

# CENTURYTEL INC

## FORM PRER14A (Proxy Soliciting Materials (revised))

Filed 2/6/1995

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

## SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934

Filed by the Registrant ☐  
Filed by a Party other than the Registrant ☒

Check the appropriate box:

☒ Preliminary Proxy Statement ☐ Confidential, for Use  
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Only (as permitted by  
Rule 14a-6(e)(2))  
☐ Definitive Proxy Statement  
☐ Definitive Additional Materials  
☐ Soliciting Material Pursuant to Section 240.14a-11(c) or  
Section 240.14a-12

# Century Telephone Enterprises, Inc.

(Name of Registrant as Specified In Its Charter)

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

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

### Payment of Filing Fee (Check the appropriate box):

☒ \$125 per Exchange Act Rules 0-11(c)(1)(ii), 14a-6(i)(1),  
14a-6(i)(2) or Item 22(a)(2) of Schedule 14A.  
☐ \$500 per each party to the controversy pursuant to Exchange  
Act Rule 14a-6(i)(3).  
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1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

Preliminary Copy Filed With the Commission on February 6, 1995

[CTEI LETTERHEAD]

Dear Shareholder:

The enclosed proxy card solicited on behalf of the Board of Directors of Century Telephone Enterprises, Inc. (the "Company") indicates the number of votes that you will be entitled to cast at the Company's Annual Meeting of Shareholders to be held May 11, 1995 (the "Annual Meeting"), according to the stock records of the Company. The Company's Articles of Incorporation, the relevant provisions of which are printed on the reverse side of this letter, provide that each voting share of the Company that has been "beneficially owned" continuously since May 30, 1987 entitles the holder thereof to ten votes, subject to compliance with certain procedures; each other voting share entitles the holder thereof to one vote. In general, shares registered in the name of any natural person or estate that are represented by certificates dated prior to May 30, 1987 are presumed to have ten votes per share. All other shares are presumed to have only one vote per share.

The Articles of Incorporation, however, set forth a list of circumstances in which the foregoing presumption may be refuted. Please review the provisions on the reverse side of this letter and, if you believe that the information set forth on your proxy card is incorrect or a presumption made with respect to your shares should not apply, send a letter to the Company at the above address briefly describing the reasons for your belief. Merely marking the proxy card will not be sufficient notification to the Company that you believe the voting information thereon is incorrect.

The Company will consider all letters received prior to the date of the Annual Meeting and, when a return address is provided in the letter, will promptly advise each shareholder concerned of its decision with respect thereto, although in many cases the Company will not have time to inform a shareholder of its decision prior to the time the shares are voted. In limited circumstances, the Company may require additional information before a determination will be made. If you have any questions about the Company's voting procedures, please call the Company at (318) 388-9500.

Clarke M. Williams Chairman of the Board March \_\_\_\_\_, 1995

Preliminary Copy Filed With the Commission on February 6, 1995

[CTEI LETTERHEAD]

Dear Shareholder:

The enclosed proxy card solicited on behalf of the Board of Directors for Century Telephone Enterprises, Inc. (the "Company") indicates the number of shares that you will be entitled to have voted at the Company's Annual Meeting of Shareholders to be held May 11, 1995 (the "Annual Meeting"), according to the records of your broker, bank or other nominee.

The Company's Articles of Incorporation, the relevant provisions of which are printed on the reverse side of this letter, provide that each voting share of the Company that has been "beneficially owned" continuously since May 30, 1987 entitles the holder thereof to ten votes, subject to compliance with certain procedures; each other voting share entitles the holder thereof to one vote. All shares held through a broker, bank or other nominee, however, are presumed to have one vote per share. The Articles of Incorporation set forth a list of circumstances in which this presumption may be refuted by the person who has held all of the attributes of beneficial ownership referred to in Paragraph 3 of the voting provisions printed on the reverse side of this letter since May 30, 1987. Please review those provisions and, if you believe that some or all of your shares are entitled to ten votes, you may follow one of the two procedures outlined below.

First, you may write a letter to the Company at the above address describing the reasons for your belief. The letter should contain your name (unless you prefer to remain anonymous), the name of the brokerage firm, bank or other nominee holding your shares, your account number with such nominee and the number of shares you have beneficially owned continuously since May 30, 1987. Alternatively, you may ask your broker, bank or other nominee to write a letter to the Company on your behalf stating your account number and indicating the number of shares that you have beneficially owned continuously since May 30, 1987. In either case, your letter should indicate how you wish to have your shares voted at the Annual Meeting so that, once a determination as to voting power is made, your votes may be counted.

The Company will consider all letters received prior to the date of the Annual Meeting and, when a return address is provided in the letter, will promptly advise each beneficial owner or nominee, as the case may be, concerned of its decision with respect thereto, although in many cases the Company will not have time to inform an owner or nominee of its decision prior to the time the shares are voted. In limited circumstances, the Company may require additional information before a determination will be made. If you have any questions about the Company's voting procedures, please call the Company at (318) 388-9500.

Clarke M. Williams Chairman of the Board

March \_\_\_\_\_, 1995

Preliminary Copy Filed With the Commission on February 6, 1995

[CTEI LETTERHEAD]

Dear Participants in the Company's Stock Bonus Plan, Employee Stock Ownership Plan, Dollars & Sense Plan or Retirement Savings Plan for Bargaining Unit Employees:

As a participant in one or more of the above-listed plans you are entitled to direct the exercise of voting power with respect to shares of the Company's Common Stock held in such plans. If you choose to do so, all of your instructions (subject to certain limited exceptions) will be deemed to be made by you in your capacity as a "named fiduciary" under the plans, which require you to direct your votes in a manner that you believe to be prudent and in the best interests of the participants of each respective plan. If you wish to direct the exercise of such voting power in such manner, please complete and return the enclosed voting instruction cards no later than the close of business on May 9, 1995 in accordance with the accompanying instructions.

Most of you will receive the attached proxy materials of the Company from both (i) Regions Bank of Louisiana ("Regions Bank"), which is the trustee for the Company's Stock Bonus and Employee Stock Ownership Plans, and (ii) Wells Fargo Bank, National Association ("Wells Fargo"), which is the trustee for the Company's Dollars & Sense and Retirement Savings Plans. To ensure that your voting instructions are counted, please carefully review the instructions separately provided by each such trustee. It is important that all voting instruction cards relating to the Stock Bonus or Employee Stock Ownership Plans are returned ONLY to Regions Bank and that all voting instruction cards relating to the Dollars & Sense and Retirement Savings Plans are returned ONLY to Wells Fargo.

If after reading the accompanying instructions you have any questions regarding the enclosed voting instruction cards, please contact the trustee responsible for administering the plan or plans to which your questions relate.

Clarke M. Williams Chairman of the Board

March \_\_\_\_\_, 1995

Preliminary Copy Filed With the Commission on February 6, 1995

**CENTURY TELEPHONE ENTERPRISES, INC.**

P. O. Box 4065  
Monroe, Louisiana 71211

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**TO THE SHAREHOLDERS OF  
CENTURY TELEPHONE ENTERPRISES, INC.**

The Annual Meeting of Shareholders of Century Telephone Enterprises, Inc. (the "Company") will be held at 2:00 p.m., local time, on May 11, 1995, at the Holiday Inn Professional Centre/Atrium, 2001 Louisville Avenue, Monroe, Louisiana, for the following purposes:

1. To elect five Class I directors;
2. To consider and vote upon amendments to the Company's articles of incorporation to:
  - (a) increase the number of authorized shares of common stock from 100 million to 175 million shares;
  - (b) require shareholders to provide advance notice of their intentions to nominate directors or bring other matters before shareholders' meetings;
  - (c) clarify, and in certain limited instances expand, the protections currently afforded under the Company's "fair price" article; and
  - (d) add, delete or revise certain other articles principally for the purpose of clarifying, simplifying and updating the articles, all as described further in the accompanying proxy statement.
3. To consider and vote upon a proposal to approve the Company's 1995 Incentive Compensation Plan as set forth in the accompanying proxy statement; and
4. To transact such other business as may properly come before the meeting and any adjournments thereof.

The Board of Directors has fixed the close of business on March 13, 1995, as the record date for the determination of shareholders entitled to notice of and to vote at the meeting and all adjournments thereof.

**By Order of the Board of Directors**

**HARVEY P. PERRY**  
Secretary

Dated: March \_\_\_\_\_, 1995

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SHAREHOLDERS ARE INVITED TO ATTEND THE ANNUAL MEETING IN PERSON. EVEN IF YOU EXPECT TO ATTEND, IT IS IMPORTANT THAT YOU PLEASE SIGN, DATE AND RETURN THE ENCLOSED PROXY CARD PROMPTLY. IF YOU PLAN TO ATTEND AND WISH TO VOTE YOUR SHARES PERSONALLY, YOU MAY DO SO AT ANY TIME BEFORE YOUR PROXY IS VOTED.

Preliminary Copy Filed With  
the Commission on February 6, 1995

CENTURY TELEPHONE ENTERPRISES, INC.

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PROXY STATEMENT  
(dated March \_\_\_\_\_, 1995)

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## ANNUAL MEETING OF SHAREHOLDERS

**TO BE HELD MAY 11, 1995**

This proxy statement is furnished in connection with the solicitation of proxies on behalf of the Board of Directors (the "Board") of Century Telephone Enterprises, Inc. (the "Company") for use at its annual meeting of shareholders to be held at the time and place set forth in the accompanying notice, and at any adjournments thereof (the "Meeting"). This proxy statement is first being mailed to shareholders of the Company on or about March \_\_\_\_\_, 1995.

On March 13, 1995, the record date for determining shareholders entitled to notice of and to vote at the Meeting (the "Record Date"), the Company had outstanding \_\_\_\_\_ shares of common stock (the "Common Stock") and [18,162] shares of preferred stock that votes together with the Common Stock as a single class (collectively, "Voting Shares"). The Company's Restated Articles of Incorporation (the "Articles") generally provide that holders of Voting Shares that have been beneficially owned continuously since May 30, 1987 are entitled to cast ten votes per share, subject to compliance with certain procedures. Article III of the Articles and the voting procedures adopted thereunder contain several provisions governing the voting power of the Voting Shares, including a presumption that each Voting Share held by nominees or by any holder other than a natural person or estate entitles such holder to only one vote, unless the record holder thereof furnishes the Company with evidence to the contrary. Applying the presumptions described in Article III, the Company's records indicate that \_\_\_\_\_ votes are entitled to be cast at the Meeting. All percentages of voting power set forth in this proxy statement have been calculated based on such number of votes.

The Company will pay all expenses of soliciting proxies for the Meeting. Proxies may be solicited personally, by mail, by telephone or by facsimile by the Company's directors, officers and employees, who will not be additionally compensated therefor. The Company will also request persons holding Voting Shares in their names for others, such as brokers, banks and other nominees, to forward proxy materials to their principals and request authority for the execution of proxies, for which the Company will reimburse them for expenses incurred in connection therewith. The Company has retained Hill and Knowlton, Inc. to assist in the solicitation of proxies, for which it will be paid a fee of \$7,500 and will be reimbursed for certain out-of-pocket expenses.

## ELECTION OF DIRECTORS

The Articles authorize a board of directors of 14 members divided into three classes. Members of the respective classes hold office for staggered terms of three years, with one class elected at each annual shareholders' meeting. Five Class I directors will be elected at the Meeting. Unless authority is withheld, all votes attributable to the shares represented by each duly executed and delivered proxy will be cast for the election of each of the five below-named Class I nominees, each of whom has been recommended for election by the Board's Nominating Committee. If for any reason any proposed nominee should decline or become unable to stand for election as a director, which is not anticipated, votes will be cast instead for another candidate designated by the Board, without resoliciting proxies.

The following provides certain information with respect to each proposed nominee and each other director whose term will continue after the Meeting, including his beneficial ownership of shares of Common Stock determined in accordance with Rule 13d-3 of the Securities and Exchange Commission ("SEC"). Unless otherwise indicated, (i) all information is as of the Record Date, (ii) each person has been engaged in the principal occupation shown for more than the past five years and (iii) shares beneficially owned are held with sole voting and investment power. None of the persons named below beneficially owns Voting Shares entitling him to vote in excess of 1% of the total voting power.

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### Class I Directors (for term expiring in 1998):

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William R. Boles, Jr., age 38; a director since 1992;  
Vice President and a director and practicing attorney

Director  
Photo

with Boles, Boles & Ryan, a professional law corporation.

Committee Memberships: Insurance Evaluation

Shares Beneficially Owned: 2,054

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W. Bruce Hanks, age 40; a director since 1992; President-Telecommunications Services of the Company (or a comparable predecessor position) since July 1989. Director  
Photo Committee Memberships: Insurance Evaluation

Shares Beneficially Owned: \_\_\_\_\_<FN1>

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Director  
Photo

C. G. Melville, Jr., age 54; a director since 1968; private investor; restaurant proprietor from March 1991 to July 1992; President, Melville Equipment, Inc., a distributor of marine and industrial equipment, prior to March 1991.

Committee Memberships: Audit; Nominating

Shares Beneficially Owned: 15,033

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Director  
Photo

Glen F. Post, III, age 42; a director since 1985; Vice Chairman of the Board and Chief Executive Officer of the Company since 1992 and President since 1990; Chief Operating Officer from 1988 to 1992.

Committee Membership: Executive

Shares Beneficially Owned: \_\_\_\_\_<FN1>

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Director  
Photo

Clarke M. Williams, age 73; a director since 1968; Chairman of the Board; Chief Executive Officer from the Company's incorporation in 1968 to 1989 and from 1990 to 1992. Mr. Williams, who is the father-in-law of Harvey P. Perry, founded the Company's telephone business in 1946.

Committee Membership: Executive (Chairman)

Shares Beneficially Owned: \_\_\_\_\_<FN1>

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The Board unanimously recommends a vote FOR each of these proposed nominees.

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**Class II Directors (term expires in 1996):**

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Director  
Photo

Virginia Boulet, age 41; a director since January 1995(2); Partner, Phelps Dunbar, L.L.P., a law firm, since March 1992; Partner, Jones, Walker, Waechter, Poitevent, Carrere & Denegre, L.L.P., a law firm, from January 1989 to March 1992.

[Committee Memberships:]

[Shares Beneficially Owned:]

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Ernest Butler, Jr., age 66; a director since 1971; Executive Vice President and Director, Stephens Inc., an investment banking firm.

Director Photo	Committee Memberships:	Audit; Compensation (Chairman); Shareholder Relations (Chairman)
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Shares Beneficially Owned: 337

Director Photo	James B. Gardner, age 60; a director since 1981; Managing Director of a division of Service Management Company, a financial services firm, and Chairman of a division of Affiliated Computer Service, Inc., a data services provider, since May 1994; President and Chief Executive Officer, Pacific Southwest Bank, F.S.B. from November 1991 to April 1994; from March 1991 to November 1991, Chairman of the Board and President of Elm Interests, Inc., a corporation formed to acquire and operate Bluebonnet Savings Bank, F.S.B.; President and Chief Executive Officer of Marquette National Life Insurance Company and an officer of its parent corporation from August 1990 to March 1991; served from July 1987 to August 1990 as an executive officer of either Bank One, Texas, N.A., MBank Dallas, N.A. or the federal bridge bank organized to acquire MBank Dallas, N.A. Mr. Gardner has also been a director of Ennis Business Forms, Inc. since 1970.
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Committee Memberships: Executive; Audit; Compensation

Shares Beneficially Owned: 1,012

R. L. Hargrove, Jr., age 63; a director since 1985; certified public accountant; retired as Executive Vice President of the Company in 1987.

Director Photo	Committee Memberships:	Executive; Audit; Shareholder Relations
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Shares Beneficially Owned: 29,987

Johnny Hebert, age 66; a director since 1968; private investor; retired as Vice President of River City Electric, an electrical contracting firm, during 1994.

Director Photo	Committee Memberships:	Audit; Nominating (Chairman); Insurance Evaluation (Chairman)
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Shares Beneficially Owned: 3,162<FN3>

#### **Nominees for Election as Class III Directors (term expires in 1997):**

Calvin Czeschin, age 59; a director since 1975; President and Chief Executive Officer of Yelcot Telephone Company, Czeschin Chrysler, Inc. and

Director Photo	ComputerMart, Inc.
	Committee Memberships: Executive; Audit (Chairman)

Shares Beneficially Owned: 110,332<FN4>

F. Earl Hogan, age 73; a director since 1968; Managing Partner of EDJ Farms Partnership, a farming enterprise.

Director Photo	Committee Memberships:	Executive; Audit; Insurance Evaluation
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Shares Beneficially Owned: 17,600

Harvey P. Perry, age 50; a director since 1990; Senior Vice President, Secretary and General Counsel of the Company. Mr. Perry is the son-in-law of Clarke M.

Director Photo	Williams.
	Committee Membership: Executive

Shares Beneficially Owned: \_\_\_\_\_<FN1><FN5>

Director Photo	Jim D. Reppond, age 53; a director since 1986; Vice President of the Company since January 1, 1995; President-Telephone Group of the Company (or a comparable predecessor position) from May 1987 to December 31, 1994.
	Committee Memberships: Executive; Insurance Evaluation

Shares Beneficially Owned: \_\_\_\_\_<FN1>

<FN1> Includes (i) shares of restricted stock issued under, and subject to the restrictions of, the Company's incentive compensation plans ("Restricted Stock"), (ii) shares ("Option Shares") that the below-named individuals have the right to acquire within 60 days of the Record Date pursuant to options granted under the Company's 1988 and 1990 Incentive Compensation Programs and (iii) shares (collectively, "Plan Shares") allocated to such individuals' accounts as of December 31, 1994 under the Company's Stock Bonus Plan and Employee Stock Ownership Plan ("ESOP"), and as of the Record Date under the Company's Dollars & Sense Plan ("401(k) Plan"), as follows:

Name	Restricted Stock	Option Shares	Plan Shares
W. Bruce Hanks			
Glen F. Post, III			
Clarke M. Williams			
Harvey P. Perry			
Jim D. Reppond			

<FN2> Ms. Boulet replaced Tom S. Lovett, who retired as a Class II Director in January 1995.

<FN3> Includes 750 shares owned by Mr. Hebert's wife, as to which he disclaims beneficial ownership.

<FN4> Includes 5,332 shares owned by Mr. Czeschin's wife, as to which he disclaims beneficial ownership.

<FN5> Includes 12,335 shares owned by Mr. Perry's wife, as to which he disclaims beneficial ownership, and 543 shares held as custodian for the benefit of his children.

Meetings and Certain Committees of the Board



During 1994 the Board held four regular meetings and one special meeting.

The Board's Executive Committee, which met five times during 1994, is authorized to exercise all the powers of the Board to the extent permitted by law.

The Board's Audit Committee meets with the Company's independent and internal auditors and the Company's personnel responsible for preparing its financial reports and is responsible for reviewing the scope and results of the auditors' examination of the Company, discussing with the auditors the scope, reasonableness and adequacy of internal accounting controls, considering and recommending to the Board a certified public accounting firm for selection as the Company's independent auditors, and directing and supervising any special investigations as instructed by the Board. The Audit Committee held three meetings during 1994.

The Board's Nominating Committee, which held three meetings in 1994, is responsible for recommending to the Board both a proposed slate of nominees for election as directors and the individuals proposed for appointment as officers.

The Board's Compensation Committee, which is described further below, held four meetings during 1994.

### **Director Compensation**

Each director who is not an employee of the Company is paid an annual fee of \$21,000 plus \$1,500 for attending each regular Board meeting, \$2,000 for attending each special Board meeting and \$750 for attending each meeting of a Board committee. Each director is also reimbursed for expenses incurred in attending meetings.

Under the Company's Outside Directors' Retirement Plan, non-employee directors who have completed five years of Board service are entitled to receive, upon normal retirement, monthly payments that on a per annum basis equal the director's annual rate of compensation for Board service at retirement plus the fee payable for attending one special board meeting. In addition, this plan provides certain disability and preretirement death benefits.

## **PROPOSALS TO APPROVE AMENDMENTS TO THE COMPANY'S ARTICLES OF INCORPORATION**

The Board of Directors of the Company has approved a number of amendments to the Company's Restated Articles of Incorporation (the "Articles") and has directed that they be submitted to a vote of the shareholders at the Meeting in the form of four separate proposals (the "Amendment Proposals"), each of which is further described below.

To be adopted, each Amendment Proposal must receive the affirmative vote of holders of two-thirds of the voting power present or represented at the Meeting, except for Amendment Proposal No. 3 described below, which must receive the affirmative vote of the holders of a majority of the Company's total voting power. Each Amendment Proposal will be voted upon independently, and the adoption of none of the Amendment Proposals is contingent upon the adoption of any other. The Company anticipates that the Amendment Proposals, if adopted by the shareholders, will become effective immediately after the Meeting.

In connection with formulating the Amendment Proposals, the Board in certain instances has grouped together into a single proposal interrelated recommendations that have been proposed for substantially similar reasons or purposes. In such instances, shareholders should weigh the merits of each element of the Amendment Proposal before voting on the proposal as a whole. The only way to defeat a particular portion of an Amendment Proposal as to which a shareholder is opposed is to defeat the entire proposal.

THE BOARD OF DIRECTORS BELIEVES THAT THE AMENDMENT PROPOSALS ARE IN THE BEST INTERESTS OF THE COMPANY AND ITS SHAREHOLDERS AND UNANIMOUSLY RECOMMENDS A VOTE FOR APPROVAL OF EACH. The following discussion is qualified in its entirety by reference to Exhibit A hereto, which contains the text of the Articles after giving effect to the Amendment Proposals.

### **Certain General Effects of the Amendment Proposals**

Certain of the Amendment Proposals seek to clarify, modify or expand provisions currently contained in the Articles that are intended to encourage any person desiring to acquire a controlling interest in the Company to do so through a transaction negotiated with the Company's Board of Directors rather than through a hostile takeover attempt. These currently-existing provisions are intended to assure that any acquisition of control of the Company will be subject to review by the Board to take into account, among other things, the interests of all of the Company's shareholders. However, some shareholders may find these provisions to be disadvantageous to the extent that they could limit or preclude meaningful shareholder participation in certain transactions and render more difficult or discourage certain takeovers in which shareholders might receive for some or all of their shares a price that is higher than the prevailing market price at the time the takeover attempt is commenced. These provisions might further render more difficult or discourage proxy contests, the assumption of control by a person of a large block of the Company's voting stock or other attempts to influence or replace the Company's incumbent management.

Among the principal measures previously adopted by the Company that are intended to encourage persons to negotiate with the Board are (i)

the Company's rights agreement, pursuant to which the Company has issued preferred stock purchase rights, each of which entitles the holder, subject to certain exceptions, to purchase shares of the Company's preferred stock upon the occurrence of certain events, including the acquisition by an unaffiliated person of 15% or more of the outstanding Common Stock or the announcement of an offer that could result in the offeror acquiring 30% or more of the outstanding Common Stock,

(ii) a time-phased voting system that, subject to certain exceptions, entitles the holder of each outstanding Voting Share beneficially owned by the same person continuously since May 30, 1987 to cast ten votes with respect to matters submitted to the shareholders for their consideration, (iii) a section of the Articles (the "Fair Price Article") that requires various corporate actions involving an Interested Shareholder (which is defined below) to be approved by, among other votes, the holders of 80% of the Company's total voting power and 66 2/3% of the total voting power excluding shares held by the Interested Shareholder and his affiliates, unless, among other exceptions, the transaction satisfies certain minimum price, form of consideration and procedural requirements, and (iv) provisions in the Articles that require the Board of Directors, when considering a tender offer, exchange offer or similar transactions, to consider, among other factors, the social and economic effects of the proposal on the Company, its subsidiaries, and their respective employees, customers, creditors and communities.

In addition, (i) the Articles currently provide for a classified board, authorize the issuance of "blank check" preferred stock, restrict the ability of shareholders to call special shareholders' meetings or act by written consent, require supermajority votes to effect certain corporate actions, and limit the ability of shareholders to recover monetary damages from directors and officers, (ii) the Company has entered into severance agreements with each of its executive officers and indemnification agreements with each of its officers and directors, and (iii) approximately \_\_\_\_\_% of the Company's total voting power is held by the trustee for two of the Company's employee benefit plans, each of which require the Trustee to cast such voting power as directed by the plan's participants in the manner described further herein. Each of these may be deemed to have certain anti-takeover effects.

The Amendment Proposals have not been proposed in response to any pending or threatened contest for the election of directors or control of the Company and the Board has no reason to believe that any person is currently planning any transactions that would have such effects.

### **Amendment Proposal No. 1 - Increase of the Authorized Common Stock**

General. The Company is currently authorized under the Articles to issue up to 100 million shares of Common Stock. As of the Record Date, \_\_\_\_\_ shares of Common Stock were outstanding or reserved for issuance. As described further below, the Board believes that the current amount of unreserved shares of Common Stock available for issuance in the future is inadequate. Accordingly, the Board proposes to amend the Articles to increase the authorized number of shares of Common Stock from 100 million to 175 million.

Purposes and Effects of the Proposal. This Proposal is intended to increase the Company's flexibility by increasing the number of shares of Common Stock that can be issued without further shareholder approval. The Board believes that the adoption of this Proposal will enable the Company promptly and appropriately to respond to business opportunities, such as opportunities to raise additional equity capital or to finance acquisitions with Common Stock, and to issue additional shares in connection with stock splits, stock dividends and employee benefit plans. Given the limited number of shares currently available for issuance, the Company may not be able in the future to effect certain of these transactions without obtaining shareholder approval for an increase in the authorized number of shares of Common Stock. For instance, the Company is currently unable to effect a two-for-one stock split without shareholder approval. The cost, prior notice requirements and delay involved in obtaining shareholder approval at the time that corporate action may become desirable could eliminate the opportunity to effect the action or reduce the anticipated benefits.

Although the Company is continually reviewing various acquisitions and other transactions that could result in the issuance of shares of the of the Company's capital stock, the Board of Directors has no present plans to issue additional shares of capital stock except for shares of Common Stock as may be required in connection with (i) the conversion of outstanding convertible securities, (ii) issuances pursuant to currently outstanding options and other equity incentives, and (iii) issuances pursuant to the Company's dividend reinvestment plan, employee stock purchase plan, restricted stock plan or other employee benefit plans. Although the Company has no current plans to declare a stock split or stock dividend, the Company has declared three stock splits (effected as stock dividends) since June 1988 and may from time to time consider additional splits or dividends if the circumstances warrant.

The additional shares of Common Stock proposed to be authorized, together with existing authorized and unissued shares, generally will be available for issuance without any requirement for further shareholder approval, unless shareholder action is required by applicable law or by the rules of the New York Stock Exchange or of any other stock exchange on which the Common Stock may then be listed. Although the Board will authorize the issuance of additional shares only when it considers doing so to be in the best interest of shareholders, the issuance of additional Common Stock may, among other things, have a dilutive effect on earnings per share of Common Stock and on the voting rights of holders of Voting Shares. Shareholders of the Company do not have any preemptive rights to subscribe for additional shares of Common Stock that may be issued. In addition, although the Board has no current plans to do so, shares of Common Stock could be issued in various transactions that would make a change in control of the Company more difficult or costly and, therefore, less likely. For example, shares of Common Stock could be sold privately to purchasers who might support the Board in a control contest or to dilute the voting or other rights of a person seeking to obtain control. However, as indicated above, the Company is not aware of any effort by anyone to obtain control of the Company, and the Company has no present intention to use the increased shares of authorized Common Stock for any such purposes.

The Board of Directors unanimously recommends that you vote for this Proposal.

### **Amendment Proposal No. 2 - Addition of New Article Relating to Shareholder Nominations and Proposals**

The Company's Board of Directors recommends that the Articles be amended to add new Article VI(C) (the "Advance Notice Article"), which generally provides that shareholders who wish to nominate directors or submit other matters for consideration at shareholders' meetings must provide advance notice to the Company. The full text of this Article, as proposed to the shareholders for adoption, is included in Exhibit A.

**Description of Proposal.** As proposed, the Advance Notice Article provides that nominations for the election of directors and proposals to bring other matters before a shareholders' meeting may be made by the Board of Directors or voting shareholders of record. Under this Article, shareholders intending to make a nomination or bring any other matter before a shareholders' meeting must furnish timely written notice. To be timely, the notice must be received by the Company not less than 60 days nor more than 120 days prior to the first anniversary of the previous year's annual meeting, subject to certain exceptions applicable principally to special meetings.

The notice to the Company from a shareholder intending to nominate a person for election as a director or to propose other matters at a shareholders' meeting must contain certain information, including the name, age and address of the shareholder proposing such action and any persons acting in concert with such shareholder, a representation by such shareholder that such shareholder is a holder of record of the Company's capital stock and intends to appear at the meeting in person to make the nomination or bring up the specified matter. In the case of nominations for directors, the notice must also include (i) the name, age, address and principal occupation of each nominee, (ii) a description of all arrangements between the nominating shareholder and each nominee, (iii) other information required to be included in a proxy statement pursuant to the proxy rules of the Securities and Exchange Commission (including information concerning whether such nominee has been involved in certain proceedings which may be material to an evaluation of the nominee's ability or integrity), and (iv) the consent of each nominee to serve as director of the Company if elected and an affidavit that such nominee meets the qualifications specified in newly-proposed Article IV(F) (the "Proposed Qualifications"), which the Board has recommended for approval at the Meeting. See "- Amendment Proposal No. 4 - Other Changes to Articles -- Directors' Qualifications." In the case of other proposed business, the shareholder's notice must set forth a description of the business, the reasons for conducting such business at the meeting and any material interest of the shareholder therein. The chairman of the meeting will have the power to disregard any nomination or other matter that fails to comply with these proposed procedures.

With respect to proposals by shareholders to propose matters other than the nomination of directors, the Advance Notice Article provides that only the first ten proposals of which the Company receives sufficient notice will be recognized. In addition, the Company would be authorized under the Article to disregard proposals that (i) are substantially duplicative of a prior-received proposal to be voted upon at an upcoming meeting, (ii) deal with substantially the same subject matter as a prior proposal that was voted upon within the preceding five years and which failed to receive affirmative votes in excess of certain specified levels which range, depending on the circumstances, between 3% and 10%, or (iii) in the judgment of the Board of Directors, are not proper subjects for action by shareholders under Louisiana law.

**Reasons For and Effects of the Proposal.** Currently neither the Articles nor the Bylaws prescribe any procedures governing the shareholders' rights to nominate directors or bring other matters before shareholders' meetings. Subject to certain restrictions under Louisiana law, currently the Company's shareholders can nominate directors or propose other matters from the floor at a shareholders' meeting, without prior notice to the Board or other shareholders.

The Advance Notice Article will afford the Board an opportunity to consider in an orderly and informed manner the qualifications of proposed nominees and the merits of any other proposed business, and, to the extent it deems it necessary or desirable, to advise shareholders and make recommendations or propose alternatives with respect thereto. The Board believes the Advance Notice Article will further the objectives of the Board to identify candidates who have the experience, qualifications and proven accomplishments to effectively serve the Company and to identify other proposals that may advance the best interest of the Company and its shareholders. The Board believes that it is advantageous to be able to consider in advance the qualifications of any proposed nominee and the merits of any other proposed business, as opposed to being confronted with unexpected nominations or proposals at or shortly before the meeting. Moreover, by permitting the Company to disregard matters that are belated, duplicative or otherwise not in accordance with the Article's terms and conditions, the Board believes the Article will facilitate orderly and constructive shareholders' meetings.

As indicated above, the Advance Notice Article will enable the Board of Directors to disregard a timely-received proposal if it is substantially duplicative of other proposals, is substantially similar to proposals that previously elicited little shareholder support, is not a proper subject for shareholder action, or is submitted after ten other proposals have already been received by the Company. Moreover, the Article will permit the Board to assess whether a proposed nominee meets the Proposed Qualifications. Subject to these limited exceptions, the Article does not give the Board the power to reject shareholders' proposals to nominate directors or bring other matters before shareholders' meetings if the prescribed procedures are followed. However, the Article may have the effect of precluding both contests for the election of directors and proposals by shareholders of actions to be taken by the Company if the procedures specified in the Article are not followed and may discourage or deter a third party from conducting a solicitation of proxies or otherwise attempting to elect its own slate of directors or proposing that the Company take certain actions, without regard to whether such actions might be harmful or beneficial to the Company and its shareholders. As indicated above, however, the Article has not been proposed in response to any pending or threatened contest for the election of directors.

Nothing in the Advance Notice Article will affect the rights of shareholders under the proxy rules of the Securities and Exchange Commission to request that their proposals be included in the Company's proxy statements or to solicit their own proxies. If this Article is adopted at the Meeting, shareholders who desire to pursue these rights at future meetings will be required to comply with both the Advance Notice Article and the proxy rules.

The Board of Directors unanimously recommends that you vote for this Proposal.

Amendment Proposal No. 3 - Clarification of Protections Afforded Under the Fair Price Article

General. The Company's Board of Directors recommends that the Fair Price Article currently in effect be amended to (i) clarify the definitions of Interested Shareholders and Business Combinations, (ii) provide a mechanism for resolving certain disputes and (iii) make certain other ancillary and clarifying changes.

Description and Purpose of Proposed Amendments. The current Fair Price Article, which was approved by the shareholders in 1985, is closely modeled on the Louisiana "fair price" statute adopted by the Louisiana legislature in 1984. The current Article defines an Interested Shareholder generally as any person, other than the Company's benefit plans and related trusts, who beneficially owns capital stock representing more than 10% of the Company's total voting power. This definition is similar to the 1984 statute's original definition. In 1988, the Louisiana legislature expanded this definition to include any person who is an affiliate of a corporation and held 10% or more of the corporation's total voting power within the prior two years. The effect of this expanded definition is to deter or prevent a person from seeking to circumvent the statute's protection by acquiring a significant interest in a corporation, causing himself to, among other things, be elected an officer or director, and thereafter proposing a Business Combination after he has divested his voting power below 10%. The Board recommends amending the definition of Interested Shareholder in the Fair Price Article to match the statute's expanded definition.

As indicated above, subject to certain exceptions the Company's Fair Price Article currently requires various corporate actions (defined in such article as "Business Combinations") involving an Interested Shareholder to be approved by various supermajority votes. Currently, the Fair Price Article defines Business Combinations broadly to include most corporate actions that an Interested Shareholder might contemplate after acquiring a controlling interest in the Company in order to increase his share ownership or reduce his acquisition debt, including squeeze-out mergers, significant asset sales, liquidation of the Company, and stock issuances or reclassifications that benefit the Interested Shareholder. Although the Fair Price Article currently contains express provisions designed to deter an Interested Shareholder from seeking loans, guarantees, pledges, tax credits or other financial assistance or tax advantages from the Company that disproportionately benefit such person, it is not entirely clear whether all of these transactions would constitute Business Combinations. The Board recommends clarifying the definition of Business Combination to expressly include these transactions. The Board believes this clarification may deter or prevent a person from proposing these types of abusive transactions, will strengthen the incentives of a person interested in obtaining a controlling interest in the Company to negotiate with the Board, and will reduce the likelihood of litigation regarding whether these types of transactions constitute Business Combinations.

The Fair Price Article currently does not contain a mechanism for resolving disputes regarding whether the Article is applicable with respect to any particular person or transaction. The Board of Directors recommends that the Articles be amended to include new Article V(D), which generally provides that the Board of Directors will have the power to make binding good faith determinations regarding the applicability of the Article, including whether any particular person is an Interested Shareholder, the number of shares owned by such person, and whether any particular transaction constitutes a Business Combination. The Board of Directors believes this amendment will strengthen the protection of the Article by reducing the likelihood of an Interested Shareholder instituting lawsuits that lack merit or attempting to circumvent the purpose and intents of the Article.

Finally, the Board of Directors recommends that the Fair Price Article be reorganized to move non-related topics to other articles, to combine and condense certain related provisions, to make technical changes to the Article's definitions that eliminate or shorten certain definitions and conform others more closely to those used in Louisiana's "fair price" statute, and to make certain other ancillary changes, all in an effort to clarify and prevent the circumvention of the terms, purposes and intents of the Article.

Shareholders are urged to review newly-proposed Article V set forth in Exhibit A, which reflects all of the above-described proposed changes in their entirety. In connection with reviewing this Proposal, shareholders are further urged to review the discussion above under the caption "- Certain General Effects of the Amendment Proposals."

The Board of Directors unanimously recommends that you vote for this Proposal.

#### **Amendment Proposal No. 4 - Other Changes to Articles**

The Board of Directors has approved a number of amendments to the Articles that are designed generally to conform certain articles to the bylaws, to clarify the Board's powers in certain specific instances, to update and modernize certain other articles, and to simplify, consolidate and reorder various other provisions. Due to their relatively limited scope and interrelated nature, these proposed amendments are being presented to the shareholders as a single Amendment Proposal.

As described further below, the proposed amendments seek to (i) add a new article conforming to the Company's current bylaw that requires directors to meet certain qualifications designed to ensure that the Company does not forfeit the benefits associated with its federal communications licenses, (ii) clarify the authority of the Board to take certain steps to limit the liability of directors and officers in connection with shareholder suits, and (iii) update, modernize, simplify, consolidate and reorder the Articles as described further below.

Directors' Qualifications. Pursuant to regulations adopted by the Federal Communications Commission (the "FCC") that implement the Anti-Drug Abuse Act of 1988, the FCC cannot issue any new, modified or renewed licenses to, or act upon any applications of, any company unless such company provides certain certifications regarding the absence of drug offenses by the Company's officers and directors. As a result of these regulations and in light of the significance of the Company's FCC licenses to its business, in 1992 the Board of Directors amended the Company's bylaws to provide that no person is eligible for nomination, election or service as a director who shall (i) in the Board's opinion fail to respond satisfactorily respecting any inquiry of the Company for information to enable the Company to make any certification required under the Anti-Drug Abuse Act of 1988,

(ii) have been arrested or convicted for the distribution or possession of controlled substances, subject to certain exceptions, or (iii) have engaged in actions that could lead to such an arrest or conviction and that the Board determines would make it unwise for such person to serve as a director. The Board believes that a parallel provision should be included in the Articles, which are more readily available to the public and may not be amended without shareholder approval. Accordingly, the Board recommends the addition of new Article V(F), which provide for the same protections as are currently in effect in the bylaws.

**Authority of Board to Limit Liability.** As permitted by Louisiana law, the Articles currently provide that (i) no director or officer shall be liable for monetary damages for breach of his fiduciary duty, subject to certain exceptions including liability for breaches of the duty of loyalty, and (ii) the Board may cause the Company to enter into indemnification agreements with management and may adopt indemnification bylaws. Louisiana law further permits corporations to procure liability insurance for officers and directors and to create self-insurance arrangements. The Board recommends that the current Articles be clarified to provide that the Board may exercise these powers to procure and self-fund insurance arrangements covering officers and directors, notwithstanding the potential conflicts raised in connection with their authorization of such arrangements. The Board further recommends that the Articles be clarified to expressly provide that the Board may cause the Company to approve for its subsidiaries' officers and directors limitation of liability, indemnification and insurance provisions comparable to the Company's. While the Board believes it already has these powers under applicable law, the Board believes these clarifications will help prevent disputes regarding its authority, thereby enhancing their ability to provide for arrangements designed to ensure that the Company remains able to attract and retain the best possible directors and officers. Shareholders are urged to review Article VII set forth in Exhibit A, which reflects the above-described changes.

**Additional Updating, Modernizing, Simplifying, Consolidating and Reordering.** The Board has approved several miscellaneous amendments that seek to update, modernize, simplify, consolidate and reorder the Articles. If adopted, these proposed amendments would (i) eliminate the requirement that the Company's stock be represented by certificates in anticipation of currently pending proposals to develop direct registration systems which, if implemented, may permit investors to directly register their ownership of Common Stock with the Company without receiving a stock certificate, (ii) condense and simplify the Article that currently permits the Board of Directors to issue "blank-check" preferred stock, (iii) correct references to laws or regulations no longer in effect, (iv) add a clarifying definition of total voting power, and (v) reorder various articles in an effort to group similar topics together. All such proposed changes are reflected in the proposed Articles attached as Exhibit A. The Board does not believe that these miscellaneous changes will have any significant effect on the current rights, powers or obligations of the Company or its shareholders.

The Board of Directors unanimously recommends that you vote for this Proposal.

## **PROPOSAL TO APPROVE THE CENTURY TELEPHONE ENTERPRISES, INC. 1995 INCENTIVE COMPENSATION PLAN**

### **General**

The Board of Directors of the Company believes that the growth of the Company depends significantly upon the efforts of its directors, officers and key employees and that such individuals are best motivated to put forth maximum effort on behalf of the Company if they own an equity interest therein. In accordance with this philosophy, the Board of Directors has unanimously adopted the Company's 1995 Incentive Compensation Plan (the "Plan") and has directed that it be submitted for approval by the shareholders at the Meeting. The affirmative vote of a majority of the voting power present or represented at the Meeting is necessary for the shareholders to approve the Plan. The following summary of the Plan is qualified in its entirety by reference to the Plan, which is attached to this Proxy Statement as Exhibit B.

Officers and other key employees of the Company will be eligible to receive awards ("Incentives") under the Plan when designated by the Compensation Committee of the Board of Directors or a subcommittee thereof (the "Compensation Committee"). The Compensation Committee estimates that the Company currently has approximately 75 employees who could be designated as key employees under the Plan. Incentives under the Plan may be granted in any one or a combination of the following forms: (a) incentive and non-qualified stock options; (b) stock appreciation rights; (c) restricted stock; and (d) performance shares.

[Directors who are not also full-time employees of the Company ("Outside Directors") will also receive annual grants of stock options under the Plan. The Company currently has nine Outside Directors.]

### **General Purposes of the Proposal**

The Board of Directors is committed to creating and maintaining a compensation system based to a significant extent on grants of equity-based incentive awards. The Board of Directors believes that providing members of management and key personnel with a proprietary interest in the growth and performance of the Company is crucial to stimulating individual performance while at the same time enhancing shareholder value. The Board further believes that the Plan will assist the Company in attracting, retaining and motivating management and key personnel in a manner that is tied to the interests of shareholders.

As described further below, the Plan will replace the Company's 1988 and 1990 Incentive Compensation Programs (the "Prior Plans") as to future awards if it is approved at the Meeting. The Plan updates, modernizes, eliminates and clarifies several provisions included in the Prior Plans, and includes certain new terms. Among these new terms are provisions that (i)

[automatically grant stock options annually to Outside Directors,]

(b) permit the Compensation Committee, in connection with any participant's payment of the exercise price of an option in shares of Common Stock, to award an additional option to purchase the same number of shares as were surrendered, (c) permit the Committee to take one or more

alternative actions with respect to outstanding Incentives in the event of a change of control of the Company, and (d) empower the Committee to permit the transferability of Incentives if allowed under applicable securities and tax laws. In addition, the Plan has been designed so that Incentives granted thereunder can qualify as performance-based compensation and be excluded from the \$1 million limit on deductible compensation imposed by Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"). Approval of the Plan will also increase the number of shares of Common Stock available for equity-based incentive awards. The Board of Directors believes these changes will improve its ability to achieve the goals of the Company's incentive compensation programs.

## **Terms of the Plan**

**Shares Issuable through the Plan.** A total of two million shares of Common Stock are authorized to be issued under the Plan, representing approximately 3.4% of the outstanding shares of Common Stock as of the Record Date. Incentives with respect to no more than 200,000 shares may be granted to a single participant in one calendar year. A total of 491,984 shares remain available for issuance under the Prior Plans. If the Plan is approved by the shareholders at the Meeting, no further awards will be made under the Prior Plans. A total of 422,641 shares also remain available for issuance under the Company's 1983 Restricted Stock Plan (the "1983 Plan"). It is contemplated that the 1983 Plan will continue to be utilized to pay a portion of the Company's annual bonuses in the form of restricted stock. See "Executive Compensation and Related Information - Report of Compensation Committee Regarding Executive Compensation - Annual Bonus."

Proportionate adjustments will be made to the number of shares of Common Stock subject to the Plan in the event of any recapitalization, stock dividend, stock split, combination of shares or other change in the Common Stock. The Compensation Committee may also amend the terms of any Incentive to the extent appropriate to provide participants with the same relative rights before and after the occurrence of such an event. Shares of Common Stock subject to Incentives that are cancelled, terminated or forfeited, or shares of Common Stock that are issued as Incentives and forfeited or reacquired by the Company, will again be available for issuance under the Plan.

On \_\_\_\_\_, 1995, the closing sale price of a share of Common Stock, as reported on the New York Stock Exchange Composite Tape, was \$\_\_\_\_\_.

**Administration of the Plan.** The Compensation Committee administers the Plan and has plenary authority to award Incentives under the Plan, to interpret the Plan, to establish any rules or regulations relating to the Plan that it determines to be appropriate, to delegate its authority as appropriate, and to make any other determination that it believes necessary or advisable for the proper administration of the Plan.

**Amendments to the Plan.** The Board may amend or discontinue the Plan at any time, except that any amendment that would materially increase the benefits under the Plan, materially increase the number of securities that may be issued under the Plan or materially modify the eligibility requirements must be approved by the shareholders. [In addition, the provisions of the Plan that pertain to the stock options for Outside Directors may not be amended more than once every six months, except to comply with the Code.] Except in limited circumstances, no amendment or discontinuance may change or impair any previously-granted Incentive without the consent of the recipient thereof.

**Types of Incentives.** The Compensation Committee will be authorized under the Plan to grant stock options, restricted stock, stock appreciation rights and performance shares, each of which is described further below.

**Stock Options.** The Compensation Committee may grant non-qualified stock options or incentive stock options to purchase shares of Common Stock. The Compensation Committee will determine the number and exercise price of the options, and the time or times that the options become exercisable, provided that the option exercise price may not be less than the fair market value of the Common Stock on the date of grant. The term of an option will also be determined by the Compensation Committee, provided that the term of an incentive stock option may not exceed 10 years. No stock option granted to an officer, director or beneficial owner of more than 10% of the Common Stock who is subject to Section 16 of the Securities Exchange Act of 1934 (the "1934 Act") may be exercised within the six-month period immediately following the date of grant. Any provision in the Plan or a stock option agreement notwithstanding, the Compensation Committee may accelerate the exercisability of any stock option at any time. The Compensation Committee may also approve the purchase by the Company of an unexercised stock option from the optionee by mutual agreement for the difference between the exercise price and the fair market value of the shares covered by such option.

The option exercise price may be paid in cash, in shares of Common Stock held for at least six months, in a combination of cash and shares of Common Stock, or through a broker-assisted exercise arrangement approved by the Compensation Committee. If an optionee exercises an option while employed by the Company or a subsidiary and pays the exercise price with previously owned shares of Common Stock, the Compensation Committee may grant to the optionee an additional option to purchase the same number of shares as were surrendered at an exercise price equal to the fair market value of the Common Stock on the date of grant.

Incentive stock options will be subject to certain additional requirements necessary in order to qualify as incentive stock options under Section 422 of the Code.

**Restricted Stock.** Shares of Common Stock may be granted by the Compensation Committee to an eligible employee and made subject to restrictions on sale, pledge or other transfer by the employee for a certain period (the "Restricted Period"). All shares of restricted stock will be subject to such restrictions as the Compensation Committee may provide in an agreement with the employee, including, among other things, that the shares are required to be forfeited or resold to the Company in the event of termination of employment or in the event specified performance goals or targets are not met. A Restricted Period of at least three years is required, except that if the vesting of the shares of restricted stock is subject to the attainment of performance goals, the Restricted Period may be one year or more. The Compensation

Committee may prescribe conditions for the lapse of restrictions prior to the end of the Restricted Period in the case of death, disability, retirement or other termination of employment, but shares of restricted stock granted to an employee subject to Section 16 of the 1934 Act must be subject to a Restricted Period of at least six months. Subject to the restrictions provided in the agreement and the Plan, a participant receiving restricted stock shall have all of the rights of a shareholder as to such shares.

**Stock Appreciation Rights.** A stock appreciation right or "SAR" is a right to receive, without payment to the Company, a number of shares of Common Stock, cash or any combination thereof, the amount of which is determined pursuant to the formula described below. A SAR may be granted in conjunction with a stock option or alone without reference to any stock option. A SAR granted in conjunction with a stock option may be granted concurrently with the grant of such option or at such later time as determined by the Compensation Committee and as to all or any portion of the shares subject to the option.

The Plan confers on the Compensation Committee discretion to determine the number of shares to which a SAR will relate as well as the duration and exercisability terms of a SAR. In the case of a SAR granted with respect to a stock option, the number of shares of Common Stock to which the SAR pertains will be reduced in the same proportion that the holder exercises the related option. Unless otherwise provided by the Compensation Committee, a SAR will be exercisable for the same time period as any stock option to which it relates. No SAR granted to an officer subject to Section 16 of the 1934 Act may be exercised during the first six months of its term. Notwithstanding any provision in the Plan or a stock appreciation right agreement, the Compensation Committee may accelerate the exercisability of an SAR at any time.

Upon exercise of an SAR, the holder is entitled to receive an amount that is equal to the aggregate amount of the appreciation in the shares of Common Stock as to which the SAR is exercised. For this purpose, the "appreciation" in the shares consists of the amount by which the fair market value of the shares of Common Stock on the exercise date exceeds (a) in the case of a SAR related to a stock option, the purchase price of the shares under the option or (b) in the case of a SAR granted alone without reference to a related stock option, an amount determined by the Compensation Committee at the time of grant. The Committee may pay the amount of this appreciation to the holder of the SAR by the delivery of Common Stock, cash, or any combination of Common Stock and cash.

**Performance Shares.** Performance Shares consist of the grant by the Company to an eligible employee of a contingent right to receive shares of Common Stock or cash with or without any payment by the employee. Each performance share will be subject to the achievement of performance objectives by the Company, an operating division or a subsidiary by the end of a specified period. The number of shares granted and the performance criteria will be determined by the Compensation Committee. The award of performance shares shall not create any rights in a participant as a shareholder of the Company until the issuance of shares of Common Stock with respect to an award. Performance shares may be awarded in conjunction with the grant of dividend equivalent payment rights that entitle a participant to receive an amount equal to the cash dividends paid on an equal number of shares of Common Stock during the period beginning on the date of grant of an award and ending on the date on which the award is paid or is forfeited.

**Termination of Employment.** If a participant ceases to be an employee of the Company for any reason, including death, any Incentive may be exercised, shall vest or shall expire at such time or times as may be determined by the Committee in the Incentive agreement.

**Loans to Participants.** The Committee may authorize the extension of a loan to a participant by the Company to cover the participant's tax liability that arises in connection with an Incentive. The terms of the loan will be determined by the Committee.

**Change of Control.** If (a) the Company is not the surviving entity in a merger, consolidation or other reorganization, (b) the Company sells, leases or exchanges all or substantially all of its assets, (c) the Company is to be dissolved or liquidated, (d) any person or entity, other than an employee benefit plan of the Company or a related trust, acquires or gains control of more than 30% of the outstanding shares of the Company's voting stock or (e) in connection with a contested election of directors, the persons who were directors of the Company before the election no longer constitute a majority of the Board (collectively, "corporate changes"), all outstanding Incentives will automatically become exercisable and vested and all performance criteria will be waived, and, in addition, the Compensation Committee will have the authority to take several actions regarding outstanding Incentives. Within certain time periods, the Compensation Committee may (i) require that all outstanding stock options and/or SARs remain exercisable only for a limited time, after which time all such Incentives will terminate, (ii) require the surrender to the Company of some or all outstanding options and SARs in exchange for a cash or Common Stock payment for each option or SAR equal in value to the per share change of control value, calculated as described in the Plan, over the exercise price, (iii) make any equitable adjustment to outstanding Incentives as the Compensation Committee deems necessary to reflect the corporate change or (iv) provide that an option or SAR shall become an option or SAR relating to the number and class of shares of stock or other securities or property (including cash) to which the participant would have been entitled in connection with the corporate change if the participant had been the holder of record of the number of shares of Common Stock then covered by such options or SARs.

The Board of Directors believes that providing the Compensation Committee with the choices outlined above will permit the Committee to review all relevant tax, accounting and other issues relating to the treatment of outstanding Incentives at the time of the corporate change, and thereby enable the Committee to choose the treatment that will best serve the participants and the Company. Although the automatic vesting of Incentives and other certain actions permitted to be taken by the Compensation Committee in the event of a change of control could discourage a takeover of the Company, these provisions have not been included for the purpose of making the Company a less attractive takeover target.

**Transferability of Incentives.** Options, SARs and performance shares are not transferable except (a) by will, (b) by the laws of descent and distribution, (c) pursuant to a domestic relations order or (d) to family members, to a trust for the benefit of family members or to charitable institutions, if permitted by the Committee after considering tax and securities law consequences and so provided in the Incentive agreement.

[Stock Options for Outside Directors. Beginning in 1995, each Outside Director will automatically receive non-qualified options to purchase 1,000 shares of Common Stock on the day following the Company's annual meeting of shareholders. Each person who becomes an Outside Director between annual meetings will receive a pro-rated number of options. The exercise price of the options will be equal to the fair market value of a share of Common Stock on the date of grant. The options will become exercisable six months after the date of grant and will have a term of ten years. However, the options will become immediately exercisable in the event of death, disability or retirement from the Board on or after reaching age 65.]

## **Awards To Be Granted**

The Compensation Committee has not made a determination as to which key employees will receive Incentives under the Plan or the amounts or types of Incentives that may be granted. [Based on the current number of Outside Directors, options to purchase 9,000 will be granted each year as long as the Plan remains in effect and shares remain available for issuance under the Plan.]

## **Federal Income Tax Consequences**

Under existing federal income tax provisions, a participant who receives stock options SARs or performance shares or who receives shares of restricted stock that are subject to restrictions which create a "substantial risk of forfeiture" (within the meaning of Section 83 of the Code) will not normally realize any income, nor will the Company normally receive any deduction for federal income tax purposes in the year such Incentive is granted.

When a non-qualified stock option granted pursuant to the Plan is exercised, the employee will realize ordinary income measured by the difference between the aggregate purchase price of the shares of Common Stock as to which the option is exercised and the aggregate fair market value of the shares of Common Stock on the exercise date, and the Company will be entitled to a deduction in the year the option is exercised equal to the amount the employee is required to treat as ordinary income.

An employee generally will not recognize any income upon the exercise of any incentive stock option, but the excess of the fair market value of the shares at the time of exercise over the option price will be an item of adjustment, which may, depending on particular factors relating to the employee, subject the employee to the alternative minimum tax imposed by Section 55 of the Code. The alternative minimum tax is imposed to the extent it exceeds federal regular individual income tax, and it is intended to ensure that individual taxpayers who have economic income do not avoid income tax by taking advantage of exclusions, deductions and credits for regular tax purposes. An employee will recognize capital gain or loss in the amount of the difference between the exercise price and the sale price on the sale or exchange of stock acquired pursuant to the exercise of an incentive stock option, provided the employee does not dispose of such stock within two years from the date of grant and one year from the date of exercise of the incentive stock option (the "required holding periods"). An employee disposing of such shares before the expiration of the required holding period will recognize ordinary income generally equal to the difference between the option price and the fair market value of the stock on the date of exercise. The remaining gain, if any, will be capital gain. The Company will not be entitled to a federal income tax deduction in connection with the exercise of an incentive stock option, except where the employee disposes of the Common Stock received upon exercise before the expiration of the required holding period.

If the exercise price of an option is paid by the surrender of previously owned shares, the basis of the previously owned shares carries over to the shares received in replacement therefor. If the option is a non-qualified option, the income recognized on exercise is added to the basis. If the option is an incentive stock option, the optionee will recognize gain if the shares surrendered were acquired through the exercise of an incentive stock option and have not been held for the applicable holding period. This gain will be added to the basis of the shares received in replacement of the previously owned shares.

When a SAR is exercised, the employee will recognize ordinary income in the year the SAR is exercised equal to the value of the appreciation that he is entitled to receive pursuant to the formula previously described, and the Company will be entitled to a deduction in the same year and in the same amount.

An employee who receives restricted stock or performance shares will normally recognize taxable income on the date the shares become transferable or no longer subject to substantial risk of forfeiture or on the date of their earlier disposition. The amount of such taxable income will be equal to the amount by which the fair market value of the shares of Common Stock on the date such restrictions lapse (or any earlier date on which the shares are disposed of) exceeds their purchase price, if any. An employee may elect, however, to include in income in the year of purchase or grant the excess of the fair market value of the shares of Common Stock (without regard to any restrictions) on the date of purchase or grant over its purchase price. Subject to the limitations imposed by Section 162(m) of the Code, the Company will be entitled to a deduction for compensation paid in the same year and in the same amount as income is realized by the employee. Dividends currently paid to the participant will be taxable compensation income to the participant and deductible by the Company.

If, upon a change in control of the Company, the exercisability or vesting of an Incentive granted under the Plan is accelerated, any excess on the date of the change in control of the fair market value of the shares or cash issued under Incentives over the purchase price of such shares, if any, may be characterized as Parachute Payments (within the meaning of Section 280G of the Code) if the sum of such amounts and any other such contingent payments received by the employee exceeds an amount equal to three times the "Base Amount" for such employee. The Base Amount generally is the average of the annual compensation of such employee for the five years preceding such change in ownership or control. An Excess Parachute Payment, with respect to any employee, is the excess of the Parachute Payments to such person, in the aggregate, over and above such person's Base Amount. If the amounts received by an employee upon a change in control are characterized as Parachute Payments, such employee will be subject to a 20% excise tax on the Excess Parachute Payment, and the Company will be denied any deduction



with respect to such Excess Parachute Payment.

This summary of federal income tax consequences of non-qualified stock options, incentive stock options, restricted stock and performance shares does not purport to be complete. Reference should be made to the applicable provisions of the Code. There also may be state and local income tax consequences applicable to transactions involving Incentives.

The Board of Directors unanimously recommends that you vote for approval of the 1995 Incentive Compensation Plan.

### VOTING SHARE OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

The following table sets forth information regarding ownership of the Company's Common Stock by (i) each person known to the Company to be the beneficial owner of more than 5% of the outstanding Common Stock and (ii) all of the Company's directors and executive officers as a group. Unless otherwise indicated, all information is presented as of the Record Date and all shares indicated as beneficially owned are held with sole voting and investment power.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership<FN1>	Percent of Voting Power<FN2>
Principal Shareholders:		
Regions Bank of Louisiana, as Trustee (the "Trustee") of the Stock Bonus Plan and ESOP (the "Benefit Plans") P. O. Box 7232 Monroe, Louisiana 71211	<FN3>	
Putnam Investments, Inc. One Post Office Square Boston, Massachusetts 02109	<FN4>	
Gabelli Funds, Inc. One Corporate Center Rye, New York 10580-1434	<FN5>	
Management Group:		
All directors and executive officers as a group (16 persons)	<FN6>	

<FN1> Determined in accordance with Rule 13d-3 of the SEC based upon information furnished by the persons listed. Although several persons beneficially own in excess of 5% of certain classes of the Company's voting preferred stock, the percentage of voting power held by these persons is immaterial.

<FN2> Based on the Company's records and, with respect to all shares held of record by the Trustee, based on information the Trustee periodically provides to the Company to establish that certain of the Trustee's shares entitle it to ten votes per share.

<FN3> All voting power attributable to these shares is directed by the participants of the Benefit Plans, each of whom is deemed, subject to certain limited exceptions, to tender such instructions as a "named fiduciary" under such plans, which requires the participants to direct their votes in a manner that they believe to be prudent and in the best interests of the participants of each respective plan.

<FN4> Based on share ownership information as of \_\_\_\_\_, 1995 contained in a Schedule 13G Report that Putnam Investments, Inc. has filed with the SEC. Based on such information, Putnam Investments, Inc. (i) shares voting power with respect to \_\_\_\_\_ of the shares shown and (ii) shares dispositive power with respect to all of the shares shown.

<FN5> Based on share ownership information as of \_\_\_\_\_ contained in a Schedule 13D Report and amendments thereto that Gabelli Funds, Inc. has filed with the SEC. Based on such information, Gabelli Funds, Inc. (i) does not have authority to vote \_\_\_\_\_ of the shares shown and (ii) shares voting and dispositive power with respect to \_\_\_\_\_ of the shares shown.

<FN6> Includes (i) \_\_\_\_\_ shares of Restricted Stock, (ii) \_\_\_\_\_ Option Shares that such persons have a right to acquire within 60 days of the Record Date, (iii) \_\_\_\_\_ Plan Shares allocated to their respective accounts as of December 31, 1994 under the Benefit Plans and as of the Record Date under the 401(k) Plan, (iv) 18,284 shares held of record by the spouses of certain directors and executive officers, as to which beneficial ownership is disclaimed, and (v) 543 shares held as custodian for the benefit of the children of a director and executive officer.

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## EXECUTIVE COMPENSATION AND RELATED INFORMATION

### Report of Compensation Committee Regarding Executive Compensation

General. The Board's Compensation Committee, among other things, monitors and evaluates the compensation levels of the Company's executive officers and directors and administers the Company's restricted stock and incentive compensation programs. All determinations of the Committee are submitted to the full Board for its ratification, except for awards under certain of the Company's stock-based compensation programs and certain other determinations that require action by independent directors. Under the Company's Bylaws, the Company may not, among other things, set the salaries or change the benefits of its executive officers without the approval of the Compensation Committee. The Committee is composed entirely of Board members who are not employees of the Company.

The Committee periodically consults with nationally recognized consulting firms to assist it in evaluating the Company's executive compensation. With the assistance of the Committee and its consultants, the Board has adopted an executive compensation philosophy statement setting forth the Company's compensation objectives, which include:

- . if justified by corporate performance, compensating the executive group at rates higher than those of comparable companies in an effort to hire, develop, reward and retain key executives
- . providing incentive compensation tied to the Company's annual, intermediate and long-term performance
- . encouraging team orientation
- . providing sufficient benefit levels for executives and their families in the event of disability, illness or retirement
- . structuring executive compensation to ensure its full deductibility under the Omnibus Budget Reconciliation Act of 1993

At present, the Company's executive compensation is comprised of (i) salary, (ii) an annual cash and stock incentive bonus, (iii) additional incentive compensation in the form of stock options and a stock retention program, and (iv) other benefits typically provided to executives of comparable companies, all as described further below. For each such component of compensation, the Company's compensation levels are compared with those of comparable companies. For purpose of establishing these comparable compensation levels, the Company compares itself to a national group of several hundred companies selected by management and its consultants. This group consists of a substantial number of telecommunications companies (including most of the 12 companies comprising the "Value Line Telecommunications/Other Majors Index" referred to in the Company's stock performance graph appearing elsewhere herein), but also includes a large number of other companies that have revenue levels similar to the Company's. Compensation data from telecommunications companies is given substantially more weight than data from other companies in establishing comparable compensation levels.

Salary. The salary of each executive officer, including the Chief Executive Officer, is based primarily on the officer's level of responsibility and comparisons to prevailing salary levels for similar positions at comparable companies. Based on these criteria, the Committee seeks to provide the Company's executive officers with salaries that are at least commensurate with the median salary levels at comparable companies. In connection with reviewing and establishing salaries, the Committee typically also reviews the Company's financial performance during the prior year. However, these criteria are given less weight in determining salaries principally due to the Committee's belief that it is more appropriate to reward positive performance through bonuses, stock options and other incentive compensation programs. Notwithstanding this, the Committee believes it is appropriate to establish salaries in excess of median salary levels when warranted by the Company's financial performance in relation to comparable companies. Although the individual performance of each executive officer is reviewed, the Committee historically has not attempted to reward individual achievement through the salary component of compensation due to the inherent subjectivity of such evaluations and the detrimental effect this might have on the Company's team orientation to executive compensation.

During 1994, the Committee agreed to increase the salary of each executive officer between 4 to 5%. In connection with this, the Committee reviewed compensation information for comparable companies previously prepared by the Company's consultants and updated by management, along with the Company's return on equity, revenue growth and earnings growth for the prior year. These raises resulted in the Company's Chief Executive Officer receiving a salary approximately equal to the median salary for chief executive officers at comparable companies and all other executive officers receiving salaries in excess of the median salaries of comparable executives at other companies. The Committee believes these raises were consistent with its objectives of (i) ensuring that the executive officers receive salaries at least equal to those of comparable executives, (ii) providing above-market salaries when warranted by the Company's financial performance, and (iii) applying a team orientation to executive compensation.

Annual Bonus. In connection with the Company's annual incentive bonus program, the Compensation Committee annually establishes target performance levels and the amount of bonus payable if these targets are met, which typically is defined in terms of a percentage of each officer's salary. In early 1994 the Committee recommended that the executive officers receive an incentive bonus for 1994 equal to 25% of their annual salaries if the Committee's 1994 targets were attained, with no bonus being payable if certain minimum target performance levels were not attained, and a bonus of up to 50% of salary being payable if the Committee's 1994 targets were substantially exceeded. Although the Committee may choose any measure of financial performance that it deems appropriate, the Committee for the past several years has used

return on equity and revenue growth (as adjusted for certain non-recurring transactions specified in administrative guidelines prepared in 1990), but has weighted return on equity more heavily than revenue growth in order to reflect the Committee's desire to more closely tie executive compensation to shareholder return.

In determining the size of the executive officers' target bonuses, the Compensation Committee reviews information furnished by its consultants as to the bonus practices among comparable companies. The annual bonuses paid to the Company's Chief Executive Officer has typically been substantially less than the median annual bonus paid to CEOs at comparable companies, [and the annual bonuses paid to the Company's other executive officers has typically approximated or been slightly below the median annual bonuses paid by comparable companies.] To compensate for this, the Company seeks to provide its executives with the opportunity to earn above-average levels of stock incentive compensation.

As a result of the Company exceeding its 1994 targets for both return on equity and revenue growth, each executive officer has received a bonus equal to \_\_\_\_% of his 1994 salary. The Compensation Committee determined to pay \_\_\_\_% of each executive officer's incentive bonus in cash and \_\_\_\_% in Restricted Stock that may not be transferred by the officer for five years and will be forfeited if prior to that time he leaves the Company, other than as a result of death, disability or retirement. As a result, the realization of a significant portion of the 1994 bonus is tied to the Company's future stock price performance.

Similar to its policy with respect to salaries, the Committee traditionally has refrained from rewarding individual achievement through the use of bonuses. However, in 1993 and 1994 the Committee has approved a special incentive bonus for the Company's President - Telecommunications Services based upon attainment of certain quantitative goals relating to cellular revenue growth (weighted 40%), operating expenses (weighted 30%) and subscriber growth (weighted 10%), and certain specified nonquantitative goals (weighted 20%). Under the special bonus, this officer may receive a cash bonus of 10% of his salary if all goals are met, with lesser amounts being payable for partial satisfaction of one or more of these goals, and a bonus of up to 20% of salary being payable if all goals are substantially exceeded. The 10% target bonus is designed to sufficiently reward this executive for successful development of a line of business that the Company believes has above-average growth potential, while at the same time ensuring that the amount received is not large enough to conflict with the Company's team approach to executive compensation. For 1994, this special bonus resulted in an additional cash payment of \$\_\_\_\_\_ to such officer. The Committee has approved a similar arrangement for this officer for 1995 and is currently exploring the possibility of reserving a portion of future bonus pools for discretionary bonus awards to executive officers based on their role in significant contributions benefiting the Company and its shareholders.

**Stock Incentive Programs.** The Company's current incentive compensation programs authorize the Compensation Committee to grant stock options and various other incentives to key personnel. The Committee's philosophy with respect to stock incentive awards is to strengthen the relationship between compensation and increases in the market price of the Common Stock and thereby ally the executive officers' financial interests with those of the Company's shareholders. For a description of the Company's proposal to approve a new incentive compensation program, see "Approval of the Company's 1995 Incentive Compensation Program."

**Options.** Options granted under these programs become exercisable based upon criteria established by the Compensation Committee. The Compensation Committee determines the size of option grants based on information furnished by the Committee's consultants regarding stock option practices among comparable companies and by applying compensation multiples designed to create greater opportunities for stock ownership the greater one's responsibilities and duties. The Committee also assesses the degree to which outstanding unexercised options held by the executive officers continue to provide appropriate incentives to improve the Company's performance. In 1993 and 1994 the Committee determined that it was unnecessary to award any new options.

**Stock Retention Program.** To provide an incentive for officers to acquire and hold Common Stock, the Compensation Committee instituted a stock retention program in 1993. Under this program, each executive officer who in 1993 voluntarily purchased a specified number of shares of Common Stock was awarded (i) an equal number of shares of Restricted Stock, all of which will be forfeited if within three years the purchased shares are sold or if the officer's employment terminates, other than as a result of death, disability or retirement, and (ii) performance units entitling the officer to earn a number of shares of Common Stock equal to 40% of the number of shares purchased. These shares will be earned only if the ten-day average closing price of the Common Stock increases by 30% over the price on the award date at any time prior to the fifth anniversary of the award, but may in no event be issued prior to the third anniversary date of the award. The executive officers are paid dividend equivalent cash payments with respect to unearned performance units at the dividend rate applicable to the underlying Common Stock. The Company arranged and guaranteed loans to officers for the purchase of shares in 1993 under this program. No awards were made under this program during 1994.

**Other Benefits.** The Company maintains certain broad-based employee benefit plans in which the executive officers are generally permitted to participate on terms substantially similar to those relating to all other participants, subject to certain legal limitations on the amounts that may be contributed or the benefits that may be payable thereunder. The Board has determined to have the Company's matching contribution under the 401(k) Plan invested in Common Stock so as to further align employees' and shareholders' financial interests. The Company also maintains the Bonus Plan and ESOP, which serve to further align employees' and shareholders' interests.

Additionally, the Company makes available to its officers a supplemental life insurance plan, supplemental benefits under its medical reimbursement plan, a supplemental retirement plan (which is described below under "- Pension Plan"), a supplemental defined contribution plan, a supplemental 401(k) plan, and a disability salary continuation plan.

**Compensation of Chief Executive Officer.** The criteria, standards and methodology used by the Committee in reviewing and establishing the

Chief Executive Officer's salary, bonus and other compensation are the same as those used with respect to all other executive officers, as described above. Application of these criteria in 1994 resulted in the Chief Executive Officer receiving for 1994 (i) a salary of \$336,129, representing a 4.3% increase over his 1993 salary, and (ii) a bonus consisting of \$\_\_\_\_\_ cash and \_\_\_\_\_ shares of Restricted Stock, which in the aggregate was valued on the date of grant at \_\_\_\_\_% of his base salary.

Ernest Butler, Jr. James B. Gardner [add name of Mr. Lovett's replacement, if any]

### Compensation Committee Interlocks and Insider Participation

As indicated above, the members of the Compensation Committee are Ernest Butler, Jr., James B. Gardner and \_\_\_\_\_. Mr. Butler is Executive Vice President of Stephens Inc., which has provided, and is expected to continue to provide, investment banking services to the Company from time to time. During 1994, Stephens Inc. was a co-manager of the Company's \$150 million offering of senior notes.

### Summary of Compensation

The following table sets forth certain information regarding the compensation of (i) the Company's Chief Executive Officer and (ii) each of the Company's four most highly compensated executive officers other than the Chief Executive Officer.

Summary Compensation Table

Name and Current Principal Position	Year	Annual Compensation		Long-Term Compensation Awards		All Other Compensation<FN2>
		Salary	Bonus	Restricted Stock Awards<FN1>	No. of Securities Underlying Options	
Clarke M. Williams Chairman of the Board	1994	\$448,161	\$	\$	0	\$
	1993	429,710	103,130	178,554	0	42,554
	1992	412,648	123,795	82,545	97,500	40,768
Glen F. Post, III Vice Chairman of the Board, President and Chief Executive Officer	1994	336,129			0	
	1993	322,288	77,349	132,229	0	20,366
	1992	302,899	90,870	60,587	75,000	18,150
W. Bruce Hanks President-Telecommunications Services	1994	217,930			0	
	1993	209,796	69,627	93,051	0	18,589
	1992	204,534	61,360	40,899	52,500	16,485
Harvey P. Perry Senior Vice President, Secretary and General Counsel	1994	212,440			0	
	1993	202,496	48,599	92,896	0	18,442
	1992	194,632	58,390	38,927	52,500	16,123
R. Stewart Ewing, Jr. Senior Vice President and Chief Financial Officer	1994	212,178			0	
	1993	202,256	48,541	92,605	0	18,164
	1992	194,491	58,347	38,897	52,500	15,872

<FN1> Represents for each year shown the number of shares of Restricted Stock awarded in connection with the Company's annual incentive bonuses, multiplied by the per share closing price of the Common Stock on the award date, plus, for 1993 only, the number of shares of Restricted Stock awarded in connection with the Company's stock retention program, multiplied by the per share closing price of the Common Stock on the award date. For additional information on the terms of the Restricted Stock, see "Executive Compensation and Related Information - Report of Compensation Committee Regarding Executive Compensation." At December 31, 1994, the named executive officers held the following aggregate number of shares of Restricted Stock with the following year-end values: Mr. Williams, 17,506 shares (\$516,427); Mr. Post, 11,778 shares (\$347,451); Mr. Hanks, 8,958 shares (\$264,261); Mr. Perry, 8,577 shares (\$253,022); and Mr. Ewing, 8,311 shares (\$245,175). These amounts do not reflect awards of Restricted Stock granted in February 1995 as incentive bonuses for the Company's 1994 performance. Dividends declared with respect to the shares of Restricted Stock are paid currently.

<FN2> Comprised of the Company's (i) matching contributions to the 401(k) Plan, (ii) premium payments under a medical reimbursement plan that are attributable to benefits in excess of those provided generally for other employees, (iii) premium payments for life insurance policies providing death benefits to the executive officers' beneficiaries (and no other benefit to such officers), and (iv) contributions pursuant to the Stock Bonus Plan and ESOP valued as of December 31, 1994 (as supplemented in 1994 by contributions under the Company Supplemental Defined Contribution Plan), in each case for and on behalf of the named executive officers as follows:

Medical Life Stock Bonus

Name	Year	401(k) Plan Contributions	Plan Premiums	Insurance Premiums	Plan and ESOP Contributions
Clarke M. Williams	1994	\$ 0	\$ 1,344	\$ 29,245	\$
	1993	0	1,344	25,923	15,287
	1992	2,182	1,344	23,131	14,111
Glen F. Post, III	1994	4,135	1,344	628	
	1993	3,164	1,344	571	15,287
	1992	2,182	1,344	513	14,111
W. Bruce Hanks	1994	4,424	1,344	384	
	1993	3,285	1,344	361	13,599
	1992	2,182	1,344	348	12,611
Harvey P. Perry	1994	4,429	1,344	756	
	1993	3,323	1,344	669	13,106
	1992	2,182	1,344	597	12,000
R. Stewart Ewing, Jr.	1994	4,429	1,344	445	
	1993	3,323	1,344	397	13,110
	1992	2,182	1,344	354	11,992

## Option Exercises and Holdings

The following table sets forth certain information concerning the exercise of options during 1994 and unexercised options held at December 31, 1994.

### Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values

Name	No. of Shares Acquired on Exercise	Value Realized	Number of Securities Underlying Unexercised Options at December 31, 1994		Value of Unexercised in-the-Money Options at December 31, 1994	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Clarke M. Williams	0	\$ 0	596,203	30,835	\$8,104,903	\$241,438
Glen F. Post, III	15,000	340,500	223,782	12,950	2,213,523	101,399
W. Bruce Hanks	37,373	586,069	103,666	8,528	496,705	66,774
Harvey P. Perry	27,500	566,215	120,528	7,817	899,557	61,207
R. Stewart Ewing, Jr.	3,537	71,796	93,717	6,870	418,804	53,792

## Pension Plan

The Company has a Supplemental Executive Retirement Plan (the "Supplemental Plan") pursuant to which each officer who has completed at least five years of service is entitled to receive a monthly payment upon retirement or, under certain circumstances, attainment of age 55. The following table reflects the annual retirement benefits that a participant with the indicated years of service and compensation level may expect to receive under the Supplemental Plan assuming retirement at age 65. Early retirement may be taken at age 55 by any person with 15 or more years of service, with reduced benefits.

### Annual Benefit Payable on Retirement

Compensation	Years of Service			
	15	20	25	30
\$250,000	\$ 56,250	\$ 75,000	\$ 93,750	\$112,500
300,000	67,500	90,000	112,500	135,000
350,000	78,750	105,000	131,250	157,500
400,000	90,000	120,000	150,000	180,000
450,000	101,250	135,000	168,750	202,500
500,000	112,500	150,000	187,500	225,000
550,000				
600,000				
650,000				

The above table reflects the benefits payable under the Supplemental Plan assuming such benefits will be paid in the form of a monthly lifetime annuity and before reductions relating to the receipt of Social Security benefits as described below. The amount of an officer's monthly payment under the Supplemental Plan is equal to his number of years of service (up to a maximum of 30 years) multiplied by the difference between 1.5% of his average monthly compensation during the 36-month period within his last ten years of employment in which he received his highest compensation and 3 1/3% of his estimated monthly Social Security benefit.

Under the Supplemental Plan, the number of credited years of service at December 31, 1994 was over 30 years for Mr. Williams, 18 years for Mr. Post, 14 years for Mr. Hanks, 11 years for Mr. Ewing and 10 years for Mr. Perry, and the compensation upon which benefits are based is the aggregate amount reported for each respective officer under the columns in the Summary Compensation Table appearing above that are entitled "Salary", "Bonus" and "Restricted Stock Awards" (less, for 1993 only, amounts included under the "Restricted Stock Awards" column that are attributable to shares of Restricted Stock awarded in connection with the Company's stock retention program).

Mr. Williams has the option of receiving retirement benefits under either the Supplemental Plan or under a separate supplemental retirement plan (the "Other Plan") in which he held grandfathered rights when the Supplemental Plan was adopted. Under this Other Plan, Mr. Williams would be entitled upon retirement to receive an annual benefit equal to 65% of his highest annual salary during the last five year of employment. This benefit is reduced by (i) his Social Security benefit, determined as of the date of retirement, and (ii) the value of his Stock Bonus Plan and related Paysop accounts converted to a monthly annuity. The salary upon which benefits are based is the amount reported under the "Salary" column in the Summary Compensation Table appearing above. Currently, the benefits Mr. Williams would receive upon retirement under the Supplemental Plan significantly exceed the benefits he would receive under the Other Plan. The Company anticipates that this benefit level differential will continue for the foreseeable future.

### Employment Contracts

The Company has agreements with certain executive officers, including Messrs. Post, Hanks, Perry and Ewing, providing for a severance payment if such officer is terminated without cause or resigns under certain specified circumstances within three years following any change in control of the Company. "Change in control" is defined as the occurrence of any event relating to the Company that would be required to be reported to the Securities and Exchange Commission under Schedule 14A of Regulation 14A. The severance payment is equal to three times the officer's annual salary if the Board did not approve, and one year's salary if the Board did approve, the change in control. In no event, however, may a severance payment exceed the amount allowable to the Company as a deduction for federal tax purposes.

The Company also has an employment agreement with Mr. Williams providing for, among other things, a minimum annual salary of \$436,800, participation in all of the Company's employee benefit plans and use of the Company's aircraft. The agreement's initial three-year term lapses in May 1996 but thereafter continues from year to year, subject to the right of Mr. Williams or the Company to terminate the agreement as of the third anniversary or any subsequent anniversary date. If Mr. Williams is terminated without cause or resigns under certain specified circumstances, including following any change in control of the Company (defined in the same manner as in the agreements described in the preceding paragraph), he will be entitled to receive, in addition to all amounts to which he is entitled pursuant to the Company's termination policies then in effect, certain severance benefits, including (i) a lump sum payment equal to three times his annual compensation, (ii) continued participation in the Company's employee benefit plans for three years and (iii) continued use of the Company's aircraft for one year on terms comparable to those previously in effect. If Mr. Williams terminates his employment following a change in control of the Company, he will be entitled to receive, in addition to any other amounts due, amounts sufficient to reimburse him for any excise or income taxes payable as a result of his receipt of severance benefits under the agreement.

### Performance Graph

The graph below compares the cumulative total shareholder return on the Common Stock for the last five years with the cumulative total return on the S&P 500 Index and the Value Line Telecommunications/Other Majors Index, in each case assuming (i) the investment of \$100 on January 1, 1990 at closing prices on December 31, 1989 and (ii) reinvestment of dividends. The Value Line Telecommunications/Other Majors Index is prepared by Value Line, Inc., consists of 12 telecommunications companies, including the Company, and is available by contacting Value Line, Inc. directly.

#### [GRAPH TO COME.]

	December 31,					
	1989	1990	1991	1992	1993	1994
Century Telephone Enterprises, Inc.	\$100	\$89	\$ 87	\$124	\$113	\$131
S&P 500 Index	\$100	\$97	\$126	\$136	\$150	\$152
Value Line Telecommunications/ Other Majors Index	\$100	\$85	\$103	\$113	\$126	\$117

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## **Certain Transactions and Filings**

The Company paid approximately \$445,000 to Boles, Boles & Ryan, a professional law corporation, for legal services rendered to the Company in 1994. William R. Boles, Jr., a director of the Company since 1992, is Vice President and a director and practicing attorney with such firm, which has provided legal services to the Company since 1968.

During 1994, the Company paid approximately \$739,000 to a real estate firm owned by the brother of Harvey P. Perry, the Company's Senior Vice President, Secretary and General Counsel. In exchange for such payments (a substantial portion of which were used to compensate subcontractors and vendors and to recoup other out-of-pocket costs), such firm provided a variety of services with respect to several of the Company's office sites and over 120 of its cellular tower sites in several states, including locating and analyzing properties suitable for acquisition as cellular tower sites, negotiating purchase terms with the land owners, and subleasing cellular tower space.

During 1994, the Company purchased approximately \$376,000 of electrical contracting services from a firm owned by the wife and son of Johnny Hebert, a director of the Company.

During 1994, the Company purchased in the ordinary course of business approximately \$83,000 of automobiles, computers and computer repair services from companies owned and operated by Calvin Czeschin, a director of the Company. During 1994, the Company, a local telephone company owned and operated by Mr. Czeschin and a third telephone company collaborated to build a 60-mile fiber optic route in Arkansas to replace a microwave radio route jointly used by all three companies. In connection with this project, the Company acted as the general contractor for Mr. Czeschin's company for purposes of constructing the 9.7-mile portion of the route located in the franchised service territory of Mr. Czeschin's company. In exchange for these and other ancillary services, the Company was reimbursed approximately \$427,000, which represented 100% of the Company's engineering and direct construction costs.

[Add 16b reporting violations, if any.]

For further information see "- Compensation Committee Interlocks and Insider Participation."

## **INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

KPMG Peat Marwick, independent certified public accountants for the Company for 1994, has been selected by the Board to serve again in that capacity for 1995. A representative of such firm is expected to attend the Meeting, will have an opportunity to make a statement if he or she wishes to do so, and will be available to respond to appropriate questions.

## **OTHER MATTERS**

### **Quorum and Voting of Proxies**

The presence, in person or by proxy, of two-thirds of the total voting power of the Voting Shares is necessary to constitute a quorum to organize the Meeting.

If a quorum is present, directors will be elected by plurality vote and, as such, withholding authority to vote in the election of directors will not affect whether the proposed nominees named herein are elected. As indicated above, (i) the affirmative vote of the holders of two-thirds of the voting power present or represented at the Meeting will be required to approve the Amendment Proposals, except for Amendment Proposal No. 3, which must receive the affirmative vote of the holders of a majority of the Company's total voting power and (ii) the affirmative vote of the holders of a majority of the voting power present or represented at the Meeting will be required to approve the proposal to adopt the Company's 1995 Incentive Compensation Plan (the "Incentive Plan Proposal"). For purposes of determining the amount of voting power present with respect to the votes to be taken with respect to the Incentive Plan Proposal and Amendment Proposals No. 1, 2 and 4, shares as to which the proxy holders have been instructed to abstain from voting will not be treated present and will therefor not affect the outcome of the vote. Abstaining with respect to Amendment Proposal No. 3 will have the same effect as a negative vote.

Under the rules of the New York Stock Exchange, brokers who hold shares in street name for customers generally have the authority to vote in their discretion on matters when they have not received voting instructions from beneficial owners, subject to several specified exceptions. Brokers that do not receive such instructions will be entitled to vote in their discretion with respect to the Company's election of directors and each Amendment Proposal, but will not be entitled to vote in their discretion with respect to the Incentive Plan Proposal. If, with respect to any particular matter, brokers do not have such discretionary voting power or elect not to exercise such discretionary power with respect to shares as to which no instructions are received, such shares will be treated as present for purposes of constituting a quorum but not present with respect to such matter and will not effect the outcome of any vote, except the vote with respect to Amendment Proposal No. 3, in which instance such broker "non-votes" will have the same effect as a negative vote.

Voting Shares represented by all properly executed proxies received in time for the Meeting will be voted at the Meeting. A proxy may be revoked at any time before it is exercised by filing with the Secretary of the Company a written revocation or a duly executed proxy bearing a

later date, or by attending the Meeting and voting in person. Unless revoked, the proxy will be voted as specified and, if no specifications are made, will be voted in favor of the proposed nominees and the proposals described herein.

Management is unaware of any matter for action by shareholders at the Meeting other than the election of directors and the other proposals described herein. The enclosed proxy, however, will confer discretionary authority with respect to any other matter that may properly come before the Meeting. It is the intention of the persons named therein to vote in accordance with their best judgment on any such matter.

### Shareholder Nominations and Proposals

As described above under the heading "Approval of Amendments to the Company's Articles of Incorporation - Amendment Proposal No. 2 - Addition of New Article Relating to Shareholder Nominations and Proposals," the Board of Directors has recommended an amendment to the Articles that would require shareholders intending to nominate a person for election as a director or to bring other matters before a shareholders' meeting to provide advance written notice and follow certain other procedures. If this amendment is adopted by the shareholders, the advance written notice required thereunder in connection with the Company's 1996 annual shareholders' meeting must be received by the Company between January 12, 1996 and March 12, 1996. In order to be considered for inclusion in the Company's 1996 proxy materials pursuant to the proxy rules of the Securities and Exchange Commission, shareholder proposals must be received by the Company on or before January 12, 1996.

### By Order of the Board of Directors

Harvey P. Perry  
Secretary

Dated: March \_\_\_\_\_, 1995

Preliminary Copy Filed With the Commission on February 6, 1995

### PROXY

### THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS OF CENTURY TELEPHONE ENTERPRISES, INC.

The undersigned hereby constitutes and appoints Clarke M. Williams or Glen F. Post, III, or either of them, proxies for the undersigned, with full power of substitution, to represent the undersigned and to cast the number of votes attributable to all of the shares of common stock and voting preferred stock (collectively, the "Voting Shares") of Century Telephone Enterprises, Inc. (the "Company") that the undersigned is entitled to vote at the annual meeting of shareholders of the Company to be held on May 11, 1995, and at any and all adjournments thereof (the "Meeting").

1. To elect five Class I Directors.

FOR ☐ all nominees listed  
below (except as  
marked to the  
contrary below)

WITHHOLD AUTHORITY ☐ to vote for  
all nominees  
listed below

INSTRUCTIONS: To withhold authority to vote for any individual nominee, strike a line through the nominee's name in the list below:

William R. Boles, Jr. W. Bruce Hanks C. G. Melville, Jr.  
Glen F. Post, III Clarke M. Williams

2. Proposals described in the Proxy Statement for the Meeting to amend the Company's articles of incorporation to:

(a) increase the number of authorized shares of common stock from 100 million to 175 million

☐ FOR ☐ AGAINST ☐ ABSTAIN

(b) require shareholders to provide advance notice to nominate directors or bring other matters before shareholders' meetings

☐ FOR ☐ AGAINST ☐ ABSTAIN

(Please See Reverse Side)

(c) clarify, and in certain limited instances expand, the protections currently afforded under the Company's "fair price" article



☐ **FOR** ☐ **AGAINST** ☐ **ABSTAIN**

(d) effect the other changes described in the Proxy Statement for the Meeting.

☐ **FOR** ☐ **AGAINST** ☐ **ABSTAIN**

3. Proposal to approve the Company's 1995 Incentive Compensation Program described in the Proxy Statement for the Meeting.

☐ **FOR** ☐ **AGAINST** ☐ **ABSTAIN**

4. In their discretion to vote upon such other business as may properly come before the Meeting.

The Board of Directors recommends that you vote FOR the nominees and the proposals listed above. This Proxy will be voted as specified. If no specific directions are given, all of the votes attributable to your voting shares will be voted for the nominees and the proposals.

---

**DATE NAME (PLEASE PRINT)**

\_\_\_\_\_  
SIGNATURE

\_\_\_\_\_  
ADDITIONAL SIGNATURE (IF JOINTLY HELD)

Please sign exactly as name appears on the certificate or certificates representing shares to be voted by this proxy. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If a corporation, please sign in full corporate name by president or other authorized officer. If a partnership, please sign in partnership name by authorized persons.

## EXHIBIT A

### PROPOSED ARTICLES OF INCORPORATION OF CENTURY TELEPHONE ENTERPRISES, INC.

Set forth below are the articles of incorporation of the Company, as restated, assuming the adoption of each of the Amendment Proposals, pursuant to which the Board of Directors proposes to amend such articles by (i) amending paragraphs A(1), B, C and D of Article III and reordering the Article's paragraphing, (ii) amending the second paragraph of Article IV and renumbering the entire article as Article VII, (iii) consolidating the provisions of Article V into Article VII(B), (iv) renumbering Article VI as Article VIII, (v) amending Article VII and renumbering it as Article VI(B), (vi) amending paragraphs A, C, D and E of Article VIII and consolidating and reordering such amended provisions into Article V, (vii) amending paragraph B of Article VIII and renumbering such amended provisions as Article IV, (viii) renumbering Article IX as Article VI(A), (ix) renumbering Article X as Article IV (E), (x) amending paragraphs A and B of Article XI and renumbering such amended provisions as Article IX, (xi) amending paragraph C of Article XI and renumbering it as Article V(E), and (xii) adding new provisions as Articles IV(F), V(D), VI(C) and VII(C).

\* \* \* \* \*

[Articles I and II, which will not be amended, are intentionally omitted.]

#### ARTICLE III

##### Capital

A. Authorized Stock. The Corporation shall be authorized to issue an aggregate of 177 million shares of capital stock, of which 175 million shares shall be Common Stock, \$1.00 par value per share, and two million shares shall be Preferred Stock, \$25.00 par value per share.

B. Preferred Stock. Shares of Preferred Stock may be issued from time to time in one or more series. Authority is hereby vested in the Board of Directors of the Corporation to amend these Articles of Incorporation from time to time to fix the preferences, limitations and relative rights as between the Preferred Stock and the Common Stock, to fix the number of shares constituting any series of Preferred Stock and the designation thereof, and to fix variations in the preferences, limitations and relative rights as between different series of Preferred Stock.

C. Voting Rights. (1) Each share of Common Stock and each outstanding share of the Series A and H Preferred Stock ("Voting Preferred Stock") which has been beneficially owned continuously by the same person since May 30, 1987 will entitle such person to ten votes with respect to such share on each matter properly submitted to the shareholders of the Corporation for their vote, consent, waiver, release or other action when the Common Stock and the Voting Preferred Stock vote together with respect to such matter.

(2) (a) For purposes of this paragraph C, a change in beneficial ownership of a share of the Corporation's stock shall be deemed to have occurred whenever a change occurs in any person or group of persons who, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise has or shares (i) voting power, which includes the power to vote, or to direct the voting of such share; (ii) investment power, which includes the power to direct the sale or other disposition of such share; (iii) the right to receive or retain the proceeds of any sale or other disposition of such share; or (iv) the right to receive distributions, including cash dividends, in respect to such share.

(b) In the absence of proof to the contrary provided in accordance with the procedures referred to in subparagraph (4) of this paragraph C, a change in beneficial ownership shall be deemed to have occurred whenever a share of stock is transferred of record into the name of any other person.

(c) In the case of a share of Common Stock or Voting Preferred Stock held of record in the name of a corporation, general partnership, limited partnership, voting trustee, bank, trust company, broker, nominee or clearing agency, or in any other name except a natural person, if it has not been established pursuant to the procedures referred to in subparagraph (4) that such share was beneficially owned continuously since May 30, 1987 by the person who possesses all of the attributes of beneficial ownership referred to in clauses

(i) through (iv) of subparagraph (2)(a) of this paragraph C with respect to such share of Common Stock or Voting Preferred Stock, then such share of Common Stock or Voting Preferred Stock shall carry with it only one vote regardless of when record ownership of such share was acquired.

(d) In the case of a share of stock held of record in the name of any person as trustee, agent, guardian or custodian under the Uniform Gifts to Minors Act, the Uniform Transfers to Minors Act or any comparable statute as in effect in any state, a change in beneficial ownership shall be deemed to have occurred whenever there is a change in the beneficiary of such trust, the principal of such agent, the ward of such guardian or the minor for whom such custodian is acting.

(3) Notwithstanding anything in this paragraph C to the contrary, no change in beneficial ownership shall be deemed to have occurred solely as a result of:

(a) any event that occurred prior to May 30, 1987, including contracts providing for options, rights of first refusal and similar arrangements, in existence on such date to which any holder of shares of stock is a party;

(b) any transfer of any interest in shares of stock pursuant to a bequest or inheritance, by operation of law upon the death of any individual, or by any other transfer without valuable consideration, including a gift that is made in good faith and not for the purpose of circumventing this paragraph C;

(c) any change in the beneficiary of any trust, or any distribution of a share of stock from trust, by reason of the birth, death, marriage or divorce of any natural person, the adoption of any natural person prior to age 18 or the passage of a given period of time or the attainment by any natural person of a specified age, or the creation or termination of any guardianship or custodian arrangement; or

(d) any appointment of a successor trustee, agent, guardian or custodian with respect to a share of stock.

(4) For purposes of this paragraph C, all determinations concerning changes in beneficial ownership, or the absence of any such change, shall be made by the Corporation. Written procedures designed to facilitate such determinations shall be established by the Corporation and refined from time to time. Such procedures shall provide, among other things, the manner of proof of facts that will be accepted and the frequency with which such proof may be required to be renewed. The Corporation and any transfer agent shall be entitled to rely on all information concerning beneficial ownership of a share of stock coming to their attention from any source and in any manner reasonably deemed by them to be reliable, but neither the Corporation nor any transfer agent shall be charged with any other knowledge concerning the beneficial ownership of a share of stock.

(5) Each share of Common Stock acquired by reason of any stock split or dividend shall be deemed to have been beneficially owned by the same person continuously from the same date as that on which beneficial ownership of the share of Common Stock, with respect to which such share of Common Stock was distributed, was acquired.

(6) Each share of Common Stock acquired upon conversion of the outstanding Series A and H Preferred Stock of the Corporation ("Convertible Stock") shall be deemed to have been beneficially owned by the same person continuously from the date on which such person acquired the Convertible Stock converted into such share of Common Stock.

(7) Where a holder beneficially owns shares having ten votes per share and shares having one vote per share, and transfers beneficial ownership of less than all of the shares held, the shares transferred shall be deemed to consist, in the absence of evidence to the contrary, of the shares having one vote per share.

(8) Shares of Common Stock held by the Corporation's employee benefit plans will be deemed to be beneficially owned by such plans regardless of how such shares are allocated to or voted by participants, until the shares are actually distributed to participants.

(9) Each share of Common Stock, whether at any particular time the holder thereof is entitled to exercise ten votes or one, shall be identical to all other shares of Common Stock in all other respects.

(10) Each share of Voting Preferred Stock, whether at any particular time the holder thereof is entitled to exercise ten votes or one, shall be identical in all other respects to all other shares of Voting Preferred Stock in the same designated series.

(11) Each share of Common Stock issued by the Corporation in a business combination transaction shall be deemed to have been beneficially owned by the person who received such share in the transaction continuously for the shortest period, as determined in good faith by the Board of Directors, that would be permitted for the transaction to be accounted for as a pooling of interests, provided that the Audit Committee of the Board of Directors has made a good faith determination that (a) such transaction has a bona fide business purpose, (b) it is in the best interests of the Corporation and its shareholders that such transaction be accounted for as a pooling of interests under generally accepted accounting principals and (c) such issuance of Common Stock does not have the effect of nullifying or materially restricting or disparately reducing the per share voting rights of holders of an outstanding class or classes of voting stock of the Corporation. Notwithstanding the foregoing, (i) the Corporation shall not issue shares in a business combination transaction if such issuance would result in a violation of any rule or regulation regarding the per share voting rights of publicly-traded securities that is promulgated by the Securities and Exchange Commission or the principal exchange upon which the Common Stock is then listed for trading and (ii) nothing herein shall be interpreted to require the Corporation to account for any business combination transaction in any particular manner.

**D. Non-Assessability; Transfers; Pre-emptive Rights.** The stock of this Corporation shall be fully paid and non-assessable when issued and shall be personal property. No transfer of such stock shall be binding upon this Corporation unless such transfer is made in accordance with these Articles and the by-laws of this Corporation and duly recorded in the books thereof. No stockholder shall have any pre-emptive right to subscribe to any or all additions to the stock of this Corporation.

[The remainder of Article III, which sets forth the terms and conditions of the Company's Series A, H, K and AA Preferred Stock, has been intentionally omitted.]

## **ARTICLE IV**

### **Directors**

A. Number of Directors. The number of directors comprising the Board of Directors of this Corporation (exclusive of directors who may be elected by the holders of any one or more series of Preferred Stock voting separately) shall be 14 unless otherwise determined from time to time by resolution adopted by the affirmative votes of both (i) 80% of the directors then in office and (ii) a majority of the Continuing Directors (as defined in Article V(C)), voting as a separate group, provided, however, that no decrease in the number of directors shall shorten the term of any incumbent director.

B. Classification. The Board of Directors, other than those who may be elected by the holders of any one or more series of Preferred Stock voting separately, shall be divided, with respect to the time during which they shall hold office, into three classes, designated Class I, II and III, as nearly equal in number as possible. Any increase or decrease in the number of directors shall be apportioned by the Board of Directors so that all classes of directors shall be as nearly equal in number as possible. At each annual meeting of shareholders, directors chosen to succeed those whose terms then expire shall be elected to hold office for a term expiring at the annual meeting of shareholders held in the third year following the year of their election and until their successors are duly elected and qualified.

C. Vacancies. Except as provided in Article IV(G) hereof, any vacancy on the Board (including any vacancy resulting from an increase in the authorized number of directors or from a failure of the shareholders to elect the full number of authorized directors) may, notwithstanding any resulting absence of a quorum of directors, be filled only by the Board of Directors, acting by vote of both (i) a majority of the directors then in office and

(ii) a majority of all the Continuing Directors, voting as a separate group, and any director so appointed shall serve until the next shareholders' meeting held for the election of directors of the class to which he shall have been appointed and until his successor is duly elected and qualified.

D. Removal. Subject to Article IV(G) hereof and notwithstanding any other provisions of these Articles or the Bylaws of this Corporation, any director or the entire Board of Directors may be removed at any time, but only for cause, by the affirmative vote at a meeting of shareholders called for such purpose of the holders of both (i) a majority of the Total Voting Power (as defined in Article V(C) hereof) entitled to be cast by the holders of Voting Stock (as defined in Article V(C) hereof), voting together as a single class, and (ii) a majority of the Total Voting Power entitled to be cast by the Independent Shareholders (as defined in Article V(C)), voting as a separate group. At the same meeting in which the shareholders remove one or more directors, a successor or successors may be elected for the unexpired term of the director or directors removed. Except as set forth in this Article, directors shall not be subject to removal.

E. Tender Offers and Other Extraordinary Transactions. In connection with the exercise of its judgment in determining what is in the best interest of the Corporation and its stockholders when evaluating a Business Combination or a tender or exchange offer or a proposal by another Person or Persons to make a tender or exchange offer, the Board of Directors of the Corporation shall consider, in addition to the adequacy of the amount to be paid in connection with any such transaction, all of the following factors and any other factors which it deems relevant: (i) the social and economic effects of the transaction on the Corporation and its subsidiaries, and their respective employees, customers, creditors and other elements of the communities in which they operate or are located, (ii) the business and financial condition and earnings prospects of the acquiring Person or Persons, including, but not limited to, debt service and other existing or likely financial obligations of the acquiring Person or Persons, and the possible effect of such conditions upon the Corporation and its Subsidiaries and the other elements of the communities in which the Corporation and its subsidiaries operate or are located, and (iii) the competence, experience and integrity of the acquiring Person or Persons and its or their management.

F. Board Qualifications. (1) Except as otherwise provided in Article IV(G) hereof, no person shall be eligible for nomination, election or service as a director of the Corporation who shall:

(a) in the opinion of the Board of Directors fail to respond satisfactorily to the Corporation respecting any inquiry of the Corporation for information to enable the Corporation to make any certification required by the Federal Communications Commission under the Anti-Drug Abuse Act of 1988 or to determine the eligibility of such person under this Article;

(b) have been arrested or convicted of any offense concerning the distribution or possession of, or trafficking in, drugs or other controlled substances, provided that in the case of an arrest the Board of Directors may in its discretion determine that notwithstanding such arrest such persons shall remain eligible under this Article; or

(c) have engaged in actions that could lead to such an arrest or conviction and that the Board of Directors determines would make it unwise for such person to serve as a director of the Corporation.

(2) Any person serving as a director of the Corporation shall automatically cease to be a director on such date as he ceases to have the qualifications set forth in paragraph (1) above, and his position shall be considered vacant within the meaning of Article IV(C) hereof.

G. Directors Elected by Preferred Shareholders. Notwithstanding anything in these Articles of Incorporation to the contrary, whenever the holders of any one or more series of Preferred Stock shall have the right, voting separately as a class, to elect one or more directors of the Corporation, the provisions of these Articles of Incorporation (as they may be duly amended from time to time) fixing the rights and preferences of such Preferred Stock shall govern with respect to the nomination, election, term, removal, vacancies or other related matters with respect to such directors.

## ARTICLE V

## Certain Business Combinations

A. Supermajority Vote. In addition to any affirmative vote otherwise required by law or these Articles of Incorporation (notwithstanding the fact that a lesser percentage may be specified by law or these Articles of Incorporation) and except as otherwise expressly provided in Article V (B):

- (1) any merger, consolidation or share exchange of the Corporation or any Subsidiary with an Interested Shareholder or with any other corporation, whether or not itself an Interested Shareholder, which is, or after such merger, consolidation or share exchange would be, an Affiliate or Associate of an Interested Shareholder who was an Interested Shareholder prior to the transaction;
- (2) any sale, lease, transfer, exchange, mortgage, pledge, loan, advance, or other similar disposition (in one or more series of transactions), with or for the direct or indirect benefit of any Interested Shareholder or any Affiliate or Associate thereof, of any assets of the Corporation or any Subsidiary having, measured at the time the transaction or transactions are approved by the Board of Directors, an aggregate book value or Market Value as of the end of the Corporation's most recently ended fiscal quarter of \$1 million or more;
- (3) the adoption of any plan or proposal for the liquidation or dissolution of the Corporation or any Subsidiary;
- (4) the issuance or transfer by the Corporation or any Subsidiary, in one transaction or in a series of transactions in any twelve-month period, of any Equity Securities of the Corporation or any Subsidiary that have an aggregate Market Value of \$1 million or more to any Interested Shareholder or any Affiliate or Associate thereof, except pursuant to the exercise of warrants or rights to purchase securities offered pro rata to all holders of the Corporation's Voting Stock or by any other method affording substantially proportionate treatment to the holders of Voting Stock;
- (5) any reclassification or recapitalization of securities of the Corporation, including any reverse stock split, any merger, consolidation or share exchange of the Corporation with any Subsidiary, or any other transaction (whether or not involving an Interested Shareholder) that has the effect, directly or indirectly, in one transaction or a series of transactions, of increasing the voting power (regardless of when exercisable) or the proportionate amount of the outstanding shares of any class or series of Equity Securities of the Corporation or any Subsidiary directly or indirectly beneficially owned by any Interested Shareholder or any Affiliate or Associate thereof;
- (6) any loans, advances, guarantees, pledges or other financial assistance or any tax credits or other tax advantages provided by the Corporation or any Subsidiary to an Interested Shareholder or any Affiliate or Associate thereof, except proportionately as a shareholder; or
- (7) any agreement, contract or other arrangement providing directly or indirectly for any of the foregoing;

shall require (i) the approval by a majority of both the directors then in office and a majority of the Continuing Directors, voting as a separate group, and (ii) the affirmative vote of both 80% of the Total Voting Power entitled to be cast by the holders of Voting Stock, voting together as a single class, and two-thirds of the Total Voting Power entitled to be cast by the Independent Shareholders present or duly represented at a meeting, voting together as a separate class. In addition, a proxy or information statement describing the proposed Business Combination and complying with the requirements of the Exchange Act and the rules and regulations promulgated thereunder shall be mailed to all shareholders of the Corporation at least 30 days prior to the consummation of such Business Combination (regardless of whether such proxy or information statement is required pursuant to such act).

B. Exceptions to Supermajority Vote Requirements. If all conditions specified in either of paragraphs 1 or 2 below are met, the provisions of Article V(A) shall not be applicable to any Business Combination, and such Business Combination shall require only the affirmative vote of two-thirds of the Total Voting Power entitled to be cast by the holders of Voting Stock present or duly represented at a shareholders' meeting called for such purpose and such other votes as may be required by law, any other provisions or these Articles of Incorporation or the Bylaws, and shall further require only the delivery of such proxy or information statements, if any, as may be required by law:

- (1) The Business Combination shall have been approved prior to the time such Interested Shareholder became an Interested Shareholder by a majority of the directors then in office and a majority of the Continuing Directors, voting as a separate group; or
- (2) All of the following five conditions have been met:
  - (a) The aggregate amount of the cash and the Market Value as of the Valuation Date of consideration other than cash to be received per share by holders of Common Stock in such Business Combination is at least equal to the highest of the following:
    1. the highest per share price, including any brokerage commissions, transfer taxes and soliciting dealer's fees, paid by the Interested Shareholder for any shares of Common Stock acquired by it within the two-year period immediately prior to the Announcement Date or in the transaction in which it became an Interested Shareholder, whichever is higher;
    2. the Market Value per share of Common Stock on the Announcement Date or on the Determination Date, whichever is higher; or
    3. the price per share equal to the Market Value per share of Common Stock determined pursuant to clause (2) immediately preceding,

multiplied by a fraction, the numerator of which is the highest per share price, including any brokerage commissions, transfer taxes and soliciting dealers' fees, paid by the Interested Shareholder for any shares of Common Stock acquired by it within the two-year period immediately prior to the Announcement Date, and the denominator of which is the Market Value per share of Common Stock on the first date in such two-year period on which the Interested Shareholder acquired any shares of Common Stock.

(b) The aggregate amount of the cash and the Market Value as of the Valuation Date of consideration other than cash to be received per share by holders of shares of any class or series of outstanding stock other than Common Stock is at least equal to the highest of the following, whether or not the Interested Shareholder has previously acquired any shares of any such class or series of stock:

1. the highest per share price, including any brokerage commissions, transfer taxes and soliciting dealers' fees, paid by the Interested Shareholder for any shares of such class or series of stock acquired by it within the two-year period immediately prior to the Announcement Date or in the transaction in which it became an Interested Shareholder, whichever is higher;
2. the highest preferential amount per share to which the holders of shares of such class or series of stock are entitled in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation;
3. the Market Value per share of such class or series of stock on the Announcement Date or on the Determination Date, whichever is higher; or
4. the price per share equal to the Market Value per share of such class or series of stock, determined pursuant to clause (3) immediately preceding, multiplied by a fraction, the numerator of which is the highest per share price, including any brokerage commissions, transfer taxes and soliciting dealers' fees, paid by the Interested Shareholder for any shares of any such class or series of Voting Stock acquired by it within the two-year period immediately prior to the Announcement Date, and the denominator of which is the Market Value per share of the same class or series of voting stock on the first day in such two-year period on which the Interested Shareholder acquired any shares or the same class or series of Voting Stock.

(c) The consideration to be received by holders of any class or series of outstanding stock is to be in cash or in the same form as the Interested Shareholder has previously paid for shares of the same class or series of stock. If the Interested Shareholder has paid for shares of any class of stock with varying forms of consideration, the form of consideration for such class of stock shall be either in cash or the form used to acquire the largest number of shares of such class or series of stock previously acquired by it. In making any price calculation under paragraph 2 of this Article V(B), appropriate adjustments shall be made to reflect any reclassification or stock split (including any reverse stock split), stock dividend, recapitalization, reorganization or any similar transaction which has the effect of increasing or reducing the number of outstanding shares of stock.

(d) After the Interested Shareholder has become an Interested Shareholder and prior to the consummation of such Business Combination:

1. there shall have been no failure to declare and pay at the regular date therefor any full periodic dividends, whether or not cumulative, on any outstanding Preferred Stock of the Corporation or other capital stock entitled to a preference over the Common Stock as to dividends or upon liquidation;
2. there shall have been no reduction in the annual rate of dividends paid on the Common Stock, except as necessary to reflect any subdivision of the Common Stock, and no failure to increase the annual rate of dividends as necessary to reflect any reclassification (including any reverse stock split), recapitalization, reorganization or other similar transaction which has the effect of reducing the number of outstanding shares of Common Stock; and
3. the Interested Shareholder did not become the Beneficial Owner of any additional shares of stock of the Corporation except as part of the transaction which resulted in such Interested Shareholder becoming an Interested Shareholder or by virtue of proportionate stock splits or stock dividends.

The provisions of clauses (1) and (2) immediately preceding shall not apply if no Interested Shareholder or any Affiliate or Associate thereof voted as a director of the Corporation in favor of foregoing or reducing dividends in the manner specified in such clauses and the Interested Shareholder, within ten days after any such act or failure to act that resulted in such loss or diminution of dividends, notifies the Board of Directors of the Corporation in writing that the Interested Shareholder disapproves thereof and requests in good faith that the Board of Directors rectify such act or failure to act.

(e) After the Interested Shareholder has become an Interested Shareholder, the Interested Shareholder shall not have received the benefit, directly or indirectly, except proportionately as a shareholder, of any loans, advances, guarantees, pledges or other financial assistance provided by the Corporation or any Subsidiary, whether in anticipation of or in connection with such Business Combination or otherwise.

C. Definitions. For purposes of these Articles of Incorporation or the Bylaws of this Corporation:

(1) "Affiliate" or "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations promulgated under the Exchange Act (the term "registrant" in such Rule 12b-2 meaning in this case the Corporation), provided, however, that in no event shall the Corporation, any of its Subsidiaries, any employee benefit plan or any of the other persons or entities exempted from the definition of Interested Shareholder in Article V(C) hereof be deemed to be an Affiliate or Associate of any Interested Shareholder.

- (2) "Announcement Date" means the first general public announcement of the proposal or intention to make a proposal to consummate a Business Combination or its first communication generally to shareholders of the Corporation, whichever is earlier.
- (3) A person shall be deemed to be the "Beneficial Owner" of any shares of capital stock (regardless whether owned of record):
- (a) Which that person or any of its Affiliates or Associates, directly or indirectly, owns beneficially; or
  - (b) Which such person or any of its Affiliates or Associates has (i) the right to acquire (whether exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise, or (ii) the right to vote pursuant to any agreement, arrangement or understanding; or
  - (c) Which are beneficially owned, directly or indirectly, by any other person with which such person or any of its Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of any shares of voting capital stock of the Corporation or any Subsidiaries.
- (4) "Business Combination" means any transaction referred to in any one or more of the clauses (1) through (7) of Article V(A).
- (5) "Capital Stock" means any Common Stock, Preferred Stock or other shares of capital stock of the Corporation, or any bonds, debentures, or other obligations granted voting rights by the Corporation pursuant to La. R.S. 12:75H.
- (6) "Continuing Director" means any member of the Board of Directors who is not an Interested Shareholder or an Affiliate or Associate thereof, and who was a director of the Corporation prior to the time the Interested Shareholder became an Interested Shareholder, and any other member of the Board of Directors who is not an Interested Shareholder or an Affiliate or Associate thereof, and was recommended or elected by a majority of the Continuing Directors at a meeting at which a quorum consisting of a majority of the Continuing Directors was present, provided that, in the absence of an Interested Shareholder, any reference to "Continuing Directors" shall mean all the directors then in office.
- (7) "Determination Date" means the date on which an Interested Shareholder first became an Interested Shareholder.
- (8) "Employee Benefit Plan" means any option, bonus, profit sharing, employee stock ownership, dividend reinvestment, savings or similar plan of the Corporation or any Subsidiary, or any trust related thereto.
- (9) "Equity Security" means (a) any stock or similar security, certificate of interest, or participation in any profit-sharing agreement, voting trust certificate, or certificate of deposit for the foregoing, (b) any security convertible, with or without consideration, into an equity security, or any warrant or other security carrying any right to subscribe to or purchase an equity security, or (c) any put, call, straddle, or other option, right or privilege to acquire an equity security from or to sell an equity security to another without being bound to do so.
- (10) "Exchange Act" means the Securities Exchange Act of 1934, as amended.
- (11) "Independent Shareholder" means a holder of Voting Stock who is not an Interested Shareholder or an Affiliate or Associate thereof.
- (12) "Interested Shareholder" means any person (other than the Corporation, any Subsidiary, any Employee Benefit Plan, any fiduciary with respect to an Employee Benefit Plan acting in such capacity, or any Affiliate or Associate of any of the foregoing) who (a) is the Beneficial Owner, directly or indirectly, of shares of capital stock (including two or more classes or series voting together as a single class) representing 10% or more of the outstanding Total Voting Power entitled to vote for the election of directors, or (b) is an Affiliate or Associate of the Corporation and at any time within the two-year period immediately prior to the date in question was the Beneficial Owner, directly or indirectly, of shares of capital stock (including two or more classes or series voting together as a single class) representing 10% or more of the outstanding Total Voting Power entitled to vote for the election of directors. For the purpose of determining whether a person is an Interested Shareholder, the number of shares of Voting Stock deemed to be outstanding shall include shares deemed owned by the person through application of paragraph 3 of Article V(C) but shall not include any other shares of Voting Stock that may be issuable pursuant to any agreement, arrangement, or understanding or upon exercise of conversion rights, warrants or options, or otherwise.
- (13) "Market Value" means:
- (a) in the case of stock, the highest closing sale price during the 30 calendar day period immediately preceding the date in question of a share of such stock on the Composite Tape for New York Stock Exchange listed stocks, or, if such stock is not quoted on such Composite Tape, on the New York Stock Exchange, or if such stock is not listed on such exchange, on the principal United States securities exchange registered under the Exchange Act on which such stock is listed, or, if such stock is not listed on any such exchange, the highest closing sales price during the 30 calendar day period immediately preceding the date in question as reported by the National Association of Securities Dealers, Inc. for securities traded on the National Market System of the National Association of Securities Dealers, Inc. Automated Quotations System ("NASDAQ"), or, if such stock is not traded in such system, the closing bid quotation with respect to a share of such stock during the 30 calendar day period preceding the date in question on NASDAQ, or any similar system then in use, or if no such quotation is available, the fair market value on the date in question of a share of such stock as determined by a majority of the Continuing Directors at a meeting of the Board

of Directors at which a quorum consisting of at least a majority of the then Continuing Directors is present; and

(b) in the case of property other than cash or stock, the fair market value or such property on the date in question as determined by a majority of the Continuing Directors at a meeting of the Board of Directors at which a quorum consisting of at least a majority of the then Continuing Directors is present.

(14) A "person" means any individual, firm, corporation or other entity, or a group of persons acting or agreeing to act together in the manner set forth in Rule 13d-5 under the Securities Exchange Act of 1934.

(15) "Subsidiary" means any corporation of which voting stock having a majority of the votes entitled to be cast generally in the election of directors is owned, directly or indirectly, by the Corporation.

(16) "Total Voting Power," when used in reference to any particular matter properly brought before the shareholders for their consideration and vote, means the total number of votes that holders of Capital Stock are entitled to cast with respect to such matter.

(17) "Valuation Date" means:

(a) for a Business Combination voted upon by shareholders, the later of the day prior to the date of the shareholders' vote or the date 20 business days prior to the consummation of the Business Combination; and

(b) for a Business Combination not voted upon by shareholders, the date of the consummation of the Business Combination.

(18) "Voting Stock" means shares of Capital Stock entitled to vote generally in an election of directors.

D. Determinations. For the purpose of this Article V, so long as Continuing Directors constitute at least a majority of the entire Board of Directors, the Board of Directors shall have the power to make a good faith determination, on the basis of information known to them, of: (1) the number of shares of capital stock of which any person or entity is the Beneficial Owner, (2) whether any person or entity is an Interested Shareholder or an Affiliate or Associate thereof, (3) whether any person or entity has an agreement, arrangement or understanding with another as to the matters referred to in the definition of Beneficial Owner herein, (4) whether any transaction constitutes a Business Combination (including the power to determine in good faith the book value or Market Value of the assets of the Corporation or any Subsidiary) or is a transaction with or for the benefit of an Interested Shareholder, (5) whether any of the events referred to in subsection (B)(2)(d) of this Article V have occurred, and (6) such other matters with respect to which a determination is required under this Article V. All such good faith determinations by the Board of Directors shall be conclusive and binding for all purposes of this Article V.

E. Benefit of Statute. This Corporation claims and shall have the benefits of La.R.S. 12:132-134, provided, however, that the provisions of La.R.S. 12:132-134 shall not apply to any "business combination" (as defined in La. R.S. 12:132(4)) involving any Employee Benefit Plan (as defined in Article V(C)) or any fiduciary with respect to any such plan acting in such capacity.

## **ARTICLE VI**

### **Shareholders' Meetings**

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

B. Special Meetings. Subject to the terms of any outstanding class or series of Preferred Stock that entitles the holders thereof to call special meetings, a majority of the Total Voting Power of the Corporation shall be required to cause the Secretary of the Corporation to call a special meeting of shareholders pursuant to La. R.S. 12:73B (or any successor provision). Nothing in this Article VI shall limit the power of the President of the Corporation or its Board of Directors to call a special meeting of shareholders.

C. Notice of Shareholder Nominations and Shareholder Business. (1) At any meeting of the shareholders, only such business shall be conducted as shall have been properly brought before the meeting. Except as otherwise provided in Article IV(G), nominations for the election of directors at a meeting at which directors are to be elected may be made by or at the direction of the Board of Directors, or a committee duly appointed thereby, or by any shareholder of record entitled to vote generally for the election of directors who complies with the procedures set forth below. Other matters to be properly brought before a meeting of the shareholders must be (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, including matters covered by Rule 14a-8 of the Securities and Exchange Commission, (b) otherwise properly brought before the meeting by or at the direction of the Board of Directors, or (c) otherwise properly brought before the meeting by any shareholder of record entitled to vote at such meeting who complies with the procedures set forth below.

(2) A notice of the intent of a shareholder to make a nomination or to bring any other matter before the meeting shall be made in writing and



received by the Secretary of the Corporation not more than 120 days and not less than 60 days in advance of the first anniversary of the preceding year's annual meeting of shareholders or, in the event of a special meeting of shareholders or an annual meeting scheduled to be held either 30 days earlier or later than such anniversary date, such notice shall be received by the Secretary of the Corporation within 15 days of the earlier of the date on which notice of such meeting is first mailed to shareholders or public disclosure of the meeting date is made.

(3) Every such notice by a shareholder shall set forth:

(a) the name, age, business address and residential address of the shareholder of record who intends to make a nomination or bring up any other matter, and any person acting in concert with such shareholder;

(b) a representation that the shareholder is a holder of record of shares of the Corporation's capital stock that accord such shareholder the voting rights specified in paragraph (1) above and that the shareholder intends to appear in person at the meeting to make the nomination or bring up the matter specified in the notice;

(c) with respect to notice of an intent to make a nomination, a description of all agreements, arrangements or understandings among the shareholder, any person acting in concert with the shareholder, each proposed nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the shareholder;

(d) with respect to notice of an intent to make a nomination, (i) the name, age, business address and residential address of each person proposed for nomination,

(ii) the principal occupation or employment of such person,

(iii) the class and number of shares of capital stock of the Corporation of which such person is the beneficial owner, and (iv) any other information relating to such person that would be required to be disclosed in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission had such nominee been nominated by the Board of Directors; and

(e) with respect to notice of an intent to bring up any other matter, a complete and accurate description of the matter, the reasons for conducting such business at the meeting, and any material interest of the shareholder in the matter.

(4) Notice of an intent to make a nomination shall be accompanied by the written consent of each nominee to serve as a director of the Corporation if so elected and an affidavit of each such nominee certifying that he meets the qualifications specified in Article IV(F). The Corporation may require any proposed nominee to furnish such other information as may be reasonably required by the Corporation to determine the eligibility and qualifications of such person to serve as a director.

(5) With respect to any proposal by a shareholder to bring before a meeting any matter other than the nomination of directors, the following shall govern:

(a) Only the first ten proposals of which the Secretary of the Corporation receives sufficient notice shall be properly brought before the meeting.

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

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

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

(7) Nothing in this Article shall be deemed to affect any rights of shareholders to request inclusion of proposals in the Corporation's proxy statement or to solicit their own proxies pursuant to the proxy rules of the Securities and Exchange Commission.

## **ARTICLE VII**

### **Limitation of Liability and Indemnification**

A. Limitation of Liability. No director or officer of the Corporation shall be liable to the Corporation or to its shareholders for monetary damages for breach of his fiduciary duty as a director or officer, provided that the foregoing provision shall not eliminate or limit the liability of a director or officer for (1) any breach of his duty of loyalty to the Corporation or its shareholders; (2) acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law; (3) liability for unlawful distributions of the Corporation's assets to, or redemptions or repurchases of the Corporation's shares from, shareholders of the Corporation, under and to the extent provided in La. R.S. 12:92D; or (4) any transaction from which he derived an improper personal benefit.

B. Authorization of Further Actions. The Board of Directors may (1) cause the Corporation to enter into contracts with its directors and officers providing for the limitation of liability set forth in this Article to the fullest extent permitted by law, (2) adopt By-laws or resolutions, or cause the Corporation to enter into contracts, providing for indemnification of directors and officers of the Corporation and other persons (including but not limited to directors and officers of the Corporation's direct and indirect Subsidiaries) to the fullest extent permitted by law and (3) cause the Corporation to exercise the insurance powers set forth in La. R.S. 12:83F, notwithstanding that some or all of the members of the Board of Directors acting with respect to the foregoing may be parties to such contracts or beneficiaries of such By-laws or resolutions or the exercise of such powers. No repeal or amendment of any such By-laws or resolutions limiting the right to indemnification thereunder shall affect the entitlement of any person to indemnification whose claim thereto results from conduct occurring prior to the date of such repeal or amendment.

C. Subsidiaries. The Board of Directors may cause the Corporation to approve for the officers and directors of its direct and indirect Subsidiaries limitation of liability, indemnification and insurance provisions comparable to the foregoing.

D. Amendment of Article. Notwithstanding any other provisions of these Articles of Incorporation, the affirmative vote of the holders of at least 80% of the Total Voting Power shall be required to amend or repeal this Article VII, and any amendment or repeal of this Article shall not adversely affect any elimination or limitation of liability of a director or officer of the Corporation under this Article with respect to any action or inaction occurring prior to the time of such amendment or repeal.

## **ARTICLE VIII**

### **Reversion**

Except for cash, shares or other property or rights payable or issuable to the holders of Preferred Stock, the rights to which shall be determined under applicable state law, Cash, property or share dividends, shares issuable to shareholders in connection with a reclassification of stock, and the redemption price of redeemed shares, that are not claimed by the shareholders entitled thereto within one year after the dividend or redemption price became payable or the shares became issuable, despite reasonable efforts by the Corporation to pay the dividend or redemption price or deliver the certificates for the shares to such shareholders within such time, shall, at the expiration of such time, revert in full ownership to the Corporation, and the Corporation's obligation to pay such dividend or redemption price or issue such shares, as the case may be, shall thereupon cease, provided, however, that the Board of Directors may, at any time, for any reason satisfactory to it, but need not, authorize (i) payment of the amount of any cash or property dividend or redemption price or (ii) issuance of any shares, ownership of which has reverted to the Corporation pursuant to this Article, to the person or entity who or which would be entitled thereto had such reversion not occurred.

## **ARTICLE IX**

### **Amendments**

A. Charter Amendments. Articles IV (other than paragraphs F and G), V, VI(A) and IX of these Articles of Incorporation shall not be amended in any manner (whether by modification or repeal of an existing Article or Articles or by addition of a new Article or Articles) except upon resolutions adopted by the affirmative vote of both (i) 80% of the Total Voting Power entitled to be cast by the holders of outstanding shares of Voting Stock, voting together as a single group, and (ii) two-thirds of the votes entitled to be cast by the Independent Shareholders present or duly represented at a shareholders' meeting, voting as a separate group; provided, however, that if such resolutions shall first be adopted by both a majority of the directors then in office and a majority of the Continuing Directors, voting as a separate group, then such resolutions shall be deemed adopted by the shareholders upon the affirmative vote of a majority of the Total Voting Power entitled to be cast by the holders of outstanding shares of Voting Stock, voting as a single group.

B. Bylaw Amendments. Bylaws of this Corporation may be altered, amended, or repealed or new Bylaws may be adopted by:

(1) the shareholders, but only upon the affirmative vote of both (i) 80% of the Total Voting Power entitled to be cast by the holders of outstanding shares of Voting Stock, voting together as a single group, and (ii) two-thirds of the Total Voting Power entitled to be cast by the Independent Shareholders present or duly represented at a shareholders' meeting, voting as a separate group; or

(2) the Board of Directors, but only upon the affirmative vote of both (i) a majority of the directors then in office and (ii) a majority of the Continuing Directors, voting as a separate group.

\* \* \* \* \*

## **EXHIBIT B**

### **CENTURY TELEPHONE ENTERPRISES, INC. 1995 INCENTIVE COMPENSATION PLAN**

1. Purpose. The purpose of the 1995 Incentive Compensation Plan (the "Plan") of Century Telephone Enterprises, Inc. ("Century") is to increase shareholder value and to advance the interests of Century and its subsidiaries (collectively, the "Company") by furnishing a variety of economic incentives (the "Incentives") designed to attract, retain and motivate employees, officers and directors and to strengthen the mutuality of interests between such employees, officers and directors and Century's shareholders. Incentives may consist of opportunities to purchase or receive shares of common stock, \$1.00 par value per share, of Century (the "Common Stock"), on terms determined under the Plan. As used in the Plan, the term "subsidiary" means any corporation of which Century owns (directly or indirectly) within the meaning of Section 425(f) of the Internal Revenue Code of 1986, as amended (the "Code"), 50% or more of the total combined voting power of all classes of stock. No Incentives shall be granted hereunder unless the Plan is first approved by the shareholders of Century.

#### **2. Administration.**

2.1 Composition. The Plan shall be administered by the compensation committee of the Board of Directors of Century, or by a subcommittee of the compensation committee. The committee or subcommittee that administers the Plan shall hereinafter be referred to as the "Committee". The Committee shall consist of not fewer than two members of the Board of Directors, each of whom shall (a) qualify as a "disinterested person" under Rule 16b-3 under the Securities Exchange Act of 1934 (the "1934 Act"), as currently in effect or any successor rule, and (b) beginning on the date of Century's 1996 annual meeting of shareholders, qualify as "outside directors" under Section 162(m) of the Code.

2.2 Authority. The Committee shall have plenary authority to award Incentives under the Plan, to interpret the Plan, to establish any rules or regulations relating to the Plan that it determines to be appropriate, to enter into agreements with participants as to the terms of the Incentives (the "Incentive Agreements") and to make any other determination that it believes necessary or advisable for the proper administration of the Plan. Its decisions in matters relating to the Plan shall be final and conclusive on the Company and participants. The Committee may delegate its authority hereunder to the extent provided in Section 3 hereof. The Committee shall not have authority to award Incentives under the Plan to directors in their capacities as such[, provided, however, that directors of Century who are not also full-time employees of the Company ("Outside Directors") may receive awards under the Plan as specifically provided in Section 11 hereof].

3. Eligible Participants. Key employees of the Company (including officers and directors who are full-time employees of the Company, but excluding Outside Directors) shall become eligible to receive Incentives under the Plan when designated by the Committee. Employees may be designated individually or by groups or categories, as the Committee deems appropriate. With respect to participants not subject to Section 16 of the 1934 Act, the Committee may delegate to appropriate personnel of the Company its authority to designate participants, to determine the size and type of Incentive to be received by those participants and to determine or modify performance objectives for those participants. Outside Directors may participate in the Plan only as specifically provided in Section 11 hereof.

4. Types of Incentives. Incentives may be granted under the Plan to eligible participants in any of the following forms, either individually or in combination, (a) incentive stock options and non-qualified stock options; (b) stock appreciation rights ("SARs") (c) restricted stock; and (d) performance shares.

#### **5. Shares Subject to the Plan.**

5.1. Number of Shares. Subject to adjustment as provided in Section 10.6, a total of 2 million shares of Common Stock are authorized to be issued under the Plan. Incentives with respect to no more than 200,000 shares of Common Stock may be granted through the Plan to a single participant in one calendar year. No more than 500,000 shares may be issued through the Plan as restricted stock. In the event that a stock option, SAR or performance share granted hereunder expires or is terminated or cancelled prior to exercise or payment, any shares of Common Stock that were issuable thereunder may again be issued under the Plan. In the event that shares of Common Stock are issued as Incentives under the Plan and thereafter are forfeited or reacquired by the Company pursuant to rights reserved upon issuance thereof, such forfeited and reacquired shares may again be issued under the Plan. If an Incentive is to be paid in cash by its terms, the Committee need not make a deduction from the shares of Common Stock issuable under the Plan with respect thereto. If and to the extent that an Incentive may be paid in cash or shares of Common Stock, the total number of shares available for issuance hereunder shall be debited by the number of shares payable under such Incentive, provided that upon any payment of all or part of such Incentive in cash, the total number of shares available for issuance hereunder shall be credited with the appropriate number of shares represented by the cash payment, as determined in the sole discretion of the Committee. Additional rules for determining the number of shares granted under the Plan may be made by the Committee, as it deems necessary or appropriate.

5.2. Type of Common Stock. Common Stock issued under the Plan may be authorized and unissued shares or issued shares held as treasury shares.

6. Stock Options. A stock option is a right to purchase shares of Common Stock from Century. Stock options granted under this Plan may be incentive stock options or non-qualified stock options. Any option that is designated as a non-qualified stock option shall not be treated as an incentive stock option. Each stock option granted by the Committee under this Plan shall be subject to the following terms and conditions:

6.1. Price. The exercise price per share shall be determined by the Committee, subject to adjustment under Section 10.6; provided that in no event shall the exercise price be less than the Fair Market Value of a share of Common Stock on the date of grant.

6.2. Number. The number of shares of Common Stock subject to the option shall be determined by the Committee, subject to Section 5.1 and subject to adjustment as provided in Section 10.6.

6.3. Duration and Time for Exercise. Subject to earlier termination as provided in Section 10.4, the term of each stock option shall be determined by the Committee. Subject to Section 10.12, each stock option shall become exercisable at such time or times during its term as shall be determined by the Committee, provided, however, that, except as provided below, no stock option granted to an officer or director of Century who is subject to Section 16 of the 1934 Act (an "Insider") shall be exercisable within the six-month period immediately following the date of grant. Notwithstanding the foregoing, the Committee may accelerate the exercisability of any stock option at any time, except to the extent of any automatic acceleration of stock options under Section 10.12.

6.4. Repurchase. Upon approval of the Committee, the Company may repurchase a previously granted stock option from a participant by mutual agreement before such option has been exercised by payment to the participant of the amount per share by which: (i) the Fair Market Value (as defined in Section 10.13) of the Common Stock subject to the option on the business day immediately preceding the date of purchase exceeds (ii) the exercise price.

6.5. Manner of Exercise. A stock option may be exercised, in whole or in part, by giving written notice to the Company, specifying the number of shares of Common Stock to be purchased. The exercise notice shall be accompanied by the full purchase price for such shares. The option price shall be payable in United States dollars and may be paid by (a) cash; (b) uncertified or certified check; (c) unless otherwise determined by the Committee, by delivery of shares of Common Stock held by the optionee for at least six months, which shares shall be valued for this purpose at the Fair Market Value on the business day immediately preceding the date such option is exercised; (d) by the simultaneous exercise of options and sale of the shares of Common Stock acquired upon exercise, pursuant to a brokerage arrangement that has been approved in advance by the Committee, with the proceeds from such sale delivered in payment of the exercise price; or (e) in such other manner as may be authorized from time to time by the Committee. In the case of delivery of an uncertified check upon exercise of a stock option, no shares shall be issued until the check has been paid in full. Prior to the issuance of shares of Common Stock upon the exercise of a stock option, a participant shall have no rights as a shareholder.

6.6. Incentive Stock Options. Notwithstanding anything in the Plan to the contrary, the following additional provisions shall apply to the grant of stock options that are intended to qualify as Incentive Stock Options (as such term is defined in Section 422 of the Code):

(a) Any Incentive Stock Option agreement authorized under the Plan shall contain such other provisions as the Committee shall deem advisable, but shall in all events be consistent with and contain or be deemed to contain all provisions required in order to qualify the options as Incentive Stock Options.

(b) All Incentive Stock Options must be granted within ten years from the date on which this Plan is adopted by the Board of Directors.

(c) Unless sooner exercised, all Incentive Stock Options shall expire no later than ten years after the date of grant.

(d) No Incentive Stock Options shall be granted to any participant who, at the time such option is granted, would own (within the meaning of Section 422 of the Code) stock possessing more than 10% of the total combined voting power of all classes of stock of the employer corporation or of its parent or subsidiary corporation.

(e) The aggregate Fair Market Value (determined with respect to each Incentive Stock Option as of the time such Incentive Stock Option is granted) of the Common Stock with respect to which Incentive Stock Options are exercisable for the first time by a participant during any calendar year (under the Plan or any other plan of Century or any of its subsidiaries) shall not exceed \$100,000. To the extent that such limitation is exceeded, such options shall not be treated, for federal income tax purposes, as incentive stock options.

6.7 Equity Maintenance. If a participant exercises an option during the term of his employment with the Company, and pays the exercise price (or any portion thereof) through the surrender of shares of outstanding Common Stock owned by the participant, the Committee may, in its discretion, grant to such participant an additional option to purchase the number of shares of Common Stock equal to the shares of Common Stock so surrendered by such participant. Any such additional options granted by the Committee shall be exercisable at the Fair Market Value of the Common Stock determined as of the business day immediately preceding the respective dates such additional options may be granted. As stated above, such additional options may be granted only in connection with the exercise of options by the participant during the term of his active employment with the Company. The grant of such additional options under this Section 6.7 shall be made upon such other terms and conditions as the Committee may from time to time determine.

## 7. Restricted Stock

7.1 Grant of Restricted Stock. The Committee may award shares of restricted stock to such key employees as the Committee determines to be eligible pursuant to the terms of Section 3. An award of restricted stock may be subject to the attainment of specified performance goals or targets, restrictions on transfer,

forfeiture provisions and such other terms and conditions as the Committee may determine, subject to the provisions of the Plan. To the extent restricted stock is intended to qualify as performance based compensation under Section 162(m) of the Code, it must meet the additional requirements imposed thereby.

**7.2 The Restricted Period.** At the time an award of restricted stock is made, the Committee shall establish a period of time during which the transfer of the shares of restricted stock shall be restricted (the "Restricted Period"). Each award of restricted stock may have a different Restricted Period. A Restricted Period of at least three years is required, except that if vesting of the shares is subject to the attainment of specified performance goals, a Restricted Period of one year or more is permitted. In addition, any participant subject to Section 16 of the 1934 Act shall be prohibited from selling or otherwise transferring shares of restricted stock for a period of six months from the grant thereof. The expiration of the Restricted Period shall also occur as provided under Section 10.4 and under the conditions described in Section 10.12 hereof.

**7.3 Escrow.** The participant receiving restricted stock shall enter into an Incentive Agreement with the Company setting forth the conditions of the grant. Certificates representing shares of restricted stock shall be registered in the name of the participant and deposited with the Company, together with a stock power endorsed in blank by the participant. Each such certificate shall bear a legend in substantially the following form:

The transferability of this certificate and the shares of Common Stock represented by it are subject to the terms and conditions (including conditions of forfeiture) contained in the Century Telephone Enterprises, Inc. 1995 Incentive Compensation Plan (the "Plan"), and an agreement entered into between the registered owner and Century Telephone Enterprises, Inc. thereunder. Copies of the Plan and the agreement are on file at the principal office of the Company.

**7.4 Dividends on Restricted Stock.** Any and all cash and stock dividends paid with respect to the shares of restricted stock shall be subject to any restrictions on transfer, forfeiture provisions or reinvestment requirements as the Committee may, in its discretion, prescribe in the Incentive Agreement.

**7.5 Forfeiture.** In the event of the forfeiture of any shares of restricted stock under the terms provided in the Incentive Agreement (including any additional shares of restricted stock that may result from the reinvestment of cash and stock dividends, if so provided in the Incentive Agreement), such forfeited shares shall be surrendered and the certificates cancelled. The participants shall have the same rights and privileges, and be subject to the same forfeiture provisions, with respect to any additional shares received pursuant to Section 10.6 due to a recapitalization, merger or other change in capitalization.

**7.6 Expiration of Restricted Period.** Upon the expiration or termination of the Restricted Period and the satisfaction of any other conditions prescribed by the Committee or at such earlier time as provided for in Section 7.2 and in the Incentive Agreement or an amendment thereto, the restrictions applicable to the restricted stock shall lapse and a stock certificate for the number of shares of restricted stock with respect to which the restrictions have lapsed shall be delivered, free of all such restrictions and legends, except any that may be imposed by law, to the participant or the participant's estate, as the case may be.

**7.7 Rights as a Shareholder.** Subject to the terms and conditions of the Plan and subject to any restrictions on the receipt of dividends that may be imposed in the Incentive Agreement, each participant receiving restricted stock shall have all the rights of a shareholder with respect to shares of stock during any period in which such shares are subject to forfeiture and restrictions on transfer, including without limitation, the right to vote such shares.

**8. Stock Appreciation Rights.** A SAR is a right to receive, without payment to the Company, a number of shares of Common Stock, cash or any combination thereof, the amount of which is determined pursuant to the formula set forth in Section 8.4. A SAR may be granted (a) with respect to any stock option granted under the Plan, either concurrently with the grant of such stock option or at such later time as determined by the Committee (as to all or any portion of the shares of Common Stock subject to the stock option), or (b) alone, without reference to any related stock option. Each SAR granted by the Committee under the Plan shall be subject to the following terms and conditions:

**8.1 Number.** Each SAR granted to any participant shall relate to such number of shares of Common Stock as shall be determined by the Committee, subject to Section 5.1 and subject to adjustment as provided in Section 10.6. In the case of a SAR granted with respect to a stock option, the number of shares of Common Stock to which the SAR pertains shall be reduced in the same proportion that the holder of the option exercises the related stock option.

**8.2 Duration and Time for Exercise.** Subject to Section 10.12, the term and exercisability of each SAR shall be determined by the Committee. Unless otherwise provided by the Committee in the Incentive Agreement, each SAR issued in connection with a stock option shall become exercisable at the same time or times, to the same extent and upon the same conditions as the related stock option. No SAR granted to a person subject to Section 16 of the 1934 Act may be exercised during the first six months of its term. Notwithstanding the foregoing, the Committee may in its discretion accelerate the exercisability of any SAR at any time, except to the extent of any automatic acceleration of SARs under Section 10.12.

**8.3 Exercise.** A SAR may be exercised, in whole or in part, by giving written notice to the Company, specifying the number of SARs that the holder wishes to exercise. The Company shall, within 30 days of receipt of notice of exercise by the Company, deliver to the exercising holder certificates for the shares of Common Stock or cash or both, as determined by the Committee, to which the holder is entitled pursuant to Section 8.4.

8.4 Payment. Subject to the right of the Committee to deliver cash in lieu of shares of Common Stock, the number of shares of Common Stock that shall be issuable upon the exercise of an SAR shall be determined by dividing:

(a) the number of shares of Common Stock as to which the SAR is exercised multiplied by the dollar amount of the appreciation in such shares (for this purpose, the "appreciation" shall be the amount by which the Fair Market Value of the shares of Common Stock subject to the SAR on the Exercise Date exceeds (1) in the case of a SAR related to a stock option, the purchase price of the shares of Common Stock under the stock option or (2) in the case of a SAR granted alone, without reference to a related stock option, an amount equal to the Fair Market Value of a share of Common Stock on the date of grant, which shall be determined by the Committee at the time of grant, subject to adjustment under Section 10.6); by

(b) the Fair Market Value of a share of Common Stock on the Exercise Date.

In lieu of issuing shares of Common Stock upon the exercise of a SAR, the Committee may elect to pay the holder of the SAR cash equal to the Fair Market Value on the Exercise Date of any or all of the shares which would otherwise be issuable. No fractional shares of Common Stock shall be issued upon the exercise of a SAR; instead, the holder of a SAR shall be entitled to receive a cash adjustment equal to the same fraction of the Fair Market Value of a share of Common Stock on the Exercise Date or to purchase the portion necessary to make a whole share at its Fair Market Value on the Exercise Date.

9. Performance Shares. A performance share consists of an award that may be paid in shares of Common Stock or in cash, as described below. The award of performance shares shall be subject to such terms and conditions as the Committee deems appropriate.

9.1 Performance Objectives. Each performance share will be subject to performance objectives for Century or one of its subsidiaries, divisions or departments to be achieved by the end of a specified period. The number of performance shares awarded shall be determined by the Committee and may be subject to such terms and conditions as the Committee shall determine. If the performance objectives are achieved, each participant will be paid (a) a number of shares of Common Stock equal to the number of performance shares initially granted to that participant; (b) a cash payment equal to the Fair Market Value of such number of shares of Common Stock on the date the performance objectives are met or such other date as may be provided by the Committee or (c) a combination of shares of Common Stock and cash, as may be provided by the Committee. If such objectives are not met, each award of performance shares may provide for lesser payments in accordance with a pre-established formula set forth in the Incentive Agreement. To the extent a performance share is intended to qualify as performance based compensation under Section 162(m) of the Code, it must meet the additional requirements imposed thereby.

9.2 Not a Shareholder. The award of performance shares to a participant shall not create any rights in such participant as a shareholder of the Company, until the payment of shares of Common Stock with respect to an award, at which time such stock shall be considered issued and outstanding.

9.3 Dividend Equivalent Payments. A performance share award may be granted by the Committee in conjunction with dividend equivalent payment rights or other such rights. Dividend equivalent payments may be made to the participant at the time of the payment of the dividend or issuance of the other right or at the end of the specified performance period or may be deemed to be invested in additional performance shares at the Fair Market Value of a share of Common Stock on the date of payment of the dividend or issuance of the right.

## 10. General.

10.1. Duration. Subject to Section 10.11, the Plan shall remain in effect until all Incentives granted under the Plan have either been satisfied by the issuance of shares of Common Stock or the payment of cash or been terminated under the terms of the Plan and all restrictions imposed on shares of Common Stock in connection with their issuance under the Plan have lapsed.

10.2 Transferability of Incentives. Options, SARs and performance shares granted under the Plan shall not be transferable except: (a) by will; (b) by the laws of descent and distribution; (c) to family members, to a trust for the benefit of family members or to charitable institutions, if permitted by the Committee and provided in the Incentive Agreement, after a determination that the ability to transfer the Incentive will not result in the grant of the Incentive being taxable and, with respect to such Incentives to Insiders, if permitted by Rule 16b-3 under the 1934 Act; or (d) pursuant to a domestic relations order, as defined by the Code. Options or SARs may be exercised during the lifetime of a participant only by the participant or by the participant's guardian or legal representative. Any attempted assignment, transfer, pledge, hypothecation or other disposition of an Incentive, or levy of attachment or similar process upon the Incentive not specifically permitted herein, shall be null and void and without effect.

10.3. Non-transferability of Common Stock. Any shares of Common Stock awarded to an Insider as restricted stock or in payment of a performance share award must be held for a period of six months from the date of grant, unless otherwise permitted to be transferred and still be in compliance with Rule 16b-3 under the 1934 Act.

10.4. Effect of Termination of Employment or Death. In the event that a participant ceases to be an employee of the Company for any reason, including death, disability, early retirement or normal retirement, any Incentives may be exercised, shall vest or shall expire at such times as may be determined by the Committee in the Incentive Agreement.

10.5. Additional Condition. Anything in this Plan to the contrary notwithstanding: (a) the Company may, if it shall determine it necessary or desirable for any reason, at the time of award of any Incentive or the issuance of any shares of Common Stock pursuant to any Incentive, require the recipient of the Incentive, as a condition to the receipt thereof or to the receipt of shares of Common Stock issued pursuant thereto, to deliver to the Company a written representation of present intention to acquire the Incentive or the shares of Common Stock issued pursuant thereto for his own account for investment and not for distribution; and (b) if at any time the Company further determines, in its sole discretion, that the listing, registration or qualification (or any updating of any such document) of any Incentive or the shares of Common Stock issuable pursuant thereto is necessary on any securities exchange or under any federal or state securities or blue sky law, or that the consent or approval of any governmental regulatory body is necessary or desirable as a condition of, or in connection with the award of any Incentive, the issuance of shares of Common Stock pursuant thereto, or the removal of any restrictions imposed on such shares, such Incentive shall not be awarded or such shares of Common Stock shall not be issued or such restrictions shall not be removed, as the case may be, in whole or in part, unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Company.

10.6. Adjustment. In the event of any recapitalization, stock dividend, stock split, combination of shares or other change in the Common Stock, the number of shares of Common Stock then subject to the Plan, including shares subject to outstanding Incentives, shall be adjusted in proportion to the change in outstanding shares of Common Stock. In the event of any such adjustments, the purchase price of any option, the performance objectives of any Incentive, and the shares of Common Stock issuable pursuant to any Incentive shall be adjusted as and to the extent appropriate, in the reasonable discretion of the Committee, to provide participants with the same relative rights before and after such adjustment.

10.7. Incentive Agreements. The terms of each Incentive shall be stated in an agreement approved by the Committee. The Committee may also determine to enter into agreements with holders of options to reclassify or convert certain outstanding options, within the terms of the Plan, as Incentive Stock Options or as non-qualified stock options.

10.8. Withholding. The Company shall have the right to withhold from any payments made under the Plan or to collect as a condition of payment, any taxes required by law to be withheld.

10.9. No Continued Employment. No participant under the Plan shall have any right, because of his or her participation, to continue in the employ of the Company for any period of time or to any right to continue his or her present or any other rate of compensation.

10.10. Deferral Permitted. Payment of cash or distribution of any shares of Common Stock to which a participant is entitled under any Incentive shall be made as provided in the Incentive Agreement. Payment may be deferred at the option of the participant if provided in the Incentive Agreement.

10.11. Amendment of the Plan. The Board may amend or discontinue the Plan at any time; provided, however, that Section 11 of the Plan may not be amended more than once every six months other than to comport with changes in the Code, the Employee Retirement Income Security Act or the rules thereunder. In addition, no amendment or discontinuance shall, subject to adjustments permitted under Section 10.6, change or impair, without the consent of the recipient, an Incentive previously granted, except that the Company retains the right to (a) convert any outstanding Incentive Stock Option to a non-qualified stock option, or (b) require the forfeiture of an Incentive if a participant's employment is terminated for cause, and (c) exercise all rights under Section 10.12.

10.12 Change of Control. Notwithstanding anything to the contrary in the Plan or any related Incentive Agreement, if (i) Century shall not be the surviving entity in any merger, consolidation or other reorganization (or survives only as a subsidiary of an entity other than a previously wholly-owned subsidiary of the Company), (ii) the Company sells, leases or exchanges all or substantially all of its assets to any other person or entity (other than a wholly-owned subsidiary of the Company), (iii) Century is to be dissolved or liquidated, (iv) any person or entity, including a "group" as contemplated by section 13(d)(3) of the 1934 Act, other than an employee benefit plan of the Company or a related trust, acquires or gains ownership or control (including, without limitation, power to vote) of more than 30% of the outstanding shares of Century's voting stock, or (v) as a result of or in connection with a contested election of directors, the persons who were directors of Century before such election shall cease to constitute a majority of the Board of Directors of Century (each such event is referred to herein as a "Corporate Change"), then upon the approval by the Board of Directors of Century of any Corporate Change of the type described in clause (i) to (iii) or upon a Corporate Change described in clause (iv) or (v), all outstanding options and SARs shall automatically become fully exercisable, all restrictions or limitations on any Incentives shall lapse and all performance criteria and other conditions relating to the payment of Incentives shall be deemed to be achieved and waived by the Company, without the necessity of any action by any person. In addition, no later than (a) 30 days after the approval by the Board of Directors of Century of any Corporate Change of the type described in clauses (i) to (iii) or (b) 30 days after a Corporate Change of the type described in clause (iv) or (v), the Committee, acting in its sole discretion without the consent or approval of any participant (and notwithstanding any removal or attempted removal of some or all of the members thereof as directors or committee members), may act to effect one or more of the following alternatives, which may vary among individual participants and which may vary among Incentives held by any individual participant: (1) require that all outstanding options and/or SARs be exercised on or before a specified date (before or after such Corporate Change) fixed by the Committee, after which specified date all unexercised options and SARs and all rights of participants thereunder shall terminate, (2) provide for mandatory conversion of some or all of the outstanding options and SARs held by some or all participants as of a date, before or after such Corporate Change, specified by the Committee, in which event such options and SARs shall be deemed automatically cancelled and the Company shall pay, or cause to be paid, to each such participant an amount of cash per share equal to the excess, if any, of the Change of Control Value of the shares subject to such option or SAR, as defined and calculated below, over the exercise price(s) of such options or SARs, or, in lieu of such cash payment, the issuance of Common Stock having a Fair Value Market equal to

such excess, (3) make such equitable adjustments to Incentives then outstanding as the Committee deems appropriate to reflect such Corporate Change (provided, however, that the Committee may determine in its sole discretion that no adjustment is necessary to Incentives then outstanding) or (4) provide that thereafter upon any exercise of an option or SAR theretofore granted the participant shall be entitled to purchase under such option or SAR, in lieu of the number of shares of Common Stock then covered by such option or SAR, the number and class of shares of stock or other securities or property (including, without limitation, cash) to which the participant would have been entitled pursuant to the terms of the agreement providing for the merger, consolidation, asset sale, dissolution or other Corporate Change of the type described in clause (i) to (iii) above, if, immediately prior to such Corporate Change, the participant had been the holder of record of the number of shares of Common Stock then covered by such options or SARs. For the purposes of clause (2) above, the "Change of Control Value" shall equal the amount determined by whichever of the following items is applicable: (i) the per share price offered to shareholders of Century in any such merger, consolidation or other reorganization, determined as of the date of the definitive agreement providing for such transaction, (ii) the price per share offered to shareholders of Century in any tender offer or exchange offer whereby a Corporate Change takes place, or (iii) in all other events, the Fair Market Value per share of Common Stock into which such options or SARs being surrendered are exercisable, as determined by the Committee as of the date determined by the Committee to be the date of cancellation and surrender of such options or SARs. In the event that the consideration offered to shareholders of Century in any transaction described herein consists of anything other than cash, the Committee shall determine the fair cash equivalent of the portion of the consideration offered which is other than cash.

10.13. Definition of Fair Market Value. Whenever "Fair Market Value" of Common Stock shall be determined for purposes of this Plan, it shall be determined as follows: (i) if the Common Stock is listed on an established stock exchange or any automated quotation system that provides sale quotations, the closing sale price for a share of the Common Stock on such exchange or quotation system on the applicable date; (ii) if the Common Stock is not listed on any exchange or quotation system, but bid and asked prices are quoted and published, the mean between the quoted bid and asked prices on the applicable date, and if bid and asked prices are not available on such day, on the next preceding day on which such prices were available; and (iii) if the Common Stock is not regularly quoted, the fair market value of a share of Common Stock on the applicable date as established by the Committee in good faith.

10.14. Compliance with Section 16. It is the intent of the Company that the Plan and Incentives hereunder satisfy and be interpreted in a manner, that, in the case of participants who are or may be Insiders, satisfies the applicable requirements of Rule 16b-3, so that such persons will be entitled to the benefits of Rule 16b-3 or other exemptive rules under Section 16 of the 1934 Act and will not be subjected to avoidable liability thereunder. If any provision of the Plan or of any Incentives would otherwise frustrate or conflict with the intent expressed in this Section 10.14, that provision to the extent possible shall be interpreted and deemed amended so as to avoid such conflict. To the extent of any remaining irreconcilable conflict with such intent, the provision shall be deemed void as applicable to Insiders.

10.15. Loans. In order to assist a participant to satisfy his tax liabilities arising in connection with an Incentive granted under the Plan, the Committee may authorize, subject to the provisions of Regulation G of the Board of Governors of the Federal Reserve System, at either the time of the grant of the Incentive, at the time of the acquisition of Common Stock pursuant to the Incentive, or at the time of the lapse of restrictions on shares of restricted stock granted under the Plan, the extension of a loan to the participant by the Company. The terms of any loans, including the interest rate, collateral and terms of repayment, will be subject to the discretion of the Committee. The maximum credit available hereunder shall be equal to the maximum tax liability that may be incurred in connection with the Incentive.

## 11. Stock Options for Outside Directors.

11.1 Eligibility. Each Outside Director shall be automatically granted a non-qualified stock option to acquire 1,000 shares of Common Stock on the day following the Century annual meeting of shareholders. Each person who becomes an Outside Director between annual meetings will be entitled to receive the pro rata portion of stock options to acquire 1,000 shares of Common Stock based on the number of full calendar months between the date that the person becomes an Outside Director and the next date of grant, as provided herein, and to receive the stock options to which he may subsequently become entitled as provided herein.

11.2 Exercisability of Stock Options. The stock options granted to Outside Directors under this Section 11 shall become exercisable six months following the date of grant; provided, however, that such stock options shall become immediately exercisable in the event of retirement from the Board on or after reaching age 65, death or disability. Stock options granted to an Outside Director under the terms of this Section 11 shall expire ten years after the date of grant.

11.3 Exercise Price. The exercise price of the stock options granted to Outside Directors shall be equal to 100% of the Fair Market Value, as defined in the Plan, of a share of Common Stock on the date of grant. The exercise price may be paid as provided in Section 6.5 hereof.

Adopted by the Compensation Committee: \_\_\_\_\_, 1995.

Ratified by the Board of Directors: \_\_\_\_\_, 1995.

Approved by the Shareholders: \_\_\_\_\_, 1995.



