.

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 that traditionally have 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 certain states, construction and/or financing plans are also subject to regulatory approval.

In recent years, Ohio, Michigan, Wisconsin, Louisiana and other state legislatures and regulatory commissions have either begun to relax the regulation of LECs or have announced their intention to review such regulation, and it is expected that this trend will continue. This relaxed 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 is the introduction of competition into traditionally monopolistic segments of the industry. For a discussion of legislative, regulatory and technological changes that 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. After initiating an informal earnings review during 1993 of all independent LECs in Louisiana, the Louisiana Public Service Commission ("LPSC") recently docketed a formal earnings review of such carriers. In addition, the Public Service Commission of Wisconsin ("PSCW") is examining transactions in which Century and its service subsidiaries provided various services and materials to the Company's Wisconsin LECs. There is no assurance that these reviews (or any other future review in these or other states) will not lead to future revenue reductions or customer refunds. Moreover, in light of the movement away from traditional rate of return regulation, no assurance can be given that the Company's LECs will continue to earn the same rate of return that they achieved in recent years.

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 interexchange carriers 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 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. An annual opportunity to elect price-cap regulation is available for other LECs. Under price-cap regulation, limits imposed on a company's interstate rates will be adjusted periodically to reflect inflation, productivity improvement and changes in certain non-controllable costs. In May 1993 the FCC adopted an optional incentive regulatory plan for LECs not subject to price-cap regulation. A LEC electing the optional incentive regulatory plan would, among other things, file tariffs based primarily on historical costs and not be allowed to participate in the relevant NECA pooling arrangements. The Company has not elected price-cap regulation or the incentive regulatory plan, but will continue to evaluate its options on a periodic basis. Consequently, the Company's telephone subsidiaries' authorized interstate access rate of return is 11.25%, which is the authorized rate established by the FCC for LECs not governed by price-cap regulation or the optional incentive regulatory plan.

High-Cost Support Funds, Revenue Pools 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 access to telecommunications services reasonably comparable to those available in urban areas and at reasonably comparable prices.

The FCC and certain state regulatory commissions have recently explored or implemented initiatives to reduce, or at least review, the funding of certain of these cost recovery mechanisms. In 1993 the eight-year phase-in of the FCC's Universal Service Fund ("USF") was completed. In December 1993 the FCC adopted interim provisions which place certain limitations, including a cap, on the USF growth rate during 1994 and 1995. The Company anticipates that revenues from the USF under these interim provisions will continue to increase in the near term, but at a lesser percentage rate than that associated with recent prior periods. Since adopting these interim measures, the FCC has instituted proceedings to study the effectiveness of its high-cost assistance programs. In addition, certain bills recently considered by Congress (which are further discussed below) have sought review of federal high-cost assistance programs. Accordingly, there is no assurance that cost recovery through these programs will remain at current levels.

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. There can be no assurance that these states will continue to provide for cost recovery at current levels.

As the customer bases of the Company's LECs grow, the revenues determined under the FCC's cost separation studies may decrease as a result of such growth. Under a graduated scale used in such studies, LECs serving between 50,000 and 20,000 customers, between 20,000 and 10,000 customers, and less than 10,000 customers receive increasingly higher weightings which result in higher interstate access revenues.

Most of the Company's LECs concur with the common line and traffic sensitive tariffs filed by NECA and participate in the access revenue pools administered by NECA for interstate services. All of the long distance and 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. In March 1994 a major long distance carrier filed a petition with the LPSC requesting that the LPSC investigate and lower the rates for intrastate access charges billed to long distance carriers by certain LECs, including the Company's LECs that operate in Louisiana. There is no assurance that these requests will not result in decreased intrastate 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 telecommunications companies. Primarily as a result of legislative and regulatory initiatives and technological changes, competition has been introduced and encouraged in certain sectors of the telephone industry, including interstate and intrastate toll, special and switched access

services, pay phones, customer premise equipment and, most recently, local service. As a result, the number of companies offering competitive services has increased. As discussed below, far-reaching federal legislation is currently being considered which could pre-empt current initiatives of the FCC, state legislatures and state regulatory commissions to promote competition, all of which are likely to continue if federal legislation is delayed or defeated.

In 1994 the United States House of Representatives passed two telecommunications bills that proposed to substantially alter the regulatory framework of the telecommunications industry by, among other things, promoting local exchange competition and removing certain barriers of entry to several lines of telecommunications businesses. No companion bill passed in the United States Senate. Legislation is expected to be considered in 1995 that may promote competition and deregulation to a greater degree than the bills that passed the House in 1994. Draft bills currently pending before the Senate would, among other things, (i) obligate LECs, upon request, to negotiate interconnection agreements permitting competitors to use the LECs' facilities, (ii) authorize a joint board to study and make recommendations regarding federal universal service

systems, (iii) mandate states to remove all regulations that prohibit any entity from providing telecommunications services and to eliminate any rate-of-return regulations relating to common carriers in markets where the FCC determines that local networks are open and competitive, (iv) permit common carriers to provide video programming in their existing markets, and (v) remove, under certain circumstances, restrictions that prevent the RBOCs from providing long distance and other services. There is no assurance that any such bills will be enacted, or that the terms of any legislation ultimately enacted will not differ materially from those outlined above. While it is currently impossible to assess the ultimate effect of these and related initiatives, there can be no assurance that they will not materially affect the Company's operations.

Certain states have taken legislative and/or regulatory steps to introduce competition into the local exchange business. Since January 1, 1995, customers in one upstate New York market have been permitted to choose their local telephone service provider pursuant to a plan approved in late 1994 by the New York Public Service Commission. Cable companies are also providing, or preparing to provide, telephone service in a limited number of other markets under plans approved by state regulators.

In 1994 Wisconsin, a state in which the Company operates, enacted legislation which, among other things, requires the PSCW to authorize cable television operators to provide local exchange service in larger markets, including one of the Company's markets. Although no cable television operator has requested authorization to provide local exchange service in the Company's market, the Company anticipates that such a request will be forthcoming. The Company anticipates that an increasing number of states will, to some degree, allow local service competition with LECs. Largely as a result of these trends towards liberalized regulation, several well-established interexchange carriers and cable

television companies have accelerated their development of networks and facilities designed to provide local exchange services, principally in larger cities.

In 1992 the FCC took a step toward introducing competition in the local exchange access business by ordering that competitive access providers, interexchange carriers and others have the right to directly interconnect facilities to the central offices of certain larger (Tier One) telephone companies (which do not include the Company's LECs) for the provision of interstate special transport access services. Although this 1992 order was overturned by a federal appellate court in mid-1994, the FCC has requested Tier One LECs to file tariffs for a less intrusive form of co-location. Effective February 1994, the FCC ordered Tier One LECs to allow competing carriers to interconnect to their local exchange networks for the purpose of providing switched access transport services. The intent of these orders and other related FCC decisions is to allow interstate access competition with LECs and provide LECs with limited pricing flexibility to enable LECs to better respond to the resulting competition. Principally as a result of these and other regulatory actions, competition from competitive access providers and others has increased and is expected to continue to increase. Competitive access providers, which originally were formed in the 1980's to provide redundancy services, now provide access competition with LECs in most larger urban areas, principally by targeting large business customers. One competitive access provider has been granted co-carrier status to provide local telephone service in New York City, and similar requests are expected to be made in other states. Although there has

been activity by competitive access providers in certain of the Company's operating areas, such activity has thus far not significantly affected the Company. The Company expects to increasingly face competition from competitive access providers in its operating areas located near larger urban areas and may face similar competition in its other operating areas.

In addition to receiving services directly from competitive access providers, interexchange carriers and other users of toll service may seek other means to bypass LECs' switching services and local distribution facilities, particularly if services are not strategically priced. There are several ways which users of toll service may bypass the Company's switching services. First, users may construct, modify or lease facilities to transmit their traffic directly to an interexchange carrier.

Cable television companies, in particular, may be able to modify their networks to partially or completely bypass the Company's local network.

Second, certain interexchange carriers provide services which allow users to divert their traffic from LECs' usage-sensitive services to their flat-rate services. Third, users may choose to use mobile communications

services to bypass LECs' switching services. Within the past two years, each of the three largest interexchange carriers in the United States has acquired or sought to acquire interests in mobile communications companies, presumably in part to obtain bypass capabilities. Although

certain of the Company's telephone subsidiaries have experienced a loss of traffic to such bypass, the impact of such loss on revenues has not been significant. The Company and the LEC industry are seeking to address bypass principally by adopting flexible pricing of access services where appropriate and to the extent permitted by regulatory agencies. No assurance can be given as to the ultimate outcome of these efforts.

Currently, cellular communications services complement traditional LEC services. However, as the mobile communications industry matures, the

Company anticipates that existing and emerging mobile communications technologies will increasingly compete with traditional LEC services.

Technological and regulatory developments in cellular telephone, personal communications services, digital microwave, coaxial cable, fiber optics 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 "Mobile Communications Operations - Regulation and Competition."

In connection with the well-publicized convergence of telecommunications, cable, video, computer and entertainment businesses, several large companies have announced plans to offer products that would significantly enhance current communications and data transmission services and, in some instances, introduce new two-way video, entertainment, data, consumer and other multimedia services. In particular, several large cable television companies have announced plans that, if successfully implemented, could provide significant competition with LECs' traditional services. Other companies with wireline experience (including electric utilities) are expected to explore opportunities in this market, along with wireless companies and other emerging technology companies. Although the development of new multimedia services is expected to initially have a greater effect on larger urban areas, no assurance can be given as to how the offering of these products or

services by others will affect the Company. For information on the effects of these developments on the Company's cellular operations, see "Mobile Communications Operations - Regulation and Competition."

To the extent that the telephone industry is increasingly opened to competition by federal or state initiatives, the size and resources of each respective competitor may increasingly influence its prospects. Many companies currently providing or planning to provide competitive telecommunication services have greater assets and resources than the Company, and several are not subject to the same regulatory constraints as the Company. Moreover, several of these companies have formed joint ventures or alliances to better prepare themselves for competition.

The Company anticipates that the traditional operations of LECs will be increasingly impacted by continued technological developments as well as legislative and regulatory initiatives affecting the ability of LECs to provide new services and the capability of cable television companies, interexchange carriers, competitive access providers and others to provide competitive LEC services. The Company intends to actively monitor these developments, to observe the effect of emerging competitive trends in initial test markets (which are expected to be large urban areas) and to continue to evaluate new business opportunities that may arise out of future technological, legislative and regulatory developments. Although 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, there is no assurance that these developments will not have an adverse effect on the Company in the future.

MOBILE COMMUNICATIONS OPERATIONS

According to data derived from published sources, at December 31, 1994 the Company was the seventeenth largest cellular telephone company in the United States based on the Company's owned pops. The number of pops owned

by a cellular operator does not represent the number of users of cellular service and is not necessarily indicative of the number of potential subscribers. Rather, this term is frequently used as a basis for comparing the size of cellular system operators. At December 31, 1994, the Company owned approximately 7.1 million pops (which includes approximately 300,000 pops the Company either sold during the first quarter of 1995 or which are subject to sale pursuant to definitive agreements), of which approximately 5.4 million (76%) were applicable to MSAs and approximately 1.7 million (24%) were RSA pops.

Cellular Industry

The cellular telephone industry has been in existence for just over ten years in the United States. Although the industry is relatively new, it has grown significantly during this period. According to the Cellular

Telecommunications Industry Association, in February 1995 there were

estimated to be over 25 million cellular

customers across the United States. Cellular service is now available in substantially all areas of the United States.

Cellular mobile telephone technology was developed in response to certain limitations of conventional mobile telephone systems. Compared to such conventional systems, cellular mobile telephone service is capable of high-quality, high-capacity communications to and from vehicle-mounted and hand-held radio telephones. While conventional mobile systems limit the number of people who can utilize the service simultaneously, cellular systems, if properly designed and equipped, are capable of handling thousands of calls at any given time and are capable of providing service to tens of thousands of subscribers in a market.

In a cellular telephone system, the licensed service area is subdivided into geographic areas, or cells. Each cell has its own transmitter and receiver that communicates by radio signal with cellular telephones located within the cell. Each cell is connected by a telephone circuit or microwave to a Mobile Switching Center ("MSC"), which in turn is connected to the worldwide telephone network.

Communications within a cellular system are controlled by the MSC through a transfer process as a cellular telephone user moves from one cell to another. In this process, when the signal strength of a call declines to a predetermined level, the MSC determines if the signal strength from an adjacent cell is greater and, if so, transfers the call to the adjacent cell. Software which facilitates the transfer between adjacent cells of different cellular systems using equipment of different manufacturers has been implemented by the Company in certain markets.

Cellular telephone systems have higher subscriber capacity than conventional mobile telephone systems because of the substantial frequency spectrum allocated to these systems by the FCC and because frequencies can be reused throughout the system. Frequency reuse is possible because the transmission power of cell site equipment and mobile units is relatively

low. Therefore, signals on the same channel will not interfere with each other if they are transmitted in cells that are sufficiently far apart.

Reuse multiplies the capacity of channels available to the system operator and thereby increases the telephone calling capacity.

Until recently, substantially all radio transmissions of cellular systems were conducted on an analog basis. Technological developments involving the application of digital radio technology may offer certain advantages over analog technologies, including expanding the capacity of mobile communications systems, improving voice clarity, permitting the introduction of new services, and otherwise making such systems more efficient, more accessible, more private and eventually less expensive.

Providers of certain services competitive with cellular are currently incorporating digital technology into their operations, and are expected to continue to do so in the future. See "-Regulation and Competition- Developments Affecting Mobile Communications Competition."

In recent years certain cellular carriers have begun to install digital cellular voice transmission facilities in certain larger markets. During 1993 and 1994 the Company upgraded certain portions of its cellular systems to be capable of providing digital service in the future; the Company currently plans to implement digital service in certain markets during 1995 using the TDMA digital standard. The Company will continue to monitor the development and implementation of this technology to determine when it will become beneficial for the Company to install digital voice transmission facilities in other markets. See "-Regulation and Competition-Developments Affecting Mobile Communications Competition."

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 53% of the Company's pops in markets operated by the Company are in a single, contiguous cluster of eight MSAs and six RSAs in Michigan; another 21% are in a cluster of five MSAs and seven RSAs in northern and central Louisiana, southern Arkansas and eastern Texas. See "-The Company's Cellular Interests."

Another component of the Company's strategy for cellular operations includes capturing revenues from roaming service. Roaming service revenues are derived from calls made in one cellular service area by subscribers from other service areas. Roaming service is made possible by technical standards requiring that cellular telephones be functionally compatible with the cellular systems in all United States market areas. The Company charges premium rates (compared to rates charged to the Company's customers) for roaming service provided to most non-Company customers. The Company's Michigan cellular properties include a significant portion of the interstate highway corridor between Chicago and Detroit; its Louisiana

properties include an east-west interstate highway and a north-south interstate highway which intersect in its Louisiana cellular service area; and its Mississippi properties include two east-west interstate highways, one of which intersects with a north-south interstate highway in Jackson,

Mississippi.

Marketing

The Company coordinates the marketing strategy for each cellular system which it operates. The Company's cellular sales force consists of approximately 250 independent agents, which generate a significant majority of the Company's new subscribers, and approximately 120 sales employees.

Each sales employee and independent agent solicits cellular customers exclusively for the Company. Company sales employees are compensated by salary and commission and independent sales agents are paid commissions.

The Company advertises its services through various means, including direct mail, billboard, magazine, radio, television and newspaper advertisements.

During 1994 AT&T completed its acquisition of McCaw, the largest cellular provider in the United States. Subject to certain regulatory limitations, it is anticipated that AT&T will market McCaw's service under the AT&T brand name. During 1994 several other large cellular providers formed joint ventures to pool their cellular operating and marketing resources.

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. Features offered in the cellular telephones sold by the Company include hands-free calling, repeat dialing, horn alert and others.

The Company's customers are able to choose from a variety of packaged pricing plans which are designed to fit different calling patterns. The Company typically charges its customers separately for custom-calling features, air time in excess of the packaged amount, and toll calls.

Custom-calling features provided by the Company include call-forwarding, call-waiting, three-way calling and no-answer transfer. The Company offers a voice message service in many of its markets. This service, which functions like a sophisticated answering machine, allows customers to receive messages from callers when they are not available to take calls.

Cellular customers come from a wide range of occupations. They typically include a large proportion of individuals who work outside of their office, such as employees in the construction, real estate, wholesale and retail distribution businesses, and professionals. More customers are selecting portable and other transportable cellular telephones as these units become more compact and fully featured, as well as more attractively priced. It is anticipated that average revenue per customer will continue to decline as additional non-commercial customers who generate fewer local

minutes of use are added as subscribers and as competitive pressures intensify and place downward pressure on rates. 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 systems in the United States; such agreements offer the Company's customers the opportunity to roam in these systems. These reciprocal agreements automatically pre-register the customers of the Company's system in the other carriers' systems. Also, a customer of a participating non-Company system traveling in a market operated by the Company where this arrangement is in effect is able to automatically make calls on the Company's system. The charge to a non-Company customer for this service is typically at premium rates, and is billed by the Company to the customer's home system, which then bills the customer. Occasionally, the Company will enter into reciprocal agreements with other cellular carriers to settle roaming usage at a rate different from such premium rates. In some instances, based on competitive factors, the Company may charge a lower amount to its customers than the amount actually charged by another cellular

carrier for roaming. The Company anticipates that competitive factors and industry consolidation may place downward pressures on charging premium roaming rates. For additional information on roaming revenue, see "-Strategy."

The Company is a founding partner and participant in a national alliance of certain leading wireline cellular operating companies which plans to design, develop and implement a virtual national cellular network under the name MobiLink. This cellular alliance intends to offer, among other things, a customer satisfaction guarantee and certain quality standards.

During 1993 and 1994, the Company's cellular subsidiaries experienced strong subscriber growth in the fourth quarter, primarily due to increased holiday season sales. According to the Cellular Telecommunications Industry Association, industry-wide cellular sales have been seasonally strong in the fourth calendar quarter for the past several years.

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

	Year Ended or At December 31,		
	1994	1993	1992
	----	----	----
Majority-owned and operated MSA and RSA systems (Note 1):			
Cellular systems operated	31	26	25
Total population of systems operated (Note 2)	6,359,699	5,015,463	4,813,985
Customers (Note 3):			
At beginning of period	116,484	73,084	51,083
Additions	110,636	62,564	32,622
Net acquisitions/dispositions	30,743	-	3,091
Disconnects	46,153	19,164	13,712
At end of period	211,710	116,484	73,084
Market penetration at end of period (Note 4)	3.33%	2.32%	1.52%
Construction expenditures (in thousands)	\$ 39,937	\$ 56,070	\$ 10,806
All operated MSA and RSA systems (Note 5):			
Cellular systems operated	36	31	31
Total population of systems operated (Note 2)	7,445,571	6,084,794	5,997,360
Customers at end of period (Note 6)	227,140	124,908	77,106
Market penetration at end of period (Note 4)	3.05%	2.05%	1.29%

Notes:

1. Represents the number of systems in which the Company owned at least a 50% interest and which it operated. The revenues and expenses of these cellular markets 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 operated.

5. Represents the total number of systems that the Company operated, including systems in which it does not own a majority interest.

6. Represents the approximate number of revenue-generating cellular telephones served in all systems that the Company operated, including systems in which it does not own a majority interest.

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, 1994:

	1994 population (Note 1)	Ownership percentage	The Company's pops at Dec. 31, 1994	Other cellular operator (Note 2)

Majority-owned and operated MSAs				

Grand Rapids, MI	728,032	97.92%	712,889	AirTouch
Lansing, MI	502,701	99.00	497,674	AirTouch
Saginaw, MI	402,884	91.70	369,445	AirTouch
Kalamazoo, MI	299,643	97.92	293,410	Centennial
Battle Creek, MI	192,294	77.94	149,867	Centennial
Muskegon, MI	187,205	97.92	183,311	AirTouch
Benton Harbor, MI	161,613	97.92	158,251	Masters
Cellular				
Jackson, MI	152,918	99.00	151,389	Centennial
Shreveport, LA	368,504	62.00	228,472	McCaw/AT&T
Alexandria, LA	150,324	100.00	150,324	Centennial
Monroe, LA	146,068	62.00	90,562	McCaw/AT&T
Jackson, MS (Note 4)	412,535	87.06	359,156	MCTA
Biloxi-Gulfport, MS (Note 4)	217,830	91.23	198,722	Cellular South
Pascagoula, MS (Note 4)	123,071	83.84	103,187	Cellular South
LaCrosse, WI	99,173	95.00	94,214	U. S. Cellular
Pine Bluff, AR	85,251	100.00	85,251	McCaw/AT&T
McAllen-Edinburg-Mission, TX (Note 4)	431,348	67.28	290,228	SBC
Brownsville-Harlingen, TX (Note 4)	286,245	77.81	222,738	SBC
Texarkana, AR/TX	137,052	89.00	121,976	McCaw/AT&T

	5,084,691		4,461,066	

Minority-owned MSAs				

Flint, MI	504,649	3.04%	15,341	Note 3
Detroit, MI	4,607,060	3.04	140,055	Note 3
Appleton/Oshkosh/Neenah, WI	468,255	10.83	50,712	Note 3
Duluth, MN/WI (Note 5)	243,518	16.33	39,766	Note 3
Owensboro, KY (Note 5)	89,993	5.73	5,157	Note 3
Little Rock, AR	535,862	36.00	192,910	Note 3
Evansville, IN (Note 5)	318,396	5.73	18,244	Note 3
Lafayette, LA	254,249	49.00	124,582	Note 3
Austin, TX	874,277	35.00	305,997	Note 3

	7,896,259		892,764	

Total MSAs	12,980,950		5,353,830	

Operated RSAs

Arizona 3 (Note 5)	147,449	58.70%	86,546	Sprint Cellular
Arkansas 2	79,030	82.00	64,805	McCaw/AT&T
Arkansas 3	103,547	82.00	84,909	McCaw/AT&T
Arkansas 11	67,626	89.00	60,187	McCaw/AT&T
Arkansas 12	188,823	80.00	151,058	McCaw/AT&T
Louisiana 1	112,305	62.00	69,629	McCaw/AT&T
Louisiana 2	112,573	62.00	69,795	Centennial
Louisiana 3 (B2)	92,574	62.00	57,396	Centennial
Louisiana 4	70,825	100.00	70,825	Centennial
Michigan 3	154,657	38.76	59,949	Unitel
Michigan 5	151,220	38.76	58,617	Unitel
Michigan 6	144,382	98.00	141,494	Centennial
Michigan 7	237,052	41.78	99,052	Centennial
Michigan 8	96,650	97.92	94,640	Allegan Cellular
Michigan 9	291,024	43.38	126,246	Centennial
New Mexico 1 (Note 5)	251,919	22.22	55,982	Sprint Cellular
Texas 7 (B6)	59,224	89.00	52,709	McCaw/AT&T

	2,360,880		1,403,839	

Non-operated RSAs

Arizona 2 (Note 5)	230,120	21.30%	49,007	Note 3
Colorado 6 (Note 5)	68,119	25.00	17,030	Note 3
Colorado 7 (Note 5)	45,689	20.00	9,138	Note 3
Iowa 13 (Note 5)	66,706	10.00	6,671	Note 3
Michigan 10	133,511	26.00	34,713	Note 3
Minnesota 11	204,128	13.01	26,553	Note 3
New Mexico 3 (Note 5)	78,980	25.00	19,745	Note 3
New Mexico 4W	126,918	35.71	45,328	Note 3
Texas 16	316,704	9.60	30,404	Note 3
Wisconsin 1	106,435	8.44	8,985	Note 3
Wisconsin 2	84,254	12.81	10,793	Note 3
Wisconsin 3	136,443	14.29	19,492	Note 3
Wisconsin 6	115,218	28.57	32,919	Note 3
Wisconsin 10	127,102	15.00	19,065	Note 3

	1,840,327		329,843	

Total RSAs	4,201,207		1,733,682	

	17,182,157		7,087,512	
=====				

Notes:

1. Based on 1994 independent third-party population estimates.
2. Information provided to the best of the Company's knowledge.
3. Markets not operated by the Company.
4. Represents a non-wireline interest.
5. Either sold during the first quarter of 1995 or are subject to sale pursuant to a definitive agreement.

The preceding table does not include approximately 20,000 pops which the Company acquired in January 1995 upon acquisition of a one-half of one percent interest in the licensed operator of the Dallas, Texas MSA wireline cellular system.

Revenue

The following table reflects the major revenue categories for the Company's mobile communications operations as a percentage of mobile communications operating revenues in 1994, 1993 and 1992.

	1994	1993	1992
Cellular access fees, toll revenues			
and equipment sales	82.0%	80.5	78.6
Cellular roaming	16.1	14.5	14.3
Paging services (Note 1)	1.9	5.0	7.1
	100.0%	100.0	100.0

Note 1: The Company's paging operations were sold in October 1994.

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

Regulation And Competition

As discussed further 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.

Cellular Licensing Process. During the 1980's and early 1990's, the FCC awarded two licenses to provide cellular service in each market. Each licensee is required to provide service to a designated portion of the area or population in its licensed area as a condition to maintaining that license. 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 completion of acquisitions 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. Acquisitions of minority interests generally do 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.

Initial operating licenses are granted for ten-year periods and are renewable upon application to the FCC for periods of ten years. Licenses may be revoked and license renewal applications denied for cause. There may be competition for licenses upon the expiration of the initial ten-year terms and there is no assurance that any license will be renewed, although 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. The Company intends to file renewal applications for its licenses which will otherwise expire in 1995.

Five years after initial operating licenses are granted, unserved areas within markets previously granted to licensees may be applied for by any qualified party. The FCC has rules that govern the procedures for filing and granting such applications and has established requirements for constructing and operating systems in such areas. The Company has not lost, and does not expect to lose, any significant market areas as a result of not providing service to such areas. In addition to regulation by the FCC, cellular systems are subject to certain Federal Aviation Administration tower height regulations respecting 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 LPSC has petitioned the FCC for continued regulation of cellular operators; the FCC is expected to rule on the petition in the second quarter of 1995. The siting and construction of the cellular facilities may also be subject to state or local zoning, land use and other local regulations.

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

Developments Affecting Mobile Communications Competition. Continued and rapid technological advances in the communications field, coupled with legislative and regulatory uncertainty, make it impossible to (i) predict the extent of future competition to cellular systems, (ii) determine which emerging technologies pose the most viable alternatives to the Company's cellular operations, or (iii) list each development that may ultimately impact the Company's cellular operations. No assurance can be given that current or future technological advances, or legislative or regulatory changes, will not impact the Company's cellular operations.

Several recent FCC initiatives have resulted in the allocation of additional radio spectrum or the issuance of experimental licenses for emerging mobile communications technologies that will or may be 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. When offered commercially, PCS technology currently under development may permit PCS operators to offer wireless data, image and multimedia services. The extent to which PCS will offer services that are complementary or competitive with cellular services is uncertain, and is expected to be influenced by continuing developments in PCS and cellular technologies and by FCC regulation.

The FCC has adopted rules to auction up to six PCS licenses per market.

Under these rules, two 30 MHz frequency blocks will be awarded for each of the 51 Rand McNally Major Trading Areas ("MTAs"), while one 30 MHz and three 10 MHz frequency blocks will be awarded for each of the 493 Rand McNally Basic Trading Areas ("BTAs"). Subject to certain exceptions, the Company will be permitted to freely pursue PCS licenses outside its cellular markets, but will be limited to acquiring only one 10 MHz block in

licensed areas where it controls more than a 20% interest in a cellular licensee and serves more than 10% of the population within the PCS licensed area. The Company did not participate in the FCC's auction of the MTA licenses. If attractive opportunities arise, the Company may participate in the FCC's auctions of BTA licenses to be held in 1995. PCS service may be commercially available in certain areas as early as 1996.

In addition to PCS, users and potential users of cellular systems may find their communication needs satisfied by other current and developing technologies, several of which may enjoy potential operational and service advantages through their use of digital technology. The FCC has recently 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 so as to operate in a manner similar to cellular systems. The Company believes that SMR systems are operating in a majority of its cellular markets. Certain well-established SMR providers have announced their intention to create a nationwide digital mobile communications system to compete with cellular systems. Other similar communication services which have the technical capability to handle mobile telephone calls may provide competition in certain markets, although these services currently lack the subscriber capacity of cellular systems. One-way paging or beeper services that

feature voice message and data display as well as tones may be adequate for potential subscribers who do not need to communicate with the caller.

Other two-way mobile services may also be competitive with the Company's services. For example, the second generation of cordless telephone technology ("CT-2") will permit the application of this technology to a public environment. During 1994 the FCC auctioned additional spectrum suitable for two-way paging and other wireless data services, which is expected to lead to increased development of these services.

The FCC has taken various actions to authorize mobile satellite systems in which transmissions from mobile units to satellites would supplement or replace transmissions to land-based stations. Such satellite-based systems are being studied and designed, including international systems, and no assurance can be given that such systems will not ultimately be successful in supplementing or replacing cellular systems which communicate directly to land-based stations.

As described further under "Telephone Operations - Regulation and Competition," in connection with the well-publicized convergence of telecommunications, cable, video, computer and entertainment businesses, several large companies have recently announced plans to offer products that would significantly enhance current communications and data transmissions services and, in some instances, introduce new services.

Although much of the resulting competition is expected to center on wireline services, it is anticipated that these developments may also increase competition in the mobile communications industry. Several companies are currently developing and marketing small hand-held devices that provide digital wireless data transmission services that compete with similar analog services currently being provided by cellular companies.

As discussed further under "Telephone Operations - Regulation and Competition," recently several bills have been filed in the U.S. Congress that have the potential to significantly alter the telecommunications

industry, including bills that focus on the mobile communications industry.

Recently, several large cellular providers have merged with other companies or formed joint ventures. The resulting entities will have substantially greater assets and resources than the Company. These joint ventures and others have also pooled their resources to bid on PCS licenses. For more information, see "-Marketing."

Although it is uncertain how PCS, SMR, CT-2, mobile satellites and other emerging technologies will ultimately affect the Company, they are not anticipated to be significant sources of competition in the Company's markets in the near term. Moreover, management believes that equipping its current cellular networks with digital enhancements and applying new microcellular technologies should permit its cellular systems to provide services comparable with the emerging technologies described above, although no assurances can be given that this will happen or that future technological advances or legislative or regulatory changes will not create additional sources of competition.

Certain Considerations Regarding Cellular Telephone Operations

The cellular industry has a relatively limited operating history and there continues to be uncertainty regarding its future. Among other factors, there is uncertainty regarding (i) the continued growth in the number of customers, (ii) the usage and pricing of cellular services, particularly as market penetration increases and lower-usage customers subscribe for service, (iii) the number of customers who will terminate service each month, and (iv) the impact of changes in technology, regulation and competition, any of which could have a material adverse effect on the Company. See "- Regulation and Competition."

The market value of cellular interests is frequently determined on the basis of the number of pops owned by a cellular provider. The population of a particular cellular market, however, does not necessarily bear a direct relationship to the number of subscribers or the revenues that may be realized from the operation of the related cellular system. The future market value of the Company's cellular interests will depend on, among other things, the success of its cellular operations.

OTHER

The Company has certain obligations based on federal, state and local laws relating to the protection of the environment. Costs of compliance through 1994 have not been material and the Company currently has no reason to believe that such costs will become material.

For additional information concerning the business and properties of

the Company, see notes 2, 3, 13, 16 and 17 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 building related to telephone operations and (ii) switching and cell site equipment related to cellular telephone operations. As of

December 31, 1994, the Company's gross property, plant and equipment of

approximately \$1.3 billion consisted of the following:

Telephone:	
Cable and wire.....	44.1%
Central office equipment.....	23.7
General support.....	7.0
Information origination/termination equipment.....	1.6
Construction in progress.....	5.1
Other.....	.4

	81.9
Mobile Communications	11.6
Other.....	6.5

	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. "Construction in progress" includes property of the foregoing categories that has not been placed in service because it is still under construction. The properties of the Company's telephone subsidiaries are subject to mortgages securing the funded 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 mobile communications 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:

	Sale prices		Dividend per common share
	High	Low	
1993:			
First quarter	\$ 33-3/8	26	.0775
Second quarter	\$ 33-1/8	28	.0775
Third quarter	\$ 31-5/8	27-1/8	.0775
Fourth quarter	\$ 30-3/8	23-1/4	.0775
1994:			
First quarter	\$ 27-7/8	21-7/8	.08
Second quarter	\$ 27-5/8	22-5/8	.08
Third quarter	\$ 30-1/2	25	.08
Fourth quarter	\$ 32-1/4	27-1/2	.08

Common stock dividends during 1993 and 1994 were paid each quarter.

As of February 28, 1995, there were approximately 7,000 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, 1994:

Selected Income Statement Data					
	Year ended December 31,				
	1994	1993	1992	1991	1990
	(Dollars, except per share amounts, and shares expressed in thousands)				
Operating revenues					
Telephone	\$ 389,438	348,485	297,510	235,796	215,771
Mobile Communications	150,802	84,712	62,092	46,731	34,594
Total operating revenues	\$ 540,240	433,197	359,602	282,527	250,365
Operating income (loss)					
Telephone	\$ 137,992	114,902	103,672	80,039	70,654
Mobile Communications	31,443	9,906	5,956	(4,952)	(9,553)
Net operating income	\$ 169,435	124,808	109,628	75,087	61,101

Income before cumulative effect of changes in accounting principles	\$ 100,238	69,004	59,973	37,419	31,098
Cumulative effect of changes in accounting principles	-	-	(15,668)	-	-

Net income	\$ 100,238	69,004	44,305	37,419	31,098
	=====				

Fully diluted earnings per share before cumulative effect of changes in accounting principles	\$	1.80	1.32	1.22	.79	.66
Cumulative effect of changes in accounting principles		-	-	(.31)	-	-
Fully diluted earnings per share	\$	1.80	1.32	.91	.79	.66
Dividends per common share	\$.320	.310	.293	.287	.280
Average fully diluted shares outstanding		58,135	55,892	48,653	47,432	46,944

Selected Balance Sheet Data

	December 31,				
	1994	1993	1992	1991	1990
	(Dollars in thousands)				
Net property, plant and equipment	\$ 947,131	827,776	675,878	534,998	490,957
Excess cost of net assets acquired, net	\$ 441,436	297,158	217,688	114,258	110,013
Total assets	\$1,643,253	1,319,390	1,040,487	764,539	706,411
Long-term debt	\$ 518,603	364,433	346,944	205,453	230,715
Stockholders' equity	\$ 650,236	513,768	385,449	319,977	280,915

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, 1994:

	Year ended December 31,				
	1994	1993	1992	1991	1990
Telephone access lines	454,963	434,691	397,300	314,819	304,915
Cellular units in service in majority-owned markets	211,710	116,484	73,084	51,083	35,815

See Items 1 and 2 in Part I and notes 1, 9, 16 and 20 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

The 1994 net income of Century Telephone Enterprises, Inc. and subsidiaries (the "Company") increased 45.3% to \$100.2 million from \$69.0 million during 1993. Income before the cumulative effect of changes in accounting principles during 1992 was \$60.0 million.

Fully diluted earnings per share for 1994 increased 36.4% to \$1.80 from \$1.32 during 1993. Fully diluted earnings per share in 1992 before the cumulative effect of changes in accounting principles was \$1.22. The average number of fully diluted shares outstanding increased 4.0% and 5.8% in 1994 and 1993, respectively, as a result of shares issued in connection with acquisitions and the Company's dividend reinvestment, incentive and benefit plans.

The Company is a regional diversified telecommunications company that is primarily engaged in providing traditional telephone services and cellular mobile telephone services. The Company's 1994 operating income was \$169.4 million, an increase of \$44.6 million (35.8%) over 1993 operating income of \$124.8 million. During 1994 the operating income of the Company's telephone segment and its mobile communications segment increased \$23.1 million (20.1%) and \$21.5 million (217.4%), respectively, compared to 1993. The Company's operating income during 1992 was \$109.6 million.

Year ended December 31,	1994	1993	1992
=====			
	(Dollars in thousands, except per share amounts)		
Operating income			
Telephone	\$ 137,992	114,902	103,672
Mobile Communications	31,443	9,906	5,956

	169,435	124,808	109,628
Interest expense	(42,577)	(30,149)	(27,166)
Income from unconsolidated cellular entities	15,698	6,626	1,692
Gain on sales of assets	15,877	1,661	3,985
Other income and expense	3,105	3,310	4,433
Income tax expense	(61,300)	(37,252)	(32,599)

Income before cumulative effect of changes in accounting principles	100,238	69,004	59,973
Cumulative effect of changes in accounting principles	-	-	(15,668)
Net income	\$ 100,238	69,004	44,305
Fully diluted earnings per share:			
Before cumulative effect of changes in accounting principles	\$ 1.80	1.32	1.22
Cumulative effect of changes in accounting principles	-	-	(.31)
Fully diluted earnings per share	\$ 1.80	1.32	.91

The operating income of the telephone segment includes the operations, subsequent to each respective acquisition, of Century Telephone of Ohio, Inc. ("Ohio"), acquired in April 1992, and Century Telephone of San Marcos, Inc. ("San Marcos"), acquired in April 1993. See Note 16 of Notes to Consolidated Financial Statements for additional information applicable to these acquisitions.

The Company's mobile communications operations reflect the operations of the cellular entities in which the Company has a majority interest.

The minority interest owners' share of the income or loss of such entities is reflected as an expense in "Other income and expense." The operating income of the mobile communications segment includes (i) the operations of the Alexandria, Louisiana Metropolitan Statistical Area ("MSA") cellular system ("Alexandria") subsequent to its acquisition in December 1992, (ii) the operations of Celutel, Inc. ("Celutel") subsequent to its acquisition in February 1994, and (iii) the Company's paging operations prior to their sale in October 1994. See Notes 16 and 17 of Notes to Consolidated Financial Statements for additional information.

According to data derived from published sources, as of December 31, 1993 the Company had the second highest ratio of owned cellular pops (the population of licensed cellular telephone markets multiplied by the Company's proportionate equity interests in the licensed operators thereof) to telephone access lines among the 20 largest telephone companies (based on access lines) in the United States. Accordingly, the Company anticipates that its mobile communications operations will continue to increasingly influence the Company's overall operations as the cellular industry matures. Contributions to operating revenues and operating income by the Company's telephone and mobile communications operations for each of the three years ended December 31, 1994 were as follows:

=====			
Operating revenues			
Telephone operations	72.1%	80.4	82.7
Mobile Communications operations	27.9%	19.6	17.3
Operating income			
Telephone operations	81.4%	92.1	94.6
Mobile Communications operations	18.6%	7.9	5.4
=====			

The Company's share of earnings or loss from the cellular entities in which it has less than a majority interest is accounted for using the equity method and is reflected in "Income from unconsolidated cellular entities." The Company's share of income from such entities increased to \$15.7 million in 1994 from \$6.6 million in 1993 and \$1.7 million in 1992.

As of January 1, 1992, the Company adopted Statement of Financial Accounting Standards No. 106 ("SFAS 106"), "Employers' Accounting for Postretirement Benefits Other Than Pensions," and Statement of Financial Accounting Standards No. 109 ("SFAS 109"), "Accounting for Income Taxes."

The cumulative effect of the changes in accounting principles related to SFAS 106 and SFAS 109 reduced 1992 net income by \$14.8 million (\$.30 per fully diluted share) and \$913,000 (\$.01 per fully diluted share), respectively.

TELEPHONE OPERATIONS

Year ended December 31,	1994	1993	1992
=====	=====	=====	=====
	(Dollars in thousands)		
Operating revenues			
Local service	\$ 100,020	88,704	78,108
Network access and long distance	243,759	217,055	182,711
Other	45,659	42,726	36,691

	389,438	348,485	297,510

Operating expenses			
Plant operations	84,117	80,578	66,878
Customer operations	35,746	32,225	26,242
Corporate and other	58,408	55,605	46,791
Depreciation and amortization	73,175	65,175	53,927

	251,446	233,583	193,838

Operating income	\$ 137,992	114,902	103,672
=====	=====	=====	=====

The Company's telephone operations are conducted in rural, suburban and small urban communities in 14 states. Approximately 82% of the Company's telephone access lines are in Wisconsin, Louisiana, Michigan, Ohio and

Arkansas.

Local Service Revenues

Local service revenues are derived from the provision of local exchange telephone services in the Company's franchised service areas. The \$11.3 million increase in such revenues in 1994 included \$4.5 million due to the increase in the number of customer access lines, \$3.8 million from increased rates for basic services and \$1.2 million due to acquisitions. Acquisitions contributed \$7.5 million to the 1993 increase of \$10.6 million; \$2.7 million of the increase was due to the increase in access lines. The remaining increases in 1994 and 1993 were primarily due to the provision of custom calling features. Internal access line growth during 1994, 1993 and 1992 was 4.1%, 3.6% and 3.8%, respectively.

Network Access and Long Distance Revenues

Network access and long distance revenues primarily relate to services provided to interexchange carriers (long distance carriers) in connection with the completion of long distance telephone calls. Substantially all of the Company's interstate network access revenues are received through pooling arrangements administered by the National Exchange Carrier

Association ("NECA") based on cost separation studies and average schedule settlement agreements. The NECA receives access charges billed by the Company and other participating local exchange carriers ("LECs") to interstate long distance carriers and other LEC customers for their use of the local exchange network to complete long distance calls. These charges to the long distance carriers and other LEC customers are based on tariffed access rates filed with the Federal Communications Commission

("FCC")

by the NECA on behalf of the Company and other participating LECs. Long distance and intrastate network access revenues are based on access rates, cost separation studies or special settlement arrangements with intrastate long distance carriers.

Network access and long distance revenues increased \$26.7 million (12.3%) in 1994 and \$34.3 million (18.8%) in 1993 due to the following factors:

	1994 Increase (decrease)	1993 Increase (decrease)
=====	=====	=====
	(Dollars in thousands)	
Acquisitions	\$ 5,734	19,737
Partial recovery of increased operating expenses through revenue pools in which the Company participates with other telephone companies and return on rate base	8,834	7,326
Increased recovery from the FCC mandated Universal Service Fund ("USF")	8,815	6,161
Increased minutes of use	2,409	3,444
Revision of prior year revenue settlement agreements	2,537	(770)
Other, net	(1,625)	(1,554)

	\$ 26,704	34,344
=====		

Other, net in the preceding table reflects reductions of \$2.3 million and \$1.0 million in 1994 and 1993, respectively, in certain settlements received from a large local exchange operating company by the Company's Louisiana subsidiaries. Also included in other, net in 1994 is a \$1.9 million reduction in intrastate high cost assistance revenues as a result of the phase-out of the Wisconsin state support fund, the loss of which was offset by an increase in local rates in the same jurisdictions.

Other Revenues

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 interexchange carriers, (iii) leasing network facilities and (iv) participating in the publication of local directories. The increase in other revenues during 1994 was primarily due to a \$1.2 million increase in directory advertising revenues and a \$1.1 million increase in billing and

collection revenues. The 1993 increase was primarily due to acquisitions.

Certain large telecommunications companies for which the Company

currently provides billing and collection services have indicated their

desire to reduce their billing and collection expenses which may lead to

reduced future billing and collection revenues.

Operating Expenses

Plant operations expenses during 1994 and 1993 increased \$3.5 million (4.4%) and \$13.7 million (20.5%), respectively. Operating expenses attributable to acquisitions accounted for \$2.3 million of the 1994 increase. A \$1.2 million increase in salaries, wages and benefits during 1994 was partially offset by a \$531,000 reduction in postemployment benefit expense. Approximately \$7.1 million of the 1993 increase was due to operating expenses attributable to acquisitions. Increases in salaries, wages and benefits during 1993 accounted for approximately \$2.2 million. The remainder of the 1993 increase was due to increases in other general operating expenses.

Expenses attributable to acquisitions contributed \$2.1 million and \$11.0 million, respectively, to the 1994 increase of \$6.3 million (7.2%) and the 1993 increase of \$14.8 million (20.3%) in customer operations, corporate, and other expenses. Ad valorem taxes increased \$1.0 million in 1994 and \$601,000 in 1993 due to the increase in plant in service. The remainder of the increases resulted from increases in other general operating expenses.

Depreciation and amortization increased \$8.0 million (12.3%) and \$11.2 million (20.9%) in 1994 and 1993, respectively. Approximately \$2.4 million and \$5.4 million of the increases in 1994 and 1993, respectively, were due to acquisitions. Depreciation expense included nonrecurring additional depreciation charges approved by regulators in certain jurisdictions which, exclusive of acquisitions, aggregated \$3.3 million in 1993 and \$2.9 million in 1992. In addition, the Company obtained higher recurring depreciation rates for certain subsidiaries during the last three years. Excluding acquisitions, the first-year effects of the higher rates were approximately \$5.6 million in 1994, \$1.7 million in 1993 and \$770,000 in 1992. The remaining increases in depreciation and amortization were due to higher levels of plant in service. The composite

depreciation rate for telephone properties, including the additional depreciation charges, was 7.1%, 7.1% and 6.6% for 1994, 1993 and 1992, respectively.

Other

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

MOBILE COMMUNICATIONS OPERATIONS

Year ended December 31,	1994	1993	1992
	(Dollars in thousands)		
Operating revenues			
Cellular service	\$ 141,325	76,583	54,489
Equipment and other	9,477	8,129	7,603
	150,802	84,712	62,092
Operating expenses			
Cost of sales and other operating expenses	31,859	19,681	14,313
General, administrative and customer service	33,171	23,872	19,685
Sales and marketing	33,074	19,894	13,167
Depreciation and amortization	21,255	11,359	8,971
	119,359	74,806	56,136
Operating income	\$ 31,443	9,906	5,956

The Company's mobile communications segment at December 31, 1994 consisted entirely of operations of the cellular entities in which the Company has a majority interest. The Company's cellular customers are located primarily in Louisiana, Michigan, Mississippi and Texas. The Company's share of income from cellular entities in which it has less than a majority interest (which is not included in the mobile communications segment) was \$15.7 million, \$6.6 million and \$1.7 million during 1994, 1993 and 1992, respectively, and is reflected in "Income from unconsolidated cellular entities."

Operating Revenues

Cellular service revenues include monthly service fees for providing access and airtime to customers, service fees for providing airtime to users roaming through the Company's service areas and toll revenue. Cellular service revenues during 1994 increased to \$141.3 million from \$76.6 million in 1993 and \$54.5 million in 1992. The 1994 and 1993 increases in cellular service revenues were primarily attributable to the significant increases in cellular customers resulting principally from acquisitions, increased demand and expanded areas of service. Cellular units in service in the Company's majority-owned markets increased to 211,710 (of which 35,027 were in the Celutel markets)

as of December 31, 1994 from 116,484 as of December 31, 1993 and 73,084 as

of December 31, 1992. Exclusive of acquisitions, access and usage

revenues increased \$27.2 million (48.3%) in 1994 and \$14.6 million (36.9%)

in 1993 and roaming and toll revenues increased \$9.8 million (54.9%) and

\$3.0 million (22.3%) in 1994 and 1993, respectively. The remainder of the

1994 revenue increase was due substantially to the Celutel operations,

which increased revenues by \$26.3 million, and the remainder of the 1993

increase was due to the Alexandria operations, which increased 1993

revenues by \$3.6 million.

The average monthly cellular service revenue per customer declined to \$69 in 1994 from \$71 in 1993 and \$75 in 1992. It has been an industry-wide trend that early subscribers have normally been the heaviest users and that a higher percentage of new subscribers tend to be lower usage customers. The average monthly service revenue per customer may further decline (i) as market penetration increases and additional lower usage customers are activated and (ii) as competitive pressures intensify and place downward pressure on rates. 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 enhancements to its system.

Other revenues included \$2.9 million and \$4.2 million in 1994 and 1993, respectively, of revenues attributable to the Company's paging operations, which were sold in October 1994.

Operating Expenses

The \$12.2 million increase in 1994 in cost of sales and other operating expenses included \$6.7 million of expenses of Celutel since its acquisition in February 1994. Expenses incurred in 1993 as a result of the December 1992 acquisition of Alexandria were \$599,000. The remaining increases in cost of sales and other operating expenses in 1994 and 1993 were primarily due to interconnecting and operating new cell sites which were built to improve service in several existing markets and to initiate and develop service in several rural markets. The Company operated 230 cell sites at December 31, 1994 in entities in which it has a majority interest, compared to 158 at December 31, 1993 and 96 at December 31, 1992. Of the 1994 net increase of 72 cell sites, 29 were added through acquisitions.

General, administrative and customer service expenses increased \$9.3 million (39.0%) in 1994, \$7.4 million of which was due to the Celutel

operations. The Alexandria operations contributed \$1.2 million of costs to the 1993 increase of \$4.2 million (21.3%). The remaining increases were primarily related to the increased number of customers.

During 1994 and 1993, sales and marketing expenses increased \$13.2 million (66.3%) and \$6.7 million (51.1%), respectively, of which \$8.2 million in 1994 and \$4.2 million in 1993 were due to increases in commissions paid to agents for selling cellular services to new customers.

The remaining increase in 1994 was due to the Celutel operations. The remaining increase during 1993 was primarily due to an \$812,000 increase in advertising costs and to \$919,000 of costs incurred in the Alexandria operations.

Depreciation and amortization increased \$9.9 million (87.1%) in 1994 and \$2.4 million (26.6%) in 1993 due to increases of \$4.9 million and \$2.4 million, respectively, applicable to higher levels of cellular plant in service. Approximately \$3.8 million of the 1994 increase was due to amortization of goodwill attributable to the acquisition of Celutel.

Other

The Company's paging operations, which contributed 2.5% of mobile communications revenues from January 1994 through September 1994, were sold in October 1994.

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

INTEREST EXPENSE

Interest expense increased \$12.4 million (41.2%) in 1994 and \$3.0 million (11.0%) in 1993. The increase during 1994 was primarily the result of a 34% increase in average debt outstanding, a substantial amount of which was incurred in connection with the acquisition of Celutel. Higher interest expense incurred during 1993 due to a 24% increase in average debt outstanding was substantially offset by the effect of lower average interest rates.

INCOME FROM UNCONSOLIDATED CELLULAR ENTITIES

Earnings from unconsolidated cellular entities, net of the amortization of associated goodwill, increased \$9.1 million (136.9%) during 1994. An increase of \$2.9 million in the Company's share of income from the partnership interests acquired in the San Marcos acquisition in April 1993 contributed to the 1994 increase. The remainder of the 1994 increase was due to the improvement in profitability of other cellular entities in which the Company owns less than a majority interest. The Company's share of income from the partnership interests acquired in the San Marcos acquisition contributed substantially to the \$4.9 million (291.6%) increase in income from unconsolidated cellular entities during 1993.

GAIN ON SALES OF ASSETS

The Company sold the assets comprising a cellular system in a Rural Service Area ("RSA") in Minnesota in 1994 and recognized a pre-tax gain of \$14.7 million (\$8.5 million after-tax; \$.15 per fully diluted share). In

addition, the Company sold its paging operations in 1994 which resulted in a pre-tax gain of \$1.2 million (\$756,000 after-tax; \$.01 per fully diluted share).

During 1993 the Company sold a minority investment in a telephone company which resulted in a pre-tax gain of \$1.7 million (\$1.1 million after-tax; \$.02 per fully diluted share).

During 1992 the Company consummated the sales of (i) two telephone subsidiaries which served approximately 2,000 access lines, (ii) its minority interests in an MSA cellular partnership and an RSA cellular partnership, and (iii) its 100% interest in an RSA cellular market. The sales resulted in an aggregate pre-tax gain of \$4.0 million (\$2.6 million after-tax; \$.05 per fully diluted share).

OTHER INCOME AND EXPENSE

Other income and expense during 1994 was \$3.1 million compared to \$3.3 million during 1993 and \$4.4 million in 1992. The increased profitability during 1994 of the Company's majority-owned and operated cellular entities resulted in a corresponding increase of \$2.9 million in the expense recorded by the Company to reflect the minority interest owners' share of the profits. Such increase in expense in 1994 was substantially offset by an increase of \$1.8 million in interest income, of which \$1.5 million was interest income earned on a \$25.0 million note receivable issued to Century in May 1994. For additional information, see Liquidity and Capital Resources - Investing Activities. Other income and expense decreased \$1.1 million (25.3%) in 1993 primarily because of a decrease in interest income.

Other income and expense includes the results of operations of subsidiaries of the Company which are not included in telephone or mobile communications operations, including, but not limited to, the Company's competitive access subsidiary and the Company's nonregulated long distance operations, the combined results of which were not significantly different in 1994, 1993 and 1992.

INCOME TAX EXPENSE

The effective income tax rate was 37.9%, 35.1% and 35.2% in 1994, 1993 and 1992, respectively. The increase in the effective rate in 1994 was primarily the result of (i) amortization of investment tax credits and the SFAS 109 regulatory liability remaining relatively stable while income

before taxes increased and (ii) the effect of an increase in the amortization of goodwill which is not tax deductible. The additional federal income taxes incurred during 1993 as a result of the 1% increase in the statutory federal income tax rate in accordance with the provisions of the Omnibus Budget Reconciliation Act of 1993 (the "Act") was more than offset by the tax benefit applicable to the deductibility of certain intangible assets also provided by the Act.

CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES

The Company adopted SFAS 106 as of January 1, 1992. SFAS 106 requires that the expected cost of providing postretirement health care and life insurance benefits be accrued during the years an employee renders service to the Company. The cumulative effect of the change in accounting principle related to SFAS 106 decreased net income for 1992 by \$14.8 million (\$.30 per fully diluted share).

The Company also adopted SFAS 109 as of January 1, 1992, under which the accounting for income taxes is based on an asset and liability approach rather than the deferred method. The cumulative effect of the change in accounting principle related to SFAS 109 decreased net income for 1992 by \$913,000 (\$.01 per fully diluted share).

The Company adopted Statement of Financial Accounting Standards No. 112 ("SFAS 112"), "Employers' Accounting for Postemployment Benefits," in the first quarter of 1994. SFAS 112 addresses the accounting for workers compensation, disability and other benefits provided after employment but before retirement by requiring accrual of the expected cost when it is probable that a benefit obligation has been incurred and the amount can be reasonably estimated. Liabilities reflected in the consolidated balance sheet as of December 31, 1993 for postemployment benefits were not materially different than those required by SFAS 112; therefore, no cumulative effect of change in accounting principle was recorded upon adoption of SFAS 112.

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 nonregulated areas 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 regulatory process does not consider replacement cost of physical plant, the Company has historically been able to earn a return on the increased cost of its net investment when facilities have been replaced. 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 below.

LIQUIDITY AND CAPITAL RESOURCES

Excluding cash used for acquisitions, the Company relies on cash provided by operations to provide a substantial portion of its cash needs.

The Company's telephone operations have historically provided a stable source of cash flow which has helped the Company continue its long-term program of capital improvements. Cash provided by mobile communications operations has increased each year since that segment became cash-flow positive in 1991.

Operating Activities

Net cash provided by operating activities was \$199.8 million, \$166.8 million and \$146.3 million in 1994, 1993 and 1992, respectively. The Company's accompanying consolidated statements of cash flows identifies

major differences between net income and net cash provided by operating activities for each of these years. For additional information relating to the telephone operations and mobile communications operations of the

Company, see Results of Operations.

Investing Activities

Net cash used in investing activities was \$280.3 million and \$248.7 million during 1994 and 1993, respectively. Capital expenditures for 1994 were \$152.3 million for telephone operations, \$39.9 million for mobile communications operations and \$8.6 million for other operations. Cash used in connection with the February 1994 acquisition of Celutel (exclusive of the refinancing of \$41.7 million of Celutel's debt) was \$56.0 million. The remainder of the \$106.0 million purchase price was paid through the issuance of 1.9 million shares of Century common stock.

In connection with the corporate restructuring of an unaffiliated local exchange telephone company which has been viewed from time to time as an acquisition candidate, Century loaned the telephone company's holding company \$25.0 million in 1994. In 1993, another company had acquired rights to purchase a controlling interest in the telephone company, subject to the first refusal rights of the telephone company's principal stockholder. Century's loan allowed this stockholder to exercise his first refusal rights and preserved the future availability of the telephone company as an acquisition candidate for Century. The loan is collateralized by security interests in the capital stock of the holding company and the telephone company and by a guaranty from the holding company's principal stockholder. In connection with the loan, Century obtained first refusal rights to acquire the stock of the holding company, the stock of its subsidiaries and/or the assets of its subsidiaries under various specified circumstances.

Net cash used in investing activities during 1993 was \$22.5 million less than during 1992 primarily because the amount of cash used for

acquisitions during 1993 was \$97.9 million less than in the previous year.

Payments for property, plant and equipment during 1993 increased by \$64.2 million.

Financing Activities

Net cash provided by financing activities during 1994 and 1993 was \$77.8 million and \$81.9 million, respectively. During 1994 the Company filed a shelf registration statement with the United States Securities and Exchange Commission registering \$400.0 million of senior unsecured debt securities under which the Company issued \$150.0 million of senior notes in May 1994. See Note 3 of Notes to Consolidated Financial Statements.

The proceeds were used to discharge the Company's indebtedness under a \$90.0 million bridge loan incurred to fund substantially all of the Company's cash requirements in connection with the acquisition of Celutel in February 1994 (including the refinancing of \$41.7 million of Celutel's debt) and to reduce the Company's short-term bank indebtedness under various floating-rate credit facilities. In connection with the

offering, in the second quarter of 1994 Moody's upgraded Century's senior unsecured debt rating to Baa1 and Standard & Poor's affirmed its BBB+ rating.

The \$158.0 million of notes payable at December 31, 1994 reflects the Company's continued utilization of borrowings under its credit facilities to take advantage of favorable short-term interest rates. The Company currently intends to continue to monitor market conditions for favorable opportunities to refinance some or all of these borrowings with long-term debt.

Cash provided by financing activities in 1993 was \$41.0 million less than in 1992 primarily because net borrowings, including long-term debt and notes payable, were \$38.4 million less than in 1992. The \$88.3 million increase in notes payable outstanding in 1993 reflected the Company's utilization of borrowings under its credit facilities as discussed above. Proceeds from the issuance of debt during 1992 included \$115.0 million from the issuance of 6% convertible debentures in February 1992 to provide the major portion of the purchase price of Ohio.

Other

Budgeted capital expenditures for 1995 total \$112.0 million for telephone operations, \$59.0 million for mobile communications operations and \$12.0 million for other operations. The Company anticipates that capital expenditures in its telephone operations will continue to include the installation of fiber optic cable, the replacement of mechanical switches with digital switches and the upgrading of its plant and equipment to provide enhanced services. Mobile communications capital expenditures are expected to continue to focus primarily on constructing additional cell sites and upgrading the Company's cellular systems to increase capacity, to enhance the Company's ability to provide digital service in the future and to begin providing digital service in certain markets. Budgeted capital expenditures for other operations include

capital construction costs planned to be expended in the Company's

recently-formed competitive access operations.

The Company decided not to participate in the FCC's auction of Major

Trading Area broadband licenses to provide Personal Communications

Services ("PCS"). If attractive opportunities arise, the Company may

participate in the FCC's auctions of Basic Trading Area PCS licenses to be

held in 1995. Pending these auctions, the Company will continue to equip

its current cellular networks with digital enhancements which may, when

applied with new microcellular technologies, permit the Company's cellular

systems to provide services comparable with emerging PCS technologies.

The Company will continue its long-term strategy of pursuing the

acquisition of attractive communications properties in exchange for cash,

securities or both, and may require additional financing in connection

therewith. Approximately 1.2 million shares of Century common stock and

125,000 shares of Century

preferred stock remain available for future issuance in connection with acquisitions under an acquisition shelf registration statement.

As of December 31, 1994, Century's telephone subsidiaries had available for use \$124.0 million of commitments for long-term financing from the Rural Utilities Service ("RUS") (formerly the Rural Electrification Administration or REA) and the Company had \$65.1 million of undrawn committed bank lines of credit. In addition, approximately \$28.0 million of uncommitted credit facilities were available to Century at December 31, 1994. The Company also has access to debt and equity capital markets, including its shelf registration statements mentioned above. Applications for additional long-term financing for Century's telephone subsidiaries have been filed with the RUS and are in various stages of processing. The Company has experienced no significant problems in obtaining funds for capital expenditures or other purposes.

On January 20, 1995 Century called for redemption all \$115.0 million of its outstanding 6% convertible debentures due 2007 at a redemption price of 104.2% of principal plus accrued interest through February 21, 1995, the redemption date. All of the debentures were converted into Century common stock by the debenture holders on or before February 13, 1995 at a conversion price of \$25.33 per share.

Common stockholders' equity as a percentage of total capitalization was 48.4% and 48.5% at December 31, 1994 and 1993, respectively. If all of the 6% convertible debentures discussed in the preceding paragraph had been converted into common stock at December 31, 1994, common stockholders' equity as a percentage of total capitalization would have been 57.0%.

REGULATION AND COMPETITION

The majority of the Company's telephone operations are regulated extensively by various state regulatory agencies and by the FCC.

Primarily as a result of legislative, regulatory and technological

changes, competition has been introduced and encouraged in certain sectors of the telephone industry. It is expected that upcoming legislation will address the telecommunications industry and that regulation will decrease and competition increase in the traditionally monopolistic portions of the industry. While competition is not new to the Company's cellular operations, the competitive environment for the cellular industry is also experiencing change.

Recent Events Affecting the Company

Revenues from the USF increased approximately \$9.7 million to \$36.3 million during 1994 after increasing \$6.2 million during 1993. In 1994 the FCC sought public comment on the effectiveness of high cost assistance programs provided to LECs, including the USF. In addition, certain bills recently considered by the United States Congress have sought changes to Federal high cost assistance programs. Although there is no assurance

that the current level of cost recovery from such programs will be maintained, it is anticipated that mechanisms for high cost assistance will continue to be provided.

In 1993 the Public Service Commission of Wisconsin ("PSCW") ordered the Wisconsin state support fund existing at July 1, 1993 to be phased-out.

Certain of the Company's subsidiaries affected by the order have received approval from the PSCW for increased local rates and other compensation which offset the loss of the amounts that the Company's subsidiaries had been receiving from the state support fund. In addition, the PSCW is conducting an examination of transactions in which Century and its service subsidiaries provided to the Company's Wisconsin telephone subsidiaries various services and materials, including supplies and managerial, technical and accounting services. While this examination may result in refunds to customers, the Company does not believe that results of operations will be materially affected.

In July 1994 the Wisconsin Telecommunications Act of 1993 was signed into law. Among other things, the act requires the PSCW to authorize cable television operators to provide local exchange service in larger markets, including one of the Company's markets. Although no cable television operator has requested authorization from the PSCW to provide local exchange service in the Company's market, the Company anticipates that such a request will be forthcoming. During 1994 certain other states in which the Company operates took legislative and/or regulatory steps to further introduce competition into the LEC business.

After initiating an informal earnings review during 1993 of all independent local exchange carriers in Louisiana, the Louisiana Public Service Commission ("LPSC") recently docketed a formal earnings review of such carriers which could possibly lead to a reduction in earnings. As 19% of the Company's telephone access lines are in Louisiana, there is no assurance that the impact of possible changes resulting from such review

will not have a material effect on future results of operations.

Certain long distance carriers continue to request that the Company reduce intrastate access tariffed rates for certain of its telephone subsidiaries. In March 1994 a major long distance carrier filed a petition with the LPSC requesting that the commission investigate and lower the rates for intrastate access charges charged to long distance carriers by certain local exchange telephone companies, including the Company's Louisiana subsidiaries. There is no assurance that these requests will not result in reduced intrastate access revenues.

Events Affecting the Telecommunications Industry

The telecommunications industry is currently undergoing various regulatory, competitive and technological changes that make it impossible to determine the form or degree of future regulation and competition affecting the Company's telephone and mobile communications operations.

The FCC and a number of state regulatory commissions have begun to reduce the regulatory oversight of LECs. Coincident with this movement toward reduced regulation is the introduction and encouragement of local exchange

competition by the FCC, various state regulatory commissions and others.

These changes have accelerated the growth of certain companies providing competitive access and other services that compete with LECs' services and led to the announcement by certain interexchange carriers and cable television companies of their desire to enter the local telephone business, particularly in larger markets. Wireless telephone services are also expected to increasingly compete with LECs. The FCC has recently allocated additional frequency spectrum for mobile communications technologies that will or may be competitive with cellular, including PCS (for which the FCC began to auction operating licenses in late 1994) and mobile satellite services. The FCC has also authorized certain specialized mobile radio service licensees to configure their systems so as to operate in a manner similar to cellular systems. Some of these licensees have announced their intention to create a nationwide mobile communications system to compete with cellular systems. In addition, in connection with the well-publicized convergence of telecommunications, cable, video, computer and other technologies, several large companies have recently announced plans to offer products that would significantly enhance current communications and data transmission services and, in some instances, introduce new two-way video, entertainment, data, consumer and other multimedia services.

In 1994 the United States House of Representatives passed two telecommunications bills that proposed to substantially alter the regulatory framework of the telecommunications industry by, among other things, promoting local exchange competition and removing certain barriers of entry to several lines of telecommunications businesses. A companion bill failed to pass in the United States Senate. Legislation is expected to be considered in 1995 that, among other things, will promote competition and deregulation to a greater degree than the bills that passed the House in 1994.

Competition to provide local exchange and access 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 telephone operations are located. The same expectation applies to emerging competitive wireless technologies and the development of new multimedia services. 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 the ongoing changes in regulation, competition and technology and consider which developments provide the most favorable opportunities for the Company to pursue.

Other Matters

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," 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. Should the regulated operations of the Company no longer qualify for the application of SFAS 71 at some future date, the required accounting impact, the amount of which has not been determined, would result in a material, extraordinary, noncash charge against earnings. See Note 14 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 1994 have not been material and the Company currently has no reason to believe that such costs will become material.

Item 8. Financial Statements and Supplementary Data

Report of Management

To the Shareholders of

Century Telephone Enterprises, Inc.:

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

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

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

The Audit Committee of the Board of Directors is composed of directors who are not officers or employees of the Company. The Committee meets periodically with the independent certified public accountants, internal

auditors and management. The Committee considers the audit scope and discusses internal control, financial and reporting matters. Both the independent and internal auditors have free access to the Committee.

/s/ R. Stewart Ewing, Jr.

R. Stewart Ewing, Jr.

Senior Vice President and Chief Financial Officer

Independent Auditors' Report

The Board of Directors

Century Telephone Enterprises, Inc.:

We have audited the consolidated financial statements of Century Telephone Enterprises, Inc. and subsidiaries as listed in Item 14a(i). In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedule as listed in Item 14a(ii). These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule 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, 1994 and 1993, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1994, in conformity with generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in notes 1 and 9 to the consolidated financial statements,
the Company adopted Financial Accounting Standards Board's Statement of
Financial Accounting Standards No. 109, "Accounting for Income Taxes," and
Statement of Financial Accounting Standards No. 106, "Employers'
Accounting for Postretirement Benefits Other Than Pensions," in 1992.

/s/ KPMG Peat Marwick LLP

Shreveport, Louisiana

February 6, 1995

CENTURY TELEPHONE ENTERPRISES, INC.
Consolidated Statements of Income

Year ended December 31,

1994 1993 1992

(Dollars in thousands, except per share amounts)

OPERATING REVENUES

Telephone	\$ 389,438	348,485	297,510
Mobile Communications	150,802	84,712	62,092
Total revenues	540,240	433,197	359,602

OPERATING EXPENSES

Cost of sales and operating expenses	276,375	231,855	187,076
Depreciation and amortization	94,430	76,534	62,898
Total expenses	370,805	308,389	249,974

OPERATING INCOME	169,435	124,808	109,628
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OTHER INCOME (EXPENSE)

Interest expense	(42,577)	(30,149)	(27,166)
Income from unconsolidated cellular entities	15,698	6,626	1,692
Gain on sales of assets	15,877	1,661	3,985
Other income and expense	3,105	3,310	4,433
Total other income (expense)	(7,897)	(18,552)	(17,056)

INCOME BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES

Income tax expense	161,538	106,256	92,572
	61,300	37,252	32,599

INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES

Cumulative effect of changes in accounting principles	100,238	69,004	59,973
	-	-	(15,668)

NET INCOME	\$ 100,238	69,004	44,305
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PRIMARY EARNINGS PER SHARE :

Before cumulative effect of changes in accounting principles	\$ 1.88	1.35	1.23
Cumulative effect of changes in accounting principles	-	-	(.32)

PRIMARY EARNINGS PER SHARE	\$ 1.88	1.35	.91
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FULLY DILUTED EARNINGS PER SHARE :

Before cumulative effect of changes in accounting principles	\$ 1.80	1.32	1.22
Cumulative effect of changes in accounting principles	-	-	(.31)

FULLY DILUTED EARNINGS PER SHARE	\$ 1.80	1.32	.91
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DIVIDENDS PER COMMON SHARE	\$.320	.310	.293
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See accompanying notes to consolidated financial statements.

CENTURY TELEPHONE ENTERPRISES, INC.
Consolidated Balance Sheets

December 31,

1994 1993

(Dollars in thousands)

ASSETS
CURRENT ASSETS

Cash and cash equivalents	\$ 7,154	9,777
Accounts receivable		
Customers, less allowance for doubtful		
accounts of \$2,360 and \$1,473	40,824	34,438
Other	23,180	21,771
Materials and supplies, at average cost	7,090	4,418
Other	2,980	2,068
<hr/>		
Total current assets	81,228	72,472
<hr/>		
NET PROPERTY, PLANT AND EQUIPMENT	947,131	827,776
<hr/>		
INVESTMENTS AND OTHER ASSETS		
Excess cost of net assets acquired,		
less accumulated amortization		
of \$40,756 and \$29,253	441,436	297,158
Other	173,458	121,984
<hr/>		
Total investments and other assets	614,894	419,142
<hr/>		
TOTAL ASSETS	\$1,643,253	1,319,390
<hr/>		

LIABILITIES AND EQUITY
CURRENT LIABILITIES

Current maturities of long-term debt	\$ 12,718	14,233
Notes payable to banks	158,000	165,700
Accounts payable	52,331	49,506
Accrued expenses and other current liabilities		
Salaries and benefits	17,884	15,990
Taxes	16,530	9,327
Interest	8,243	6,476
Other	9,237	5,162
Advance billings and customer deposits	11,725	9,312
<hr/>		
Total current liabilities	286,668	275,706
<hr/>		
LONG-TERM DEBT	518,603	364,433
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DEFERRED CREDITS AND OTHER LIABILITIES	187,746	165,483
<hr/>		
STOCKHOLDERS' EQUITY		
Common stock, \$1.00 par value, authorized		
100,000,000 shares, issued and outstanding		
53,574,361 and 51,294,705 shares	53,574	51,295
Paid-in capital	319,235	262,294
Retained earnings	291,999	208,945
Unearned ESOP shares	(16,840)	(9,220)
Preferred stock - non-redeemable	2,268	454
<hr/>		
Total stockholders' equity	650,236	513,768
<hr/>		
TOTAL LIABILITIES AND EQUITY	\$1,643,253	1,319,390
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See accompanying notes to consolidated financial statements.

CENTURY TELEPHONE ENTERPRISES, INC.
Consolidated Statements of Cash Flows

	Year ended December 31,		
	1994	1993	1992
(Dollars in thousands)			
OPERATING ACTIVITIES			
Net income	\$ 100,238	69,004	44,305
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	103,591	85,209	70,367
Cumulative effect of changes in accounting principles	-	-	15,668
Income from unconsolidated cellular entities	(15,698)	(6,626)	(1,692)
Deferred income taxes	7,423	6,781	(1,427)
Gain on sales of assets	(15,877)	(1,661)	(3,985)
Changes in current assets and current liabilities:			
Increase in accounts receivable	(1,581)	(7,026)	(2,307)
Increase (decrease) in accounts payable	(2,383)	11,024	11,694
Increase (decrease) in other accrued taxes	8,347	(1,476)	3,115
Changes in other current assets and other current liabilities, net	6,543	2,135	7,434
Increase in other noncurrent liabilities	7,469	8,536	148
Other, net	1,732	854	3,004
Net cash provided by operating activities	199,804	166,754	146,324
INVESTING ACTIVITIES			
Payments for property, plant and equipment (200,776) (204,229) (140,057)			
Acquisitions, net of cash acquired	(55,979)	(37,116)	(134,999)
Note receivable	(25,000)	-	-
Investments in unconsolidated cellular entities	(5,516)	(3,605)	(2,161)
Distributions from unconsolidated cellular entities	5,969	1,587	395
Proceeds from sales of assets	10,475	-	5,049
Purchase of life insurance investment	(7,664)	(7,670)	(6,160)
Other, net	(1,764)	2,361	6,771
Net cash used in investing activities	(280,255)	(248,672)	(271,162)
FINANCING ACTIVITIES			
Proceeds from issuance of long-term debt	155,427	35,847	142,081
Payments of long-term debt	(59,792)	(32,564)	(25,246)
Notes payable, net	(7,700)	88,285	13,115
Proceeds from issuance of common stock	4,814	3,529	8,776
Cash dividends paid	(17,184)	(15,735)	(14,119)
Other, net	2,263	2,562	(1,636)
Net cash provided by financing activities	77,828	81,924	122,971
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,623)	6	(1,867)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	9,777	9,771	11,638
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 7,154	9,777	9,771

See accompanying notes to consolidated financial statements.

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

Common Shares Outstanding		Total Stock- holders' Equity	Common Stock	Paid-in Capital	Retained Earnings	Unearned ESOP Shares	Preferred Stock redeem- able
(Dollars in thousands)							
31,364,872	BALANCES, DECEMBER 31, 1991	\$319,977	31,365	175,648	125,490	(12,980)	454
-	Net income	44,305	-	-	44,305	-	-
	Issuance of common stock through dividend reinvestment, incentive and benefit plans	8,777	490	8,287	-	-	-
490,275	Issuance of common stock for acquisitions	21,475	978	20,497	-	-	-
978,115	Amortization of unearned compensation and other	3,154	-	3,154	-	-	-
16,063,614	Three-for-two stock split	-	16,064	(16,064)	-	-	-
-	Release of ESOP shares	1,880	-	-	-	1,880	-
-	Common stock dividends - \$.293 per share	(14,087)	-	-	(14,087)	-	-
-	Preferred stock dividends	(32)	-	-	(32)	-	-
48,896,876	BALANCES, DECEMBER 31, 1992	385,449	48,897	191,522	155,676	(11,100)	454
-	Net income	69,004	-	-	69,004	-	-
	Issuance of common stock through dividend reinvestment, incentive and benefit plans	3,529	215	3,314	-	-	-
214,954	Issuance of common stock for acquisitions	68,172	2,183	65,989	-	-	-
2,182,875	Amortization of unearned compensation and other	1,469	-	1,469	-	-	-
-	Release of ESOP shares	1,880	-	-	-	1,880	-
-	Common stock dividends - \$.310 per share	(15,703)	-	-	(15,703)	-	-
-	Preferred stock dividends	(32)	-	-	(32)	-	-
51,294,705	BALANCES, DECEMBER 31, 1993	513,768	51,295	262,294	208,945	(9,220)	454
-	Net income	100,238	-	-	100,238	-	-
	Issuance of common stock through dividend reinvestment, incentive and benefit plans	4,814	277	4,537	-	-	-
276,657	Issuance of preferred stock for acquisition	1,875	-	-	-	-	1,875
-	Issuance of common stock for acquisitions	52,311	2,000	50,311	-	-	-
2,000,578	Conversion of preferred stock to common stock	-	2	59	-	-	(61)
2,421	Amortization of unearned compensation and other	2,034	-	2,034	-	-	-
-	Release of ESOP shares	2,380	-	-	-	2,380	-
-	Commitment to ESOP	(10,000)	-	-	-	(10,000)	-
-	Common stock dividends - \$.320 per share	(17,084)	-	-	(17,084)	-	-
-	Preferred stock dividends	(100)	-	-	(100)	-	-
53,574,361	BALANCES, DECEMBER 31, 1994	\$650,236	53,574	319,235	291,999	(16,840)	2,268

See accompanying notes to consolidated financial statements.

CENTURY TELEPHONE ENTERPRISES, INC.

Notes to Consolidated Financial Statements

December 31, 1994

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation - The consolidated financial statements of Century Telephone Enterprises, Inc. and 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 ("SFAS 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.

Revenue recognition - Revenues are recognized when earned. Certain of the Company's telephone subsidiaries participate in revenue pools with other telephone companies for interstate revenue and for certain intrastate revenue. Such pools 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 pooling processes are initially recorded based on the Company's estimates.

Property, plant and equipment - Telephone plant is stated substantially at original cost of construction. Normal retirements of telephone property are charged against accumulated depreciation, along with the costs of removal, less salvage, with no gain or loss recognized. Renewals and betterments of plant and equipment are capitalized while repairs, as well as renewals of minor items, are charged to operating expense.

Depreciation of telephone properties is provided on the straight line method, using class or overall composite rates acceptable to the regulatory authorities.

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 thirty years.

Excess cost of net assets acquired - The excess cost of net assets acquired of substantially all of the Company's acquisitions accounted for as purchases (goodwill) is being amortized over forty years. The carrying value of 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.

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 purchases 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. 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.

The Company adopted Statement of Financial Accounting Standards No. 109 ("SFAS 109"), "Accounting For Income Taxes," as of January 1, 1992 and reported an unfavorable \$913,000 cumulative effect of the change in the method of accounting for income taxes in the 1992 consolidated statement of income.

Earnings per share - Primary earnings per share amounts are determined on the basis of the weighted average number of common shares and common stock equivalents outstanding during the year. The number of shares used in computing primary earnings per share was 53.4 million in 1994, 51.2 million in 1993, and 48.5 million in 1992.

Fully diluted earnings per share amounts give further effect to convertible securities, primarily Century's convertible debentures, which are not common stock equivalents. For the computation of fully diluted earnings per share for 1992, the debentures were excluded as their inclusion would have been anti-dilutive. The number of shares used in computing fully diluted earnings per share was 58.1 million, 55.9 million and 48.7 million in 1994, 1993 and 1992, respectively. The number of shares used in computing fully diluted earnings per share before the cumulative effect of changes in accounting principles in 1992 was 52.8 million.

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

Reclassifications - Certain amounts previously reported for prior years

have been reclassified to conform with the 1994 presentation.

(2) PROPERTY, PLANT AND EQUIPMENT

Net property, plant and equipment at December 31, 1994 and 1993 was

composed of the following:

December 31,	1994	1993
=====	=====	=====
	(Dollars in thousands)	
Telephone, at original cost		
Cable and wire	\$ 580,012	512,240
Central office	310,684	281,123
General support	91,722	85,303
Information origination/termination	21,478	36,925
Construction in progress	67,244	53,838
Other	5,356	10,020
	-----	-----
	1,076,496	979,449
Accumulated depreciation	(295,255)	(288,479)
	-----	-----
	781,241	690,970
	-----	-----
Mobile Communications, at cost		
Cell site	104,553	81,528
General support	34,235	22,974
Pagers	-	3,166
Construction in progress	12,602	2,192
Other	915	3,392
	-----	-----
	152,305	113,252
Accumulated depreciation	(38,552)	(27,736)
	-----	-----
	113,753	85,516
	-----	-----
Other, at cost		
General support	81,932	77,011
Other	3,474	726
	-----	-----
	85,406	77,737
Accumulated depreciation	(33,269)	(26,447)
	-----	-----
	52,137	51,290
	-----	-----
Net property, plant and equipment	\$ 947,131	827,776
=====	=====	=====

Depreciation expense was \$92.1 million, \$78.0 million and \$64.3 million

in 1994, 1993 and 1992, respectively. The composite depreciation rate for

telephone properties was 7.1%, 7.1% and 6.6% for 1994, 1993 and 1992,

respectively.

(3) LONG-TERM DEBT

Long-term debt at December 31, 1994 and 1993 was composed of the

following:

December 31,	1994	1993
=====	=====	=====
	(Dollars in thousands)	
Century		
6.0% convertible debentures, due 2007	\$ 115,000	115,000
8.25% senior notes, due 2024	100,000	-
9.4%* senior notes, due through 2004	65,000	69,600
7.75% senior notes, due 2004	50,000	-
7.2%* Employee Stock Ownership Plan commitment, due in installments through 2004	16,840	9,220
10.7%* notes, due in installments through 2006	975	1,245
-----	-----	-----
Total Century	347,815	195,065
-----	-----	-----
Subsidiaries		
First mortgage debt		
5.8%* notes, payable to agencies of the United States government and cooperative lending associations, due in installments through 2026	166,175	158,998
7.4%* bonds, due in installments through 2002	7,094	11,699
Other debt		
9.0%* notes, due in installments through 2020	8,632	8,633
7.8%* capital lease obligations, due in installments through 1997	1,605	4,271
-----	-----	-----
Total subsidiaries	183,506	183,601
-----	-----	-----
Total long-term debt	531,321	378,666
Less current maturities	12,718	14,233
-----	-----	-----
Long-term debt, excluding current maturities	\$ 518,603	364,433
=====	=====	=====

* weighted average interest rate at December 31, 1994

The approximate annual debt maturities (including sinking fund

requirements) for the five years subsequent to December 31, 1994 are as

follows: 1995 - \$12.7 million; 1996 - \$43.7 million; 1997 - \$13.6 million;

1998 - \$11.4 million; and 1999 - \$11.0 million.

The 6% convertible debentures are convertible into Century common stock

at a conversion price of \$25.33 per share and may be redeemed by Century

on or after February 1, 1995 subject to a declining premium schedule. As

discussed in Note 20, Century has called the debentures for redemption at

a redemption price of 104.2% of principal.

During the first quarter of 1994, Century filed a shelf registration statement registering \$400.0 million of senior unsecured debt securities under which, in May 1994, Century issued \$50.0 million of 10-year, 7.75% senior notes and \$100.0 million of 30-year, 8.25% senior notes. The proceeds were used to reduce certain of the Company's short-term bank indebtedness. Interest payments are due semi-annually and principal payments are due in 2004 and 2024 upon maturity of the 10-year and 30-year notes, respectively. The 30-year notes may be redeemed by Century on or after May 1, 2004 subject to a premium schedule which declines from 103.62% as of May 1, 2004 to 100% as of May 1, 2014.

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, 1994, 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, 1994, restricted net assets of subsidiaries were \$140.1 million. Subsidiaries' retained earnings in excess of amounts restricted by debt covenants totaled \$355.2 million.

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

At December 31, 1994 and 1993, Century had in place certain long-term credit facilities more fully discussed in Note 5. Borrowings totaling \$96.5 million under such facilities at December 31, 1993 which were classified as "Long-term debt" in previously issued financial statements have been reclassified to "Notes payable to banks" due to subjective

acceleration clauses included in the facilities.

Century's telephone subsidiaries had approximately \$124.0 million in commitments for long-term financing from the Rural Utilities Service available at December 31, 1994. Approximately \$93.1 million of additional borrowings, of which \$28.0 million were under uncommitted facilities, were available to the Company through lines of credit with various banks. In addition, Century had \$250.0 million of senior unsecured debt securities under the 1994 shelf registration statement which had not been issued.

(4) INVESTMENTS AND OTHER ASSETS

Investments and other assets at December 31, 1994 and 1993 were composed of the following:

December 31,	1994	1993
=====	=====	=====
	(Dollars in thousands)	
Excess cost of net assets acquired,		
less accumulated amortization	\$ 441,436	297,158
Investments in unconsolidated cellular entities	59,360	41,983
Cash surrender value of life insurance contracts	47,637	38,642
Note receivable, less current portion	24,167	-
Marketable equity securities	8,478	8,478
Other	33,816	32,881

	\$ 614,894	419,142
=====		

Goodwill amortization of \$10.6 million, \$6.2 million and \$5.0 million

for 1994, 1993 and 1992, respectively, is included in "Depreciation and amortization."

In 1994 Century loaned an unaffiliated telephone holding company \$25.0 million. The loan bears interest at prime plus 1.5%; interest is due quarterly. Quarterly principal payments are scheduled to begin in August 1995 with the unpaid balance becoming due in May 1998. The loan is collateralized by security interests in the capital stock of the holding company and a subsidiary and by a guaranty from such company's principal stockholder. In connection with the loan, Century obtained first refusal rights to acquire certain properties under various specified circumstances. For additional information, see the second paragraph of Management's

Discussion and Analysis of Financial Condition and Results of Operations -

Liquidity and Capital Resources - Investing Activities.

(5) REVOLVING CREDIT FACILITIES

At December 31, 1994 and 1993, Century had in place certain long-term credit facilities, including a \$50.0 million line of credit (two-year revolver which expires in January 1996, convertible to a five-year term loan) with interest at the rate chosen by the Company based on a number of interest rate options and a \$55.0 million line of credit (multi-year revolving credit facility which expires in January 1998) with similar interest rate options. Borrowings under such facilities are included in

"Notes payable to banks" on the accompanying balance sheets. The facilities can be withdrawn by the lenders only upon an event of default as defined in the respective agreements. The weighted average interest rate for notes payable to banks was 6.5% and 3.9% as of December 31, 1994 and 1993, respectively. See Note 3 for additional information.

(6) STOCKHOLDERS' EQUITY

Common stock - At December 31, 1994, unissued shares of Century common stock were reserved as follows:

	Number of shares
	(In thousands)
Conversion of convertible debentures	4,540
Stock option plans	2,781
Acquisitions	1,178
Employee stock purchase plan	506
Dividend reinvestment plan	291
Conversion of convertible preferred stock	193
Other employee benefit plans	1,262
	10,751

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, 1994,

8.9 million shares of common stock were entitled to ten votes per share.

Preferred stock - As of December 31, 1994, Century had 2.0 million shares

of preferred stock, \$25 par value per share, authorized. At December 31,

1994 and 1993 there were 90,707 and 18,162, respectively, shares of

outstanding preferred stock. Holders of currently outstanding Century

preferred stock are entitled to (i) receive cumulative dividends, (ii)

receive preferential distributions equal to \$25 per share plus unpaid

dividends upon Century's liquidation and (iii) vote as a single class with

the common stock. At December 31, 1994 and 1993, 4,260 shares of Century

preferred stock were redeemable at the option of the Company.

Shareholders' Rights Plan - In 1986 the Board of Directors declared a

dividend of one preferred stock purchase right for each common share

outstanding or that shall become outstanding prior to November 26, 1996.

With certain exceptions, if a person or group acquires beneficial

ownership of 15% or more of Century common shares or commences a tender or

exchange offer which upon consummation would result in ownership of 30% or

more of the common shares, each right held by shareholders, other than

such person or group, may be exercised to buy (i) eight twenty-sevenths of

one one-hundredth of a share of Series AA Junior Participating Preferred Stock of Century at a price of \$85 per one one-hundredth of a share or (ii) in lieu thereof, subject to certain restrictions, the number of shares of Century common stock having a market value equal to two times such purchase price. The rights, which do not have voting rights, expire on November 27, 1996 and may be redeemed by Century at a price of \$.05 per right at any time before they become exercisable. If, at any time the rights are exercisable, Century is a party to a merger or other business combination or certain other transactions occur, each right will entitle its holder to purchase at the exercise price of the right a number of shares of common stock of the surviving company having a fair market value of two times the exercise price of the right.

At December 31, 1994, 162,000 shares of Series AA Junior Participating

Preferred Stock were reserved for issuance under the Rights Plan.

(7) DEFERRED CREDITS AND OTHER LIABILITIES

Deferred credits and other liabilities at December 31, 1994 and 1993

were composed of the following:

December 31,	1994	1993
=====	=====	=====
	(Dollars in thousands)	
Deferred federal and state income taxes	\$ 73,966	60,122
Accrued postretirement benefit costs	41,126	36,642
Regulatory liability - income taxes	31,278	36,111
Minority interest	22,585	10,504
Deferred investment tax credits	8,175	10,431
Other	10,616	11,673
-----	-----	-----
	\$187,746	165,483
=====	=====	=====

(8) INCOME TAXES

Income tax expense for the years ended December 31, 1994, 1993 and 1992

was allocated as follows:

Year ended December 31,	1994	1993	1992
=====	=====	=====	=====
	(Dollars in thousands)		
Income before cumulative effect of changes in accounting principles	\$ 61,300	37,252	32,599
Cumulative effect of changes in accounting principles	-	-	(8,272)
-----	-----	-----	-----
Net tax expense in the consolidated statements of income	61,300	37,252	24,327
Stockholders' equity, primarily for compensation expense for tax purposes in excess of amounts recognized for financial reporting purposes	(1,243)	(800)	(2,885)
-----	-----	-----	-----
	\$ 60,057	36,452	21,442
=====	=====	=====	=====

The tax effects of temporary differences that gave rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 1994 and 1993 were as follows:

December 31,	1994	1993
=====	=====	=====
	(Dollars in thousands)	
Deferred tax assets:		
Postretirement benefit costs	\$ 12,908	10,809
Net operating loss carryforwards of an acquired subsidiary	10,283	-
Regulatory liability	10,948	12,011
Deferred compensation	2,676	2,522
Deferred investment tax credits	2,658	3,465
Other employee benefits	4,205	3,842
Other	2,556	630
-----	-----	-----
Total gross deferred tax assets	46,234	33,279
Less valuation allowance	(10,283)	-
-----	-----	-----
Net deferred tax assets	35,951	33,279
-----	-----	-----

Deferred tax liabilities:		
Property, plant and equipment, primarily due to depreciation differences	(97,073)	(84,159)
Intercompany profits	(3,497)	(3,236)
Other	(9,347)	(6,006)

Total gross deferred tax liabilities	(109,917)	(93,401)

Net deferred tax liability	\$(73,966)	(60,122)
=====		

As a result of the acquisition of Celutel, Inc. ("Celutel") (see Note 16) the Company has \$29.4 million of net operating loss carryforwards at December 31, 1994 which relate to various entities acquired. The yearly utilization of such loss carryforwards is limited to separate entity taxable income; the loss carryforwards are further limited by certain Internal Revenue Code regulations. Subsequently recognized tax benefits applicable to the net operating loss carryforwards will reduce excess cost of net assets acquired. The net operating loss carryforwards expire between 2002 and 2008.

Income tax expense attributable to income before cumulative effect of changes in accounting principles was as follows:

Year ended December 31,	1994	1993	1992
=====			
	(Dollars in thousands)		
Federal			
Current	\$ 47,969	26,409	29,100
Deferred	5,703	6,133	(1,742)
State			
Current	5,908	4,062	4,926
Deferred	1,720	648	315

	\$ 61,300	37,252	32,599
=====			

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

Year ended December 31,	1994	1993	1992
=====			
	(Percentage of pre-tax income)		
Statutory federal income tax rate	35.0%	35.0	34.0
State income taxes, net of federal income tax benefit	3.0	2.9	3.7
Amortization of nondeductible excess cost of net assets acquired	2.1	1.2	2.0
Amortization of investment tax credits	(1.4)	(2.0)	(2.3)
Amortization of regulatory liability	(1.2)	(1.8)	(2.6)
Other, net	.4	(.2)	.4

Effective income tax rate	37.9%	35.1	35.2
=====			

(9) POSTRETIREMENT AND POSTEMPLOYMENT BENEFITS

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

The Company adopted Statement of Financial Accounting Standards No. 106

("SFAS 106"), "Employers' Accounting for Postretirement Benefits Other

Than Pensions," as of January 1, 1992 and elected immediate recognition of

the transition obligation. In accordance with the provisions of SFAS 71

the Company deferred \$3.5 million of the \$27.4 million transition

obligation as a regulatory asset; such costs are being expensed in

connection with recovery through the rate-making process. The remaining

\$23.9 million, net of tax benefits which aggregated \$9.2 million, was

reported as the cumulative effect of a change in accounting principle.

Net periodic postretirement benefit cost for 1994, 1993 and 1992

included the following components:

Year ended December 31,	1994	1993	1992
=====	=====	=====	=====
	(Dollars in thousands)		
Service cost	\$ 2,007	1,640	1,040
Interest cost	3,473	3,008	2,521
Amortization of unrecognized actuarial losses	447	365	-
Amortization of unrecognized prior service cost	121	86	-
-----	-----	-----	-----
Net periodic postretirement benefit cost	\$ 6,048	5,099	3,561
=====	=====	=====	=====

The following table sets forth the amounts recognized as liabilities

for postretirement benefits in the Company's consolidated balance sheets

at December 31, 1994 and 1993.

December 31,	1994	1993
=====	=====	=====
	(Dollars in thousands)	
Accumulated postretirement benefit obligation:		
Retirees and retirees' dependents	\$ 19,079	20,451
Fully eligible active plan participants	8,300	6,753
Other active plan participants	16,430	18,555
-----	-----	-----
Accumulated postretirement benefit obligation	43,809	45,759
Plan assets	-	-
Unrecognized prior service cost	(1,546)	(1,177)
Unrecognized net gain (loss)	173	(6,630)
-----	-----	-----
Accrued postretirement benefit costs	\$ 42,436	37,952
=====	=====	=====

For calculation purposes, a 7% health care cost rate was assumed for

1995 through 1997; the rate was assumed to decrease to 6% thereafter. If the assumed health care cost trend rate had been increased by one percentage point in each year, the accumulated postretirement benefit obligation as of December 31, 1994 would have increased \$7.5 million and the net periodic postretirement benefit cost for the year ended December 31, 1994 would have increased \$694,000.

The discount rates used in determining the accumulated postretirement benefit obligation as of December 31, 1994 and 1993 were 8.5% and 7%, respectively.

In the first quarter of 1994 the Company adopted Statement of Financial Accounting Standards No. 112 ("SFAS 112"), "Employers' Accounting for Postemployment Benefits." Liabilities for postemployment benefits in the consolidated balance sheet as of December 31, 1993 were not materially different than those required by SFAS 112; therefore, no cumulative effect of change in accounting principle was recorded upon adoption of SFAS 112.

(10) STOCK OPTION AND INCENTIVE PROGRAMS

Century currently has two incentive compensation programs which allow the Board of Directors, through the Compensation Committee, to grant incentives to employees in any one or a combination of the following forms: incentive stock options and non-qualified stock options; stock awards; restricted stock; performance shares; and cash awards.

Stock option transactions during 1992, 1993 and 1994 were as follows:

	Number of options	Average price
=====		
Outstanding December 31, 1991	1,988,628	\$ 14.31
Exercised	(516,398)	8.97
Granted at market price	960,639	27.67

Outstanding December 31, 1992	2,432,869	20.72
Exercised	(51,120)	9.90

Outstanding December 31, 1993	2,381,749	20.96
Exercised	(139,282)	11.10
Granted at market price	31,000	26.25

Outstanding December 31, 1994	2,273,467	21.63
=====		
Exercisable December 31, 1993	2,135,265	20.89
=====		
Exercisable December 31, 1994	2,143,873	21.57
=====		

All of the options expire ten years after the date of grant. As of December 31, 1994, Century has reserved 2.8 million shares of common stock which may be issued under the two incentive compensation programs.

(11) 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,

1994 and 1993.

	Carrying amount	Fair value
=====		
	(Dollars in thousands)	
December 31, 1994		

Financial assets:		
Investments		
Note receivable (including current portion)	\$ 25,000	25,000 (1)
Marketable equity securities	\$ 8,478	10,127 (2)
Other	\$ 9,069	9,069 (1)
Financial liabilities:		
Long-term debt (including current maturities)	\$531,321	520,151 (3)

December 31, 1993		

Financial assets:		
Investments		
Marketable equity securities	\$ 8,478	11,444 (2)
Other	\$ 9,039	9,039 (1)
Financial liabilities:		
Long-term debt (including current maturities)	\$378,666	406,612 (3)
=====		
(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.

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

(12) SUPPLEMENTAL CASH FLOW DISCLOSURES

The Company paid interest of \$40.8 million, \$30.1 million and \$24.0 million during 1994, 1993 and 1992, respectively. Income taxes paid were \$41.3 million in 1994, \$37.1 million in 1993, and \$30.5 million in 1992.

Century has consummated the acquisition of various telephone and cellular operations, along with certain other assets, during the three years ended December 31, 1994. In connection with these acquisitions, the following assets were acquired, liabilities assumed and common and preferred stock issued:

Year ended December 31,	1994	1993	1992
=====	=====	=====	=====
	(Dollars in thousands)		
Property, plant and equipment	\$ 11,301	33,020	67,514
Excess cost of net assets acquired	152,239	85,251	113,913
Investment in unconsolidated cellular entities	-	7,508	-
Long-term debt	(46,478)	(18,609)	(20,271)
Deferred credits and other liabilities	(5,706)	(7,648)	(9,652)
Other assets and liabilities, excluding cash and cash equivalents	(1,191)	5,766	4,970
Common stock issued	(52,311)	(68,172)	(21,475)
Preferred stock issued	(1,875)	-	-
-----	-----	-----	-----
Decrease in cash	\$ 55,979	37,116	134,999
=====	=====	=====	=====

Century has consummated the disposition of various telephone and cellular operations, along with certain other assets, during the three years ended December 31, 1994. In connection with these dispositions, the following assets were sold, liabilities eliminated, assets received and gain recognized:

Year ended December 31,	1994	1993	1992
=====	=====	=====	=====
	(Dollars in thousands)		
Property, plant and equipment	\$ (2,673)	-	(3,231)
Excess cost of net assets acquired	(3,976)	-	(4,772)
Long-term debt	-	-	1,243
Other assets and liabilities, excluding cash and cash equivalents	993	191	(1,312)
Assets of cellular system	11,058	-	-
Marketable equity securities	-	1,470	7,008
Gain on sales of assets	(15,877)	(1,661)	(3,985)
-----	-----	-----	-----
Increase in cash	\$ (10,475)	-	(5,049)
=====	=====	=====	=====

(13) BUSINESS SEGMENTS

The Company currently operates in two principal segments - traditional telephone services and mobile communications services. The Company's telephone operations are conducted in rural, suburban and small urban communities in 14 states. Approximately 82% of the Company's telephone access lines are in Wisconsin, Louisiana, Michigan, Ohio and Arkansas.

The Company's cellular customers are located primarily in Louisiana,

Michigan, Mississippi and Texas.

The effect of the change in accounting principle related to accounting for postretirement benefits reduced 1992 operating income of the telephone operations and mobile communications operations by \$1.7 million and \$250,000, respectively. Other accounts receivable are primarily amounts

due from various long distance carriers, principally AT&T, and several large local exchange operating companies.

	Telephone	Mobile Communications	Total
=====			
	(Dollars in thousands)		
Year ended December 31, 1994			

Operating revenues	\$ 389,438	150,802	540,240
Depreciation and amortization	\$ 73,175	21,255	94,430
Operating income	\$ 137,992	31,443	169,435
Year ended December 31, 1993			

Operating revenues	\$ 348,485	84,712	433,197
Depreciation and amortization	\$ 65,175	11,359	76,534
Operating income	\$ 114,902	9,906	124,808
Year ended December 31, 1992			

Operating revenues	\$ 297,510	62,092	359,602
Depreciation and amortization	\$ 53,927	8,971	62,898
Operating income	\$ 103,672	5,956	109,628
=====			
Year ended December 31,			
	1994	1993	1992
=====			
	(Dollars in thousands)		
Operating income	\$169,435	124,808	109,628
Interest expense	(42,577)	(30,149)	(27,166)
Income from unconsolidated cellular entities	15,698	6,626	1,692
Gain on sales of assets	15,877	1,661	3,985
Other income and expense	3,105	3,310	4,433

Income before income taxes and cumulative effect of changes in accounting principles	\$161,538	106,256	92,572
=====			
Income before income taxes	\$161,538	106,256	76,904
=====			
Capital expenditures			
Telephone	\$152,336	131,180	108,974
Mobile Communications	\$ 39,937	56,092	10,904
=====			
Identifiable assets			
Telephone	\$1,053,950	969,388	803,901
Mobile Communications	430,777	224,913	141,522
General corporate	88,305	62,827	54,733
Other	70,221	62,262	40,331

Total assets \$1,643,253 1,319,390 1,040,487

(14) 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. SFAS 71 requires that, if a conflict exists between the application of SFAS 71 and another authoritative pronouncement, SFAS 71 is to be followed because other authoritative pronouncements do not consider the economic effects of the rate-making process. Therefore, regulatory assets and liabilities established by the actions of a regulator 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, 1994 included regulatory assets of approximately \$9.2 million and regulatory liabilities of approximately \$31.3 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 \$9.2 million of regulatory assets included assets established in connection with the adoption of SFAS 106 (\$2.4 million) and SFAS 109 (\$3.7 million), extraordinary retirements (\$542,000), compensated absences (\$607,000) and deferred financing costs (\$2.0 million). The \$31.3 million of regulatory liabilities was established in connection with the adoption of SFAS 109. Net deferred income tax assets related to the regulatory assets and liabilities quantified above were \$12.2 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 regulatory 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. 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. The Company has not determined

(i) the amount of additional accumulated depreciation which would have to

be recorded nor (ii) the amount, if any, by which property, plant and

equipment would be impaired if the Company's regulated operations cease to

become subject to SFAS 71. In addition, deferred tax liabilities and

deferred investment tax credits would 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. Should the regulated operations of the Company no longer qualify for the application of SFAS 71 at some future date, the net adjustments required would result in a material, extraordinary, noncash charge against earnings. Telephone subsidiaries accounting and reporting for regulatory purposes would not be affected by the discontinued application of SFAS 71.

(15) RETIREMENT AND SAVINGS PLANS

Century sponsors an Outside Directors' Retirement Plan and a Supplemental Executive Retirement Plan to provide directors and officers, respectively, with supplemental retirement, death and disability benefits. In addition, the bargaining unit employees of a subsidiary are provided benefits under a defined benefit pension plan. At December 31, 1994 and 1993, the combined accumulated benefit obligation of the plans, substantially all of which was vested, aggregated \$15.2 million and \$16.3 million, respectively. The projected benefit obligation in excess of plan assets was \$2.7 million and \$7.4 million as of December 31, 1994 and 1993, respectively. During 1994 and 1993 Century funded \$3.0 million and \$340,000, respectively, of the obligations of the plans. Prepaid pension cost was \$525,000 at December 31, 1994; accrued pension cost was \$1.6 million at December 31, 1993. The net periodic pension cost for 1994, 1993 and 1992 was \$1.2 million, \$1.1 million and \$930,000, respectively. Discount rates used in determining the year end liabilities were 8.5% for 1994 and ranged from 7.0% to 7.25% for 1993.

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. 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 for 1994, 1993 and 1992 were \$2.4 million, \$2.0 million and \$1.4 million, respectively.

The Company recorded contributions related to the ESBP in the amount of \$2.3 million, \$1.8 million and \$1.1 million during 1994, 1993 and 1992, respectively. At December 31, 1994, the ESBP owned 4.4 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 \$7.3 million at December 31, 1994 which was applicable to shares purchased prior to 1993. Interest incurred by the ESOP on debt applicable to such shares was \$571,000, \$895,000 and \$1.1 million in 1994, 1993 and 1992, respectively. The Company contributed and expensed \$1.9 million, \$2.6 million and \$2.4 million during 1994, 1993 and 1992, respectively, with respect to such shares. Dividends on unallocated ESOP shares used for debt service by the ESOP were \$288,000 in 1994, \$335,000 in 1993, and \$375,000 in 1992. ESOP shares as of December 31, 1994 and 1993 which were purchased prior to 1993 were as follows:

	1994	1993
=====	=====	=====
Allocated shares	1,164,290	996,331
Unreleased shares	706,998	882,490
-----	-----	-----
	1,871,288	1,878,821
=====	=====	=====

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 for 1994 applicable to shares purchased subsequent to 1992 was \$605,000. The fair value of unreleased ESOP shares accounted for under SOP 93-6 was \$11.7 million at December 31, 1994. ESOP shares purchased subsequent to 1992 totaled 416,850, of which 20,842 were allocated and 396,008 were unreleased as of December 31, 1994.

(16) MAJOR ACQUISITIONS

In February 1994 the Company acquired Celutel for approximately \$106.0 million in a stock and cash transaction accounted for as a purchase. Approximately \$56.0 million of the purchase price was paid in cash, with

the remainder paid through the issuance of approximately 1.9 million shares of Century common stock. Celutel currently provides cellular service to approximately 35,000 customers in five non-wireline provider systems in Metropolitan Statistical Areas ("MSAs") in Mississippi and

Texas.

In April 1993 the Company acquired San Marcos Telephone Company, Inc. ("SMTTC") in a stock and cash transaction and acquired SM Telecorp, Inc., an affiliate of SMTTC, for cash. The total acquisition price for both companies approximated \$100.0 million (based on Century's common stock price of \$31-7/8 on the date of acquisition), the stock portion of which was represented by approximately 2.2 million shares of Century common stock. As a result of the acquisitions, which were accounted for as purchases, the Company acquired approximately 22,500 telephone access lines in and around San Marcos, Texas, along with a 35% ownership

interest in the Austin, Texas, MSA wireline cellular market and a 9.6% interest in the Texas Rural Service Area ("RSA") #16 wireline cellular market.

In April 1992 the Company acquired Central Telephone Company of Ohio ("Central") for \$120.0 million and changed Central's name to Century Telephone of Ohio, Inc. ("Ohio"). Ohio is a local exchange telephone company with approximately 70,400 access lines located in suburbs of Cleveland, Ohio. In December 1992 the company acquired 100% of the Alexandria, Louisiana, MSA wireline cellular market for \$18.2 million. The following pro forma information represents the consolidated results of operations of the Company as if each major acquisition had been combined with the Company as of January 1 of (i) the year in which the acquisition was consummated and (ii) the year prior to the acquisition.

Year ended December 31, 1994 1993 1992

(Dollars in thousands, except per share amounts)

	(unaudited)		
Operating revenues	\$543,768	467,862	395,033
Income before cumulative effect of			
changes in accounting principles	\$ 98,958	62,516	58,324
Net income	\$ 98,958	62,516	42,656
Fully diluted earnings per share before			
cumulative effect of changes in			
accounting principles	\$ 1.77	1.15	1.12
Fully diluted earnings per share	\$ 1.77	1.15	.85
=====			

The pro forma information is not necessarily indicative of the operating results that would have occurred if each major 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 an acquired company are included in the Company's consolidated financial statements only from the date of acquisition.

In 1994 the Company sold the assets comprising an RSA cellular system in Minnesota; the Company received (i) the assets of the Pine Bluff, Arkansas, MSA wireline cellular system and (ii) \$10.5 million cash. The transaction resulted in a pre-tax gain of \$14.7 million (\$8.5 million after-tax). The Company also sold the assets of its paging operations during 1994 and recognized a gain of \$1.2 million (\$756,000 after-tax).

During 1993 the Company sold a minority investment in a telephone company which resulted in a pre-tax gain of \$1.7 million (\$1.1 million after-tax).

During 1992 the Company sold (i) two telephone subsidiaries which served approximately 2,000 access lines, (ii) its minority interest in an MSA cellular partnership and its minority interest in an RSA cellular partnership, and (iii) its 100% interest in an RSA cellular market. The sales prices totaled \$12.2 million and the transactions resulted in an aggregate pre-tax gain of \$4.0 million (\$2.6 million after-tax).

(18) INVESTMENTS IN UNCONSOLIDATED CELLULAR ENTITIES

The Company's share of earnings from cellular entities in which it does not own a majority interest was \$16.9 million, \$7.6 million and \$2.1 million in 1994, 1993 and 1992, respectively, and is included, net of \$1.2 million, \$966,000 and \$395,000 of amortization of goodwill attributable to such investments, in "Income from unconsolidated cellular entities." Over 70% of the 1994 income from unconsolidated cellular entities was attributable to the following investments:

	Ownership interest
=====	=====
GTE Mobilnet of Austin Limited Partnership	35%
Alltel Cellular Associates of Arkansas Limited Partnership	36%
Lafayette MSA Limited Partnership	49%
=====	=====

Consolidated retained earnings at December 31, 1994 which represented undistributed earnings of unconsolidated cellular entities was \$15.4 million.

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 are accounted for by the equity method.

December 31,	1994	1993
=====	=====	=====
	(Dollars in thousands)	
	(unaudited)	
Assets		

Current assets	\$ 76,191	52,273
Property and other noncurrent assets	277,269	234,512

	\$ 353,460	286,785
=====		
Liabilities and equity		
Current liabilities	\$ 48,144	47,814
Noncurrent liabilities	11,080	9,627
Equity	294,236	229,344

	\$ 353,460	286,785
=====		

Year ended December 31,	1994	1993	1992
=====	=====	=====	=====
	(Dollars in thousands)		
	(unaudited)		
Results of operations			
Revenues	\$ 329,907	236,230	151,978
Operating income	\$ 93,512	52,742	26,683
Income before cumulative effect of changes in accounting principles	\$ 92,446	53,617	29,148
Net income	\$ 92,446	53,607	25,971
=====	=====	=====	=====

(19) COMMITMENTS AND CONTINGENCIES

Construction expenditures and investments in vehicles, buildings and other work equipment during 1995 are estimated to be \$112.0 million for telephone operations, \$59.0 million for mobile communications operations and \$12.0 million for other operations.

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

(20) SUBSEQUENT EVENT

On January 20, 1995 Century announced that it was calling for redemption all \$115.0 million of its outstanding 6% convertible debentures due 2007 at a redemption price of 104.2% of principal plus accrued interest from February 1, 1995 to February 21, 1995, the redemption date.

The debentures may be converted into Century common stock by the debenture holders on or before February 13, 1995 at a conversion price of \$25.33 per share.

The debentures were issued in February 1992. If Century had issued common stock instead of the debentures, primary earnings per share for the years ended December 31, 1994 and 1993 would have been \$1.81 and \$1.32, respectively; primary earnings per share before the cumulative effect of changes in accounting principles in 1992 would have been \$1.22.

CENTURY TELEPHONE ENTERPRISES, INC.
Consolidated Quarterly Income Information (unaudited)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
=====				
	(Dollars in thousands, except per share amounts)			
1994	-----			
Operating revenues	\$ 120,980	132,880	141,515	144,865
Operating income	\$ 35,886	41,713	45,781	46,055
Net income	\$ 19,201	21,485	24,613	34,939
Fully diluted earnings per share	\$.35	.39	.44	.62
=====				
1993	-----			
Operating revenues	\$ 96,825	107,338	112,765	116,269
Operating income	\$ 28,267	31,343	33,477	31,721
Net income	\$ 15,740	16,517	17,596	19,151
Fully diluted earnings per share	\$.31	.32	.33	.36
=====				

Fully diluted earnings per share for the fourth quarter of 1994 includes \$.16 per share of gain on the sales of assets; such increase in fully diluted earnings per share was partially offset by a decrease of \$.03 per share related to cellular commissions incurred (during the fourth quarter of 1994 as compared to the average of the first three quarters of 1994) as a result of the significant increase in the number of cellular subscribers activated during the quarter.

Fully diluted earnings per share for the fourth quarter of 1993 reflects a decrease of \$.04 per share related to cellular commissions incurred (during the fourth quarter of 1993 as compared to the average of the first three quarters of 1993) as a result of the significant increase in the number of cellular subscribers activated during the quarter; such decrease was offset by non-recurring favorable income tax adjustments of \$.04 per share.

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.

Executive Officers

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 effective through May 1996 and from year to year thereafter subject to the right of Mr. Williams or the Company to terminate such agreement.

Name	Age	Office(s) held with Century
Clarke M. Williams	73	Chairman of the Board of Directors
Glen F. Post, III	42	Vice Chairman of the Board of Directors, President and Chief Executive Officer
R. Stewart Ewing, Jr.	43	Senior Vice President and Chief Financial Officer
W. Bruce Hanks	40	President - Telecommunications Services
Harvey P. Perry	50	Senior Vice President, General Counsel and Secretary
Kenneth R. Cole	47	President - Telephone Group

Each of the Registrant's executive officers has served as an officer of the Registrant and/or one or more of its subsidiaries in varying capacities for more than the past 5 years. Mr. Cole has served as

President-Telephone Group since January 1995 and as 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 1995 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 Schedule

Consolidated Statements of Income for the Years Ended

December 31, 1994, 1993 and 1992

Consolidated Balance Sheets - December 31, 1994

and 1993

Consolidated Statements of Cash Flows for the Years

Ended December 31, 1994, 1993 and 1992

Consolidated Statements of Stockholders' Equity for

the Years Ended December 31, 1994, 1993 and 1992

Notes to Consolidated Financial Statements

Consolidated Quarterly Income Information (unaudited)

(ii) Schedules:*

I Condensed Financial Information of Registrant

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

b. Reports on Form 8-K.

There were no reports on Form 8-K filed during the fourth quarter of 1994.

c. Exhibits:

3(i) Restated Articles of Incorporation of Registrant, dated September 30, 1994 (incorporated by reference to

Exhibit 3(i) to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1994).

3(ii) Registrant's Bylaws, as amended through August 23, 1994 (incorporated by reference to Exhibit 3(ii) to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1994).

4.1 Loan Agreement, dated January 3, 1990, between Registrant

and National Bank of Detroit, First National Bank of Commerce and Bank One, Texas, National Association

(incorporated by reference to Exhibit 4.1 to **Registrant's Annual Report on Form 10-K for the year ended December 31, 1989**) and amendment thereto dated May 15, 1992 (incorporated by reference to Exhibit 4.1 **to Registrant's Annual Report on Form 10-K for the year ended December 31, 1992**) and the second amendment thereto dated March 31, 1993 (incorporated by reference **to Exhibit 19.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1993**).

4.2 Note Purchase Agreement, dated September 1, 1989, between

Registrant, Teachers Insurance and Annuity Association

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).

4.3 Agreement, dated November 27, 1977, among Registrant, The

Travelers Insurance Company and The Travelers

Indemnity Company, and form of Warrant (incorporated

by reference to Exhibits 4 and 5 to Registrant's

Annual Report on Form 10-K for the year ended December

31, 1977).

4.10 Form of Indenture dated May 1, 1940 among Century

Telephone of Wisconsin, Inc. (formerly La Crosse

Telephone Corporation) and the First National Bank of

Chicago and the Co-Trustee named therein (incorporated

by reference to Exhibit 4.12 to Registration No. 2-

48478).

4.11 Supplemental Indenture No. 12 (incorporated by reference

to Exhibit 5.12 to Registration No. 2-62172) and

Supplemental Indentures 13 and 14 (incorporated by

reference to Exhibit 5.11 to Registration No. 2-

68731), each of which are supplemental indentures to

the Form of Indenture dated May 1, 1940 listed above

as Exhibit 4.10.

4.12 Amended and Restated Rights Agreement dated as of

November 17, 1986 between Century Telephone

Enterprises, Inc. and the Rights Agent named therein

(incorporated by reference to Exhibit 4.1 to

Registrant's Current Report on Form 8-K dated December

20, 1988), the Amendment thereto dated March 26, 1990

(incorporated by reference to Exhibit 4.1 to

Registrant's Quarterly Report on Form 10-Q for the

quarter ended March 31, 1990) and the Second Amendment

thereto dated February 23, 1993 (incorporated by

reference to Exhibit 4.12 to Registrant's Annual

Report on Form 10-K for the year ended December 31,

1992).

4.16 Note Purchase Agreement, dated May 6, 1986, among

Registrant, Teachers Insurance and Annuity Association

of America, Aetna Life Insurance Company, the Aetna

Casualty and Surety Company and Lincoln National

Pension Insurance Company (incorporated by reference

to Exhibit 4.23 to Registration No. 33-5836),

Amendatory Agreement dated November 1, 1986

(incorporated by reference to Exhibit 4.2 to

Registrant's Annual Report on Form 10-K for the year

ended December 31, 1986), amendment thereto dated

November 1, 1987 (incorporated by reference to Exhibit

4.2 to Registrant's Annual Report on Form 10-K for the

year ended December 31, 1987) and Modification Letter

dated September 1, 1989 (incorporated by reference to

Exhibit 19.6 to Registrant's Quarterly Report on Form

10-Q for the quarter ended September 30, 1989).

4.22 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).

4.23 Indenture, dated February 1, 1992, between Registrant and

Regions Bank (formerly First American Bank and Trust

of Louisiana) (incorporated by reference to Exhibit

4.23 to Registrant's Annual Report on Form 10-K for

the year ended December 31, 1991).

4.24 Revolving Credit Facility Agreement, dated February 7,

1992 between Registrant and NationsBank of Texas, N.A.

(incorporated by reference to Exhibit 4.24 to

Registrant's Annual Report on Form 10-K for the year

ended December 31, 1991), amendment thereto dated

April 8, 1993 (incorporated by reference to Exhibit

19.2 to Registrant's Quarterly Report on Form 10-Q for

the quarter ended March 31, 1993), amendment thereto

dated July 9, 1993 (incorporated by reference to

Exhibit 4.24 to Registrant's Annual Report on Form 10-

K for the year ended December 31, 1993) and amendment

thereto dated August 15, 1994 (incorporated by

reference to Exhibit 4.1 to Registrant's Quarterly

Report on Form 10-Q for the quarter ended September

30, 1994).

4.26 Resolutions adopted by the Executive Committee of the

Board of Directors on April 29, 1994 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 ("Senior Notes") (incorporated by

reference to Exhibit 4.1 to Registrant's Quarterly

Report on Form 10-Q for the quarter ended March 31,

1994).

4.27 Form of Senior Notes (incorporated by reference to

Exhibit 4.3 of the Company's Registration Statement on

Form S-3, Registration No. 33-52915).

4.28 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).

- 10.1* 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).
- 10.2* Form of agreement that the registrant has entered into
 with each Executive Officer other than Mr. Williams
 (incorporated by reference to Exhibit 10.2 to
 Registrant's Annual Report on Form 10-K for the year
 ended December 31, 1990).
- 10.3* Registrant's Outside Directors' Retirement Plan, dated
 November 19, 1984 (incorporated by reference to
 Registrant's Annual Report on Form 10-K for the year
 ended December 31, 1985), amendment thereto dated
 February 21, 1989 (incorporated by reference to
 Registrant's Annual Report on Form 10-K for the year
 ended December 31, 1988) and amendment thereto dated
 May 17, 1991 (incorporated by reference to Exhibit
 10.3 to Registrant's Annual Report on Form 10-K for
 the year ended December 31, 1991).
- 10.4* Registrant's Amended and Restated Supplemental Executive
 Retirement Plan, as amended and restated July 1, 1994
 and amendment thereto dated February 10, 1995,
 included elsewhere herein.
- 10.5* Registrant's 1983 Restricted Stock Plan, dated February
 21, 1984 (incorporated by reference to Registrant's
 Annual Report on Form 10-K for the year ended December
 31, 1985).
- 10.6* Registrant's Key Employee Incentive Compensation Plan,

dated January 1, 1984 (incorporated by reference to Registrant's Annual Report on Form 10-K for the year ended December 31, 1985).

- 10.7* The Century Telephone Enterprises, Inc. Dollars & Sense Plan and Trust, as amended and restated, generally effective April 1, 1992, included elsewhere herein.
- 10.8* Century Telephone Enterprises, Inc. Employee Stock Ownership Plan and Trust, dated March 20, 1987 (incorporated by reference to Registrant's Annual Report on Form 10-K for the year ended December 31, 1986), amendment thereto dated February 29, 1988 (incorporated by reference to Exhibit 10.9 to Registrant's Annual Report on Form 10-K for the year ended December 31, 1987), amendments thereto dated March 21, 1991 and April 15, 1991 (incorporated by reference to Exhibit 10.8 to Registrant's Annual Report on Form 10-K for the year ended December 31, 1991), amendments thereto dated March 31, 1992 (incorporated by reference to Exhibit 10.8 to Registrant's Annual Report on Form 10-K for the year ended December 31, 1992) and amendments thereto dated June 1, 1993 and June 10, 1993 (incorporated by reference to Exhibit 10.8 to Registrant's Annual Report on Form 10-K for the year ended December 31, 1993).
- 10.9* 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).
- 10.10* 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).
- 10.11* 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).

10.12* 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).

10.13* 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).

10.15 Agreement and Plan of Merger dated as of September 24, 1992, as amended by Amendment No. 1 thereto, by and among Registrant, San Marcos Telephone Company, Incorporated, SM Telecorp, Inc., SMTAC Acquisition Corp. and SMT Acquisition Corp. (incorporated by reference to Exhibit 2 of Registrant's Registration on Form S-4 dated February 3, 1993, Registration No. 33-57838).

10.16* 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).

10.18* 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).

10.19* Form of Restricted Stock Agreement and Performance Share Agreement Under the 1988 Incentive Compensation Program, entered into in 1993 with certain of its officers and employees (incorporated by reference to Exhibit 28.2 to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1993).

10.20 Agreement and Plan of Merger dated October 8, 1993, as

amended by Amendment No. 1 thereto dated January 5, 1994 by and among Registrant, Celutel Acquisition Corp., Celutel, Inc. and the Principal Stockholders of Celutel, Inc. (incorporated by reference to Appendix I of Registrant's Prospectus forming a part of its Registration Statement No. 33-50791 filed January 12, 1994 pursuant to Rule 424(b)(5)).

- 10.21* Registrant's Amended and Restated Supplemental Defined Contribution Plan, dated as of January 1, 1994, included elsewhere herein.
- 10.22* Registrant's Amended and Restated Supplemental Dollars & Sense Plan, effective as of January 1, 1995, included elsewhere herein.
- 10.23 Loan Agreement and Grant of Rights of First Refusal to Acquire Assets and/or Capital Stock of MillTenn, Inc. and its Subsidiaries (incorporated by reference to Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1994).

10.24* Agreement, dated December 31, 1994, by and between Jim D.

Reppond and Registrant, included elsewhere herein.

- 10.25* The Century Telephone Enterprises, Inc. Stock Bonus Plan, PAYSOP and Trust, as amended and restated September 10, 1987 and amendment thereto dated February 29, 1988 (incorporated by reference to Exhibit 4.21 to Registrant's Annual Report on Form 10-K for the year ended December 31, 1987), amendments thereto dated March 21, 1991 and April 15, 1991, (incorporated by reference to Exhibit 4.21 to Registrant's Annual Report on Form 10-K for the year ended December 31, 1991), amendment thereto dated March 31, 1992 (incorporated by reference to Exhibit 4.21 to Registrant's Annual Report on Form 10-K for the year ended December 31, 1992) and amendments thereto dated June 1, 1993 and June 10, 1993 (incorporated by reference to Exhibit 4.21 to Registrant's Annual Report on Form 10-K for the year ended December 31, 1993).

11 Computations of Earnings Per Share, included elsewhere herein.

21 Subsidiaries of the Registrant, included elsewhere herein.

23 Independent Auditors' Consent, included elsewhere herein.

27 Financial Data Schedule, included elsewhere herein.

* Management contract or compensatory plan or arrangement.

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 17, 1995

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

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

/s/ Clarke M. Williams Clarke M. Williams	Chairman of the Board of Directors	March 17, 1995
/s/ Glen F. Post, III Glen F. Post, III	Vice Chairman of the Board of Directors, President, and Chief Executive Officer	March 17, 1995

Senior Vice President

/s/ R. Stewart Ewing, Jr. R. Stewart Ewing, Jr.	and Chief Financial Officer	March 17, 1995
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Senior Vice President,

/s/ Harvey P. Perry Harvey P. Perry	Secretary, General Counsel and Director	March 17, 1995
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/s/ W. Bruce Hanks W. Bruce Hanks	President - Telecommunications Services and Director	March 17, 1995
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/s/ Murray H. Greer Murray H. Greer	Controller (Principal Accounting Officer)	March 17, 1995
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/s/ William R. Boles, Jr. William R. Boles, Jr.	Director	March 17, 1995
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/s/ Virginia Boulet Virginia Boulet	Director	March 17, 1995
/s/ Ernest Butler, Jr. Ernest Butler, Jr.	Director	March 17, 1995
/s/ Calvin Czeschin Calvin Czeschin	Director	March 17, 1995
/s/ James B. Gardner James B. Gardner	Director	March 17, 1995
/s/ R. L. Hargrove, Jr. R. L. Hargrove, Jr.	Director	March 17, 1995
/s/ Johnny Hebert Johnny Hebert	Director	March 17, 1995
/s/ F. Earl Hogan F. Earl Hogan	Director	March 17, 1995
/s/ C. G. Melville, Jr. C. G. Melville, Jr.	Director	March 17, 1995
/s/ Jim D. Reppond Jim D. Reppond	Director	March 17, 1995

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

STATEMENTS OF INCOME

	Year ended December 31,		
	1994	1993	1992
(Dollars in thousands)			
REVENUES	\$ 6,190	5,860	6,562
EXPENSES			
Operating expenses	5,400	6,014	6,281
Depreciation and amortization	6,603	5,877	4,086
Total expenses	12,003	11,891	10,367
OPERATING LOSS	(5,813)	(6,031)	(3,805)
OTHER INCOME (EXPENSE)			
Interest expense	(34,463)	(20,678)	(18,630)
Interest income	24,088	10,696	10,080
Total other income (expense)	(10,375)	(9,982)	(8,550)
LOSS BEFORE INCOME TAXES, CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES AND EQUITY IN SUBSIDIARIES' EARNINGS	(16,188)	(16,013)	(12,355)
Income tax benefit	3,205	5,037	2,173
LOSS BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES AND EQUITY IN SUBSIDIARIES' EARNINGS	(12,983)	(10,976)	(10,182)
Cumulative effect of changes in accounting principles	-	-	1,292
LOSS BEFORE EQUITY IN SUBSIDIARIES' EARNINGS	(12,983)	(10,976)	(8,890)
Equity in subsidiaries' earnings	113,221	79,980	53,195
NET INCOME	\$ 100,238	69,004	44,305

SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT
(continued)

CENTURY TELEPHONE ENTERPRISES, INC.
(Parent Company)

BALANCE SHEETS

December 31,

1994 1993

(Dollars in thousands)

ASSETS
CURRENT ASSETS

Cash and cash equivalents	\$ 3,097	2,975
Receivables from subsidiaries	126,821	53,638
Other receivables	941	7,330
Prepayments and other	844	857
<hr/>		
Total current assets	131,703	64,800
<hr/>		
PROPERTY, PLANT AND EQUIPMENT		
Property and equipment	932	1,192
Accumulated depreciation	(524)	(772)
<hr/>		
Net property, plant and equipment	408	420
<hr/>		
INVESTMENTS AND OTHER ASSETS		
Investments in subsidiaries (at equity)	1,032,991	771,062
Receivables from subsidiaries	155,156	130,568
Note receivable	24,167	-
Deferred charges and other	33,518	28,728
<hr/>		
Total investments and other assets	1,245,832	930,358
<hr/>		
TOTAL ASSETS	\$1,377,943	995,578
<hr/>		
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 5,481	4,450
Notes payable to banks	158,000	150,500
Payables to subsidiaries	155,551	93,540
Accrued interest	7,345	5,431
Other accrued liabilities	11,420	3,656
<hr/>		
Total current liabilities	337,797	257,577
<hr/>		
LONG-TERM DEBT	342,334	190,615
<hr/>		
PAYABLES TO SUBSIDIARIES	34,197	25,696
<hr/>		
DEFERRED CREDITS AND OTHER LIABILITIES	13,379	7,922
<hr/>		
STOCKHOLDERS' EQUITY		
Common stock, \$1.00 par value, authorized		
100,000,000 shares, issued and outstanding		
53,574,361 and 51,294,705 shares	53,574	51,295
Paid-in capital	319,235	262,294
Retained earnings	291,999	208,945
Unearned ESOP shares	(16,840)	(9,220)
Preferred stock - non-redeemable	2,268	454
<hr/>		
Total stockholders' equity	650,236	513,768
<hr/>		
TOTAL LIABILITIES AND EQUITY	\$1,377,943	995,578

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SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT
(Continued)

CENTURY TELEPHONE ENTERPRISES, INC.
(Parent Company)

STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	1994	1993	1992
	(Dollars in thousands)		
OPERATING ACTIVITIES			
Net income	\$ 100,238	69,004	44,305
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	6,603	5,877	4,086
Deferred income taxes	5,918	(451)	2,886
Earnings of subsidiaries	(113,221)	(79,980)	(53,195)
Cumulative effect of changes in accounting principles	-	-	(1,292)
Gain on sale of subsidiary	-	-	(641)
Changes in current assets and current liabilities:			
(Increase) decrease in other receivables	7,078	(6,692)	(500)
Increase in other accrued liabilities	5,063	1,203	1,075
Change in other current assets and other current liabilities, net	6,014	102	3,806
Other, net	766	1,934	635
Net cash provided by (used in) operating activities	18,459	(9,003)	1,165
INVESTING ACTIVITIES			
Acquisitions	(55,979)	(33,209)	(135,131)
Capital contributions to subsidiaries	(47,516)	(16,819)	(14,881)
Dividends received from subsidiaries	3,841	908	12,030
Increase in receivables from subsidiaries	(98,917)	(13,024)	(6,020)
Increase in payables to subsidiaries	70,512	23,848	20,471
Note receivable	(25,000)	-	-
Purchase of Industrial Development Revenue bonds	-	(19,000)	-
Other, net	(3,292)	(2,893)	9,932

Net cash used in investing activities (156,351) (60,189) (113,599)

FINANCING ACTIVITIES

Proceeds from issuance of long-term debt	147,754	-	112,987
Payments of long-term debt	(4,870)	(6,697)	(10,118)
Notes payable, net	7,500	88,500	14,700
Proceeds from issuance of common stock	4,814	3,529	8,776
Cash dividends paid	(17,184)	(15,735)	(14,119)
Net cash provided by financing activities	138,014	69,597	112,226
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
	122	405	(208)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,975	2,570	2,778

CASH AND CASH EQUIVALENTS AT END OF YEAR \$ 3,097 2,975 2,570

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 (including sinking fund requirements) for the five years subsequent to December 31, 1994 are as follows:

1995-	\$5.5 million
1996-	\$35.5 million
1997-	\$5.0 million
1998-	\$4.7 million
1999-	\$4.3 million

(B) GUARANTEES

As of December 31, 1994, Century has guaranteed a promissory note for a subsidiary of \$2.7 million, as well as the applicable interest and premium. Century has also guaranteed \$1.1 million in Industrial Development Revenue Bonds originally issued by a subsidiary; such bonds were assumed by the purchaser of the subsidiary's assets.

(C) DIVIDENDS FROM SUBSIDIARIES

Dividends paid to Century by consolidated subsidiaries were \$3.8 million, \$908,000, and \$12.0 million during 1994, 1993 and 1992, respectively.

(D) INCOME TAXES AND INTEREST PAID

Income taxes paid by Century (including amounts reimbursed from subsidiaries) were \$35.0 million, \$31.5 million and \$26.5 million during 1994, 1993 and 1992, respectively.

Interest paid by Century was \$32.0 million, \$20.9 million and \$15.7 million during 1994, 1993 and 1992, respectively.

(E) CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES

Century adopted Statement of Financial Accounting Standards No. 106, "Employer's Accounting for Postretirement Benefits Other Than Pensions" and Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," as of January 1, 1992.

(F) 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 \$22.2 million, \$10.6 million and \$9.4 million in 1994, 1993 and 1992, respectively.

CENTURY TELEPHONE ENTERPRISES, INC.

INDEX TO EXHIBITS

December 31, 1994

**Exhibit
Number**

3(i) Restated Articles of Incorporation of Registrant, dated September 30,

1994 (incorporated by reference to Exhibit 3(i) to Registrant's

Quarterly Report on Form 10-Q for the quarter ended September 30,

1994).

3(ii) Registrant's Bylaws, as amended through August 23, 1994 (incorporated

by reference to Exhibit 3(ii) to Registrant's Quarterly Report on

Form 10-Q for the quarter ended September 30, 1994).

4.1 Loan Agreement, dated January 3, 1990, between Registrant and

National Bank of Detroit, First National Bank of Commerce and Bank

One, Texas, National Association (incorporated by reference to

Exhibit 4.1 to Registrant's Annual Report on Form 10-K for the year

ended December 31, 1989) and amendment thereto dated May 15, 1992

(incorporated by reference to Exhibit 4.1 to Registrant's Annual

Report on Form 10-K for the year ended December 31, 1992) and the

second amendment thereto dated March 31, 1993 (incorporated by

reference to Exhibit 19.1 to Registrant's Quarterly Report on Form

10-Q for the quarter ended March 31, 1993).

4.2 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).

4.3 Agreement, dated November 27, 1977, among Registrant, The Travelers

Insurance Company and The Travelers Indemnity Company, and form of

Warrant (incorporated by reference to Exhibits 4 and 5 to

Registrant's Annual Report on Form 10-K for the year ended December

31, 1977).

4.10 Form of Indenture dated May 1, 1940 among Century Telephone of

Wisconsin, Inc. (formerly La Crosse Telephone Corporation) and the

First National Bank of Chicago and the Co-Trustee named therein

(incorporated by reference to Exhibit 4.12 to Registration No. 2-

48478).

4.11 Supplemental Indenture No. 12 (incorporated by reference to Exhibit

5.12 to Registration No. 2-62172) and Supplemental Indentures 13

and 14 (incorporated by reference to Exhibit 5.11 to Registration

No. 2-68731), each of which are supplemental indentures to the Form

of Indenture dated May 1, 1940 listed above as Exhibit 4.10.

4.12 Amended and Restated Rights Agreement dated as of November 17, 1986

between Century Telephone Enterprises, Inc. and the Rights Agent

named therein (incorporated by reference to Exhibit 4.1 to

Registrant's Current Report on Form 8-K dated December 20, 1988),

the Amendment thereto dated March 26, 1990 (incorporated by

reference to Exhibit 4.1 to Registrant's Quarterly Report on Form

10-Q for the quarter ended March 31, 1990) and the Second Amendment

thereto dated February 23, 1993 (incorporated by reference to

Exhibit 4.12 to Registrant's Annual Report on Form 10-K for the

year ended December 31, 1992).

4.16 Note Purchase Agreement, dated May 6, 1986, among Registrant,

Teachers Insurance and Annuity Association of America, Aetna Life

Insurance Company, the Aetna Casualty and Surety Company and

Lincoln National Pension Insurance Company (incorporated by

reference to Exhibit 4.23 to Registration No. 33-5836), Amendatory

Agreement dated November 1, 1986 (incorporated by reference to

Exhibit 4.2 to Registrant's Annual Report on Form 10-K for the year

ended December 31, 1986), amendment thereto dated November 1, 1987

(incorporated by reference to Exhibit 4.2 to Registrant's Annual

Report on Form 10-K for the year ended December 31, 1987) and

Modification Letter dated September 1, 1989 (incorporated by
reference to Exhibit 19.6 to Registrant's Quarterly Report on Form
10-Q for the quarter ended September 30, 1989).

4.22 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).

4.23 Indenture, dated February 1, 1992, between Registrant and Regions

Bank (formerly First American Bank and Trust of Louisiana)

(incorporated by reference to Exhibit 4.23 to Registrant's Annual

Report on Form 10-K for the year ended December 31, 1991).

4.24 Revolving Credit Facility Agreement, dated February 7, 1992 between

Registrant and NationsBank of Texas, N.A. (incorporated by
reference to Exhibit 4.24 to Registrant's Annual Report on Form 10-
K for the year ended December 31, 1991), amendment thereto dated

April 8, 1993 (incorporated by reference to Exhibit 19.2 to

Registrant's Quarterly Report on Form 10-Q for the quarter ended

March 31, 1993), amendment thereto dated July 9, 1993 (incorporated

by reference to Exhibit 4.24 to Registrant's Annual Report on Form

10-K for the year ended December 31, 1993) and amendment thereto

dated August 15, 1994 (incorporated by reference to Exhibit 4.1 to

Registrant's Quarterly Report on Form 10-Q for the quarter ended

September 30, 1994).

4.26 Resolutions adopted by the Executive Committee of the Board of

Directors on April 29, 1994 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 ("Senior Notes") (incorporated by

reference to Exhibit 4.1 to Registrant's Quarterly Report on Form

10-Q for the quarter ended March 31, 1994).

4.27 Form of Senior Notes (incorporated by reference to Exhibit 4.3 of the

Company's Registration Statement on Form S-3, Registration No. 33-

52915).

4.28 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).

10.1 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).

10.2 Form of agreement that the registrant has entered into with each

Executive Officer other than Mr. Williams (incorporated by

reference to Exhibit 10.2 to Registrant's Annual Report on Form 10-

K for the year ended December 31, 1990).

10.3 Registrant's Outside Directors' Retirement Plan, dated November 19,

1984 (incorporated by reference to Registrant's Annual Report on

Form 10-K for the year ended December 31, 1985), amendment thereto

dated February 21, 1989 (incorporated by reference to Registrant's

Annual Report on Form 10-K for the year ended December 31, 1988)

and amendment thereto dated May 17, 1991 (incorporated by reference

to Exhibit 10.3 to Registrant's Annual Report on Form 10-K for the

year ended December 31, 1991).

10.4 Registrant's Amended and Restated Supplemental Executive Retirement

Plan, as amended and restated July 1, 1994 and amendment thereto

dated February 10, 1995, included herein.

10.5 Registrant's 1983 Restricted Stock Plan, dated February 21, 1984

(incorporated by reference to Registrant's Annual Report on Form

10-K for the year ended December 31, 1985).

10.6 Registrant's Key Employee Incentive Compensation Plan, dated January

1, 1984 (incorporated by reference to Registrant's Annual Report on Form 10-K for the year ended December 31, 1985).

10.7 The Century Telephone Enterprises, Inc. Dollars & Sense Plan and Trust, as amended and restated, generally effective April 1, 1992, included herein.

10.8 Century Telephone Enterprises, Inc. Employee Stock Ownership Plan and Trust, dated March 20, 1987 (incorporated by reference to

Registrant's Annual Report on Form 10-K for the year ended December

31, 1986), amendment thereto dated February 29, 1988 (incorporated by reference to Exhibit 10.9 to Registrant's Annual Report on Form 10-K for the year ended December 31, 1987), amendments thereto dated March 21, 1991 and April 15, 1991 (incorporated by reference

to Exhibit 10.8 to Registrant's Annual Report on Form 10-K for the

year ended December 31, 1991), amendments thereto dated March 31, 1992 (incorporated by reference to Exhibit 10.8 to Registrant's

Annual Report on Form 10-K for the year ended December 31, 1992)

and amendments thereto dated June 1, 1993 and June 10, 1993 (incorporated by reference to Exhibit 10.8 to Registrant's Annual

Report on Form 10-K for the year ended December 31, 1993).

10.9 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).

10.10 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).

10.11 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).

10.12 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).

10.13 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).

10.15 Agreement and Plan of Merger dated as of September 24, 1992, as amended by Amendment No. 1 thereto, by and among Registrant, San

Marcos Telephone Company, Incorporated, SM Telecorp, Inc., SMTC

Acquisition Corp. and SMT Acquisition Corp. (incorporated by reference to Exhibit 2 of Registrant's Registration on Form S-4

dated February 3, 1993, Registration No. 33-57838).

10.16 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).

10.18 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).

10.19 Form of Restricted Stock Agreement and Performance Share Agreement Under the 1988 Incentive Compensation Program, entered into in 1993 with certain of its officers and employees (incorporated by

reference to Exhibit 28.2 to Registrant's Quarterly Report on Form

10-Q for the quarter ended March 31, 1993).

10.20 Agreement and Plan of Merger dated October 8, 1993, as amended by

Amendment No. 1 thereto dated January 5, 1994 by and among

Registrant, Celutel Acquisition Corp., Celutel, Inc. and the

Principal Stockholders of Celutel, Inc. (incorporated by reference

to Appendix I of Registrant's Prospectus forming a part of its

Registration Statement No. 33-50791 filed January 12, 1994 pursuant

to Rule 424(b)(5)).

10.21 Registrant's Amended and Restated Supplemental Defined Contribution

Plan, dated as of January 1, 1994, included herein.

10.22 Registrant's Amended and Restated Supplemental Dollars & Sense Plan,

effective as of January 1, 1995, included herein.

10.23 Loan Agreement and Grant of Rights of First Refusal to Acquire Assets

and/or Capital Stock of MillTenn, Inc. and its Subsidiaries

(incorporated by reference to Exhibit 10.1 to Registrant's

Quarterly Report on Form 10-Q for the quarter ended March 31,

1994).

10.24 Agreement, dated December 31, 1994, by and between Jim D. Reppond and

Registrant, included herein.

10.25 The Century Telephone Enterprises, Inc. Stock Bonus Plan, PAYSOP and

Trust, as amended and restated September 10, 1987 and amendment

thereto dated February 29, 1988 (incorporated by reference to

Exhibit 4.21 to Registrant's Annual Report on Form 10-K for the

year ended December 31, 1987), amendments thereto dated March 21,

1991 and April 15, 1991, (incorporated by reference to Exhibit 4.21

to Registrant's Annual Report on Form 10-K for the year ended

December 31, 1991), amendment thereto dated March 31, 1992

(incorporated by reference to Exhibit 4.21 to Registrant's Annual

Report on Form 10-K for the year ended December 31, 1992) and

amendments thereto dated June 1, 1993 and June 10, 1993

(incorporated by reference to Exhibit 4.21 to Registrant's Annual

Report on Form 10-K for the year ended December 31, 1993).

11 Computations of Earnings Per Share, included herein.

21 Subsidiaries of the Registrant, included herein.

23 Independent Auditors' Consent, included herein.

27 Financial Data Schedule, included herein.

Exhibit 10.4
CENTURY TELEPHONE ENTERPRISES, INC.
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN
1994 AMENDMENT AND RESTATEMENT

I. Purpose of the Plan

This Supplemental Executive Retirement Plan (the "Plan") is intended to provide Century Telephone Enterprises, Inc. (the "Company") and its subsidiaries a method for attracting and retaining key employees; to provide a method for recognizing the contributions of such personnel; and to promote executive and managerial flexibility, thereby advancing the interests of the Company and its stockholders. In addition, the Plan is intended to provide a more adequate level of retirement benefits in combination with the Company's general retirement program.

II. Definitions

As used in this Plan, the following terms shall have the meanings indicated, unless the context otherwise specifies or requires:

2.01 "ACCRUED BENEFIT", as of a given date, shall mean an amount equal to the basic monthly benefit to which a Participant is entitled on his Normal Retirement Date in accordance with Section 5.01 using his Average Monthly Compensation, Estimated Primary Insurance Amount and Credited Service determined as of such given date, in lieu of the corresponding amounts determined as of his Normal Retirement Date.

2.02 "ACTUARIAL EQUIVALENT" shall mean the amount of pension of a different type or payable at a different age that has the same value as computed by the Actuary on the basis of interest and mortality tables. Mortality will be based on the UP84 Mortality Table. The interest rate will be equal to the Pension Benefit Guaranty Corporation's published interest rate for immediate annuities on the date of pension commencement.

2.03 "AVERAGE MONTHLY COMPENSATION" shall mean the average of the 36 consecutive months' Compensation of a Participant which produce the highest average out of the last 120 months of employment. No compensation will be considered during a period of Leave of Absence for purposes of determining Average Monthly Compensation.

2.04 "BOARD OF DIRECTORS" shall mean not less than a quorum of the whole Board of Directors of Century Telephone Enterprises, Inc.

2.05 "COMMITTEE" shall mean three or more members of the Board of Directors as described in Section 14.01 of the Plan, or the Board if no Committee has been appointed.

2.06 "COMPANY" shall mean Century Telephone Enterprises, Inc., any Subsidiary thereof, and any affiliate designated by the Company as a participating employer under this Plan.

2.07 "COMPENSATION" shall mean the sum of a Participant's Salary, determined under Section 2.18 and Incentive Compensation, determined under Section 2.13, for a particular month.

2.08 "CREDITED SERVICE" shall mean employment for which a Participant is entitled to receive service credit for accrual of benefit and for eligibility for benefits under the Plan in accordance with the provisions of Section 4.01.

2.09 "DISABILITY" shall mean a condition which makes a Participant unable to perform each of the material duties of his regular occupation where he is likely to remain thus incapacitated continuously and permanently.

2.10 "EFFECTIVE DATE" of this Amendment and Restatement shall mean July 1, 1994. Specifically, the survivor annuity provided under Article IX hereof shall only apply to Participants who have not retired as of July 1, 1994 and whose date of death is on or after July 1, 1994. Notwithstanding the foregoing, the amendment to the definition of Compensation hereunder shall apply to Compensation paid on or after January 1, 1994. In addition, the benefits provided hereunder for Jim D. Reppond and C. Kenneth Conrad shall be computed without regard to the amendment to the definition of Compensation and the provision of the survivor annuity referenced in the preceding sentence.

2.11 "EMPLOYER" shall mean Century Telephone Enterprises, Inc., any Subsidiary thereof, and any affiliate designated by the Company as a participating employer under this Plan.

2.12 "ESTIMATED PRIMARY INSURANCE AMOUNT" shall mean the monthly primary insurance amount calculated to be available at age 65 based on the Social Security law in effect on the Participant's Normal Retirement Date or earlier date of termination. The primary insurance amount of a Participant who terminates prior to Normal Retirement Date shall be based on the assumption that the Participant earns no compensation between his termination date and his Normal Retirement Date.

2.13 "INCENTIVE COMPENSATION" shall mean the monthly equivalent of the amount awarded to a Participant under the Company's Key Employee Incentive Compensation Program or other incentive compensation arrangement maintained by the Company, including the amount

of any stock award in its cash equivalent at the time of conversion of the award from cash to stock. A Participant's Incentive Compensation shall be determined on a monthly basis by dividing the amount of the Incentive Compensation award by the number of months to which the award relates. Each award of Incentive Compensation shall, for purposes of this Plan, be allocated to the month or months to which the award relates, i.e., that period of time during which the award was earned.

2.14 "LEAVE OF ABSENCE" shall mean any extraordinary absence authorized by the Employer under the Employer's standard personnel practices.

2.15 "NORMAL RETIREMENT DATE" shall mean the first day of the month coincident with or next following a Participant's 65th birthday.

2.16 "PARTICIPANT" shall mean any officer of the Employer who is granted participation in the Plan in accordance with the provisions of Article III.

2.17 "PLAN" shall mean the Century Telephone Enterprises, Inc. Supplemental Executive Retirement Plan, as amended and restated herein.

2.18 "SALARY" shall mean the monthly equivalent of a Participant's annual rate of pay as of the date of determination of benefits hereunder, exclusive, however, of bonus payments, overtime payments, commissions, imputed income on life insurance, vehicle allowances, relocation expenses, severance payments, and any other extra compensation.

2.19 "SUBSIDIARY" shall mean any corporation in which the Company owns, directly or indirectly through subsidiaries, at least fifty percent (50%) of the combined voting power of all classes of stock.

III. Participation

3.01 Any officer who is either one of the key employees of the Company in a position to contribute materially to the continued growth and future financial success of the Company, or one who has made a significant contribution to the Company's operations, thereby meriting special recognition, shall be eligible to participate provided the following requirements are met:

- a. The officer is employed on a full-time basis by Century Telephone Enterprises, Inc., any Subsidiary thereof, or any affiliate designated by the Company as a participating employer under this Plan.
- b. The officer is compensated for full-time employment by a regular salary;
- c. The coverage of the officer is duly approved by the Board of Directors of Century Telephone Enterprises, Inc.

It is intended that participation in this Plan shall be extended only to those officers who are members of a select group of management and highly compensated employees, as determined by the Committee.

3.02 Any officer who is currently a Participant in the Plan shall continue to be a Participant in the Plan as amended and restated.

3.03 Any officer who met the requirements defined in Section 3.01, who was age 60 as of November 21, 1983, and who was employed by the Company on January 1, 1990, will receive benefits equal to the greater of:

- a. the benefit determined under this Plan, or
- b. a monthly benefit equal to sixty-five percent (65%) of Average Monthly Compensation offset by retirement income payable to the individual executive from:
 1. Social Security (Primary Insurance Amount only) determined as of date of retirement under the Social Security Act.
 2. The Company's Stock Bonus Plan and PAYSOP (in which case the Stock Bonus Plan and PAYSOP accumulation at date of determination will be converted to a monthly annuity on a straight life basis based upon actuarial assumptions with respect to mortality and investment return). The mortality assumptions will be based upon the 1971 Group Annuity Mortality Table. The investment return assumption will reflect current market conditions as measured by the 52-week Treasury bill rate as determined monthly.
 3. Benefits payable from any qualified or nonqualified plan attributable to prior employment for those officers who are hired on or after attainment of age 55 (in which case the benefit(s) will be expressed in terms of a monthly annuity on a straight life basis payable at date of retirement).

IV. Credited Service

4.01 A Participant will receive credit for each year of employment, calculated in completed years and months regardless of the number of hours

worked. Credited service will include all years of service prior to becoming an officer of the Company, years of service following Normal Retirement Date, and years of service with any Subsidiary or any affiliate designated by the Company as a participating employer under this Plan. In addition, periods of Leave of Absence and periods during which severance pay is provided shall count as periods of service. A fraction of a year of Credited Service will be given for completed months during the year of termination.

4.02 At the discretion of the Board of Directors, service with a predecessor employer may be credited for purposes of this Plan. If such service is credited to a Participant, the benefit payable under this Plan shall be reduced by any benefit payable from the prior employer. The Board of Directors shall make a determination whether service with a predecessor employer will be credited to a Participant prior to the Participant's commencement of participation in this Plan, and such determination, once made, shall be irrevocable. If no determination is made by the Board of Directors prior to a Participant's commencement of participation in this Plan, service with a predecessor employer by such Participant shall not be credited for purposes of this Plan.

V. Normal Retirement

5.01 Except as provided in Section 3.03, the monthly retirement benefit payable to a Participant on his Normal Retirement Date shall be equal to (a) less (b), where:

- (a) is 1 1/2% of Average Monthly Compensation multiplied by Credited Service, not greater than 30 years.
- (b) is 3 1/3% of Estimated Primary Insurance Amount, multiplied by Credited Service, not greater than 30 years.

5.02 The normal form of payment of a Participant's normal retirement benefit shall be an annuity payable for the life of the Participant.

VI. Late Retirement

6.01 If a Participant remains employed beyond his Normal Retirement Date, his late retirement date will be the first day of the month coincident with or next following his actual date of retirement.

6.02 A Participant's late retirement benefit will be calculated in accordance with Section 5.01, based on his Average Monthly Compensation and Credited Service as of his late retirement date. His Primary Insurance Amount will be computed as of his Normal Retirement Date.

VII. Early Retirement

7.01 A Participant who has attained age 55, and who has completed 15 or more years of service, is eligible for early retirement. An eligible Participant's early retirement date is the first day of the month coincident with or next following the date he terminates employment.

7.02 A Participant's early retirement benefit is 100% of his Accrued Benefit computed as of his early retirement date, payable at his Normal Retirement Date.

7.03 A Participant may elect to receive his early retirement benefit prior to Normal Retirement Date, in which event the benefit payable will be reduced according to the following schedule:

Age at CommencementPercentage of Accrued Benefit	
55	50%
56	53 1/3%
57	56 2/3%
58	60%
59	63 1/3%
60	66 2/3%
61	73 1/3%
62	80%
63	86 2/3%
64	93 1/3%
65	100%

7.04 The Board of Directors, at its sole discretion, may grant to a Participant 100% of his Accrued Benefit, payable at his early retirement date without such benefit being subject to the reductions set forth in Section 7.03, provided the Participant has met the requirements of Section 7.01.

VIII. Disability

8.01 A Participant who becomes disabled, as defined in Section 2.09, prior to retirement or termination of service will be entitled to a disability benefit computed in accordance with Section 8.02.

8.02 A Participant's disability benefit will be calculated in accordance with Section 5.01 based on (1) his Average Monthly Compensation projected to Normal Retirement Date assuming his Compensation as of the date of his disability remains constant, (2) his projected service to Normal Retirement Date and (3) his Estimated Primary Insurance Amount based on the Social Security law in effect on the date of his disability.

8.03 A Participant's disability benefit will commence at his Normal Retirement Date, and the normal form of benefit payment will be an annuity payable for the life of the Participant.

IX. Death Benefit

9.01 Upon the death of a Participant who is actively employed or on Leave of Absence at the time of his death or who has retired or become disabled prior to the commencement of benefit payments hereunder, a Participant's beneficiary (as determined under Section 9.02) will be entitled to receive a death benefit determined in accordance with Section 9.03.

9.02 The beneficiary of a Participant who is married on the date of his death shall be his spouse. The beneficiary of an unmarried Participant shall be his living children as of his date of death.

9.03 The monthly death benefit payable to the beneficiary of a Participant shall be equal to (a) less (b), where:

- (a) is 36% of Average Monthly Compensation projected to his Normal Retirement Date assuming his Compensation as of his date of death remains constant until his Normal Retirement Date.
- (b) the amount of primary Social Security benefits received by the beneficiary, or to which the beneficiary may be entitled, as determined by the Committee. The Committee's determination hereunder shall be binding and conclusive.

9.04 The death benefit shall be paid to the surviving spouse, if any, of the Participant for his or her life. If the Participant is unmarried at the date of death, or if the surviving spouse dies subsequent to the Participant's death, the death benefit shall be paid to the Participant's surviving child or children (or legal representative of any minor child) in equal shares. The death benefit payable to a child shall terminate upon the later of the child's attainment of age 19 or age 23, if a full-time student at an accredited educational institution, and such share shall thereafter revert to and be payable equally to the remaining surviving children of the Participant until the interest of each such surviving child has terminated.

9.05 If a Participant has no surviving spouse or children at the date of his or her death, no death benefit shall be paid under this Plan.

X. Termination of Service

10.01 If a Participant terminates service prior to death, disability or retirement, his Accrued Benefit determined under Section 2.01 shall be vested in accordance with the following schedule:

Years of Service	Vested %
less than 5	0%
5 or more	100%

10.02 A Participant's vested Accrued Benefit is payable at his Normal Retirement Date. A Participant may elect to have his benefit commence prior to age 65 but after age 55 if he meets the service requirements for early retirement pursuant to Section 7.01. If the benefit commences before age 65, the amount of monthly benefit will be reduced according to the schedule set forth in Section 7.03.

XI. Form of Benefit Payment

11.01 The normal form of benefit payment is a monthly lifetime annuity, payable in accordance with the Company's standard payroll practices.

11.02 A Participant may, prior to commencement of participation in the Plan, elect an optional form of payment which is the Actuarial Equivalent of a Participant's basic monthly pension, as follows:

- Option 1: A reduced monthly pension payable for the lifetime of the Participant with a minimum of sixty (60) monthly payments guaranteed.
- Option 2: A reduced monthly pension payable for the lifetime of the Participant with a minimum of one hundred twenty (120) monthly payments guaranteed.
- Option 3: A reduced monthly pension payable for the lifetime of the Participant with a minimum of one hundred eighty (180) monthly payments guaranteed.

Option 4: A reduced monthly pension, payable to the Participant for the life of the Participant, with monthly payments of one-half (1/2) the reduced amount that was payable monthly to the Participant payable after the Participant's death for the life of the Participant's spouse.

Option 5: A reduced monthly pension payable to the Participant for the life of the Participant, with reduced monthly payments of two thirds (2/3) of the reduced amount that was payable monthly to the Participant payable after the Participant's death for the life of the Participant's spouse.

Option 6: A reduced monthly pension payable to the Participant for the life of the Participant, with reduced monthly payments of three fourths (3/4) of the reduced amount that was payable monthly to the Participant payable after the Participant's death for the life of the Participant's spouse.

Option 7: A reduced monthly pension payable to the Participant for the life of the Participant, with the same monthly pension payable after the Participant's death for the life of the Participant's spouse.

11.03 If a Participant does not elect an optional form of benefit payment under Section 11.02 prior to the commencement of participation in the Plan, such Participant's benefits shall be paid in the normal form provided in Section 11.01.

XII. Reemployment of Participants

12.01 If a Participant retires or otherwise terminates employment with the Employer and such Participant is reemployed by the Employer, his entitlement to any benefits will be determined on the basis of the provisions of the Plan in effect on his subsequent termination date. The benefit will be based on the Average Monthly Compensation, Estimated Primary Insurance Amount and Credited Service as of the date of subsequent termination, taking into account all Credited Service prior to the Participant's reemployment date. For purposes of calculating Average Monthly Compensation, the average of the 36 consecutive months' Compensation which produce the highest average out of the last 120 months of employment will be considered, without regard to the break in service.

12.02 If a Participant is reemployed after benefit commencement, the payment of any benefit to such Participant under the Plan on account of his retirement or severance shall be suspended by reason of such reemployment. The amount of his benefit at his subsequent termination will be calculated in accordance with Section 12.01 but reduced by the Actuarial Equivalent of any benefit payments received prior to subsequent termination.

12.03 The form of monthly benefit payment upon subsequent termination shall be the form of payment that was in effect prior to reemployment. If the Participant was married at the time of benefit commencement, and if the Participant's spouse dies prior to subsequent commencement of benefit payments, such form of payment shall remain applicable (as though he were married to his deceased spouse) with no further payments upon his death.

XIII. Additional Restrictions on Benefit Payments

13.01 In no event will there be a duplication of benefits payable under the Plan because of employment by more than one participating Employer.

XIV. Administration and Interpretation

14.01 The Plan shall be administered by the Board of Directors through a Committee which shall consist of three or more members of the Board of Directors of the Company. No individual who is or has ever been a member of the Committee shall be eligible to be designated as a participant or receive payments under this Plan. The Committee shall have full power and authority to interpret and administer the Plan and, subject to the provisions herein set forth, to prescribe, amend and rescind rules and regulations and make all other determinations necessary or desirable for the administration of the Plan. The Board may from time to time appoint additional members of the Committee or remove members and appoint new members in substitution for those previously appointed and to fill vacancies however caused.

14.02 The decision of the Committee relating to any question concerning or involving the interpretation or administration of the Plan shall be final and conclusive, and nothing in the Plan shall be deemed to give any employee any right to participate in the Plan, except to such extent, if any, as the Committee may have determined or approved pursuant to the provisions of the Plan.

XV. Nature of the Plan

Benefits under the Plan shall generally be payable by the Company from its own funds, and such benefits shall not (i) impose any obligation upon the trust(s) of the other employee benefit programs of the Company;

(ii) be paid from such trust(s); nor (iii) have any effect whatsoever upon the amount or payment of benefits under the other employee benefit programs of the Company. Participants have only an unsecured right to receive benefits under the Plan from the Company as general creditors of the Company. The Company may deposit amounts in the Century Telephone Enterprises, Inc. Supplemental Executive Retirement Trust (the "Trust") established by the Company for the purpose of funding the Company's obligations under the Plan. Participants and their beneficiaries, however, have no secured interest or special claim to the assets of the Trust, and the assets of the Trust shall be subject to the payment of

claims of general creditors of the Company upon the insolvency or bankruptcy of the Company, as provided in the Trust.

XVI. Employment Relationship

An employee shall be considered to be in the employment of the Company and its subsidiaries as long as he remains an employee of either the Company, any Subsidiary of the Company, or any corporation to which substantially all of the assets and business of the Company are transferred. Nothing in the adoption of this Plan nor the designation of any Participant shall confer on any employee the right to continued employment by the Company or a Subsidiary of the Company, or affect in any way the right of the Company or such Subsidiary to terminate his employment at any time. Any question as to whether and when there has been a termination of an employee's employment, and the cause, notice or other circumstances of such termination, shall be determined by the Board, and its determination shall be final.

XVII. Amendment and Termination of Plan

The Board of Directors of the Company in its sole discretion may terminate the Plan at any time, and shall have the right to alter or amend the Plan or any part thereof from time to time, except that the Board of Directors shall not terminate the Plan or make any alteration or amendment thereto which would impair any rights or benefits of a Participant previously accrued.

XVIII. Binding Effect

This Plan shall be binding on the Company, each Subsidiary, and any affiliate designated by the Company as a participating employer under this Plan, the successors and assigns thereof, and any entity to which substantially all of the assets or business of the Company, a Subsidiary, or a participating affiliate are transferred.

XIX. Reimbursement to Participants

The Company shall reimburse any Participant, or beneficiary thereof, for all expenses, including attorney's fees, actually and reasonably incurred by the Participant or beneficiary in any proceeding to enforce any of their rights under this Plan.

XX. Construction

The masculine gender, where appearing in the Plan, shall be deemed to include the feminine gender, and the singular may indicate the plural, unless the context clearly indicates the contrary. The words "hereof", "herein", "hereunder" and other similar compounds of the word "here" shall, unless otherwise specifically stated, mean and refer to the entire Plan, not to any particular provision or Section. Article and Section headings are included for convenience of reference and are not intended to add to, or subtract from, the terms of the Plan.

IN WITNESS WHEREOF, Century Telephone Enterprises, Inc. has executed this Plan in its corporate name and its corporate seal to be hereunto affixed this 20th day of December, 1994.

ATTEST: CENTURY TELEPHONE ENTERPRISES, INC.

/s/ Connie Walden

*By: /s/ R. Stewart Ewing, Jr.
R. Stewart Ewing, Jr.
Senior Vice President and
Chief Financial Officer*

**AMENDMENT TO THE
CENTURY TELEPHONE ENTERPRISES, INC.
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN
1994 AMENDMENT AND RESTATEMENT**

This Amendment to the Century Telephone Enterprises, Inc.

Supplemental Executive Retirement Plan, 1994 Amendment and Restatement, is

executed this 10th day of February, 1995, effective as if included in the

1994 Amendment and Restatement.

1. Delete the first three lines of Article III, Section 3.03(b) in their entirety and insert the following in lieu thereof:

b. a monthly benefit equal to sixty-five percent (65%) of the highest Salary out of the last five (5) years of employment offset by retirement income payable to the individual executive from:

IN WITNESS WHEREOF, Century Telephone Enterprises, Inc. has executed

this amendment in its corporate name on the date indicated above.

CENTURY TELEPHONE ENTERPRISES, INC.

*BY: /s/ R.Stewart Ewing, Jr.
R. Stewart Ewing, Jr.
Senior Vice President and
Chief Financial Officer*

Exhibit 10.7

CENTURY TELEPHONE ENTERPRISES, INC. DOLLARS AND SENSE PLAN

Plan and Trust Agreement

Second Complete
Amendment and Restatement
Generally Effective April 1, 1992

Century Telephone Enterprises, Inc. Dollars and Sense Plan and Trust

Second Complete Amendment and Restatement
Generally Effective April 1, 1992

Century Telephone Enterprises, Inc. previously established the Century Telephone Enterprises, Inc. Dollars and Sense Plan for the benefit of eligible employees of the Company and its participating Related Companies. The Plan is intended to constitute a qualified profit sharing plan, as described in Code section 401(a), which includes a qualified cash or deferred arrangement, as described in Code section 401(k). Effective July 1, 1993, the San Marcos Telephone Company, Inc. and SM Telecorp Companies Retirement Plan was merged into this Plan.

The provisions of this Plan and Trust relating to the Trustee constitute the trust agreement which is entered into by and between Century Telephone Enterprises, Inc. and Wells Fargo Bank, National Association. The Trust is intended to be tax exempt as described under Code section 501(a).

The Plan constitutes an amendment and restatement of the Century Telephone Enterprises, Inc. Dollars and Sense Plan, which was originally established effective as of May 1, 1986, and its related trust agreement.

The Century Telephone Enterprises, Inc. Dollars and Sense Plan and Trust, as set forth in this document, is hereby amended and restated generally effective as of April 1, 1992.

Date: December 7 , 1994

Century Telephone Enterprises, Inc.

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

Title: Sr. Vice President & CFO

The trust agreement set forth in those provisions of this Plan and Trust which relate to the Trustee is hereby executed.

Date: December 12, 1994

Wells Fargo Bank, National Association

By: /s/ Dolores Upton

Title: Vice President

Date: December 12, 1994

Wells Fargo Bank, National Association

By: /s/ Gwyn E. Slack

Title: Vice President

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1. DEFINITIONS

When capitalized, the words and phrases below have the following meanings unless different meanings are clearly required by the context:

1.1 "Account". The records maintained for purposes of accounting for a Participant's interest in the Plan. "Account" may refer to one or all of

the following accounts which have been created on behalf of a Participant to hold specific types of Contributions under the Plan:

Effective April 1, 1992

- (a) "Employee Pre-Tax Account". An account created to hold Employee Pre-Tax Contributions.
- (b) "Rollover Account". An account created to hold Rollover Contributions.
- (c) "Employer Match Account". An account created to hold Employer Match Contributions.
- (d) "Additional Match Account". An account created to hold Additional Match Contributions.
- (e) "Discretionary Match Account". An account created to hold Discretionary Match Contributions.

Effective July 1, 1993

- (a) "Employee Pre-Tax Account". An account created to hold Employee Pre-Tax Contributions.
- (b) "After-Tax Account". An account created to hold After- Tax Contributions.
- (c) "Rollover Account". An account created to hold Rollover Contributions.
- (d) "Employer Match Account". An account created to hold Employer Match Contributions.
- (e) "Additional Match Account". An account created to hold Additional Match Contributions.
- (f) "Discretionary Match Account". An account created to hold Discretionary Match Contributions.
- (g) "Prior Match Account". An account created to hold Prior Match Contributions.

1.2 "ACP" or "Average Contribution Percentage". The percentage calculated in accordance with Section 12.1.

1.3 "Administrator". The Company, which may delegate all or a portion of the duties of the Administrator under the Plan to a Committee in accordance with Section 15.6.

1.4 "ADP" or "Average Deferral Percentage". The percentage calculated in accordance with Section 12.1.

1.5 "Beneficiary". The person or persons who is to receive benefits after the death of the Participant pursuant to the "Beneficiary Designation" paragraph in Section 11, or as a result of a QDRO.

1.6 "Code". The Internal Revenue Code of 1986, as amended. Reference to any specific Code section shall include such section, any valid regulation promulgated thereunder, and any comparable provision of any future legislation amending, supplementing or superseding such section.

1.7 "Committee". If applicable, the committee which has been appointed by the Company to administer the Plan in accordance with Section 15.6.

1.8 "Company". Century Telephone Enterprises, Inc. or any successor by merger, purchase or otherwise.

1.9 "Company Stock". Shares of voting common stock, \$1 par value, issued by the Company.

1.10 "Compensation". The sum of a Participant's Taxable Income and salary reductions, if any, pursuant to Code sections 125, 402(e)(3), 402(h), 403(b), 414(h)(2) or 457.

For purposes of determining benefits under this Plan, Compensation is limited to \$200,000 (as indexed for the cost of living pursuant to Code sections 401(a)(17) and 415(d)) per Plan Year. For purposes of determining benefits under this Plan for Plan Years beginning after December 31, 1993, Compensation is limited to \$150,000 (as indexed for the cost of living pursuant to Code sections 401(a)(17) and 415(d)) per Plan Year. For purposes of the preceding sentences, in the case of an HCE who is a 5% Owner or one of the 10 most highly compensated Employees, (i) such HCE and such HCE's family group (as defined below) shall be treated as a single employee and the Compensation of each family group member shall be aggregated with the Compensation of such HCE, and (ii) the limitation on Compensation shall be allocated among such HCE and his or her family group members in proportion to each individual's

Compensation before the application of this sentence. For purposes of this Section, the term "family group" shall mean an Employee's spouse and lineal descendants who have not attained age 19 before the close of the year in question.

For the purpose of determining HCEs and key employees, Compensation for the entire Plan Year shall be used. For the purpose of determining ADP and ACP, Compensation shall be limited to amounts paid to an Eligible Employee while a Participant.

1.11 "Contribution". An amount contributed to the Plan by the Employer or an Eligible Employee, and allocated by contribution type to Participants' Accounts, as described in Section 1.1. Specific types of contribution include:

Effective April 1, 1992

- (a) "Employee Pre-Tax Contribution". An amount contributed by the Employer on an eligible Participant's behalf in conjunction with a Participant's Code section 401(k) salary deferral election.
- (b) "Rollover Contribution". An amount contributed by an Eligible Employee which originated from another employer's qualified plan.
- (c) "Employer Match Contribution". An amount contributed by the Employer on an eligible Participant's behalf based upon the amount contributed by the eligible Participant.
- (d) "Additional Match Contribution". An amount contributed by the Employer on an eligible Participant's behalf based upon the Employer Match Contribution allocated to such eligible Participant.
- (e) "Discretionary Match Contribution". An amount contributed by the Employer on an eligible Participant's behalf based upon the Employer Match Contribution allocated to such eligible Participant.

Effective July 1, 1993

- (a) "Employee Pre-Tax Contribution". An amount contributed by the Employer on an eligible Participant's behalf in conjunction with a Participant's Code section 401(k) salary deferral election.
- (b) "After-Tax Contribution". An amount previously contributed by a Participant on an after-tax basis under former Plan provisions, which continue to be accounted for in the Plan.
- (c) "Rollover Contribution". An amount contributed by an Eligible Employee which originated from another employer's qualified plan.
- (d) "Employer Match Contribution". An amount contributed by the Employer on an eligible Participant's behalf based upon the amount contributed by the eligible Participant.
- (e) "Additional Match Contribution". An amount contributed by the Employer on an eligible Participant's behalf based upon the Employer Match Contribution allocated to such eligible Participant.
- (f) "Discretionary Match Contribution". An amount contributed by the Employer on an eligible Participant's behalf based upon the Employer Match Contribution allocated to such eligible Participant.
- (g) "Prior Match Contribution". An amount previously contributed by the Employer on an eligible Participant's behalf based upon the amount contributed by the Participant under former Plan provisions, which continue to be accounted for in the Plan.

1.12 "Contribution Dollar Limit". The annual limit placed on each Participant's Employee Pre-Tax Contributions, which shall be \$7,000 per calendar year (as indexed for the cost of living pursuant to Code sections 402(g)(5) and 415(d)). For purposes of this Section, a Participant's Employee Pre-Tax Contributions shall include (i) any employer contribution made under any qualified cash or deferred arrangement as defined in Code section 401(k) to the extent not includible in gross income for the taxable year under Code section 402(e)(3) or 402(h)(1)(B) (determined without regard to Code section 402(g)), and (ii) any employer contribution to purchase an annuity contract under Code section 403 (b) under a salary reduction agreement (within the meaning of Code section 3121(a)(5)(D)).

1.13 "Direct Rollover". A payment from the Plan to an Eligible Retirement Plan specified by a Distributee.

1.14 "Distributee". An Employee or former Employee, the surviving spouse of an Employee or former Employee and a spouse or former spouse of an Employee or former Employee determined to be an alternate payee under a QDRO.

1.15 "Effective Date". April 1, 1992, unless stated otherwise and except as specifically set forth below. The date upon which the provisions of this document become effective. In general, the provisions of this document only apply to Participants who are Employees on or after the

Effective Date. However, investment and distribution provisions apply to all Participants with Account balances to be invested or distributed after the Effective Date.

- (a) The provisions included to comply with the technical corrections to the Deficit Reduction Act of 1984 (DEFRA) and the Retirement Equity Act of 1984 (REA) contained in the Tax Reform Act of 1986 (TRA) are effective as if included in the respective laws to which the corrections apply.
- (b) The provisions included to comply with the provisions of the Tax Reform Act of 1986 other than the technical corrections to DEFRA and REA are effective as of the dates specified in the law.
- (c) The provisions included to comply with the provisions of the Omnibus Budget Reconciliation Act of 1986 (OBRA 86) are effective as of the dates specified in the law.
- (d) The provisions included to comply with the provisions of the Omnibus Budget Reconciliation Act of 1987 (OBRA 87) are effective as of the dates specified in the law.
- (e) The provisions included to comply with the final regulations on optional forms of benefit issued July 11, 1988, are effective as of the effective date prescribed by such regulations.
- (f) The provisions included to comply with the final REA regulations issued August 22, 1988, are effective as of the effective date prescribed by such regulations.
- (g) The provisions included to comply with the provisions of the Technical and Miscellaneous Revenue Act of 1988 are effective as of the dates specified in the law.
- (h) The provisions included to comply with the provisions of the Omnibus Budget Reconciliation Act of 1989 (OBRA 89) are effective as of the dates specified in the law.
- (i) The provisions of Section 16.9 are effective June 1, 1992.

1.16 "Eligible Employee". An Employee of an Employer, except any Employee:

- (a) whose compensation and conditions of employment are covered by a collective bargaining agreement to which an Employer is a party unless the agreement calls for the Employee's participation in the Plan;
- (b) who is classified as an associate Employee; or
- (c) who is a temporary Employee hired specifically to fill temporary or occasional needs.

1.17 "Eligible Retirement Plan". An individual retirement account described in Code section 408(a), an individual retirement annuity described in Code section 408(b), an annuity plan described in Code section 403(a), or a qualified trust described in Code section 401(a), that accepts a Distributee's Eligible Rollover Distribution, except that with regard to an Eligible Rollover Distribution to a surviving spouse, an Eligible Retirement Plan is an individual retirement account or individual retirement annuity.

1.18 "Eligible Rollover Distribution". A distribution of all or any portion of the balance to the credit of a Distributee, excluding a distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of a Distributee or the joint lives (or joint life expectancies) of a Distributee and the Distributee's designated Beneficiary, or for a specified period of ten years or more; a distribution to the extent such distribution is required under Code section 401(a)(9); and the portion of a distribution that is not includible in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to Employer securities).

1.19 "Employee". An individual who is:

- (a) directly employed by any Related Company and for whom any income for such employment is subject to withholding of income or social security taxes, or
- (b) a Leased Employee.

1.20 "Employer". The Company and any Subsidiary or other Related Company of either the Company or a Subsidiary which adopts this Plan with the approval of the Company.

1.21 "ERISA". The Employee Retirement Income Security Act of 1974, as amended. Reference to any specific section shall include such section, any valid regulation promulgated thereunder, and any comparable provision of any future legislation amending, supplementing or

superseding such section.

1.22 "HCE" or "Highly Compensated Employee". An Employee described as a Highly Compensated Employee in Section 12.

1.23 "Ineligible". The Plan status of an individual during the period in which he or she is (1) an Employee of a Related Company which is not then an Employer, (2) an Employee, but not an Eligible Employee, or (3) not an Employee.

1.24 "Investment Fund" or "Fund". An investment fund as described in Section 16.2. The Investment Funds authorized by the Administrator to be offered as of the Effective Date to Participants and Beneficiaries are as set forth in Appendix A.

1.25 "Leased Employee". An individual who is deemed to be an employee of any Related Company as provided in Code section 414(n) or (o).

1.26 "Leave of Absence". A period during which an individual is deemed to be an Employee, but is absent from active employment, provided that the absence:

(a) was authorized by a Related Company; or

(b) was due to military service in the United States armed forces and the individual returns to active employment within the period during which he or she retains employment rights under federal law.

1.27 "NHCE" or "Non-Highly Compensated Employee". An Employee described as a Non-Highly Compensated Employee in Section 12.

1.28 "Normal Retirement Date". The date of a Participant's 65th birthday.

1.29 "Owner". A person with an ownership interest in the capital, profits, outstanding stock or voting power of a Related Company within the meaning of Code section 318 or 416 (which exclude indirect ownership through a qualified plan).

1.30 "Participant". An Eligible Employee who begins to participate in the Plan after completing the eligibility requirements as described in Section 2.1. A Participant's participation continues until his or her employment with all Related Companies ends and his or her Account is distributed or forfeited.

1.31 "Pay". The base pay, and effective April 1, 1993, commissions paid to salespersons who receive both a salary and commissions, paid to an Eligible Employee by an Employer while a Participant during the current period.

Pay is neither increased nor decreased by any salary credit or reduction pursuant to Code sections 125 or 402(e)(3). Pay is limited to \$200,000 (as indexed for the cost of living pursuant to Code sections 401(a)(17) and 415(d)) per Plan Year. Pay is limited to \$150,000 (as indexed for the cost of living pursuant to Code sections 401(a)(17) and 415(d)) per Plan Year effective for Plan Years beginning after December 31, 1993.

1.32 "Plan". The Century Telephone Enterprises, Inc. Dollars and Sense Plan set forth in this document, as from time to time amended.

1.33 "Plan Year". The annual accounting period of the Plan and Trust which ends on each December 31.

1.34 "QDRO". A domestic relations order which the Administrator has determined to be a qualified domestic relations order within the meaning of Code section 414(p).

1.35 "Related Company". With respect to any Employer, that Employer and any corporation, trade or business which is, together with that Employer, a member of the same controlled group of corporations, a trade or business under common control, or an affiliated service group within the meaning of Code section 414(b), (c), (m) or (o).

1.36 "Settlement Date". For each Trade Date, the Trustee's next business day.

1.37 "Spousal Consent". The written consent given by a spouse to a Participant's election or waiver of a specified form of benefit, including a loan or in-service withdrawal, or Beneficiary designation. The spouse's consent must acknowledge the effect on the spouse of the Participant's election, waiver or designation and be duly witnessed by a Plan representative or notary public. Spousal Consent shall be valid only with respect to the spouse who signs the Spousal Consent and only for the particular choice made by the Participant which requires Spousal Consent. A Participant may revoke (without Spousal Consent) a prior election, waiver or designation that required Spousal Consent at any time before payments begin. Spousal Consent also means a determination by the Administrator that there is no spouse, the spouse cannot be located, or such other circumstances as may be established by applicable law.

1.38 "Subsidiary". A company which is 50% or more owned, directly or indirectly, by the Company.

1.39 "Sweep Account". The subsidiary Account for each Participant through which all transactions are processed, which is invested in interest

bearing deposits of the Trustee.

1.40 "Sweep Date". The cut off date and time for receiving instructions for transactions to be processed on the next Trade Date.

1.41 "Taxable Income". Compensation in the amount reported by the Employer as "Wages, tips, other compensation" on Form W-2, or any successor method of reporting under Code section 6041(d).

1.42 "Trade Date". Each day the Investment Funds are valued, which is normally every day the assets of such Funds are traded.

1.43 "Trust". The legal entity created by those provisions of this document which relate to the Trustee. The Trust is part of the Plan and holds the Plan assets which are comprised of the aggregate of Participants' Accounts and any unallocated funds invested in deposit or money market type assets pending allocation to Participants' Accounts or disbursement to pay Plan fees and expenses.

1.44 "Trustee". Wells Fargo Bank, National Association.

2. ELIGIBILITY

2.1 Eligibility

All Participants as of April 1, 1992 shall continue their eligibility to participate. Each other Eligible Employee shall become a Participant on the first day of employment as an Eligible Employee.

2.2 Ineligible Employees

If an Employee completes the above eligibility requirements, but is Ineligible at the time participation would otherwise begin (if he or she were not Ineligible), he or she shall become a Participant on the first subsequent date on which he or she is an Eligible Employee.

2.3 Ineligible or Former Participants

A Participant may not make or share in Plan Contributions, nor generally be eligible for a new Plan loan, during the period he or she is Ineligible, but he or she shall continue to participate for all other purposes. An Ineligible Participant or former Participant shall automatically become an active Participant on the date he or she again becomes an Eligible Employee.

3. PARTICIPANT CONTRIBUTIONS

3.1 Employee Pre-Tax Contribution Election

Upon becoming a Participant, an Eligible Employee may elect to reduce his or her Pay by an amount which does not exceed the Contribution Dollar Limit, within the limits described in the Contribution Percentage Limits paragraph of this Section 3, and have such amount contributed to the Plan by the Employer as a Employee Pre-Tax Contribution. The election shall be made as a whole percentage of Pay in such manner and with such advance notice as prescribed by the Administrator. In no event shall an Employee's Employee Pre-Tax Contributions under the Plan and comparable contributions to all other plans, contracts or arrangements of all Related Companies exceed the Contribution Dollar Limit for the Employee's taxable year beginning in the Plan Year.

3.2 Changing a Contribution Election

A Participant who is an Eligible Employee may change his or her Employee Pre-Tax Contribution election as of any January 1, April 1, July 1 or October 1 in such manner and with such advance notice as prescribed by the Administrator, and such election shall be effective with the first payroll period commencing after such date. Participants' Contribution election percentages shall automatically apply to Pay increases or decreases.

3.3 Revoking and Resuming a Contribution Election

A Participant may revoke his or her Contribution election at any time in such manner and with such advance notice as prescribed by the Administrator, and such election shall be effective with the first payroll period commencing after such date.

A Participant may resume Contributions by making a new Contribution election at the same time in which a Participant may change his or her election in such manner and with such advance notice as prescribed by the Administrator, and such election shall be effective with the first payroll period commencing after such date.

3.4 Contribution Percentage Limits

The Administrator may establish and change from time to time, without the necessity of amending this Plan and Trust document, the minimum, if applicable, and maximum Employee Pre-Tax Contribution percentages, prospectively or retrospectively (for the current Plan Year), for all Participants. In addition, the Administrator may establish any lower percentage limits for Highly Compensated Employees as it deems necessary. As of the Effective Date, the Employee Pre-Tax Contribution maximum percentage is 10%. Irrespective of the limits that may be established by the Administrator in accordance with this paragraph, in no event shall the contributions made by or on behalf of a Participant for a Plan Year exceed the maximum allowable under Code section 415.

3.5 Refunds When Contribution Dollar Limit Exceeded

A Participant who makes Employee Pre-Tax Contributions for a calendar year to this Plan and comparable contributions to any other qualified defined contribution plan in excess of the Contribution Dollar Limit may notify the Administrator in writing by the following March 1 (or as late as April 14 if allowed by the Administrator) that an excess has occurred. In this event, the amount of the excess specified by the Participant, adjusted for investment gain or loss, shall be refunded to him or her by April 15 and shall not be included as an Annual Addition under Code section 415 for the year contributed. Refunds shall not include investment gain or loss for the period between the end of the applicable Plan Year and the date of distribution. However, for Plan Years ending before December 31, 1993, refunds shall include investment gain or loss for the period between the end of the applicable Plan Year and the date of distribution. Any Employer Match, and for the Plan Year ending December 31, 1993, Prior Match Contributions attributable to refunded excess Employee Pre-Tax Contributions as described in this Section shall be deemed a Contribution made by reason of a mistake of fact and removed from the Participant's Account.

3.6 Timing, Posting and Tax Considerations

Participants' Contributions, other than Rollover Contributions, may only be made through payroll deduction. Such amounts shall be paid to the Trustee in cash and posted to each Participant's Account(s) as soon as such amounts can reasonably be separated from the Employer's general assets and balanced against the specific amount made on behalf of each Participant. In no event, however, shall such amounts be paid to the Trustee more than 90 days after the date amounts are deducted from a Participant's Pay. Employee Pre-Tax Contributions shall be treated as Employer Contributions in determining tax deductions under Code section 404(a).

4. ROLLOVERS & TRUST-TO-TRUST TRANSFERS

4.1 Rollovers

The Administrator may authorize the Trustee to accept a rollover contribution in cash, within the meaning of Code section 402(c) or 408(d)(3)(A)(ii), directly from an Eligible Employee or effective January 1, 1993, as a Direct Rollover from another qualified plan on behalf of the Eligible Employee. The Employee shall be responsible for furnishing satisfactory evidence, in such manner as prescribed by the Administrator, that the amount is eligible for rollover treatment. A rollover contribution received directly from an Eligible Employee must be paid to the Trustee in cash within 60 days after the date received by the Eligible Employee from a qualified plan or conduit individual retirement account. Contributions described in this paragraph shall be posted to the applicable Employee's Rollover Account as of the date received by the Trustee.

If it is later determined that an amount contributed pursuant to the above paragraph did not in fact qualify as a rollover contribution under Code section 402(c) or 408(d)(3)(A)(ii), the balance credited to the Employee's Rollover Account shall immediately be (1) segregated from all other Plan assets, (2) treated as a nonqualified trust established by and for the benefit of the Employee, and (3) distributed to the Employee. Any such nonqualifying rollover shall be deemed never to have been a part of the Plan.

4.2 Transfers From Other Qualified Plans

The Administrator may instruct the Trustee to receive assets in cash or in kind directly from another qualified plan. The Trustee may refuse the receipt of any transfer if:

- (a) the Trustee finds the in-kind assets unacceptable;
- (b) instructions for posting amounts to Participants' Accounts are incomplete;
- (c) any amounts are not exempted by Code section 401(a)(11)(B) from the annuity requirements of Code section 417; or
- (d) any amounts include benefits protected by Code section 411(d)(6) which would not be preserved under applicable Plan provisions.

Such amounts shall be posted to the appropriate Accounts of Participants as of the date received by the Trustee.

5. EMPLOYER CONTRIBUTIONS

5.1 Employer Match Contributions

- (a) Frequency and Eligibility. For each period for which Participants' Contributions are made, the Employer shall make Employer Match

Contributions as described in the following Allocation Method paragraph on behalf of each Participant who contributed during the period.

(b) Allocation Method. The Employer Match Contributions for each period shall total 40% of each eligible Participant's Employee Pre-Tax Contributions for the period, provided that no Employer Match Contributions shall be made based upon a Participant's Contributions in excess of 6% of his or her Pay and except that 25% shall be substituted for the preceding reference to 40% with regard to an eligible Participant who is a corporate officer of the Company.

Effective January 1, 1993, the percentage matching rate may be determined by the Board of Directors of the Employer by a resolution thereof, and shall remain in effect until changed by a subsequent resolution thereof, provided that no Employer Match Contributions shall be made based upon a Participant's Contributions in excess of 6% of his or her Pay. The matching percentage rate in effect as of January 1, 1993 is as stated in the preceding paragraph.

(c) Timing, Medium and Posting. The Employer shall make each period's Employer Match Contribution in cash as soon as is feasible, and not later than the Employer's federal tax filing date, including extensions, for deducting such Contribution. The Trustee shall post such amount to each Participant's Employer Match Account once the total Contribution received has been balanced against the specific amount to be credited to each Participant's Employer Match Account.

5.2 Additional Match Contributions

(a) Frequency and Eligibility. For each Plan Year, the Employer may make Additional Match Contributions as described in the following Allocation Method paragraph on behalf of each Participant who contributed during the period and was an Eligible Employee on the last day of the period.

(b) Allocation Method. The Additional Match Contributions for each period shall be in an amount determined by the Employer and allocated among eligible Participants in direct proportion to their Employer Match Contributions for the period.

(c) Timing, Medium and Posting. The Employer shall make each period's Additional Match Contribution in cash as soon as is feasible, and not later than the Employer's federal tax filing date, including extensions, for deducting such Contribution. The Trustee shall post such amount to each Participant's Additional Match Account once the total Contribution received has been balanced against the specific amount to be credited to each Participant's Additional Match Account.

5.3 Discretionary Match Contributions

(a) Frequency and Eligibility. For each Plan Year, the Employer may make a Discretionary Match Contribution on behalf of each Non-Highly Compensated Employee Participant who contributed during the period and was an Eligible Employee on the last day of the period.

(b) Allocation Method. The Discretionary Match Contribution for each period shall be in an amount determined by the Employer and allocated among eligible Participants in direct proportion to their Employer Match Contributions for the period.

(c) Timing, Medium and Posting. The Employer shall make each period's Discretionary Match Contribution in cash as soon as is feasible, and not later than the Employer's federal tax filing date, including extensions, for deducting such contribution. Notwithstanding, for purposes of satisfying the tests described in Sections 12.2 and 12.4 Discretionary Match Contributions must be made before the end of the Plan Year following the Plan Year being tested. The Trustee shall post such amount to each Participant's Discretionary Match Contribution Account once the total Contribution received has been balanced against the specific amount to be credited to each Participant's Discretionary Match Contribution Account.

6. ACCOUNTING

6.1 Individual Participant Accounting

The Administrator shall maintain an individual set of Accounts for each Participant in order to reflect transactions both by type of Contribution and investment medium. Financial transactions shall be accounted for at the individual Account level by posting each transaction to the appropriate Account of each affected Participant. Participant Account values shall be maintained in shares for the Investment Funds and in dollars for their Sweep and Participant loan Accounts. At any point in time, the Account value shall be determined using the most recent Trade Date values provided by the Trustee.

6.2 Sweep Account is Transaction Account

All transactions related to amounts being contributed to or distributed from the Trust shall be posted to each affected Participant's Sweep Account. Any amount held in the Sweep Account will be credited with interest up until the date on which it is removed from the Sweep Account.

6.3 Trade Date Accounting and Investment Cycle

Participant Account values shall be determined as of each Trade Date. For any transaction to be processed as of a Trade Date, the Trustee must receive instructions for the transaction by the Sweep Date. Such instructions shall apply to amounts held in the Account on that Sweep Date. Financial transactions of the Investment Funds shall be posted to Participants' Accounts as of the Trade Date, based upon the Trade Date values provided by the Trustee, and settled on the Settlement Date.

6.4 Accounting for Investment Funds

Investments in each Investment Fund shall be maintained in shares. The Trustee is responsible for determining the share values of each Investment Fund as of each Trade Date. To the extent an Investment Fund is comprised of collective investment funds of the Trustee, or any other fiduciary to the Plan, the share values shall be determined in accordance with the rules governing such collective investment funds, which are incorporated herein by reference. All other share values shall be determined by the Trustee. The share value of each Investment Fund shall be based on the fair market value of its underlying assets.

6.5 Payment of Fees and Expenses

Except to the extent Plan fees and expenses related to Account maintenance, transaction and Investment Fund management and maintenance, as set forth below, are paid by the Employer directly, or indirectly, such fees and expenses shall be paid as set forth below. The Employer may pay a lower portion of the fees and expenses allocable to the Accounts of Participants who are no longer Employees or who are not Beneficiaries, unless doing so would result in discrimination.

(a) Account Maintenance: Account maintenance fees and expenses, may include but are not limited to, administrative, Trustee, government annual report preparation, audit, legal, nondiscrimination testing, and fees for any other special services. Account maintenance fees shall be charged to Participants on a per Participant basis provided that no fee shall reduce a Participant's Account balance below zero.

(b) Transaction: Transaction fees and expenses, may include but are not limited to, recurring payment, Investment Fund election change and loan fees. Transaction fees shall be charged to the Participant's Account involved in the transaction provided that no fee shall reduce a Participant's Account balance below zero.

(c) Investment Fund Management and Maintenance: Management and maintenance fees and expenses related to the Investment Funds shall be charged at the Investment Fund level and reflected in the net gain or loss of each Fund.

As of the Effective Date, a breakdown of which Plan fees and expenses shall generally be borne by the Trust (and charged to individual Participants' Accounts) and those that shall be paid by the Employer, directly or indirectly, is set forth in Appendix B and may be changed from time to time, without the necessity of amending this Plan and Trust Document.

The Trustee shall have the authority to pay any such fees and expenses, which remain unpaid by the Employer for 60 days, from the Trust.

6.6 Accounting for Participant Loans

Participant loans shall be held in a separate Account of the Participant and accounted for in dollars as an earmarked asset of the borrowing Participant's Account.

6.7 Error Correction

The Administrator may correct any errors or omissions in the administration of the Plan by restoring any Participant's Account balance with the amount that would be credited to the Account had no error or omission been made. Funds necessary for any such restoration shall be provided through payment made by the Employer, or by the Trustee to the extent the error or omission is attributable to actions or inactions of the Trustee.

6.8 Participant Statements

The Administrator shall provide Participants with statements of their Accounts as soon after the end of each quarter of the Plan Year as is administratively feasible.

6.9 Special Accounting During Conversion Period

The Administrator and Trustee may use any reasonable accounting methods in performing their respective duties during the period of converting the prior accounting system of the Plan and Trust to conform to the individual Participant accounting system described in this Section. This includes, but is not limited to, the method for allocating net investment gains or losses and the extent, if any, to which contributions received by and distributions paid from the Trust during this period share in such allocation.

6.10 Accounts for QDRO Beneficiaries

A separate Account shall be established for an alternate payee entitled to any portion of a Participant's Account under a QDRO as of the date and in accordance with the directions specified in the QDRO. In addition, a separate Account may be established during the period of time the Administrator, a court of competent jurisdiction or other appropriate person is determining whether a domestic relations order qualifies as a QDRO. Such a separate Account shall be valued and accounted for in the same manner as any other Account.

(a) Distributions Pursuant to QDROs. If a QDRO so provides, the portion of a Participant's Account payable to an alternate payee may be distributed, in a form as permissible under the Distributions Once Employment Ends Section, to the alternate payee at the time specified in the QDRO, regardless of whether the Participant is entitled to a distribution from the Plan at such time.

(b) Participant Loans. Except to the extent required by law, an alternate payee, on whose behalf a separate Account has been established, shall not be entitled to borrow from such Account. If a QDRO specifies that the alternate payee is entitled to any portion of the Account of a Participant who has an outstanding loan balance, all outstanding loans shall generally continue to be held in the Participant's Account and shall not be divided between the Participant's and alternate payee's Accounts.

(c) Investment Direction. Where a separate Account has been established on behalf of an alternate payee and has not yet been distributed, the alternate payee may direct the investment of such Account in the same manner as if he or she were a Participant.

7. INVESTMENT FUNDS AND ELECTIONS

7.1 Investment Funds

Except for Participants' Sweep and loan Accounts, the Trust shall be maintained in various Investment Funds. The Administrator shall select the Investment Funds offered to Participants and may change the number or composition of the Investment Funds, subject to the terms and conditions agreed to with the Trustee. As of the Effective Date, a list of the Investment Funds offered to Participants is set forth in Appendix A, and may be changed from time to time, without the necessity of amending this Plan and Trust document.

7.2 Investment Fund Elections

Each Participant shall direct the investment of all of his or her Contribution Accounts except for these Accounts:

Employer Match Account Additional Match Account Discretionary Match Account

which shall be entirely invested in the Investment Fund specified by the Administrator, which Investment Fund as of the Effective Date is set forth in Appendix A.

Effective April 1, 1994, a Participant who has attained age 55 may direct the investment of the balances in his or her Employer Match, Additional Match and Discretionary Match Accounts. Future amounts allocated to his or her Employer Match, Additional Match and Discretionary Match Accounts will continue to be entirely invested in the Investment Fund specified by the Administrator, until otherwise directed by the Participant.

A Participant shall make his or her investment election in any combination of one or any number of the Investment Funds offered in accordance with the procedures established by the Administrator and Trustee. However, during the period of converting the prior accounting system of the Plan and Trust to conform to the individual Participant accounting system described in Section 6, Trust assets may be held in any investment vehicle permitted by the Plan, as directed by the Administrator, irrespective of Participant investment elections.

The Administrator may set a maximum percentage of the total election that a Participant may direct into any specific Investment Fund, which maximum, if any, is set forth in Appendix A, and may be changed from time to time, without the necessity of amending this Plan and Trust document.

7.3 Responsibility for Investment Choice

Each Participant shall be solely responsible for the selection of his or her Investment Fund choices. No fiduciary with respect to the Plan is empowered to advise a Participant as to the manner in which his or her Accounts are to be invested, and the fact that an Investment Fund is offered shall not be construed to be a recommendation for investment.

7.4 Default if No Election

The Administrator shall specify an Investment Fund for the investment of that portion of a Participant's Account which is not yet held in an Investment Fund and for which no valid investment election is on file. The Investment Fund specified as of the Effective Date is as set forth in Appendix A, and may be changed from time to time, without the necessity of amending this Plan and Trust document.

7.5 Timing

A Participant shall make his or her initial investment election upon becoming a Participant and may change his or her election at any time in accordance with the procedures established by the Administrator and Trustee. Investment elections received by the Trustee by the Sweep Date will be effective on the following Trade Date.

7.6 Investment Fund Election Change Fees

A reasonable processing fee may be charged directly to a Participant's Account for Investment Fund election changes in excess of a specified number per year as determined by the Administrator.

8. VESTING & FORFEITURES

8.1 Fully Vested Contribution Accounts

A Participant shall be fully vested in all Accounts at all times.

9. PARTICIPANT LOANS

9.1 Participant Loans Permitted

Loans to Participants are permitted pursuant to the terms and conditions set forth in this Section.

9.2 Loan Application, Note and Security

A Participant shall apply for any loan in such manner and with such advance notice as prescribed by the Administrator. All loans shall be evidenced by a promissory note, secured only by the portion of the Participant's Account from which the loan is made, and the Plan shall have a lien on this portion of his or her Account.

9.3 Spousal Consent

A Participant is not required to obtain Spousal Consent in order to take out a loan under the Plan.

9.4 Loan Approval

The Administrator, or the Trustee if otherwise authorized by the Administrator and agreed to by the Trustee, is responsible for determining that a loan request conforms to the requirements described in this Section and granting such request.

9.5 Loan Funding Limits

The loan amount must meet all of the following limits as determined as of the Sweep Date the loan is processed:

(a) Plan Minimum Limit. The minimum amount for any loan is \$1,000.

(b) Plan Maximum Limit. Subject to the legal limit described in (c) below, the maximum a Participant may borrow, including the outstanding balance of existing Plan loans, is 100% of the following Accounts which are fully vested:

Employee Pre-Tax Account Rollover Account After-Tax Account

(c) Legal Maximum Limit. The maximum a Participant may borrow, including the outstanding balance of existing Plan loans, is 50% of his or her vested Account balance, not to exceed \$50,000. However, the \$50,000 maximum is reduced by the Participant's highest outstanding loan balance during the 12 month period ending on the day before the Sweep Date as of which the loan is made. For purposes of this paragraph, the qualified plans of all Related Companies shall be treated as though they are part of this Plan to the extent it would decrease the maximum loan amount.

9.6 Maximum Number of Loans

A Participant may have only one loan outstanding at any given time.

9.7 Source and Timing of Loan Funding

A loan to a Participant shall be made solely from the assets of his or her own Accounts. The available assets shall be determined first by Account type and then by investment type within each type of Account. The hierarchy for loan funding by type of Account shall be the order

listed in the preceding Plan Maximum Limit paragraph. Within each Account used for funding a loan, amounts shall first be taken from the Sweep Account and then taken by type of investment in direct proportion to the market value of the Participant's interest in each Investment Fund as of the Trade Date on which the loan is processed.

Loans will be funded on the Settlement Date following the Trade Date as of which the loan is processed. The Trustee shall make payment to the Participant as soon thereafter as administratively feasible.

9.8 Interest Rate

The interest rate charged on Participant loans shall be a fixed reasonable rate of interest, determined from time to time by the Administrator, which provides the Plan with a return commensurate with the prevailing interest rate charged by persons in the business of lending money for loans which would be made under similar circumstances. As of the Effective Date, the interest rate is determined as set forth in Appendix C, and may be changed from time to time, without the necessity of amending this Plan and Trust document.

9.9 Repayment

Substantially level amortization shall be required of each loan with payments made at least monthly, generally through payroll deduction. Loans may be prepaid in full or in part at any time. The Participant may choose the loan repayment period, not to exceed 5 years. However, the term may be for any period not to exceed 10 years if the purpose of the loan is to acquire the Participant's principal residence.

9.10 Repayment Hierarchy

Loan principal repayments shall be credited to the Participant's Accounts in the inverse of the order used to fund the loan. Loan interest shall be credited to the Participant's Accounts in direct proportion to the principal payment. Loan payments are credited by investment type based upon the Participant's current investment election for new Contributions.

9.11 Repayment Suspension

The Administrator may agree to a suspension of loan payments for up to 12 months for a Participant who is on a Leave of Absence without pay. During the suspension period interest shall continue to accrue on the outstanding loan balance. At the expiration of the suspension period all outstanding loan payments and accrued interest thereon shall be due unless otherwise agreed upon by the Administrator.

9.12 Loan Default

A loan is treated as a default if scheduled loan payments are more than 90 days late. A Participant shall then have 30 days from the time he or she receives written notice of the default and a demand for past due amounts to cure the default before it becomes final.

In the event of default, the Administrator may direct the Trustee to report the default as a taxable distribution. As soon as a Plan withdrawal or distribution to such Participant would otherwise be permitted, the Administrator may instruct the Trustee to execute upon its security interest in the Participant's Account by distributing the note to the Participant.

9.13 Call Feature

The Administrator shall have the right to call any Participant loan once a Participant's employment with all Related Companies has terminated or if the Plan is terminated.

10. IN-SERVICE WITHDRAWALS

10.1 In-Service Withdrawals Permitted

In-service withdrawals to a Participant who is an Employee are permitted pursuant only to the terms and conditions set forth in this Section and as required by law as set forth in Section 11.

10.2 In-Service Withdrawal Application and Notice

A Participant shall apply for any in-service withdrawal in such manner and with such advance notice as prescribed by the Administrator. Effective for in-service withdrawals applied for after December 31, 1992, the Participant shall be provided the notice prescribed by Code section 402(f).

If an in-service withdrawal is one to which Code sections 401(a)(11) and 417 do not apply, such in-service withdrawal may commence less than 30 days after the aforementioned notice is provided, if:

(a) the Participant is clearly informed that he or she has the right to a period of at least 30 days after receipt of such notice to consider his or her option to elect or not elect a Direct Rollover for the portion, if any, of his or her in-service withdrawal which will constitute an Eligible Rollover Distribution; and

(b) the Participant after receiving such notice, affirmatively elects a Direct Rollover for the portion, if any, of his or her in-service withdrawal which will constitute an Eligible Rollover Distribution or alternatively elects to have such portion made payable directly to him or her, thereby not electing a Direct Rollover.

10.3 Spousal Consent

A Participant is not required to obtain Spousal Consent in order to make an in-service withdrawal under the Plan.

10.4 In-Service Withdrawal Approval

The Administrator, or the Trustee if otherwise authorized by the Administrator and agreed to by the Trustee, is responsible for determining that an in-service withdrawal request conforms to the requirements described in this Section and granting such request.

10.5 Minimum Amount, Payment Form and Medium

There is no minimum amount for any type of withdrawal.

For withdrawals made after December 31, 1992, with regard to the portion of a withdrawal representing an Eligible Rollover Distribution, a Participant may elect a Direct Rollover. The form of payment for an in-service withdrawal shall be a single lump sum and payment shall be made in cash.

10.6 Source and Timing of In-Service Withdrawal Funding

An in-service withdrawal to a Participant shall be made solely from the assets of his or her own Accounts and will be based on the Account values as of the Trade Date the in-service withdrawal is processed. The available assets shall be determined first by Account type and then by investment type within each type of Account. Within each Account used for funding an in-service withdrawal, amounts shall first be taken from the Sweep Account and then taken by type of investment in direct proportion to the market value of the Participant's interest in each Investment Fund (which excludes Participant loans) as of the Trade Date on which the in-service withdrawal is processed.

In-Service withdrawals will be funded on the Settlement Date following the Trade Date as of which the in-service withdrawal is processed. The Trustee shall make payment as soon thereafter as administratively feasible.

10.7 Hardship Withdrawals

(a) Requirements. A Participant who is an Employee may request the withdrawal of up to the amount necessary to satisfy a financial need including amounts necessary to pay any federal, state or local income taxes or penalties reasonably anticipated to result from the withdrawal. Only requests for withdrawals (1) on account of a Participant's "Deemed Financial Need", and (2) which are "Deemed Necessary" to satisfy the financial need will be approved.

(b) "Deemed Financial Need". Financial commitments relating to:

(1) the payment of unreimbursable medical expenses described under Code section 213(d) incurred (or to be incurred) by the Employee, his or her spouse or dependents;

(2) the payment of unreimbursable tuition and related educational fees for up to the next 12 months of post-secondary education for the Employee, his or her spouse or dependents;

(3) the payment of funeral expenses of an Employee's family member; or

(4) the payment of amounts necessary for the Employee to prevent losing his or her principal residence through eviction or foreclosure on the mortgage.

(c) "Deemed Necessary". A withdrawal is "deemed necessary" to satisfy the financial need only if the withdrawal amount does not exceed the financial need and all of these conditions are met:

(1) the Employee has obtained all other possible withdrawals and nontaxable loans available from all plans maintained by Related Companies;

(2) the Administrator shall suspend the Employee from making any contributions to this Plan, all other qualified and nonqualified plans of deferred compensation and all stock option or stock purchase plans maintained by Related Companies for 12 months from the date the withdrawal payment is made; and

(3) the Administrator shall reduce the Contribution Dollar Limit for the Employee for the calendar year next following the calendar year of the withdrawal by the amount of the Employee's Employee Pre-Tax Contributions for the calendar year of the withdrawal.

(d) Account Sources for Withdrawal. All available amounts must first be withdrawn from a Participant's After-Tax Account. The remaining withdrawal amount shall come only from the Participant's fully vested Accounts, in the following priority order:

Rollover Account Employee Pre-Tax Account

The amount that may be withdrawn from a Participant's Employee Pre-Tax Account shall not include any earnings credited to his or her Employee Pre-Tax Contribution Account.

(e) Permitted Frequency. There is no restriction on the number of Hardship withdrawals permitted to a Participant.

10.8 After-Tax Account Withdrawals

No in-service withdrawals are permitted from a Participant's After-Tax Account except as provided elsewhere in this Section.

10.9 Rollover Account Withdrawals

No in-service withdrawals are permitted from a Participant's Rollover Account except as provided elsewhere in this Section.

10.10 Over Age 70-1/2 Withdrawals

(a) Requirements. A Participant who is an Employee and over age 70-1/2 may withdraw from the Accounts listed in paragraph (b) below.

(b) Account Sources for Withdrawal. The withdrawal amount shall come only from the Participant's fully vested Accounts, in the following priority order with the exception that the Participant may instead choose to have amounts taken from his or her After-Tax Account first:

Rollover Account Employee Pre-Tax Account Discretionary Match Account Employer Match Account Additional Match Account Prior Match Account After-Tax Account

(c) Permitted Frequency. The maximum number of Over Age 70-1/2 withdrawals (other than an Over Age 70-1/2 withdrawal necessary to comply with Code section 401(a)(9)) permitted to a Participant is one.

(d) Suspension from Further Contributions. An Over Age 70-1/2 withdrawal shall not affect a Participant's ability to make or be eligible to receive further Contributions.

11. DISTRIBUTIONS ONCE EMPLOYMENT ENDS OR AS REQUIRED BY LAW

11.1 Benefit Information, Notices and Election

A Participant, or his or her Beneficiary in the case of his or her death, shall be provided with information regarding all optional times and forms of distribution available, to include the notices prescribed by Code section 402(f), effective January 1, 1993, and Code section 411(a)(11). Subject to the other requirements of this Section, a Participant, or his or her Beneficiary in the case of his or her death, may elect, in such manner and with such advance notice as prescribed by the Administrator, to have his or her vested Account balance paid to him or her beginning upon any Settlement Date following the Participant's termination of employment with all Related Companies or, if earlier, at the time required by law as set forth in Section 11.6.

If a distribution is one to which Code sections 401(a)(11) and 417 do not apply, such distribution may commence less than 30 days after the aforementioned notices are provided, if:

(a) the Participant is clearly informed that he or she has the right to a period of at least 30 days after receipt of such notices to consider the decision as to whether to elect a distribution and if so to elect a particular form of distribution and to elect or not elect a Direct Rollover for all or a portion, if any, of his or her distribution which will constitute an Eligible Rollover Distribution; and

(b) the Participant after receiving such notice, affirmatively elects a distribution and a Direct Rollover for all or a portion, if any, of his or her distribution which will constitute an Eligible Rollover Distribution or alternatively elects to have all or a portion made payable directly to him or her, thereby not electing a Direct Rollover for all or a portion thereof.

11.2 Spousal Consent

A Participant is not required to obtain Spousal Consent in order to receive a distribution under the Plan.

11.3 Payment Form and Medium

A Participant shall be paid in the form of a single lump sum. Notwithstanding, a Participant who is an Employee at the time he or she is required by law to commence distribution, or anytime thereafter, may instead elect to be paid annually in a lump sum an amount sufficient to comply with Code section 401(a)(9).

Distributions shall generally be made in cash. Alternatively, a lump sum payment may be made in a combination of cash and whole shares of Company Stock (to the extent invested in the Company Stock Fund). For distributions made after December 31, 1992, with regard to the portion of a distribution representing an Eligible Rollover Distribution, a Distributee may elect a Direct Rollover for all or a portion of such amount.

11.4 Distribution of Small Amounts

If, at the time a Participant's employment with all Related Companies ends, the Participant's vested Account balance is \$3,500 or less, the Participant's benefit may be paid as a single lump sum, without his or her consent, after his or her employment with all Related Companies ends in accordance with procedures prescribed by the Administrator.

11.5 Source and Timing of Distribution Funding

A distribution to a Participant shall be made solely from the assets of his or her own Accounts and will be based on the Account values as of the Trade Date the distribution is processed. The available assets shall be determined first by Account type and then by investment type within each type of Account. Within each Account used for funding a distribution, amounts shall first be taken from the Sweep Account and then taken by type of investment in direct proportion to the market value of the Participant's interest in each Investment Fund as of the Trade Date on which the distribution is processed.

Distributions will be funded on the Settlement Date following the Trade Date as of which the distribution is processed. The Trustee shall make payment as soon thereafter as administratively feasible.

11.6 Latest Commencement Permitted

In addition to any other Plan requirements and unless a Participant elects otherwise, his or her benefit payments will begin not later than 60 days after the end of the Plan Year in which he or she attains his or her Normal Retirement Date or retires, whichever is later. However, if the amount of the payment or the location of the Participant (after a reasonable search) cannot be ascertained by that deadline, payment shall be made no later than 60 days after the earliest date on which such amount or location is ascertained but in no event later than as described below.

Benefit payments shall begin by the April 1 immediately following the end of the calendar year in which the Participant attains age 70-1/2 (whether or not he or she is an Employee).

11.7 Payment Within Life Expectancy

The Participant's payment election must be consistent with the requirement of Code section 401(a)(9) that all payments are to be completed within a period not to exceed the lives or the joint and last survivor life expectancy of the Participant and his or her Beneficiary. The life expectancies of a Participant and his or her Beneficiary may not be recomputed annually.

11.8 Incidental Benefit Rule

The Participant's payment election must be consistent with the requirement that, if the Participant's spouse is not his or her sole primary Beneficiary, the minimum annual distribution for each calendar year, beginning with the year in which he or she attains age 70-1/2, shall not be less than the quotient obtained by dividing (a) the Participant's vested Account balance as of the last Trade Date of the preceding year by (b) the applicable divisor as determined under the incidental benefit requirements of Code section 401(a)(9).

11.9 Payment to Beneficiary

Payment to a Beneficiary must be completed by the end of the calendar year that contains the fifth anniversary of the Participant's death, except that:

(a) If the Participant dies after the April 1 immediately following the end of the calendar year in which he or she attains age 70-1/2, payment to his or her Beneficiary must be made at least as rapidly as provided in the Participant's distribution election;

(b) If the surviving spouse is the Beneficiary, payments need not begin until the end of the calendar year in which the Participant would have attained age 70-1/2 and must be completed within the spouse's life or life expectancy; and

(c) If the Participant and the surviving spouse who is the Beneficiary die (1) before the April 1 immediately following the end of the calendar year in which the Participant would have attained age 70-1/2 and (2) before payments have begun to the spouse, the spouse will be treated as the Participant in applying these rules.

11.10 Beneficiary Designation

Each Participant may complete a beneficiary designation form indicating the Beneficiary who is to receive the Participant's remaining Plan interest at the time of his or her death. The designation may be changed at any time. However, a Participant's spouse shall be the sole primary Beneficiary unless the designation includes Spousal Consent for another Beneficiary. If no proper designation is in effect at the time of a Participant's death or if the Beneficiary does not survive the Participant, the Beneficiary shall be, in the order listed, the:

- (a) Participant's surviving spouse,
- (b) Participant's children, in equal shares, per stirpes (by right of representation), or
- (c) Participant's estate.

12. ADP AND ACP TESTS

12.1 Contribution Limitation Definitions

The following definitions are applicable to this Section 12 (where a definition is contained in both Sections 1 and 12, for purposes of Section 12 the Section 12 definition shall be controlling):

- (a) "ACP" or "Average Contribution Percentage". The Average Percentage calculated using Contributions allocated to Participants as of a date within the Plan Year.
- (b) "ACP Test". The determination of whether the ACP is in compliance with the Basic or Alternative Limitation for a Plan Year (as defined in Section 12.2).
- (c) "ADP" or "Average Deferral Percentage". The Average Percentage calculated using Deferrals allocated to Participants as of a date within the Plan Year.
- (d) "ADP Test". The determination of whether the ADP is in compliance with the Basic or Alternative Limitation for a Plan Year (as defined in Section 12.2).
- (e) "Average Percentage". The average of the calculated percentages for Participants within the specified group. The calculated percentage refers to either the "Deferrals" or "Contributions" (as defined in this Section) made on each Participant's behalf for the Plan Year, divided by his or her Compensation for the portion of the Plan Year in which he or she was an Eligible Employee while a Participant. (Employee Pre-Tax Contributions to this Plan or comparable contributions to plans of Related Companies which will be refunded solely because they exceed the Contribution Dollar Limit are included in the percentage for the HCE Group but not for the NHCE Group.)
- (f) "Contributions" shall include Employer Match, Additional Match and for the Plan Year ending December 31, 1993, Prior Match Contributions. In addition, Contributions may include Employee Pre-Tax and Discretionary Match Contributions, but only to the extent that (1) the Employer elects to use them, (2) they are not used or counted in the ADP Test, (3) Discretionary Match Contributions are fully vested when made and not withdrawable by an Employee before he or she attains age 59-1/2, and (4) Employee Pre-Tax Contributions are necessary to meet the ACP Test Alternative Limitation (defined in Section 12.2 (b)) or the Multiple Use Test.
- (g) "Deferrals" shall include Employee Pre-Tax Contributions. In addition, Deferrals may include Employer Match, Additional Match and Discretionary Match Contributions, but only to the extent that (1) the Employer elects to use them, (2) they are not used or counted in the ACP Test, and (3) such Contributions are fully vested when made and not withdrawable by an Employee before he or she attains age 59-1/2.
- (h) "Family Member". An Employee who is, at any time during the Plan Year or Lookback Year, a spouse, lineal ascendant or descendant, or spouse of a lineal ascendant or descendant of (1) an active or former Employee who at any time during Plan Year or Lookback Year is a more than 5% Owner (within the meaning of Code section 414(q)(3)), or (2) an HCE who is among the 10 Employees with the highest Compensation for such Year.
- (i) "HCE" or "Highly Compensated Employee". With respect to each Employer and its Related Companies, an Employee during the Plan Year or Lookback Year who (in accordance with Code section 414(q)):

- (1) Was a more than 5% Owner at any time during the Lookback Year or Plan Year;
- (2) Received Compensation during the Lookback Year (or in the Plan Year if among the 100 Employees with the highest Compensation for such Year) in excess of (i) \$75,000 (as adjusted for such Year pursuant to Code sections 414(q)(1) and 415(d)), or (ii) \$50,000 (as adjusted for such Year pursuant to Code sections 414(q)(1) and 415(d)) in the case of a member of the "top-paid group" (within the meaning of Code section 414(q)(4)) for such Year), provided, however, that if the conditions of Code section 414(q)(12)(B)(ii) are met, the Company may elect for any Plan Year to apply clause (i) by substituting \$50,000 for \$75,000 and not to apply clause (ii);
- (3) Was an officer of a Related Company and received Compensation during the Lookback Year (or in the Plan Year if among the 100 Employees with the highest Compensation for such Year) that is greater than 50% of the dollar limitation in effect under Code section 415(b)(1)(A) and (d) for such Year (or if no officer has Compensation in excess of the threshold, the officer with the highest Compensation), provided that the number of officers shall be limited to 50 Employees (or, if less, the greater of three Employees or 10% of the Employees); or
- (4) Was a Family Member at any time during the Lookback Year or Plan Year, in which case the Contributions and Compensation of the HCE and his or her Family Members shall be aggregated and they shall be treated as a single HCE.

A former Employee shall be treated as an HCE if (1) such former Employee was an HCE when he separated from service, or (2) such former Employee was an HCE in service at any time after attaining age 55.

The determination of who is an HCE, including the determinations of the number and identity of Employees in the top-paid group, the top 100 Employees and the number of Employees treated as officers shall be made in accordance with Code section 414(q).

(j) "HCE Group" and "NHCE Group". With respect to each Employer and its Related Companies, the respective group of HCEs and NHCEs who are eligible to have amounts contributed on their behalf for the Plan Year, including Employees who would be eligible but for their election not to participate or to contribute, or because their Pay is greater than zero but does not exceed a stated minimum.

(1) If the Related Companies maintain two or more plans which are subject to the ADP or ACP Test and are considered as one plan for purposes of Code sections 401(a)(4) or 410(b), all such plans shall be aggregated and treated as one plan for purposes of meeting the ADP and ACP Tests, provided that, for Plan Years beginning after December 31, 1989, plans may only be aggregated if they have the same Plan Year.

(2) If an HCE, who is one of the top 10 paid Employees or a more than 5% Owner, has any Family Members, the Deferrals, Contributions and Compensation of such HCE and his or her Family Members shall be combined and treated as a single HCE. Such amounts for all other Family Members shall be removed from the NHCE Group percentage calculation and be combined with the HCE's.

(3) If an HCE is covered by more than one cash or deferred arrangement maintained by the Related Companies, all such plans shall be aggregated and treated as one plan for purposes of calculating the separate percentage for the HCE which is used in the determination of the Average Percentage.

(k) "Lookback Year". Pursuant to Code section 414(q), the Company elects as the Lookback Year the current calendar year (ending with the Plan Year).

(l) "Multiple Use Test". The test described in Section 12.4 which a Plan must meet where the Alternative Limitation (described in Section 12.2(b)) is used to meet both the ADP and ACP Tests.

(m) "NHCE" or "Non-Highly Compensated Employee". An Employee who is not an HCE.

12.2 ADP and ACP Tests

For each Plan Year, the ADP and ACP for the HCE Group must meet either the Basic or Alternative Limitation when compared to the respective ADP and ACP for the NHCE Group, defined as follows:

- (a) Basic Limitation. The HCE Group Average Percentage may not exceed 1.25 times the NHCE Group Average Percentage.
- (b) Alternative Limitation. The HCE Group Average Percentage is limited by reference to the NHCE Group Average Percentage as follows:

If the NHCE Group Average Percentage is	Then the Maximum HCE Group Average Percentage is
Less than 2%	2 times NHCE Group Average %
2% to 8%	NHCE Group Average % plus 2%
More than 8%	NA - Basic Limitation applies

12.3 Correction of ADP and ACP Tests

If the ADP or ACP Tests are not met, the Administrator shall determine, no later than the end of the next Plan Year, a maximum percentage to be used in place of the calculated percentage for all HCEs that would reduce the ADP and/or ACP for the HCE group by a sufficient amount to meet the ADP and ACP Tests.

(a) ADP Correction. Employee Pre-Tax Contributions shall, by the end of the next Plan Year, be refunded (including amounts previously refunded because they exceeded the Contribution Dollar Limit) to the Participant in an amount equal to the actual Deferrals minus the product of the maximum percentage and the HCE's Compensation. Any Employer Match, and for the Plan Year ending December 31, 1993, Prior Match Contributions attributable to refunded excess Employee Pre-Tax Contributions as described in this Section 12.3(a) shall be deemed a Contribution made by reason of a mistake of fact and removed from the Participant's Account.

(b) ACP Correction. Contributions shall, by the end of the next Plan Year, be refunded to the Participant in an amount equal to the actual Contributions minus the product of the maximum percentage and the HCE's Compensation. The excess amounts shall first be taken from Additional Match, then for the Plan Year ending December 31, 1993 from Prior Match and then from Employer Match Contributions.

(c) Investment Fund Sources. Once the amount of excess Deferrals and/or Contributions is determined and with regard to excess Contributions, allocated by type of Contribution, amounts shall then be taken by type of investment in direct proportion to the market value of the Participant's interest in each Investment Fund (which excludes Participant loans) at the time the correction is made.

(d) Family Member Correction. To the extent any reduction is necessary with respect to an HCE and his or her Family Members that have been combined and treated for testing purposes as a single Employee, the excess Deferrals and Contributions from the ADP and/or ACP Test shall be prorated among each such Participant in direct proportion to his or her Deferrals or Contributions included in each Test.

12.4 Multiple Use Test

If the Alternative Limitation (defined in Section 12.2) is used to meet both the ADP and ACP Tests, the ADP and ACP for the HCE Group must also comply with the requirements of Code section 401(m)(9). Such Code section requires that the sum of the ADP and ACP for the HCE Group (as determined after any corrections needed to meet the ADP and ACP Tests have been made) not exceed the sum (which produces the most favorable result) of:

- (a) the Basic Limitation (defined in Section 12.2) applied to either the ADP or ACP for the NHCE Group, and
- (b) the Alternative Limitation applied to the other NHCE Group percentage.

12.5 Correction of Multiple Use Test

If the multiple use limit is exceeded, the Administrator shall determine a maximum percentage to be used in place of the calculated percentage for all HCEs that would reduce either or both the ADP or ACP for the HCE Group by a sufficient amount to meet the multiple use limit. Any excess shall be handled in the same manner that the distribution of excess Deferrals or Contributions are handled.

12.6 Adjustment for Investment Gain or Loss

Any excess Deferrals or Contributions to be refunded to a Participant in accordance with Section 12.3 or 12.5 shall be adjusted for investment gain or loss. Refunds shall not include investment gain or loss for the period between the end of the applicable Plan Year and the date of distribution. However, for Plan Years ending before December 31, 1993, refunds shall include investment gain or loss for the period between the end of the applicable Plan Year and the date of distribution.

12.7 Testing Responsibilities and Required Records

The Administrator shall be responsible for ensuring that the Plan meets the ADP Test, the ACP Test and the Multiple Use Test and that the Contribution Dollar Limit is not exceeded. In carrying out its responsibilities, the Administrator shall have sole discretion to limit or reduce Deferrals or Contributions at any time. The Administrator shall maintain records which are sufficient to demonstrate that the ADP Test, the ACP Test and the Multiple Use Test have been met for each Plan Year for at least as long as the Employer's corresponding tax year is open to audit.

12.8 Separate Testing

(a) Multiple Employers: The determination of HCEs, NHCEs, and the performance of the testing and any corrective action resulting therefrom shall be made separately with regard to the Employees of each Employer (and its Related Companies) that is not a Related Company with the other Employer(s).

(b) Collective Bargaining Units: For Plan Years beginning before 1993, Employees who are eligible to participate in the Plan as a result of a collective bargaining agreement shall be excluded from the HCE and NHCE Groups. For Plan Years beginning after 1992, the performance of the ADP Test, and if applicable, the ACP Test and Multiple Use Test and any corrective action resulting therefrom shall be applied separately

to Employees who are eligible to participate in the Plan as a result of a collective bargaining agreement.

In addition, separate testing may be applied, at the discretion of the Administrator and to the extent permitted under Treasury regulations, to any group of Employees for whom separate testing is permissible.

13. MAXIMUM CONTRIBUTION AND BENEFIT LIMITATIONS

13.1 "Annual Addition" Defined

The sum of all amounts allocated to the Participant's Account for a Plan Year. Amounts include contributions (except for rollovers or transfers from another qualified plan), forfeitures and, if the Participant is a Key Employee (pursuant to Section 14) for the applicable or any prior Plan Year, medical benefits provided pursuant to Code section 419A(d)(1). For purposes of this Section 13.1, "Account" also includes a Participant's account in all other defined contribution plans currently or previously maintained by any Related Company. The Plan Year refers to the year to which the allocation pertains, regardless of when it was allocated. The Plan Year shall be the Code section 415 limitation year.

13.2 Maximum Annual Addition

The Annual Addition to a Participant's accounts under this Plan and any other defined contribution plan maintained by any Related Company for any Plan Year shall not exceed the lesser of (1) 25% of his or her Taxable Income or (2) the greater of \$30,000 or one-quarter of the dollar limitation in effect under Code section 415(b)(1)(A).

13.3 Avoiding an Excess Annual Addition

If, at any time during a Plan Year, the allocation of any additional Contributions would produce an excess Annual Addition for such year, Contributions to be made for the remainder of the Plan Year shall be limited to the amount needed for each affected Participant to receive the maximum Annual Addition.

13.4 Correcting an Excess Annual Addition

Upon the discovery of an excess Annual Addition to a Participant's Account (resulting from forfeitures, allocations, reasonable error in determining Participant compensation or the amount of elective contributions, or other facts and circumstances acceptable to the Internal Revenue Service) the excess amount (adjusted to reflect investment gains) shall first be returned to the Participant to the extent of his or her Employee Pre-Tax Contributions (however to the extent Employee Pre-Tax Contributions were matched, the applicable Employer Match, and for the Plan Year ending December 31, 1993, Prior Match Contributions shall be forfeited in proportion to the returned matched Employee Pre-Tax Contributions) and the remaining excess, if any, shall be forfeited by the Participant and together with forfeited Employer Match, and for the Plan Year ending December 31, 1993, Prior Match Contributions used to reduce subsequent Contributions as soon as is administratively feasible.

13.5 Correcting a Multiple Plan Excess

If a Participant, whose Account is credited with an excess Annual Addition, received allocations to more than one defined contribution plan, the excess shall be corrected by reducing the Annual Addition to this Plan only after all possible reductions have been made to the other defined contribution plans.

13.6 "Defined Benefit Fraction" Defined

The fraction, for any Plan Year, where the numerator is the "projected annual benefit" and the denominator is the greater of 125% of the "protected current accrued benefit" or the normal limit which is the lesser of (1) 125% of the maximum dollar limitation provided under Code section 415(b)(1)(A) for the Plan Year or (2) 140% of the amount which may be taken into account under Code section 415(b)(1)(B) for the Plan Year, where a Participant's:

(a) "projected annual benefit" is the annual benefit provided by the Plan determined pursuant to Code section 415(e)(2)(A), and

(b) "protected current accrued benefit" in a defined benefit plan in existence (1) on July 1, 1982, shall be the accrued annual benefit provided for under Public Law 97-248, section 235(g)(4), as amended, or (2) on May 6, 1986, shall be the accrued annual benefit provided for under Public Law 99-514, section 1106(i)(3).

13.7 "Defined Contribution Fraction" Defined

The fraction where the numerator is the sum of the Participant's Annual Addition for each Plan Year to date and the denominator is the sum of the "annual amounts" for each year in which the Participant has performed service with a Related Company. The "annual amount" for any Plan Year is the lesser of (1) 125% of the Code section 415(c)(1)(A) dollar limitation (determined without regard to subsection (c)(6)) in effect for the Plan Year and (2) 140% of the Code section 415(c)(1)(B) amount in effect for the Plan Year, where:

14. each Annual Addition is determined pursuant to the Code section 415(c) rules in effect for such Plan Year, and
15. the numerator is adjusted pursuant to Public Law 97- 248, section 235(g)(3), as amended, or Public Law 99- 514, section 1106(i)(4).

13.8 Combined Plan Limits and Correction

If a Participant has also participated in a defined benefit plan maintained by a Related Company, the sum of the Defined Benefit Fraction and the Defined Contribution Fraction for any Plan Year may not exceed 1.0. If the combined fraction exceeds 1.0 for any Plan Year, the Participant's benefit under any defined benefit plan (to the extent it has not been distributed or used to purchase an annuity contract) shall be limited so that the combined fraction does not exceed 1.0 before any defined contribution limits will be enforced.

14 TOP HEAVY RULES

14.1 Top Heavy Definitions

When capitalized, the following words and phrases have the following meanings when used in this Section:

- (a) "Aggregation Group". The group consisting of each qualified plan of an Employer (and its Related Companies) (1) in which a Key Employee is a participant or was a participant during the determination period (regardless of whether such plan has terminated), or (2) which enables another plan in the group to meet the requirements of Code sections 401(a)(4) or 410(b). The Employer may also treat any other qualified plan as part of the group if the group would continue to meet the requirements of Code sections 401(a)(4) and 410(b) with such plan being taken into account.
- (b) "Determination Date". The last Trade Date of the preceding Plan Year or, in the case of the Plan's first year, the last Trade Date of the first Plan Year.
- (c) "Key Employee". A current or former Employee (or his or her Beneficiary) who at any time during the five year period ending on the Determination Date was:

- (1) an officer of a Related Company whose

Compensation (i) exceeds 50% of the amount in effect under Code section 415(b)(1)(A) and (ii) places him within the following highest paid group of officers:	
Number of Employees not Excluded Under Code Section 414(q)(8)	Number of Highest Paid Officers Included
-----	-----
Less than 30	3
30 to 500	10% of the number of Employees not excluded under Code section 414(q)(8)

- (2) a more than 5% Owner,
- (3) a more than 1% Owner whose Compensation exceeds \$150,000, or
- (4) a more than 0.5% Owner who is among the 10 Employees owning the largest interest in a Related Company and whose Compensation exceeds the amount in effect under Code section 415(c)(1)(A).
- (d) "Plan Benefit". The sum as of the Determination Date of (1) an Employee's Account, (2) the present value of his or her other accrued benefits provided by all qualified plans within the Aggregation Group, and (3) the aggregate distributions made within the five year period ending on such date. Plan Benefits shall exclude rollover contributions and plan to plan transfers made after December 31, 1983 which are both employee initiated and from a plan maintained by a non- related employer.
- (e) "Top Heavy". The Plan's status when the Plan Benefits of Key Employees account for more than 60% of the Plan Benefits of all Employees who have performed services at any time during the five year period ending on the Determination Date. The Plan Benefits of Employees who were, but are no longer, Key Employees (because they have not been an officer or Owner during the five year period), are excluded in the determination.

14.2 Special Contributions

(a) Minimum Contribution Requirement. For each Plan Year in which the Plan is Top Heavy, the Employer shall not allow any contributions (other than a Rollover Contribution) to be made by or on behalf of any Key Employee unless the Employer makes a contribution (other than Employee Pre-Tax and Employer Match Contributions) on behalf of all Participants who were Eligible Employees as of the last day of the Plan Year in an amount equal to at least 3% of each such Participant's Taxable Income. The Administrator shall remove any such contributions (including applicable investment gain or loss) credited to a Key Employee's Account in violation of the foregoing rule and return them to the Employer or Employee to the extent permitted by the Limited Return of Contributions paragraph of Section 18.

(b) Overriding Minimum Benefit. Notwithstanding, contributions shall be permitted on behalf of Key Employees if the Employer also maintains a defined benefit plan which automatically provides a benefit which satisfies the Code section 416(c)(1) minimum benefit requirements, including the adjustment provided in Code section 416(h)(2)(A), if applicable. If this Plan is part of an aggregation group in which a Key Employee is receiving a benefit and no minimum is provided in any other plan, a minimum contribution of at least 3% of Taxable Income shall be provided to the Participants specified in the preceding paragraph. In addition, the Employer may offset a defined benefit minimum by contributions (other than Employee Pre-Tax and Employer Match Contributions) made to this Plan.

14.3 Adjustment to Combined Limits for Different Plans

For each Plan Year in which the Plan is Top Heavy, 100% shall be substituted for 125% in determining the Defined Benefit Fraction and the Defined Contribution Fraction.

15 PLAN ADMINISTRATION

15.1 Plan Delineates Authority and Responsibility

Plan fiduciaries include the Company, the Administrator, the Committee and/or the Trustee, as applicable, whose specific duties are delineated in this Plan and Trust. In addition, Plan fiduciaries also include any other person to whom fiduciary duties or responsibility is delegated with respect to the Plan. Any person or group may serve in more than one fiduciary capacity with respect to the Plan. To the extent permitted under ERISA section 405, no fiduciary shall be liable for a breach by another fiduciary.

15.2 Fiduciary Standards

Each fiduciary shall:

- (a) discharge his or her duties in accordance with this Plan and Trust to the extent they are consistent with ERISA;
- (b) use that degree of care, skill, prudence and diligence that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims;
- (c) act with the exclusive purpose of providing benefits to Participants and their Beneficiaries, and defraying reasonable expenses of administering the Plan;
- (d) diversify Plan investments, to the extent such fiduciary is responsible for directing the investment of Plan assets, so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so; and
- (e) treat similarly situated Participants and Beneficiaries in a uniform and nondiscriminatory manner.

15.3 Company is ERISA Plan Administrator

The Company is the plan administrator, within the meaning of ERISA section 3(16), which is responsible for compliance with all reporting and disclosure requirements, except those that are explicitly the responsibility of the Trustee under applicable law. The Administrator and/or Committee shall have any necessary authority to carry out such functions through the actions of the Administrator, duly appointed officers of the Company, and/or the Committee.

15.4 Administrator Duties

The Administrator shall have the discretionary authority to construe this Plan and Trust, other than the provisions which relate to the Trustee, and to do all things necessary or convenient to effect the intent and purposes thereof, whether or not such powers are specifically set forth in this Plan and Trust. Actions taken in good faith by the Administrator shall be conclusive and binding on all interested parties, and shall be given the maximum possible deference allowed by law. In addition to the duties listed elsewhere in this Plan and Trust, the Administrator's authority shall include, but not be limited to, the discretionary authority to:

- (a) determine who is eligible to participate, if a contribution qualifies as a rollover contribution, the allocation of Contributions, and the eligibility for loans, withdrawals and distributions;

- (b) provide each Participant with a summary plan description no later than 90 days after he or she has become a Participant (or such other period permitted under ERISA section 104(b)(1)), as well as informing each Participant of any material modification to the Plan in a timely manner;
- (c) make a copy of the following documents available to Participants during normal work hours: this Plan and Trust (including subsequent amendments), all annual and interim reports of the Trustee related to the entire Plan, the latest annual report and the summary plan description;
- (d) determine the fact of a Participant's death and of any Beneficiary's right to receive the deceased Participant's interest based upon such proof and evidence as it deems necessary;
- (e) establish and review at least annually a funding policy bearing in mind both the short-run and long-run needs and goals of the Plan. To the extent Participants may direct their own investments, the funding policy shall focus on which Investment Funds are available for Participants to use; and
- (f) adjudicate claims pursuant to the claims procedure described in Section 18.

15.5 Advisors May be Retained

The Administrator may retain such agents and advisors (including attorneys, accountants, actuaries, consultants, record keepers, investment counsel and administrative assistants) as it considers necessary to assist it in the performance of its duties. The Administrator shall also comply with the bonding requirements of ERISA section 412.

15.6 Delegation of Administrator Duties

The Company, as Administrator of the Plan, has appointed a Committee to administer the Plan on its behalf. The Company shall provide the Trustee with the names and specimen signatures of any persons authorized to serve as Committee members and act as or on its behalf. Any Committee member appointed by the Company shall serve at the pleasure of the Company, but may resign by written notice to the Company. Committee members shall serve without compensation from the Plan for such services. Except to the extent that the Company otherwise provides, any delegation of duties to a Committee shall carry with it the full discretionary authority of the Administrator to complete such duties.

15.7 Committee Operating Rules

- (a) Actions of Majority. Any act delegated by the Company to the Committee may be done by a majority of its members. The majority may be expressed by a vote at a meeting or in writing without a meeting, and a majority action shall be equivalent to an action of all Committee members.
- (b) Meetings. The Committee shall hold meetings upon such notice, place and times as it determines necessary to conduct its functions properly.
- (c) Reliance by Trustee. The Committee may authorize one or more of its members to execute documents on its behalf and may authorize one or more of its members or other individuals who are not members to give written direction to the Trustee in the performance of its duties. The Committee shall provide such authorization in writing to the Trustee with the name and specimen signatures of any person authorized to act on its behalf. The Trustee shall accept such direction and rely upon it until notified in writing that the Committee has revoked the authorization to give such direction. The Trustee shall not be deemed to be on notice of any change in the membership of the Committee, parties authorized to direct the Trustee in the performance of its duties, or the duties delegated to and by the Committee until notified in writing.

16. MANAGEMENT OF INVESTMENTS

16.1 Trust Agreement

All Plan assets shall be held by the Trustee in trust, in accordance with those provisions of this Plan and Trust which relate to the Trustee, for use in providing Plan benefits and paying Plan expenses not paid directly by the Employer. Plan benefits will be drawn solely from the Trust and paid by the Trustee as directed by the Administrator. Notwithstanding, the Administrator may appoint, with the approval of the Trustee, another trustee to hold and administer Plan assets which do not meet the requirements of Section 16.2.

16.2 Investment Funds

The Administrator is hereby granted authority to direct the Trustee to invest Trust assets in one or more Investment Funds. The number and composition of Investment Funds may be changed from time to time, without the necessity of amending this Plan and Trust document. The Trustee may establish reasonable limits on the number of Investment Funds as well as the acceptable assets for any such Investment Fund. Each of the Investment Funds may be comprised of any of the following:

(a) shares of a registered investment company, whether or not the Trustee or any of its affiliates is an advisor to, or other service provider to, such company;

(b) collective investment funds maintained by the Trustee, or any other fiduciary to the Plan, which are available for investment by trusts which are qualified under Code sections 401(a) and 501(a);

(c) individual equity and fixed income securities which are readily tradeable on the open market;

(d) guaranteed investment contracts issued by a bank or insurance company;

(e) interest bearing deposits of the Trustee; and

(f) Company Stock.

Any Investment Fund assets invested in a collective investment fund, shall be subject to all the provisions of the instruments establishing and governing such fund. These instruments, including any subsequent amendments, are incorporated herein by reference.

16.3 Authority to Hold Cash

The Trustee shall have the authority to cause the investment manager of each Investment Fund to maintain sufficient deposit or money market type assets in each Investment Fund to handle the Fund's liquidity and disbursement needs. Each Participant's and Beneficiary's Sweep Account, which is used to hold assets pending investment or disbursement, shall consist of interest bearing deposits of the Trustee.

16.4 Trustee to Act Upon Instructions

The Trustee shall carry out instructions to invest assets in the Investment Funds as soon as practicable after such instructions are received from the Administrator, Participants, or Beneficiaries. Such instructions shall remain in effect until changed by the Administrator, Participants or Beneficiaries.

16.5 Administrator Has Right to Vote Registered Investment Company Shares

The Administrator shall be entitled to vote proxies or exercise any shareholder rights relating to shares held on behalf of the Plan in a registered investment company. Notwithstanding, the authority to vote proxies and exercise shareholder rights related to such shares held in a Custom Fund is vested as provided otherwise in Section 16.

16.6 Custom Fund Investment Management

The Administrator may designate, with the consent of the Trustee, an investment manager for any Investment Fund established by the Trustee solely for Participants of this Plan (a "Custom Fund"). The investment manager may be the Administrator, Trustee or an investment manager pursuant to ERISA section 3(38). The Administrator shall advise the Trustee in writing of the appointment of an investment manager and shall cause the investment manager to acknowledge to the Trustee in writing that the investment manager is a fiduciary to the Plan.

A Custom Fund shall be subject to the following:

(a) Guidelines. Written guidelines, acceptable to the Trustee, shall be established for a Custom Fund. If a Custom Fund consists solely of collective investment funds or shares of a registered investment company (and sufficient deposit or money market type assets to handle the Fund's liquidity and disbursement needs), its' underlying instruments shall constitute the guidelines.

(b) Authority of Investment Manager. The investment manager of a Custom Fund shall have the authority to vote or execute proxies, exercise shareholder rights, manage, acquire, and dispose of Trust assets. Notwithstanding, the authority to vote proxies and exercise shareholder rights related to shares of Company Stock held in a Custom Fund is vested as provided otherwise in Section 16.

(c) Custody and Trade Settlement. Unless otherwise agreed to by the Trustee, the Trustee shall maintain custody of all Custom Fund assets and be responsible for the settlement of all Custom Fund trades. For purposes of this section, shares of a collective investment fund, shares of a registered investment company and guaranteed investment contracts issued by a bank or insurance company, shall be regarded as the Custom Fund assets instead of the underlying assets of such instruments.

(d) Limited Liability of Co-Fiduciaries. Neither the Administrator nor the Trustee shall be obligated to invest or otherwise manage any Custom Fund assets for which the Trustee or Administrator is not the investment manager nor shall the Administrator or Trustee be liable for acts or omissions with regard to the investment of such assets except to the extent required by ERISA.

16.7 Authority to Segregate Assets

The Company may direct the Trustee to split an Investment Fund into two or more funds in the event any assets in the Fund are illiquid or the value is not readily determinable. In the event of such segregation, the Company shall give instructions to the Trustee on what value to use for the split-off assets, and the Trustee shall not be responsible for confirming such value.

16.8 Maximum Permitted Investment in Company Stock

If the Company provides for a Company Stock Fund directly or through a Master Company Stock Fund the Fund shall be comprised of Company Stock and sufficient deposit or money market type assets to handle the Fund's liquidity and disbursement needs. The Fund may be as large as necessary to comply with Participants' and Beneficiaries' investment elections as well the total investment of Participants' and Beneficiaries' Employer Match, Additional Match and Discretionary Accounts.

16.9 Voting, Tendering and Exchanging Company Stock

(a) Participants are Named Fiduciaries. Each Participant in the Plan (or, in the event of the Participant's death, the Participant's Beneficiary) is, for purposes of this Section 16.9, hereby designated a "named fiduciary" within the meaning of Section 403(a)(1) of ERISA.

(b) Instructed Share Voting. Each Participant, as a named fiduciary, shall be entitled to direct the Plan and Trustee as to the manner in which Company Stock attributable to such Participant's Account in the Company Stock Fund is to be voted on each matter brought before an annual or special stockholders' meeting of the Company. Before each such meeting of stockholders, the Trustee shall cause to be furnished to each Participant (or Beneficiary) a copy of the proxy solicitation material, together with a form requesting confidential directions on how such shares of Company Stock allocated to such Participant's Account in the Company Stock Fund shall be voted on each such matter. Upon timely receipt of such directions, the Trustee shall on each such matter, vote as directed the number of votes attributable, as provided in (c) below, to such Participant.

(c) Determination of Votes. The number of votes attributable to each Participant shall be determined as follows:

(1) first, the total number of votes attributable to Company Stock held in the Company Stock Fund shall be determined;

(2) second, the number of votes determined under (1), above, shall be attributed to each Participant, in the ratio which the number of shares of Company Stock allocated to such Participant's Account in the Company Stock Fund as of the record date bears to the total number of shares of Company Stock held in the Company Stock Fund as of such date.

(d) Undirected Share Voting. Each Participant, as a named fiduciary, shall also be entitled to separately direct the vote of a portion of the number of votes with respect to which a signed voting-direction instrument is not timely received from other Participants ("Undirected Votes"). Such direction with respect to each Participant who timely elects to direct the vote of Undirected Votes as a named fiduciary shall be with respect to a number of Undirected Votes equal to the total number of Undirected Votes multiplied by a fraction, the numerator of which is the total number of votes attributable to such Participant and the denominator of which is the total number of votes attributable to all Participants who timely elect to vote Undirected Votes as a named fiduciary.

(e) Responding to Tender and Exchange Offers. Each Participant, as a named fiduciary, shall have the right, to the extent of the number of shares of Company Stock attributable to such Participant's Account in the Company Stock Fund, to direct the Trustee in writing as to the manner in which to respond to such tender or exchange offer with respect to shares of Company Stock. The Trustee shall use its best efforts to timely distribute or cause to be distributed to each Participant (or Beneficiary) such information as will be distributed to stockholders of the Company in connection with any such tender or exchange offer. Upon timely receipt of such instructions, the Trustee shall respond as instructed with respect to shares of Company Stock allocated to such Participant's Account in the Company Stock Fund. If the Trustee shall not receive timely instructions from a Participant (or Beneficiary) as to the manner in which to respond to such a tender or exchange offer, the Trustee shall not tender or exchange any shares of Company Stock with respect to which such Participant has the right of direction. In effecting the foregoing, to the extent possible, the Trustee shall tender or exchange shares of Company Stock entitled to one vote per share prior to shares of Company Stock having greater than one vote per share.

(f) Confidentiality. Any instructions received by the Trustee from Participants pursuant to this Section 16.9 shall be held by the Trustee in strict confidence and shall not be divulged or released to any person, including officers or Employees of the Employer or a Related Company; provided, however, that to the extent necessary for the operation of the Plan, such instructions may be relayed by the Trustee to a recordkeeper, auditor or other person providing services to the Plan if such person (i) is not the Employer, a Related Company or any Employee, officer or director thereof, and (ii) agrees not to divulge such directions to any other person, including Employees, officers and directors of the Employer and its Related Companies.

16.10 Registration and Disclosure for Company Stock

The Administrator shall be responsible for determining the applicability (and, if applicable, complying with) the requirements of the Securities Act of 1933, as amended, the California Corporate Securities Law of 1968, as amended, and any other applicable blue sky law. The Administrator shall also specify what restrictive legend or transfer restriction, if any, is required to be set forth on the certificates for the securities and the procedure to be followed by the Trustee to effectuate a resale of such securities.

16.11 Master Company Stock Fund

The Trustee may establish, at the direction of the Company, a single Company Stock Investment Fund (the "Master Company Stock Fund"), for the benefit of this Plan and any other plan of a Related Company for which the Trustee acts as trustee pursuant to a plan and trust document that contains a provision substantially identical to this Section 16.11. The assets of this Plan, to the extent invested in the Master Company Stock Fund, shall consist only of that percentage of the assets of the Master Company Stock Fund represented by the shares held by this Plan.

17. TRUST ADMINISTRATION

17.1 Trustee to Construe Trust

The Trustee shall have the discretionary authority to construe those provisions of this Plan and Trust which relate to the Trustee and to do all things necessary or convenient to the administration of the Trust, whether or not such powers are specifically set forth in this Plan and Trust. Actions taken in good faith by the Trustee shall be conclusive and binding on all interested parties, and shall be given the maximum possible deference allowed by law.

17.2 Trustee To Act As Owner of Trust Assets

Subject to the specific conditions and limitations set forth in this Plan and Trust, the Trustee shall have all the power, authority, rights and privileges of an absolute owner of the Trust assets and, not in limitation but in amplification of the foregoing, may:

- (a) receive, hold, manage, invest and reinvest, sell, tender, exchange, dispose of, encumber, hypothecate, pledge, mortgage, lease, grant options respecting, repair, alter, insure, or distribute any and all property in the Trust;
- (b) borrow money, participate in reorganizations, pay calls and assessments, vote or execute proxies, exercise subscription or conversion privileges, exercise options and register any securities in the Trust in the name of the nominee, in federal book entry form or in any other form as will permit title thereto to pass by delivery;
- (c) renew, extend the due date, compromise, arbitrate, adjust, settle, enforce or foreclose, by judicial proceedings or otherwise, or defend against the same, any obligations or claims in favor of or against the Trust; and
- (d) lend, through a collective investment fund, any securities held in such collective investment fund to brokers, dealers or other borrowers and to permit such securities to be transferred into the name and custody and be voted by the borrower or others.

17.3 United States Indicia of Ownership

The Trustee shall not maintain the indicia of ownership of any Trust assets outside the jurisdiction of the United States, except as authorized by ERISA section 404(b).

17.4 Tax Withholding and Payment

- (a) **Withholding.** Effective for taxable distributions made on or before December 31, 1992 the Trustee shall calculate and withhold federal (and, if applicable, state) income taxes in accordance with the Participant's withholding election or as required by law if no election is made. Effective for taxable distributions made after December 31, 1992, the Trustee shall calculate and withhold federal (and, if applicable, state) income taxes with regard to any Eligible Rollover Distribution that is not paid as a Direct Rollover in accordance with the Participant's withholding election or as required by law if no election is made or the election is less than the amount required by law. With regard to any taxable distribution that is not an Eligible Rollover Distribution, the Trustee shall calculate and withhold federal (and, if applicable, state) income taxes in accordance with the Participant's withholding election or as required by law if no election is made.
- (b) **Taxes Due From Investment Funds.** The Trustee shall pay from the Investment Fund any taxes or assessments imposed by any taxing or governmental authority on such Fund or its income, including related interest and penalties.

17.5 Trustee Duties and Limitations

Unless otherwise agreed to by the Trustee, the Trustee's duties shall be confined to construing the terms of the Plan and Trust as they relate to the Trustee, receiving funds on behalf of and making payments from the Trust, safeguarding and valuing Trust assets, and investing and reinvesting Trust assets in the Investment Funds as directed by the Administrator or Participants. The Trustee shall have no duty or authority to ascertain whether Contributions are in compliance with the Plan, to enforce collection or to compute or verify the accuracy or adequacy of any amount to be paid to it by the Employer. The Trustee shall not be liable for the proper application of any part of the Trust with respect to any disbursement made at the direction of the Administrator.

17.6 Trust Accounting

(a) Annual Report. Within 60 days (or other reasonable period) following the close of the Plan Year, the Trustee shall provide the Administrator with an annual accounting of Trust assets and information to assist the Administrator in meeting ERISA's annual reporting and audit requirements.

(b) Periodic Reports. The Trustee shall maintain records and provide sufficient reporting to allow the Administrator to properly monitor the Trust's assets and activity.

(c) Administrator Approval. Approval of any Trustee accounting will automatically occur 90 days after such accounting has been received by the Administrator, unless the Administrator files a written objection with the Trustee within such time period. Such approval shall be final as to all matters and transactions stated or shown therein and binding upon the Administrator.

17.7 Valuation of Certain Assets

If the Trustee determines the Trust holds any asset which is not readily tradable and listed on a national securities exchange registered under the Securities Exchange Act of 1934, as amended, the Trustee may engage a qualified independent appraiser to determine the fair market value of such property, and the appraisal fees shall be paid from the Investment Fund containing the asset.

17.8 Legal Counsel

The Trustee may consult with legal counsel of its choice, including counsel for the Employer or counsel of the Trustee, upon any question or matter arising under this Plan and Trust. When relied upon by the Trustee, the opinion of such counsel shall be evidence that the Trustee has acted in good faith.

17.9 Fees and Expenses

The Trustee's fees for its services as Trustee shall be such as may be mutually agreed upon by the Company and the Trustee. Trustee fees and all reasonable expenses of counsel and advisors retained by the Trustee shall be paid in accordance with Section 6.

18. RIGHTS, PROTECTION, CONSTRUCTION AND JURISDICTION

18.1 Plan Does Not Affect Employment Rights

The Plan does not provide any employment rights to any Employee. The Employer expressly reserves the right to discharge an Employee at any time, with or without cause, without regard to the effect such discharge would have upon the Employee's interest in the Plan.

18.2 Limited Return of Contributions

Except as provided in this paragraph, (1) Plan assets shall not revert to the Employer nor be diverted for any purpose other than the exclusive benefit of Participants or their Beneficiaries; and (2) a Participant's vested interest shall not be subject to divestment. As provided in ERISA section

403(c)(2), the actual amount of a Contribution made by the Employer (or the current value of the Contribution if a net loss has occurred) may revert to the Employer if:

(a) such Contribution is made by reason of a mistake of fact;

(b) initial qualification of the Plan under Code section 401(a) is not received and a request for such qualification is made within the time prescribed under Code section 401(b) (the existence of and Contributions under the Plan are hereby conditioned upon such qualification); or

(c) such Contribution is not deductible under Code section

404 (such Contributions are hereby conditioned upon such deductibility) in the taxable year of the Employer for which the Contribution is made.

The reversion to the Employer must be made (if at all) within one year of the mistaken payment of the Contribution, the date of denial of qualification, or the date of disallowance of deduction, as the case may be. A Participant shall have no rights under the Plan with respect to any such reversion.

18.3 Assignment and Alienation

As provided by Code section 401(a)(13) and to the extent not otherwise required by law, no benefit provided by the Plan may be anticipated, assigned or alienated, except:

(a) to create, assign or recognize a right to any benefit with respect to a Participant pursuant to a QDRO, or

(b) to use a Participant's vested Account balance as security for a loan from the Plan which is permitted pursuant to Code section 4975.

18.4 Facility of Payment

If a Plan benefit is due to be paid to a minor or if the Administrator reasonably believes that any payee is legally incapable of giving a valid receipt and discharge for any payment due him or her, the Administrator shall have the payment of the benefit, or any part thereof, made to the person (or persons or institution) whom it reasonably believes is caring for or supporting the payee, unless it has received due notice of claim therefor from a duly appointed guardian or conservator of the payee. Any payment shall to the extent thereof, be a complete discharge of any liability under the Plan to the payee.

18.5 Reallocation of Lost Participant's Accounts

If the Administrator cannot locate a person entitled to payment of a Plan benefit after a reasonable search, the Administrator may at any time thereafter treat such person's Account as forfeited and use such amount to offset any Employer Contributions. If such person subsequently presents the Administrator with a valid claim for the benefit, such person shall be paid the amount treated as forfeited, plus the interest that would have been earned in the Sweep Account to the date of determination. The Administrator shall pay the amount through an additional Employer Contribution.

18.6 Claims Procedure

(a) Right to Make Claim. An interested party who disagrees with the Administrator's determination of his or her right to Plan benefits must submit a written claim and exhaust this claim procedure before legal recourse of any type is sought. The claim must include the important issues the interested party believes support the claim. The Administrator, pursuant to the authority provided in this Plan, shall either approve or deny the claim.

(b) Process for Denying a Claim. The Administrator's partial or complete denial of an initial claim must include an understandable, written response covering

- (1) the specific reasons why the claim is being denied (with reference to the pertinent Plan provisions) and
- (2) the steps necessary to perfect the claim and obtain a final review.

(c) Appeal of Denial and Final Review. The interested party may make a written appeal of the Administrator's initial decision, and the Administrator shall respond in the same manner and form as prescribed for denying a claim initially.

(d) Time Frame. The initial claim, its review, appeal and final review shall be made in a timely fashion, subject

to the following time table:

Action	Days to Respond From Last Action
Administrator determines benefit	NA
Interested party files initial request	60 days
Administrator's initial decision	90 days
Interested party requests final review	60 days
Administrator's final decision	60 days

However, the Administrator may take up to twice the maximum response time for its initial and final review if it provides an explanation within the normal period of why an extension is needed and when its decision will be forthcoming.

18.7 Construction

Headings are included for reading convenience. The text shall control if any ambiguity or inconsistency exists between the headings and the text. The singular and plural shall be interchanged wherever appropriate. References to Participant shall include Beneficiary when appropriate and even if not otherwise already expressly stated.

18.8 Jurisdiction and Severability

The Plan and Trust shall be construed, regulated and administered under ERISA and other applicable federal laws and, where not otherwise preempted, by the laws of the State of California. If any provision of this Plan and Trust shall become invalid or unenforceable, that fact shall not affect the validity or enforceability of any other provision of this Plan and Trust. All provisions of this Plan and Trust shall be so construed as to render them valid and enforceable in accordance with their intent.

18.9 Indemnification by Employer

The Employers hereby agree to indemnify all Plan fiduciaries against any and all liabilities resulting from any action or inaction, (including a Plan termination in which the Company fails to apply for a favorable determination from the Internal Revenue Service with respect to the qualification of the Plan upon its termination), in relation to the Plan or Trust (1) including (without limitation) expenses reasonably incurred in the defense of any claim relating to the Plan or its assets, and amounts paid in any settlement relating to the Plan or its assets, but (2) excluding liability resulting from actions or inactions made in bad faith, or resulting from the negligence or willful misconduct of the Trustee. The Company shall have the right, but not the obligation, to conduct the defense of any action to which this Section applies. The Plan fiduciaries are not entitled to indemnity from the Plan assets relating to any such action.

19. AMENDMENT, MERGER AND TERMINATION

19.1 Amendment

The Company reserves the right to amend this Plan and Trust at any time, to any extent and in any manner it may deem necessary or appropriate. The Company (and not the Trustee) shall be responsible for adopting any amendments necessary to maintain the qualified status of this Plan and Trust under Code sections 401(a) and 501(a). If the Committee is acting as the Administrator in accordance with Section 15.6, it shall have the authority to adopt Plan and Trust amendments which have no substantial adverse financial impact upon any Employer or the Plan. All interested parties shall be bound by any amendment, provided that no amendment shall:

- (a) become effective unless it has been adopted in accordance with the procedures set forth in Section 19.4;
- (b) except to the extent permissible under ERISA and the Code, make it possible for any portion of the Trust assets to revert to an Employer or to be used for, or diverted to, any purpose other than for the exclusive benefit of Participants and Beneficiaries entitled to Plan benefits and to defray reasonable expenses of administering the Plan;
- (c) decrease the rights of any Employee to benefits accrued (including the elimination of optional forms of benefits) to the date on which the amendment is adopted, or if later, the date upon which the amendment becomes effective, except to the extent permitted under ERISA and the Code; nor
- (d) permit an Employee to be paid the balance of his or her Pre-Tax Account unless the payment would otherwise be permitted under Code section 401(k).

19.2 Merger

This Plan and Trust may not be merged or consolidated with, nor may its assets or liabilities be transferred to, another plan unless each Participant and Beneficiary would, if the resulting plan were then terminated, receive a benefit just after the merger, consolidation or transfer which is at least equal to the benefit which would be received if either plan had terminated just before such event.

19.3 Plan Termination

The Company may, at any time and for any reason, terminate the Plan in accordance with the procedures set forth in Section 19.4, or completely discontinue contributions. Upon either of these events, or in the event of a partial termination of the Plan within the meaning of Code section 411(d)(3), the Accounts of each affected Employee who has not yet incurred a Break in Service shall be fully vested. Complete distributions or withdrawals will be made in accordance with the terms of the Plan as in effect at the time of the Plan's termination or as thereafter amended provided that a post-termination amendment will not be effective to the extent that it violates Section 19.1 unless it is required in order to maintain the qualified status of the Plan upon its termination. The Trustee's and Employer's authority shall continue beyond the Plan's termination date until all Trust assets have been liquidated and distributed.

19.4 Amendment and Termination Procedures

The following procedural requirements shall govern the adoption of any amendment or termination (a "Change") of this Plan and Trust:

- (a) The Company may adopt any Change by action of its board of directors in accordance with its normal procedures.
- (b) The Committee, if acting as Administrator in accordance with Section 15.6, may adopt any amendment within the scope of its authority provided under Section 19.1 and in the manner specified in Section 15.7(a).
- (c) Any Change must be (1) set forth in writing, and (2) signed and dated by a corporate officer of the Company or, in the case of an amendment adopted by the Committee, at least one of its members.
- (d) If the effective date of any Change is not specified in the document setting forth the Change, it shall be effective as of the date it is signed by the last person whose signature is required under clause (2) above, except to the extent that another effective date is necessary to maintain the qualified status of this Plan and Trust under Code sections 401(a) and 501(a).

(e) No change shall become effective until it is accepted and signed by the Trustee (which acceptance shall not unreasonably be withheld).

19.5 Termination of Employer's Participation

Any Employer may, at any time and for any reason, terminate its Plan participation by action of its board of directors in accordance with its normal procedures. Written notice of such action shall be signed and dated by a corporate officer of the Employer and delivered to the Company. If the effective date of such action is not specified, it shall be effective on, or as soon as reasonably practicable, after the date of delivery. Upon the Employer's request, the Company may instruct the Trustee and Administrator to spin off all affected Accounts and underlying assets into a separate qualified plan under which the Employer shall assume the powers and duties of the Company. Alternatively, the Company may treat the event as a partial termination described above or continue to maintain the Accounts under the Plan.

19.6 Replacement of the Trustee

The Trustee may resign as Trustee under this Plan and Trust or may be removed by the Company at any time upon at least 90 days written notice (or less if agreed to by both parties). In such event, the Company shall appoint a successor trustee by the end of the notice period. The successor trustee shall then succeed to all the powers and duties of the Trustee under this Plan and Trust. If no successor trustee has been named by the end of the notice period, the Company's chief executive officer shall become the trustee, or if he or she declines, the Trustee may petition the court for the appointment of a successor trustee.

19.7 Final Settlement and Accounting of Trustee

(a) Final Settlement. As soon as is administratively feasible after its resignation or removal as Trustee, the Trustee shall transfer to the successor trustee all property currently held by the Trust. However, the Trustee is authorized to reserve such sum of money as it may deem advisable for payment of its accounts and expenses in connection with the settlement of its accounts or other fees or expenses payable by the Trust. Any balance remaining after payment of such fees and expenses shall be paid to the successor trustee.

(b) Final Accounting. The Trustee shall provide a final accounting to the Administrator within 90 days of the date Trust assets are transferred to the successor trustee.

(c) Administrator Approval. Approval of the final accounting will automatically occur 90 days after such accounting has been received by the Administrator, unless the Administrator files a written objection with the Trustee within such time period. Such approval shall be final as to all matters and transactions stated or shown therein and binding upon the Administrator.

APPENDIX A - INVESTMENT FUNDS

I. Investment Funds Available

The Investment Funds offered to Participants and Beneficiaries as of the Effective Date include this set of daily valued funds:

Category	Funds
Money Market	Money Market
Income	Bond Index
Balanced	Asset Allocation
Equity	Company Stock Growth Stock S&P 500 Stock

II. Default Investment Fund

The default Investment Fund as of the Effective Date is the Money Market Fund.

III. Contribution Accounts For Which Investment is Restricted

A Participant or Beneficiary may direct the investment of his or her entire Account except for the following Contribution Accounts, and except as otherwise provided in Section 7, which shall be invested as of the Effective Date as follows:

Employer Match Account Company Stock Fund Additional Match Account Company Stock Fund Discretionary Match Account Company Stock Fund

IV. Maximum Percentage Restrictions Applicable to Certain Investment Funds

As of the Effective Date, there are no maximum percentage restrictions applicable to any Investment Funds.

APPENDIX B - PAYMENT OF PLAN FEES AND EXPENSES

As of the Effective Date, payment of Plan fees and expenses shall be as follows:

- 1) Investment Management Fees: These are paid by Participants in that management fees reduce the investment return reported and credited to Participants, except that the Employer shall pay the fees related to the Company Stock Fund. These are paid by the Employer on a quarterly basis.
- 2) Recordkeeping Fees: These are paid by the Employer on a quarterly basis.
- 3) Loan Fees: A \$3.50 per month fee is assessed and billed/collected quarterly from the Account of each Participant who has an outstanding loan balance.
- 4) Investment Fund Election Changes: For each Investment Fund election change by a Participant, in excess of 4 changes per year, a \$10 fee will be assessed and billed/collected quarterly from the Participant's Account.
- 5) Additional Fees Paid by Employer: All other Plan related fees and expenses shall be paid by the Employer. To the extent that the Administrator later elects that any such fees shall be borne by Participants, estimates of the fees shall be determined and reconciled, at least annually, and the fees will be assessed monthly and billed/collected from Accounts quarterly.

APPENDIX C - LOAN INTEREST RATE

As of the Effective Date, the interest rate charged on Participant loans shall be equal to the Trustee's prime rate, plus 3%.

Exhibit 10.21
AMENDED AND RESTATED
CENTURY TELEPHONE ENTERPRISES, INC.
SUPPLEMENTAL DEFINED CONTRIBUTION PLAN

I. Purpose of the Plan

This Amended and Restated Supplemental Defined Contribution Plan (the "Plan") is intended to provide Century Telephone Enterprises, Inc. (the "Company") and its subsidiaries a method for attracting and retaining key employees; to provide a method for recognizing the contributions of such personnel; and to promote executive and managerial flexibility, thereby advancing the interests of the Company and its stockholders. In addition, the Plan is intended to provide a more adequate level of retirement benefits in combination with the Company's general retirement program.

II. Definitions

As used in this Plan, the following terms shall have the meanings indicated, unless the context otherwise specifies or requires:

2.01 "ACCOUNT" shall mean the account established under this Plan in accordance with Section 4.01.

2.02 "ACCOUNT BALANCE", as of a given date, shall mean the fair market value of a Participant's Account, as determined by the Committee.

2.03 "BOARD OF DIRECTORS" shall mean not less than a quorum of the whole Board of Directors of Century Telephone Enterprises, Inc.

2.04 "COMMITTEE" shall mean three or more members of the Board of Directors as described in Section 11.01 of the Plan, or the Board if no Committee has been appointed.

2.05 "COMMON STOCK" shall mean the common stock, \$1.00 par value per share, of the Company.

2.06 "COMPANY" shall mean Century Telephone Enterprises, Inc., any Subsidiary thereof, and any affiliate designated by the Company as a participating employer under this Plan.

2.07 "COMPENSATION" shall mean a sum of Participant's Salary, determined under Section 2.20 and Incentive Compensation, determined under Section 2.11, for a particular year. The determination of a Participant's Compensation for purposes of this Plan shall be made by the Committee, in its sole discretion.

2.08 "DISABILITY" shall mean a condition which makes a Participant unable to perform each of the material duties of his regular occupation where he is likely to remain thus incapacitated continuously and permanently.

2.09 "EFFECTIVE DATE" of this Plan shall mean January 1, 1994.

2.10 "EMPLOYER" shall mean Century Telephone Enterprises, Inc., any Subsidiary thereof, and any affiliate designated by the Company as a participating employer under this Plan.

2.11 "INCENTIVE COMPENSATION" shall mean the amount awarded to a Participant under the Company's Key Employee Incentive Compensation Program or other executive incentive compensation arrangement maintained by the Company, including the amount of any stock award in its cash equivalent at the time of conversion of the award from cash to stock. A Participant's Incentive Compensation shall be determined on an annual basis and shall, for purposes of this Plan, be allocated to the year or years to which the award relates, i.e., the period of time during which the award was earned.

2.12 "LEAVE OF ABSENCE" shall mean any extraordinary absence authorized by the Employer under the Employer's standard personnel practices.

2.13 "NORMAL RETIREMENT AGE" shall mean age sixty-five (65).

2.14 "NORMAL RETIREMENT DATE" shall mean the first day of the month coincident with or next following a Participant's sixty-fifth (65th) birthday. Normal Retirement Age shall mean age sixty-five (65).

2.15 "PARTICIPANT" shall mean any officer of the Employer who is granted participation in the Plan in accordance with the provisions of Article III.

2.16 "PHANTOM STOCK UNIT" shall mean a unit, the value of which is equal to the value of a share of Common Stock, but does not represent actual shares of Common Stock.

2.17 "PLAN" shall mean the Century Telephone Enterprises, Inc. Supplemental Defined Contribution Plan, as amended and restated herein.

2.18 "PLAN CONTRIBUTIONS" shall mean the total dollar amount of contributions made, directly or indirectly, on behalf of a Participant under the Company's Stock Bonus Plan, PAYSOP and Trust and the Company's Employee Stock Ownership Plan and Trust.

2.19 "PLAN CONTRIBUTION PERCENTAGE" shall mean the estimated total of the percentage of compensation of employees of the Company contributed by the Company to its Stock Bonus Plan, PAYSOP and Trust and its Employee Stock Ownership Plan and Trust, as determined by dividing Plan Contributions for a particular year by estimated compensation taken into account under such plans for the year. The Committee, in its sole discretion, shall determine the Plan Contribution Percentage for each year, and such determination shall be binding and conclusive.

2.20 "SALARY" shall mean a Participant's actual pay for the calendar year, exclusive, however, of bonus payments, overtime payments, commissions, imputed income on life insurance, vehicle allowances, relocation expenses, severance payments, and any other extra compensation.

2.21 "SUBSIDIARY" shall mean any corporation in which the Company owns, directly or indirectly through subsidiaries, at least fifty percent (50%) of the combined voting power of all classes of stock.

III. Participation

3.01 Any officer who is either one of the key employees of the Company in a position to contribute materially to the continued growth and future financial success of the Company, or one who has made a significant contribution to the Company's operations, thereby meriting special recognition, shall be eligible to participate provided the following requirements are met:

- a. The officer is employed on a full-time basis by Century Telephone Enterprises, Inc., any Subsidiary thereof or any affiliate designated by the Company as a participating employer under this Plan;
- b. The officer is compensated for full-time employment by a regular salary;
- c. The coverage of the officer is duly approved by the Board of Directors of Century Telephone Enterprises, Inc.

It is intended that participation in this Plan shall be extended only to those officers who are members of a select group of management and highly compensated employees, as determined by the Committee.

IV. Accounts and Investments

4.01 An Account shall be established on behalf of each Participant who receives an allocation of Phantom Stock Units pursuant to Article V hereof. Each Participant's Account shall be credited with such allocation, and shall be debited with any expenses properly chargeable thereto. Any cash dividends paid on the Common Stock will be deemed to be paid on the Phantom Stock Units and will be deemed to be invested in additional Phantom Stock Units.

4.02 Each Participant shall be furnished with a statement of his Account, in such form as the Committee shall determine, within a reasonable period of time after the end of each year.

V. Allocations to Accounts

5.01 For each calendar year in which this Plan is in effect, each Participant's Account shall be credited with that number of Phantom Stock Units equal in value to that number of shares of Common Stock that could be purchased with an amount determined according to the following formula:

- (a) Compensation, times
- (b) Plan Contribution Percentage, less
- (c) Plan Contributions.

For purposes of this Section 5.01 the Common Stock shall be valued at the closing price of the Common Stock on the New York Stock Exchange on the trading day immediately preceding the date specified in Section 5.02.

5.02 The amount determined under Section 5.01 shall be credited to a Participant's account as of the later of the date on which the credit to the Participant's Account for the year under Section 5.01 is determined, or the date on which an amount representing such credit is contributed

under the Plan, and shall be considered a part of the Participant's Account Balance as of such date.

VI. Vesting of Account

6.01 A Participant's Account shall be fully vested upon:

- (a) attainment of age 55.
- (b) death.
- (c) disability as defined in Section 2.07.

6.02 If a Participant terminates service for reasons other than as listed in Section 6.01(a), (b), or (c), his Account Balance shall be vested in accordance with the following schedule:

Years of Service	Vested %
less than 5	0%
5 or more	100%

VII. Years of Service

7.01 A Participant will receive credit for a year of service for each calendar year in which he completes at least one thousand (1000) hours of service. Years of service will include all years of service prior to becoming an officer of the Company, years of service following Normal Retirement Date, and years of service with any Subsidiary or any affiliate designated by the Company as a participating employer under this Plan.. In addition, periods of Leave of Absence and periods during which severance pay is provided shall be counted for determining years of service.

VIII. Time of Payment and Beneficiaries

8.01 Except as provided in Section 8.02, a Participant's vested Account Balance is payable upon termination of employment.

8.02 Payment of the Account Balance of a deceased Participant shall commence within ninety (90) days of his death, and shall be made to his beneficiary designated on a form provided for such purpose by the Plan Administrator. If the Participant fails to designate a beneficiary, his Account Balance shall be payable to his surviving spouse or, if none, to his surviving child or children (or legal representative of any minor child or child who has been declared incompetent or incapable of handling his affairs) in equal shares. The Account Balance of a Participant who dies leaving no spouse or children shall be paid to his estate.

IX. Form of Benefit Payment

9.01 The normal form of payment of a Participant's Account Balance is a lump sum cash payment.

9.02 A Participant may, prior to termination of employment, elect to receive payment of his Account Balance in monthly, quarterly, or annual cash installments of approximately equal amounts, over a period not to exceed ten (10) years.

X. Additional Restrictions on Benefit Payments

10.01 In no event will there be a duplication of benefits payable under the Plan because of employment by more than one participating Employer.

XI. Administration and Interpretation

11.01 The Plan shall be administered by the Board of Directors through a Committee which shall consist of three or more members of the Board of Directors of the Company. No individual who is or has ever been a member of the Committee shall be eligible to be designated as a participant or receive payments under this Plan. The Committee shall have full power and authority to interpret and administer the Plan and, subject to the provisions herein set forth, to prescribe, amend and rescind rules and regulations and make all other determinations necessary or desirable for the administration of the Plan. The Board may from time to time appoint additional members of the Committee or remove members and appoint new members in substitution for those previously appointed and to fill vacancies however caused.

11.02 The decision of the Committee relating to any question concerning or involving the interpretation or administration of the Plan shall be final and conclusive, and nothing in the Plan shall be deemed to give any employee any right to participate in the Plan, except to such extent, if any, as the Committee may have determined or approved pursuant to the provisions of the Plan.

XII. Nature of the Plan

12.01 Benefits under the Plan shall generally be payable by the Company from its own funds, and such benefits shall not (i) impose any obligation upon the trust(s) of the other employee benefit programs of the Company; (ii) be paid from such trust(s); nor (iii) have any effect whatsoever upon the amount or payment of benefits under the other employee benefit programs of the Company. Participants have only an unsecured right to receive benefits under the Plan from the Company as general creditors of the Company. The Company may deposit amounts in a trust established by the Company for the purpose of funding the Company's obligations under the Plan. Participants and their beneficiaries, however, have no secured interest or special claim to the assets of such trust, and the assets of the trust shall be subject to the payment of claims of general creditors of the Company upon the insolvency or bankruptcy of the Company, as provided in the trust.

XIII. Employment Relationship

13.01 An employee shall be considered to be in the employment of the Company and its subsidiaries as long as he remains an employee of either the Company, any Subsidiary of the Company, or any corporation to which substantially all of the assets and business of the Company are transferred. Nothing in the adoption of this Plan nor the designation of any Participant shall confer on any employee the right to continued employment by the Company or a Subsidiary of the Company, or affect in any way the right of the Company or such Subsidiary to terminate his employment at any time. Any question as to whether and when there has been a termination of an employee's employment, and the cause, notice or other circumstances of such termination, shall be determined by the Board, and its determination shall be final.

XIV. Amendment and Termination of Plan

14.01 The Board of Directors of the Company in its sole discretion may terminate the Plan at any time and shall have the right to alter or amend the Plan or any part thereof from time to time, except that the Board of Directors shall not terminate the Plan or make any alteration or amendment thereto which would impair any rights or benefits of a Participant previously accrued.

XV. Binding Effect

15.01 This Plan shall be binding on the Company, each Subsidiary and any affiliate designated by the Company as a participating employer under this Plan, the successors and assigns thereof, and any entity to which substantially all of the assets or business of the Company, a Subsidiary, or a participating affiliate are transferred.

XVI. Reimbursement of Participants

16.01 The Company shall reimburse any Participant, or beneficiary thereof, for all expenses, including attorney's fees, actually and reasonably incurred by the Participant or beneficiary in any proceeding to enforce any of their rights under this Plan.

XVII. Construction

17.01 The masculine gender, where appearing in the Plan, shall be deemed to include the feminine gender, and the singular may indicate the plural, unless the context clearly indicates the contrary. The words "hereof", "herein", "hereunder" and other similar compounds of the word "here" shall, unless otherwise specifically stated, mean and refer to the entire Plan, not to any particular provision or Section. Article and Section headings are included for convenience of reference and are not intended to add to, or subtract from, the terms of the Plan.

IN WITNESS WHEREOF, Century Telephone Enterprises, Inc. has executed this Plan in its corporate name and its corporate seal to be hereunto affixed this 20th day of December, 1994.

ATTEST:

CENTURY TELEPHONE ENTERPRISES, INC.

/s/ Connie Walden

By: /s/ R. Stewart Ewing, Jr.
R. Stewart Ewing, Jr.
Senior Vice President and
Chief Financial Officer

Exhibit 10.22
AMENDED AND RESTATED
CENTURY TELEPHONE ENTERPRISES, INC.
SUPPLEMENTAL DOLLARS & SENSE PLAN

I. Purpose of the Plan

This Amended and Restated Supplemental Dollars & Sense Plan is established by Century Telephone Enterprises, Inc. (the "Company") and its subsidiaries and designated affiliates to provide to certain select management employees the opportunity to defer a portion of their compensation in excess of the deferrals permissible under the terms of the Century Telephone Enterprises, Inc. Dollars & Sense Plan and Trust (the "Dollars & Sense Plan") maintained by the Company and to allow the Company to make matching contributions based on such deferrals in excess of those permissible under such plan. This Plan is not intended to constitute a qualified plan under Section 401(a) of the Internal Revenue Code of 1986, as amended (the "Code"), and is designed to be exempt from the participation, vesting, funding and fiduciary responsibility rules of the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

II. Definitions

As used in this Plan, the following terms shall have the meanings indicated, unless the context otherwise specifies or requires:

2.01 "ACCOUNT" shall mean the account established under this Plan in accordance with Section 4.01.

2.02 "ACCOUNT BALANCE", as of a given date, shall mean the fair market value of a Participant's Account, as determined by the Committee.

2.03 "BENEFICIARY" shall mean the person or persons designated by the Participant to receive benefits after the death of the Participant.

2.04 "BOARD OF DIRECTORS" shall mean not less than a quorum of the whole Board of Directors of the Company.

2.05 "COMMITTEE" shall mean three or more members of the Board of Directors of the Company as described in Section 11.01 of the Plan, or the Board if no Committee has been appointed.

2.06 "DISABILITY" shall mean a condition which makes a Participant unable to perform each of the material duties of his regular occupation where he is likely to remain thus incapacitated continuously and permanently.

2.07 "EFFECTIVE DATE" of this Plan shall mean the first day of the first payroll period commencing on or after January 1, 1995.

2.08 "EMPLOYER" shall mean the Company, any Subsidiary thereof, and any affiliate designated by the Company as a participating employer under this Plan.

2.09 "EXCESS SALARY" shall mean the amount of a Participant's compensation upon which the Participant can no longer make deferral contributions under the Dollars & Sense Plan due to the application of either Code Section 401(a)(17) or 402(g).

2.10 "INCENTIVE COMPENSATION" shall mean the amount awarded to a Participant under the Company's Key Employee Incentive Compensation Program or other executive incentive compensation arrangement maintained by the Company, including the amount of any stock award in its cash equivalent at the time of conversion of the award from cash to stock. A Participant's Incentive Compensation shall be determined on an annual basis and shall, for purposes of this Plan, be allocated to the year in which the award is paid to the Participant.

2.11 "LEAVE OF ABSENCE" shall mean any extraordinary absence authorized by the Employer under the Employer's standard personnel practices.

2.12 "NORMAL RETIREMENT AGE" shall mean age sixty-five (65).

2.13 "NORMAL RETIREMENT DATE" shall mean the first day of the month coincident with or next following a Participant's sixty-fifth (65th) birthday.

2.14 "PARTICIPANT" shall mean any officer of the Company, any Subsidiary thereof, and any designated affiliate, who is granted participation in the Plan in accordance with the provisions of Article III.

2.15 "PLAN" shall mean the Century Telephone Enterprises, Inc. Supplemental Dollars & Sense Plan, as amended and restated herein.

2.16 "PLAN YEAR" shall mean the calendar year.

2.17 "SUBSIDIARY" shall mean any corporation in which the Company owns, directly or indirectly through subsidiaries, at least fifty percent (50%) of the combined voting power of all classes of stock.

III. Participation

3.01 Any officer who is either one of the key employees of the Employer in a position to contribute materially to the continued growth and future financial success of the Employer, or one who has made a significant contribution to the Employer's operations, thereby meriting special recognition, shall be eligible to participate provided the following requirements are met:

- a. The officer is employed on a full-time basis by the Company, any Subsidiary thereof, or any designated affiliate;
- b. The officer is compensated for full-time employment by a regular salary;
- c. The coverage of the officer is duly approved by the Board of Directors of the Company.

It is intended that participation in this Plan shall be extended only to those officers who are members of a select group of management and highly compensated employees, as determined by the Committee.

IV. Accounts and Investments

4.01 An Account shall be established on behalf of each Participant who receives an allocation pursuant to Article VI hereof. Each Participant's Account shall be credited with such allocation, and earnings and gains on his Account Balance, and shall be debited with distributions, losses, and any expenses properly chargeable thereto.

4.02 Each Participant shall have the same rights with respect to investment of amounts in his Account hereunder as are available from time to time under the Dollars & Sense Plan, as to permissible investment funds, except as provided below. Investment in the Century Stock Fund and the Stagecoach Bond Index Fund will not be available under the Plan. The investment rights of each Participant hereunder shall extend to all amounts in his Account, including deferral contributions and matching contributions.

4.03 The Accounts of Participants in the Plan shall be revalued as of the last day of each calendar quarter, and each Participant shall be furnished with a statement of his Account, in such form as the Committee shall determine, within a reasonable period of time after the end of each quarter.

V. Participant Salary Deferrals

5.01 Each Participant shall make separate written elections, prior to the first day of each Plan Year (or, as to Participants who first become Participants as of a day other than January 1, prior to such date) to defer a portion of his (i) Excess Salary and/or (ii) Incentive Compensation. The amount of allowable deferral pursuant to each of the Participant's elections shall be a whole percentage, not to exceed ten percent (10%). An election to defer Excess Salary shall provide for a deferral to be made from each paycheck. An election to defer Incentive Compensation shall provide for a deferral based on the total Incentive Compensation award, including stock, as determined under Section 2.10, with the amount of such deferral to be made from the bonus check representing the cash portion of such award.

5.02 Any agreement made under the terms of Section 5.01 shall be irrevocable until the succeeding January 1, except that a salary deferral election under the terms of this Plan may be changed, amended or suspended at the same time and in the same manner as elections under the Dollars & Sense Plan.

5.03 If a Participant does not make new elections for a succeeding Plan Year under Section 5.01, his elections in effect for the current Plan Year shall be deemed to continue in force and effect as if made for such succeeding Plan Year.

VI. Allocations to Participant's Accounts

6.01 The Employer shall allocate to each Participant's Account the amount of Excess Salary and/or Incentive Compensation deferred by such Participant pursuant to an election made under Section 5.01. The allocation hereunder shall be made as of the date of the paycheck or bonus check to which the deferral by the Participant relates.

6.02 The Employer shall allocate a matching contribution to each Participant's Account under this Plan each Plan Year equal to the total matching percentage (including matching and additional matching contributions) for the year provided by the Dollars & Sense Plan multiplied by the Participant's deferrals under this Plan not in excess of six percent (6%) of the Participant's Excess Salary and/or Incentive Compensation, applied to each separately.

VII. Vesting of Account

7.01 A Participant's Account Balance shall be fully vested at all times.

VIII. Time of Payment and Beneficiaries

8.01 Except as provided in Section 8.02, a Participant's Account Balance is payable upon termination of employment.

8.02 Payment of the Account Balance of a deceased Participant shall commence within ninety (90) days after his death, and shall be made to his beneficiary designated on a form provided for such purpose by the Plan Administrator. If the Participant fails to designate a beneficiary, his Account Balance shall be payable to his surviving spouse or, if none, to his surviving child or children (or legal representative of any minor child or child who has been declared incompetent or incapable of handling his affairs) in equal shares. The Account Balance of a Participant who dies leaving no spouse or children shall be paid to his estate.

IX. Form of Benefit Payment

9.01 The normal form of payment of a Participant's Account Balance is a lump sum cash payment.

9.02 A Participant may, prior to termination of employment, elect to receive payment of his Account Balance in monthly, quarterly, or annual cash installments of approximately equal amounts, over a period not to exceed ten (10) years.

X. Additional Restrictions on Benefit Payments

10.01 In no event will there be a duplication of benefits payable under the Plan because of employment by more than one participating Employer.

XI. Administration and Interpretation

11.01 The Plan shall be administered by the Board of Directors of the Company through a Committee which shall consist of three or more members of such Board. No individual who is or has ever been a member of the Committee shall be eligible to be designated as a participant or receive payments under this Plan. The Committee shall have full power and authority to interpret and administer the Plan and, subject to the provisions herein set forth, to prescribe, amend and rescind rules and regulations and make all other determinations necessary or desirable for the administration of the Plan. The Board may from time to time appoint additional members of the Committee or remove members and appoint new members in substitution for those previously appointed and to fill vacancies however caused.

11.02 The decision of the Committee relating to any question concerning or involving the interpretation or administration of the Plan shall be final and conclusive, and nothing in the Plan shall be deemed to give any employee any right to participate in the Plan, except to such extent, if any, as the Committee may have determined or approved pursuant to the provisions of the Plan.

XII. Nature of the Plan

12.01 Benefits under the Plan shall generally be payable by the Company from its own funds, and such benefits shall not (i) impose any obligation upon the trust(s) of the other employee benefit programs of the Company; (ii) be paid from such trust(s); nor (iii) have any effect whatsoever upon the amount or payment of benefits under the other employee benefit programs of the Company. Participants have only an unsecured right to receive benefits under the Plan from the Company as general creditors of the Company. The Company may deposit amounts in a trust established by the Company for the purpose of funding the Company's obligations under the Plan. Participants and their beneficiaries, however, have no secured interest or special claim to the assets of such trust, and the assets of the trust shall be subject to the payment of claims of general creditors of the Company upon the insolvency or bankruptcy of the Company, as provided in the trust.

XIII. Employment Relationship

13.01 An employee shall be considered to be in the employment of the Employer as long as he remains an employee of either the Company, any Subsidiary of the Company, any designated affiliate, or any corporation to which substantially all of the assets and business of any of such entities are transferred. Nothing in the adoption of this Plan nor the designation of any Participant shall confer on any employee the right to continued employment by the Employer, or affect in any way the right of the Employer to terminate his employment at any time. Any question as to whether and when there has been a termination of an employee's employment, and the cause, notice or other circumstances of such termination, shall be determined by the Board, and its determination shall be final.

XIV. Amendment and Termination of Plan

14.01 The Board of Directors of the Company in its sole discretion may terminate the Plan at any time and shall have the right to alter or amend the Plan or any part thereof from time to time, except that the Board of Directors shall not terminate the Plan or make any alteration or amendment thereto which would impair the rights of a Participant previously accrued.

XV. Binding Effect

15.01 This Plan shall be binding on the Company, each Subsidiary and any designated affiliate, the successors and assigns thereof, and any entity to which substantially all of the assets or business of the Company, a Subsidiary, or a designated affiliate are transferred.

XVI. Reimbursement of Participants

16.01 The Company shall reimburse any Participant, or beneficiary thereof, for all expenses, including attorney's fees, actually and reasonably incurred by the Participant or beneficiary in any proceeding to enforce any of his rights under this Plan.

XVII. Construction

17.01 The masculine gender, where appearing in the Plan, shall be deemed to include the feminine gender, and the singular may indicate the plural, unless the context clearly indicates the contrary. The words "hereof", "herein", "hereunder" and other similar compounds of the word "here" shall, unless otherwise specifically stated, mean and refer to the entire Plan, not to any particular provision or Section. Article and Section headings are included for convenience of reference and are not intended to add to, or subtract from, the terms of the Plan.

IN WITNESS WHEREOF, Century Telephone Enterprises, Inc. has executed this Plan this 22nd day of December, 1994.

ATTEST: CENTURY TELEPHONE ENTERPRISES, INC.

/s/ Connie Walden

By: _

/s/ R. Stewart Ewing, Jr.

R. Stewart Ewing, Jr.

Senior Vice President and

Chief Financial Officer

Exhibit 10.24
AGREEMENT

This AGREEMENT (the "Agreement"), which is dated as of December 31, 1994, is by and between Century Telephone Enterprises, Inc., a Louisiana corporation (the "Company"), and Jim D. Reppond ("Employee").

WITNESSETH:

WHEREAS, Employee has been employed by the Company and its predecessor companies for over 34 years, most recently as President-Telephone Group;

WHEREAS, Employee has served as a Director of the Company since 1986 and has served for several years as a Director of various subsidiaries of the Company; and

WHEREAS, Employee and the Board of Directors of the Company (the "Board") agree that it is desirable and in the Company's best interests to name Employee's successor as President-Telephone Group ("Successor") and to provide for an orderly transition of duties between Employee and Successor, all on the terms and conditions specified herein;

NOW, THEREFORE, in consideration of the premises and the respective covenants and agreements of the parties herein contained, and intending to be legally bound hereby, the parties hereto agree as follows:

1. RESIGNATION AND INTERIM EMPLOYMENT

1.01 Resignation. Effective as of the date hereof, Employee hereby resigns from his position as President-Telephone Group of the Company and resigns from all his positions as a director, officer or employee of each direct or indirect subsidiary of the Company. Nothing herein shall be construed as an obligation of Employee to resign from the Board.

1.02 Interim Employment. Effective as of the date hereof and subject to the terms and conditions of this Agreement and applicable law, the Company hereby agrees to employ Employee, and Employee hereby agrees to serve, as Vice President of the Company until his 55th birthday on July 2, 1996, at which time he will retire as Vice President of the Company. At all times during which Employee is employed hereunder, Employee shall

(i) assist Successor in assuming his duties, (ii) report to, be subject to the supervision of, and perform such duties (in connection with special projects or otherwise) as may be assigned by, the Company's President, and

(iii) subject to the foregoing, exercise such powers and authority as specified in the Company's Bylaws. The Company agrees to permit Employee, to the maximum extent possible, to discharge his duties hereunder from his principal residence.

1.03 Early Retirement. Employee's retirement at age 55 on July 2, 1996 will be deemed to constitute early retirement approved by the Company and its Board for purposes of each of the Company's benefit plans.

1.04 Term. Unless Employee's employment is terminated at an earlier date under Section , all terms and conditions contained in Sections 2 and 3 shall continue in full force and effect through July 2, 1996, at which time all such terms and conditions shall lapse. The period between the date hereof and such termination date shall be referred to herein as the "Interim Employment Period."

2. COMPENSATION AND RELATED MATTERS DURING INTERIM EMPLOYMENT PERIOD

In consideration of the services and duties to be performed by Employee during the Interim Employment Period, the Company agrees to pay and provide for Employee the compensation and benefits described below:

2.01 Salary. During the Interim Employment Period, the Company shall pay to Employee a salary of \$123,000 per annum in equal biweekly installments.

2.02 Expenses. During the Interim Employment Period, Employee shall be entitled to receive prompt reimbursement for all reasonable expenses incurred by Employee in performing services hereunder, provided that such expenses are incurred and accounted for in accordance with the Company's policies and procedures then in effect.

2.03 Benefit Plans. (a) Except as otherwise provided in paragraphs (b) and (c), during the Interim Employment Period Employee shall be entitled to participate in any employee benefit plans or arrangements that the Company makes generally available now or in the future to its employees or non-executive officers, on the same basis and subject to the same requirements, limitations and qualifications that are or may be made applicable to other employees or non-executive officers.

(b) Employee shall not be entitled to (i) continue to participate in the Company's 1983 Restricted Stock Plan, Key Employee Incentive Compensation Plan, 1988 Incentive Compensation Program or 1990 Incentive Compensation Program or any successor incentive compensation plan (other than with respect to receiving benefits for services prior to the date hereof), (ii) receive the benefits of the

amendments dated July 1, 1994 to the Company's Supplemental Executive Retirement Plan providing for an expanded definition of compensation and pre-retirement survivor benefits, or (iii) participate in the Company's Supplemental Defined Contribution Plan or Supplemental Dollars & Sense Plan.

(c) Notwithstanding any provisions in the Company's benefit plans to the contrary, during the Interim Employment Period the death benefit payable upon Employee's death under the life insurance provided by the Company shall equal \$865,600.

3. TERMINATION OF INTERIM EMPLOYMENT

3.01 Death. Employee's employment shall terminate upon his death, in which case Section 4.1 hereof shall be applicable.

3.02 Disability. If a duly qualified physician chosen by the Company and reasonably acceptable to Employee or his legal representatives certifies in writing that Employee is incapable of discharging the essential functions of his job as Vice President for a period of 60 consecutive days because of physical or mental impairment, then Employee shall be deemed disabled and the Company shall have the continuing right and option during the period such disability continues to terminate Employee's services hereunder by providing Employee with a Notice of Termination as contemplated by Section 3.05. Upon any such termination of Employee's services, Employee shall be entitled to the rights specified in Section 4.2 hereof.

3.03 With or Without Cause. Subject to Section 3.05, the Company may terminate Employee's employment with or without Cause, in which case Employee shall be entitled to the rights specified in Section 4.3 or 4.4 hereof, as applicable. For purposes of this Agreement, the Company shall have "Cause" in the event of Employee's habitual intoxication, abuse of or addiction to a controlled substance, or conviction of a felony.

3.04 Termination by Employee. Subject to Section 3.05, Employee may terminate his employment at any time and for any reason, including for Good Reason, in which case Employee shall be entitled to the rights specified in Section 4.3 or 4.4 hereof, as applicable. For purposes of this Agreement, "Good Reason" shall mean (i) the failure by the Company to pay to Employee any amounts owed under this Agreement or to comply with any other material provision of this Agreement, which failure continues for a period of 10 days after Employee gives the Company notice thereof, (ii) the issuance of any directive requiring Employee to move from his principal residence, or (iii) any change, following a Change in Control of the Company (as defined below), in Employee's duties, responsibilities or position in the management of the Company, including without limitation (A) the assignment to Employee of duties or responsibilities that are inconsistent with Employee's position as Vice President of the Company, (B) the demotion of Employee without Cause or (C) any directive requiring Employee to perform more duties, engage in more travel or otherwise discharge more responsibilities than previously performed, engaged in or discharged by Employee prior to the Change in Control of the Company. For purposes hereof, a "Change in Control of the Company" shall mean an event with respect to the Company that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934 as in effect on the date hereof.

3.05 Notice of Termination. Any termination of Employee's employment by the Company or by Employee (other than upon death) shall be communicated by written Notice of Termination delivered to the other party hereto as provided in Section 7.01. For purposes of this Agreement, a "Notice of Termination" shall mean a notice that shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Employee's employment under the provision so indicated. For purposes of this Agreement, "Date of Termination" shall mean the date specified in the Notice of Termination, provided, however, that if, within 30 days after any Notice of Termination is given, a dispute exists concerning the termination, the Date of Termination shall be the date on which the dispute is finally determined, either by mutual written agreement of the parties or by a final and nonappealable judgment, order or decree of a court of competent jurisdiction. For purposes of this Agreement, "Applicable Benefit Plans" means all benefit plans of the Company in which Employee participates on the Date of Termination pursuant to Section 2.03 hereof.

4. COMPENSATION UPON TERMINATION OF INTERIM EMPLOYMENT

4.01 Death. If Employee's employment is terminated by his death, in addition to all other death benefits provided by the Company, the Company shall pay to Employee's spouse or, if he leaves no spouse, to his estate, in a lump sum in cash within 30 days of Employee's death the sum of the pro rata amount of Employee's annual base salary earned through the date of death to the extent due but not paid and any compensation previously deferred by Employee and any accrued vacation pay, in each case to the extent not previously paid (collectively, "Accrued Obligations"). The Company shall also timely furnish to Employee any other amounts or benefits payable upon death under any Applicable Benefit Plan.

4.02 Disability. During any period that Employee is deemed to be disabled under Section 3.02, Employee shall continue to receive his full annual base salary hereunder without any offsets or reductions, provided that following any termination of Employee's services pursuant to Section 3.02 such payments may be reduced by the sum of the amounts, if any, payable to Employee under disability benefit plans of the Company. Upon termination of Employee's services under Section 3.02, the Company shall timely furnish to Employee all other amounts or benefits payable upon disability under any Applicable Benefit Plan and, to the extent that any of the benefits contemplated by Section 5 hereof shall not become payable upon Employee's disability under the Applicable Benefit Plans, the Company shall also timely furnish to Employee, to the greatest extent possible under applicable law and at the earliest date practicable, each of the benefits contemplated by Section 5, provided, however, that (i) Employee shall not be obligated to execute any consulting agreement or perform any services to be entitled to the payments contemplated under the form of agreement referred to in Section 5.01 and (ii) Employee shall be entitled to receive promptly cash

payments that compensate him for any economic loss suffered by him as a result of being unable under applicable law to receive the full benefit of any provision of Section 5.

4.03 Termination for Cause or Without Good Reason. If Employee's employment shall be terminated for Cause by the Company, or voluntarily terminated by Employee other than for Good Reason, the Company shall have no obligations to Employee under Sections 1 or 2 hereof other than for Accrued Obligations, which shall be paid in a lump sum in cash within 30 days of the Date of Termination, and for any other amounts or benefits payable upon such termination under any Applicable Benefit Plan, which the Company shall timely furnish to Employee.

4.04 Termination Without Cause or for Good Reason. If during the Interim Employment Period the Company shall terminate Employee's employment, other than for death, disability or Cause, or Employee shall terminate his employment for Good Reason, then, in addition to all amounts or compensation to which he is entitled pursuant to the Company's termination policies and other Applicable Benefit Plans then in effect, Employee shall receive:

(a) 200% of his annual base salary, payable in a lump sum in cash within 30 days of the Date of Termination; and

(b) to the greatest extent possible under applicable law and at the earliest date practicable, each of the benefits contemplated by Section 5 hereof, provided, however, that (i) Employee shall not be obligated to execute any consulting agreement or perform any services to be entitled to the payments contemplated under the form of agreement referred to in Section 5.01 and (ii) Employee shall be entitled to receive promptly cash payments that compensate him for any economic loss suffered by him as a result of being unable under applicable law to receive the full benefit of any provision of Section 5.

5. BENEFITS AND OBLIGATIONS UPON EMPLOYEE'S EARLY RETIREMENT AT AGE 55

If Employee remains employed through his early retirement on July 2, 1996, then the following benefits will accrue to Employee as of July 2, 1996:

5.01 Consulting Agreement. Employee and the Company shall enter into a consulting agreement substantially in the form of Exhibit A hereto (the "Consulting Agreement").

5.02 Supplemental Executive Retirement Plan. Pursuant to the powers delegated under Section 7.04 to the Company's Supplemental Executive Retirement Plan, the Company shall pay, or cause to be paid, to Employee 100% of Employee's accrued benefits under such plan on the terms and conditions specified therein (subject to the limitations specified in Section 2.03(b)(ii) hereof). Notwithstanding anything in such plan to the contrary, all amounts payable by the Company under such plan after the first anniversary of the initial payment shall be increased annually at the rate of 3% per annum.

5.03 Restricted Stock; Performance Shares; Options. Notwithstanding any term or condition contained in any agreement between Employee and the Company to the contrary (each of which shall be deemed to be amended by operation of this Section 5.03), the Company agrees that:

a. all shares of Restricted Stock issued to Employee under the Company's benefit plans shall vest and all restrictions (other than those arising under the federal securities laws) on Employee's rights to transfer or enjoy the full benefits of such shares shall lapse;

b. all Performance Shares issued to Employee under the Company's 1990 Incentive Compensation Program shall be accelerated and become immediately earned and payable; and

c. all options issued to Employee under the Company's incentive compensation programs shall be accelerated and become immediately vested and exercisable in full, provided that Employee exercises his purchase rights thereunder prior to the earlier of July 2, 1998 or the tenth anniversary of the option's grant date.

5.04 Distribution of Qualified Benefit Plan Assets; Issuance of Stock Certificates. The Company shall make such certifications and take all such other actions as may be necessary to (i) distribute all stock, cash or other assets payable to Employee pursuant to the Company's Dollars & Sense Plan and Trust, Employee Stock Bonus Plan and PAYSOP Trust, and Employee Stock Ownership Plan and Trust, all in accordance with the terms and conditions of each such respective plan applicable upon an employee's early retirement at age 55, and (ii) deliver certificates representing all shares of the Company's common stock to which Employee shall become entitled pursuant to Section 5.03(a) and (b), all of which shall be free of any restrictive legends.

5.05 Outside Directors' Retirement Plan. Employee shall be granted participation in the Company's Outside Directors' Retirement Plan, provided he is eligible.

5.06 Welfare Benefits. Employee shall be entitled to receive any post-retirement benefits that the Company makes generally available now or in the future to its employees or non-executive officers, on the same basis and subject to the same requirements, limitations and qualifications that are applicable to other similarly-situated employees or non-executive officers retiring on the same or a substantially similar date, provided, however, that notwithstanding the foregoing (i) Employee shall be entitled to participate in and receive the benefits payable under the Company's medical reimbursement plan and (ii) the death benefit payable under the life insurance to be provided by the Company shall equal

\$432,800. Notwithstanding any provision to the contrary in the foregoing sentence or elsewhere in this Agreement, the Company agrees to maintain in effect for the benefit of Employee post-retirement benefits no less favorable than those to which Employee would be entitled were he to retire on the date hereof.

5.07 Car. The Company shall sell to Employee the car previously provided by the Company to Employee at a price of \$1, and shall execute any title certificate, bill of sale or other instruments necessary or appropriate to evidence the transfer of ownership.

6. SUCCESSORS; ASSIGNMENT

6.01 Successors. (a) Except for the amounts payable to Employee under Section 2.01 or 5.01 (which shall be personal), this Agreement and all rights and obligations of Employee hereunder shall be binding upon and inure to the benefit of and be enforceable by Employee and his personal or legal representatives, executors, administrators, heirs, distributees, devisees, legatees, successors and permitted assigns.

(b) This Agreement shall be binding upon and inure to the benefit of the Company and any of its successors or assigns. In addition, the Company shall require any successor or assign (whether direct or indirect and whether by purchase of all or substantially all of the Company's assets or capital stock, merger, consolidation, share exchange or otherwise) to (i) assume unconditionally and expressly this Agreement and (ii) agree to perform all of the obligations under this Agreement in the same manner and to the same extent as would have been required of the Company had no assignment or succession occurred, such assumption to be set forth in writing reasonably satisfactory to Employee. In the event of any such assignment or succession, the term "Company" as used in this Agreement shall refer also to such successor or assign.

6.02 Assignment by Employee. Without the written consent of the Company, neither this Agreement nor any rights or obligations hereunder may be assigned by Employee other than such rights as may be transferred by will or the laws of descent and distribution.

7. MISCELLANEOUS

7.01 Notice. Any notice permitted or required to be delivered under this Agreement by one party shall be in writing and shall be delivered by hand, overnight delivery service or U.S. registered or certified mail, postage prepaid with return receipt requested, to the other party at the address set forth opposite such party's name on the signature page hereof until notice of a change in address is delivered as provided in this Section 7.01. Notices shall be deemed to be duly given, in the case of (i) by hand delivery, upon receipt; (ii) overnight delivery service, on the business day after timely delivery to a recognized overnight delivery service; and (iii) U.S. mail, upon the third business day after deposit with the U.S. mail.

7.02 Release. Other than the right to receive the payments or benefits specified herein, the right to receive fees and reimbursements for service as a director of the Company, and the right of continued coverage under the Company's health plan that may be offered to him at the end of the Interim Employment Period pursuant to Section 4980B(f) of the Internal Revenue Code of 1986, Employee acknowledges that he has no claims against the Company or its affiliates, or their respective officers, directors, employees, agents, representatives, successors, assigns or insurance liability carriers, and hereby irrevocably and perpetually releases and discharges each such party from all claims whatsoever, in law or equity, against any such party or its assets, whether arising under contract law, tort law, civil rights laws, federal or state laws regarding employment (including age, retirement and discrimination laws) or otherwise, whether known or unknown, and whether arising directly or indirectly out of his association with the Company and its affiliates as an officer, director, employee or otherwise, including without limitation claims arising out of matters provided for in this Agreement. Without limiting the generality of the foregoing, Employee specifically agrees to release such parties from any claims under the Age Discrimination in Employment Act of 1967. Employee acknowledges that he has had at least 21 days to consider the release in the preceding sentence and has seven days to revoke such release after execution of this Agreement.

7.03 Waiver. The failure by any party to enforce any of its rights hereunder shall not be deemed to be a waiver of such rights, unless such waiver is an express written waiver. Waiver of any one breach shall not be deemed to be a waiver of any other breach of the same or any other provision hereof.

7.04 Entire Agreement. This Agreement (including the Consulting Agreement) sets forth the entire understanding and agreement between the parties hereto with respect to the subject matter hereof, all prior agreements and understandings being superceded hereby.

7.05 Representation of Company. The Company represents and warrants that (i) the Compensation Committee of the Board has duly approved this Agreement (including the Consulting Agreement), (ii) the Board has ratified the terms and conditions of this Agreement (including the Consulting Agreement) other than those that are solely within the province of the Compensation Committee of the Board, and (iii) no other corporate proceedings are necessary to authorize the Company's execution, delivery or performance of this Agreement or its exhibit.

7.06 Indemnification Agreement. The Company acknowledges and confirms that the indemnification agreement dated May 16, 1988 by and between the Company and Employee shall remain in effect indefinitely.

7.07 Severance Agreement. The force and effect of each provision of the severance agreement dated May 24, 1990 by and between the Company and Employee, and all rights and obligations arising thereunder, are hereby terminated and revoked in their entirety as of the date hereof.

7.08 Further Assurances. The parties hereto agree to execute and deliver to each other such other certificates or documents and to do such other

acts and things as the other party hereto may at any time reasonably request for the purpose of carrying out the intent of this Agreement and any other documents referred to herein.

7.09 Withholding. The Company shall be entitled to withhold from any payments made hereunder, or to collect as a condition of payment, any taxes required by law to be withheld.

7.10 Choice of Law. This Agreement shall be governed by and interpreted in accordance with the laws of the State of Louisiana.

7.11 Amendment. This Agreement may be amended only by a written instrument signed by both parties.

7.12 Severability. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

7.13 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

7.14 Confidentiality. The parties agree that the terms and conditions of this Agreement (including the Consulting Agreement) shall be maintained in confidence, except that any party may reveal such terms and conditions to his or its professional advisors or representatives or to the extent required by applicable law.

7.15 Acknowledgement. Employee hereby acknowledges that he has read, understands and expressly agrees to the terms of this Agreement, and has been advised and has had an opportunity to consult with an attorney of his choice before executing this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement on the date and year first above written.

CENTURY TELEPHONE ENTERPRISES, INC.

Century Telephone Enterprises, Inc.
100 Century Park Drive

*Monroe, Louisiana 71203
Attention: Glen F. Post, III*

By: */s/ Glen F. Post, III
Glen F. Post, III
Vice Chairman of the Board,
President and Chief Executive
Officer*

Jim D. Reppond
823 Strozier Road

West Monroe, Louisiana 71291

*/s/ Jim D. Reppond
Jim D. Reppond*

EXHIBIT A

CONSULTING AGREEMENT

This CONSULTING AGREEMENT, which is dated as of July 2, 1996 (the "Agreement"), is by and between Century Telephone Enterprises, Inc., a Louisiana corporation (the "Company"), and Jim D. Reppond ("Consultant").

WITNESSETH:

WHEREAS, Consultant has been employed by the Company and its predecessor companies for over 36 years, most recently as Vice President;

WHEREAS, Consultant and the Company have entered into an agreement dated December 31, 1994 (the "1994 Agreement"), which provides that Consultant will retire as of the date hereof; and

WHEREAS, after the date hereof Consultant desires to assist the Company, and the Company desires to engage Consultant, upon the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and the mutual covenants set forth herein and in the 1994 Agreement, the parties hereto agree as follows:

III. Consulting Services to be Performed; Term; Compensation and Benefits. (a) The Company hereby engages Consultant to serve as its consultant and Consultant agrees to so serve for a period commencing on the date hereof and ending on the tenth anniversary of the date hereof. Consultant agrees to perform services regarding such matters and at such times as will be referred to him by the President of the Company, including without limitation assisting the executive officer or officers of the Company that are responsible for duties previously performed by Consultant. Consultant agrees to devote such of his time, skill, labor and attention to the performance of such services as may be necessary or desirable to render the prompt and effective performance of his duties hereunder, provided, however, that in no event shall Consultant be obligated to (i) work more than 15 hours per week or 150 hours per year or (ii) work from any location other than his principal residence, except for such trips to the Company's principal or regional offices that the President of the Company deems in good faith to be necessary or appropriate, which shall not exceed six trips per year.

(b) Except as the Company may otherwise permit, Consultant shall maintain in strict confidence and shall not disclose, directly or indirectly, any non-public or proprietary information relating to the Company or its affiliates ("Confidential Information") that Consultant (i) acquired in any manner during the course of his employment by the Company or (ii) receives or acquires in the course of rendering consulting services under this Agreement. Consultant agrees that all Confidential Information is proprietary to the Company. Consultant further agrees that he shall use all Confidential Information (regardless of when and how acquired) solely in connection with the rendering of consulting services under this Agreement. Consultant further agrees that during the term of this Agreement, neither Consultant nor anyone acting in concert with Consultant will solicit or induce, either directly or indirectly, any employee of the Company or its affiliates to leave such employment.

(c) In exchange for Consultant's covenants and agreements hereunder, the Company shall pay Consultant the following annual fees, payable annually in advance, commencing with the initial annual payment which has been made simultaneously with the execution of this Agreement:

Year Ending July 1	Fee	Year Ending July 1	Fee
1997	\$14,000	2002	\$16,230
1998	14,420	2003	16,717
1999	14,853	2004	17,218
2000	15,298	2005	17,735
2001	15,757	2006	18,267

(d) Consultant shall be entitled to reimbursement for all travel and other out-of-pocket expenses reasonably incurred by him in the performance of his duties hereunder, subject to his observance of any policies of general application with respect thereto maintained by the Company.

IV. Status of Consultant. (a) The Company and Consultant understand and agree that Consultant is an independent contractor for withholding and other employment tax purposes and is not an employee of the Company. Accordingly, Consultant acknowledges and agrees that (i) he will not be treated as an employee for purposes of any federal or state law regarding income tax withholding or for purposes of contributions required under any unemployment, insurance or compensatory program and

(ii) he will be solely responsible for the payment of any taxes or assessments imposed on account of the payment of compensation to or the performance of consulting services by him pursuant to this Agreement, including, without limitation, any unemployment insurance taxes, federal, state or local income taxes, federal social security payments, or state disability insurance taxes, all of which he expressly agrees to pay when such taxes or assessments may become due.

(b) Consultant will not and has no authority to represent to others that he is an employee of the Company. Except as expressly authorized in writing by the Company, Consultant has no authority to bind or obligate the Company, to participate in the management of the Company, to use the name of the Company or any of its affiliates in any manner whatsoever, or to represent to others that he has any such authority.

(c) Consultant shall indemnify and hold harmless the Company from any liabilities, claims, losses or expenses arising out of his breach of this Section 2.

V. Termination of Consultancy Period. (a) Unless earlier terminated pursuant to the provisions of paragraph (b), the terms and provisions of this Agreement shall terminate on the tenth anniversary of the date hereof.

(b) Notwithstanding anything to the contrary contained herein, this Agreement may be terminated:

(i) Upon the parties' mutual written consent;

(ii) By the Company upon (A) Consultant's death, (B) the Company's good faith determination that Consultant has engaged in a pattern of habitual intoxication, has abused or become addicted to a controlled substance or has been convicted of a felony or (C) Consultant's willful, unreasonable and uncorrected refusal to provide the consulting services contemplated hereunder, but not less than 45 days after a written demand for performance is made by the Company; or

(iii) By Consultant upon (A) the Company's failure to pay Consultant any amounts owed hereunder, which failure continues for a period of 45 days after Consultant gives the Company notice thereof, or (B) any directive, following a Change in Control of the Company (as defined in the 1994 Agreement), requiring Consultant to perform more duties, engage in more travel or otherwise discharge more responsibilities than previously performed, engaged in or discharged by Consultant prior to the Change in Control of the Company.

(c) Upon any termination of this Agreement under paragraph 3(b)(iii), all payments under Section 1(c) not previously paid to Consultant shall accelerate and shall become due and payable on the fifth business day following Consultant's delivery of a notice terminating this Agreement. If any court of competent jurisdiction finds that the Company has breached its obligations to make any payment required under this paragraph (c), the amount payable hereunder shall be trebled.

(d) Sections 1(b), 2(c), 3(d), 4 and 5 shall survive any termination of this Agreement, all of which shall be binding upon Consultant and his personal or legal representatives, executors, administrators, heirs, devisees, legatees and permitted assigns.

4. Release. Consultant hereby reaffirms the representations, warranties, covenants and agreements made by him under Section 7.02 of the 1994 Agreement, pursuant to which Consultant, among other things, released the Company from various claims.

VI. Miscellaneous. (a) Any notice permitted or required to be delivered under this Agreement by one party shall be in writing and shall be delivered by hand, overnight delivery service or U.S. registered or certified mail, postage prepaid with return receipt requested, to the other party at the address set forth opposite such party's name on the signature page hereof until notice of a change in address is delivered as provided in this Section 5(a). Notices shall be deemed to be given, in the case of (i) by hand delivery, upon receipt; (ii) overnight delivery service, on the business day after timely delivery to a recognized overnight delivery service; and (iii) U.S. mail, upon the third business day after deposit with the U.S. mail.

(b) This Agreement constitutes the entire understanding between the Company and Consultant with respect to the matters provided for herein, and all prior discussions, negotiations, commitments, writings and understandings related hereto are hereby superseded. This Agreement shall not be amended or modified except by the written agreement of the parties hereto.

(c) This Agreement shall be binding and inure to the benefit of the Company and its successors and assigns. Consultant may not assign either his rights or obligations hereunder without the prior written consent of the Company.

(d) The construction and interpretation of this Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Louisiana.

(e) The failure by any party to enforce any of its rights hereunder shall not be deemed to be a waiver of such rights, unless such waiver is an express written waiver. Waiver of any one breach shall not be deemed to be a waiver of any other breach of the same or any other provision hereof.

(f) The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

(g) Consultant hereby acknowledges that he has read, understands and expressly agrees to the terms of this Agreement, and has been advised and has had an opportunity to consult with an attorney of his choice before executing this Agreement.

* * * * *

[signature blocks intentionally omitted]

EXHIBIT 11
CENTURY TELEPHONE ENTERPRISES, INC.

COMPUTATIONS OF EARNINGS PER SHARE

	Year ended December 31,		
	1994	1993	1992
	(Dollars, except per share amounts, and shares expressed in thousands)		
Income before cumulative effect of changes in accounting principles	\$ 100,238	69,004	59,973
Dividends applicable to preferred stock	(93)	(24)	(24)
Income before cumulative effect of changes in accounting principles applicable to common stock	100,145	68,980	59,949
Dividends applicable to preferred stock	93	24	24
Interest on 6% convertible debentures, net of taxes	4,595	4,583	4,201
Income before cumulative effect of changes in accounting principles as adjusted for purposes of computing fully diluted earnings per share	\$ 104,833	73,587	64,174
Net income	\$ 100,238	69,004	44,305
Dividends applicable to preferred stock	(93)	(24)	(24)
Net income applicable to common stock	100,145	68,980	44,281
Dividends applicable to preferred stock	93	24	24
Interest on 6% convertible debentures, net of taxes	4,595	4,583	-
Net income as adjusted for purposes of computing fully diluted earnings per share	\$ 104,833	73,587	44,305
Weighted average number of shares:			
Outstanding during period	53,139	50,512	47,982
Common stock equivalent shares	580	694	518
Employee Stock Ownership Plan shares not committed to be released	(300)	-	-
Number of shares for computing primary earnings per share	53,419	51,206	48,500
Incremental common shares attributable to additional dilutive effect of convertible securities	4,716	4,686	4,314
Number of shares as adjusted for purposes of computing fully diluted earnings per share before cumulative effect of changes in accounting principles	58,135	55,892	52,814
Less antidilutive effect of 6% convertible debentures	-	-	(4,161)
Number of shares as adjusted for purposes of computing fully diluted earnings per share	58,135	55,892	48,653
Primary earnings per share:			
Income before cumulative effect of changes in accounting principles	\$ 1.88	1.35	1.23
Cumulative effect of changes in accounting principles	-	-	(.32)
Primary earnings per share	\$ 1.88	1.35	.91
Fully diluted earnings per share:			

Income before cumulative effect of changes in accounting principles	\$ 1.80	1.32	1.22
Cumulative effect of changes in accounting principles	-	-	(.31)

Fully diluted earnings per share	\$ 1.80	1.32	.91

=====

EXHIBIT 21
CENTURY TELEPHONE ENTERPRISES, INC.
SUBSIDIARIES OF THE REGISTRANT
AS OF DECEMBER 31, 1994

Subsidiary -----	State of incorporation -----
Brownsville Cellular Telephone Co., Inc. *	Delaware
Celutel, Inc.	Delaware
Celutel of Biloxi, Inc. *	Delaware
Central Indiana Telephone Company, Inc.	Indiana
Century Area Long Lines (CALL), Inc.	Wisconsin
Century Business Communications, Inc.	Louisiana
Century Cellunet, Inc.	Louisiana
Century Cellunet of Alexandria, Inc.	Louisiana
Century Cellunet of Battle Creek, Inc.	Louisiana
Century Cellunet of Jackson, Inc.	Louisiana
Century Cellunet of LaCrosse, Inc.	Louisiana
Century Cellunet of Lansing, Inc.	Delaware
Century Cellunet of Michigan RSAs, Inc.	Louisiana
Century Cellunet of North Arkansas, Inc.	Louisiana
Century Cellunet of North Louisiana, Inc.	Louisiana
Century Cellunet of Pine Bluff, Inc.	Arkansas
Century Cellunet of Saginaw, Inc.	Louisiana
Century Cellunet of Shreveport, Inc.	Louisiana
Century Cellunet of South Arkansas, Inc.	Louisiana
Century Cellunet of Southern Michigan, Inc.	Delaware
Century Cellunet of Texarkana, Inc.	Louisiana
Century Investments, Inc.	Louisiana
Century Paging, Inc.	Louisiana
Century Service Group, Inc.	Louisiana
Century Supply Group, Inc.	Louisiana
Century Telecommunications, Inc.	Texas
Century Telelink, Inc.	Louisiana
Century Telephone Midwest, Inc.	Michigan
Century Telephone of Adamsville, Inc.	Tennessee
Century Telephone of Arkansas, Inc.	Arkansas
Century Telephone of Central Louisiana, Inc.	Louisiana
Century Telephone of Chatham, Inc.	Louisiana
Century Telephone of Claiborne, Inc.	Tennessee
Century Telephone of East Louisiana, Inc.	Louisiana
Century Telephone of Evangeline, Inc.	Louisiana
Century Telephone of Idaho, Inc.	Delaware
Century Telephone of Michigan, Inc.	Michigan
Century Telephone of North Louisiana, Inc.	Louisiana
Century Telephone of North Mississippi, Inc.	Mississippi
Century Telephone of Northern Michigan, Inc.	Michigan
Century Telephone of Northwest Louisiana, Inc.	Louisiana
Century Telephone of Ohio, Inc.	Ohio
Century Telephone of Ooltewah-Collegedale, Inc.	Tennessee
Century Telephone of Port Aransas, Inc.	Texas
Century Telephone of San Marcos, Inc.	Texas
Century Telephone of Southeast Louisiana, Inc.	Louisiana
Century Telephone of Southwest Louisiana, Inc.	Louisiana
Century Telephone of Wisconsin, Inc.	Wisconsin
Chester Telephone Company	Iowa
Forestville Telephone Company, Inc.	Wisconsin
Interactive Communications, Inc.	Louisiana
Jackson Cellular Telephone Co., Inc. *	Delaware
Larsen-Readfield Telephone Company	Wisconsin
The McAllen Cellular Telephone Co., Inc. *	Nevada
Metro Access Networks, Inc.	Delaware
Monroe County Telephone Company	Wisconsin
Mountain Home Telephone Co., Inc.	Arkansas
Odon Telephone Co., Inc.	Indiana
Pascagoula Cellular Telephone Company, Inc. *	Delaware
Redfield Telephone Company, Inc.	Arkansas
Solon Springs Telephone Co.	Wisconsin
Union Telephone Company, Inc.	Arkansas
Universal Cellular for Arizona RSA #3-B, Inc.	Arizona
Universal Telephone, Inc.	Wisconsin
Universal Telephone Company of Colorado	Colorado
Universal Telephone Company of Northern Wisconsin, Inc.	Wisconsin
Universal Telephone Company of Southwest	New Mexico

* Conduct business in the name of Century Cellunet

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

EXHIBIT 23

Independent Auditors' Consent

The Board of Directors
Century Telephone Enterprises, Inc.:

We consent to incorporation by reference in the Registration Statements (No. 33-17114, No. 33-47211, and No. 33-52915) on Form S-3, the Registration Statements (No. 33-5836, No. 33-17113, No. 33-46562, and No. 33-48554) 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. 33-39196, No. 33-48956, and No. 33-50791) on Form S-4 of Century Telephone Enterprises, Inc. of our report dated February 6, 1995, relating to the consolidated balance sheets of Century Telephone Enterprises, Inc. and subsidiaries as of December 31, 1994 and 1993, and the related consolidated statements of income, stockholders' equity, and cash flows and related financial statement schedule for each of the years in the three-year period ended December 31, 1994, which report appears in the December 31, 1994 annual report on Form 10-K of Century Telephone Enterprises, Inc. Our report refers to changes in the methods of accounting for income taxes and postretirement benefits other than pensions in 1992.

/s/ KPMG PEAT MARWICK LLP

*Shreveport, Louisiana
March 17, 1995*

ARTICLE 5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE AUDITED CONSOLIDATED BALANCE SHEET OF CENTURY TELEPHONE ENTERPRISES, INC. & SUBSIDIARIES AS OF DECEMBER 31, 1994 & THE RELATED AUDITED CONSOLIDATED STATEMENTS OF INCOME, STOCKHOLDERS' EQUITY & CASH FLOWS FOR THE TWELVE MONTH PERIOD THEN ENDED & IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

MULTIPLIER: 1000

PERIOD TYPE	YEAR
FISCAL YEAR END	DEC 31 1994
PERIOD START	JAN 01 1994
PERIOD END	DEC 31 1994
CASH	7,154
SECURITIES	0
RECEIVABLES	43,184
ALLOWANCES	2,360
INVENTORY	7,090
CURRENT ASSETS	81,228
PP&E	1,314,207
DEPRECIATION	367,076
TOTAL ASSETS	1,643,253
CURRENT LIABILITIES	286,668
BONDS	518,603
COMMON	53,574
PREFERRED MANDATORY	0
PREFERRED	2,268
OTHER SE	594,394
TOTAL LIABILITY AND EQUITY	1,643,253
SALES	0
TOTAL REVENUES	540,240
CGS	0
TOTAL COSTS	370,805
OTHER EXPENSES	0
LOSS PROVISION	0
INTEREST EXPENSE	42,577
INCOME PRETAX	161,538
INCOME TAX	61,300
INCOME CONTINUING	100,238
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	100,238
EPS PRIMARY	1.88
EPS DILUTED	1.80

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