

# CENTURYTEL INC

## FORM 10-Q (Quarterly Report)

Filed 5/13/1998 For Period Ending 3/31/1998

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

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

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

For the quarterly period ended March 31, 1998

or

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

*Commission File Number: 1-7784*

**CENTURY TELEPHONE ENTERPRISES, INC.**

(Exact name of registrant as specified in its charter)

Louisiana  
(State or other jurisdiction of  
incorporation or organization)

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

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

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

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

☒ Yes ☐ No

As of April 30, 1998, there were 91,552,126 shares of common stock outstanding.

# CENTURY TELEPHONE ENTERPRISES, INC.

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## PART I. FINANCIAL INFORMATION

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

Three months  
ended March 31,

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1998 1997

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(Dollars, except per share amounts, and shares in thousands)

#### OPERATING REVENUES

Telephone	\$ 259,813	117,095
Wireless	94,166	65,839
Other	17,741	16,051
<hr style="border-top: 1px dashed black;"/>		
Total operating revenues	371,720	198,985
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OPERATING EXPENSES		
Cost of sales and operating expenses	182,394	105,962
Depreciation and amortization	79,194	35,325
<hr style="border-top: 1px dashed black;"/>		
Total operating expenses	261,588	141,287
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OPERATING INCOME	110,132	57,698
<hr style="border-top: 1px dashed black;"/>		
OTHER INCOME (EXPENSE)		
Interest expense	(42,809)	(11,310)
Gain on sale or exchange of assets	24,343	-
Income from unconsolidated cellular entities	6,877	5,580
Minority interest	(2,643)	(364)

Other income and expense	604	1,234
Total other income (expense)	(13,628)	(4,860)
INCOME BEFORE INCOME TAX EXPENSE	96,504	52,838
Income tax expense	38,810	19,703
NET INCOME	\$ 57,694	33,135
BASIC EARNINGS PER SHARE*	\$ .63	.37
DILUTED EARNINGS PER SHARE*	\$ .62	.37
DIVIDENDS PER COMMON SHARE*	\$ .065	.0617
AVERAGE BASIC SHARES OUTSTANDING*	90,961	89,526
AVERAGE DILUTED SHARES OUTSTANDING*	92,917	91,055

\* Reflects March 1998 stock split. See Note 5.

See accompanying notes to consolidated financial statements.

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

	Three months ended March 31,	
	1998	1997
	(Dollars in thousands)	
Net income	\$ 57,694	33,135
Other comprehensive income, net of tax:		
Unrealized holding gains arising during period, net of \$4,836 tax	8,980	-
Reclassification adjustment for gains included in net income, net of \$7,967 tax	(14,795)	-
Other comprehensive income, net of \$3,131 tax	(5,815)	-
Comprehensive income	\$ 51,879	33,135

See accompanying notes to consolidated financial statements.

**CENTURY TELEPHONE ENTERPRISES, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(UNAUDITED)

	March 31, 1998	December 31, 1997
	(Dollars in thousands)	

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 15,304	26,017
---------------------------	-----------	--------

Accounts receivable, less allowance of \$7,174 and \$5,954	182,038	227,272
Materials and supplies, at average cost	21,782	21,994
Other	7,979	8,197
	227,103	283,480
NET PROPERTY, PLANT AND EQUIPMENT	2,243,775	2,258,563
INVESTMENTS AND OTHER ASSETS		
Excess cost of net assets acquired, less accumulated amortization of \$95,898 and \$84,132	1,759,337	1,767,352
Other	478,013	400,006
	2,237,350	2,167,358
	\$ 4,708,228	4,709,401
=====		

## **LIABILITIES AND EQUITY**

### **CURRENT LIABILITIES**

Current maturities of long-term debt	\$ 33,414	55,244
Accounts payable	72,751	83,378
Accrued expenses and other liabilities		
Salaries and benefits	42,734	38,225
Taxes	45,284	74,898
Interest	27,390	20,821
Other	17,779	25,229
Advance billings and customer deposits	26,471	24,213
	265,823	322,008
LONG-TERM DEBT	2,576,593	2,609,541
DEFERRED CREDITS AND OTHER LIABILITIES	510,003	477,580
STOCKHOLDERS' EQUITY		
Common stock, \$1.00 par value, authorized 175,000,000 shares, issued and outstanding 91,547,533 and 91,103,674 shares	91,548	91,104
Paid-in capital	478,373	469,586
Accumulated other comprehensive income - unrealized holding gain on investments, net of taxes	6,078	11,893
Retained earnings	779,714	728,033
Unearned ESOP shares	(8,010)	(8,450)
Preferred stock - non-redeemable	8,106	8,106
	1,355,809	1,300,272
	\$ 4,708,228	4,709,401
=====		

See accompanying notes to consolidated financial statements.

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

	Three months ended March 31,	
	1998	1997
	(Dollars in thousands)	
COMMON STOCK		
Balance at beginning of period	\$ 91,104*	59,859
Conversion of convertible securities into		

common stock	169	113
Issuance of common stock through dividend reinvestment, incentive and benefit plans	247	110
Issuance of common stock for acquisition	28	-
Balance at end of period	91,548	60,082
PAID-IN CAPITAL		
Balance at beginning of period	469,586*	474,607
Conversion of convertible securities into common stock	3,131	3,187
Issuance of common stock through dividend reinvestment, incentive and benefit plans	4,125	2,106
Issuance of common stock for acquisition	1,059	-
Amortization of unearned compensation and other	472	211
Balance at end of period	478,373	480,111
ACCUMULATED OTHER COMPREHENSIVE INCOME		
Balance at beginning of period	11,893	-
Change in unrealized holding gain on investments, net of reclassification adjustment	(5,815)	-
Balance at end of period	6,078	-
RETAINED EARNINGS		
Balance at beginning of period	728,033	494,726
Net income	57,694	33,135
Cash dividends declared		
Common stock-\$.065 and \$.0617 per share, respectively*	(5,911)	(5,523)
Preferred stock	(102)	(128)
Balance at end of period	779,714	522,210
UNEARNED ESOP SHARES		
Balance at beginning of period	(8,450)	(11,080)
Release of ESOP shares	440	690
Balance at end of period	(8,010)	(10,390)
PREFERRED STOCK - NON-REDEEMABLE		
Balance at beginning and end of period	8,106	10,041
TOTAL STOCKHOLDERS' EQUITY	\$1,355,809	1,062,054
=====		

\* Reflects March 1998 stock split. See Note 5.

See accompanying notes to consolidated financial statements.

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

	Three months ended March 31,	
	1998	1997
	(Dollars in thousands)	
OPERATING ACTIVITIES		
Net income	\$ 57,694	33,135
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	79,194	35,325
Gain on sale or exchange of assets	(24,343)	-
Deferred income taxes	26,599	2,159
Income from unconsolidated cellular entities	(6,877)	(5,580)
Minority interest	2,643	364

Changes in current assets and current liabilities:		
Accounts receivable	45,234	6,674
Accounts payable	(10,627)	(5,928)
Other accrued taxes	(29,614)	12,291
Other current assets and other		
current liabilities, net	3,316	7,866
Increase in other noncurrent liabilities	7,660	1,308
Other, net	(4,021)	2,111
-----		
Net cash provided by operating activities	146,858	89,725
-----		
INVESTING ACTIVITIES		
Payments for property, plant and equipment	(58,202)	(43,977)
Acquisitions, net of cash acquired	(5,000)	(21,080)
Proceeds from sale of assets	10,177	-
Purchase of life insurance investment	(7,180)	(4,000)
Other, net	6,446	4,556
-----		
Net cash used in investing activities	(53,759)	(64,501)
-----		
FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt	783,000	14,500
Payments of long-term debt	(838,582)	(31,082)
Payment upon settlement of hedge contracts	(40,237)	-
Payment of deferred debt issuance costs	(6,625)	-
Proceeds from issuance of common stock	4,374	2,216
Cash dividends	(6,013)	(5,651)
Other, net	271	66
-----		
Net cash used in financing activities	(103,812)	(19,951)
-----		
Net increase (decrease) in cash and cash equivalents	(10,713)	5,273
Cash and cash equivalents at beginning of period	26,017	8,402
-----		
Cash and cash equivalents at end of period	\$ 15,304	13,675
=====		
Supplemental cash flow information:		
Income taxes paid	\$ 47,313	725
=====		
Interest paid	\$ 36,240	6,597
=====		

See accompanying notes to consolidated financial statements.

## CENTURY TELEPHONE ENTERPRISES, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 1998

(UNAUDITED)

#### (1) Basis of Financial Reporting

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

The unaudited financial information for the three months ended March 31, 1998 and 1997 has not been audited by independent certified public accountants; however, in the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the results of operations for the three-month periods have been included therein. The results of operations for the first three months of the year are not necessarily indicative of the results of operations which might be expected for the entire year.

#### (2) Net Property, Plant and Equipment

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

	March 31, 1998	Dec. 31, 1997
(Dollars in thousands)		
Telephone, at original cost	\$ 3,320,571	3,295,860
Accumulated depreciation	(1,421,726)	(1,375,835)
	1,898,845	1,920,025
Wireless, at cost	397,605	380,218
Accumulated depreciation	(144,016)	(133,357)
	253,589	246,861
Corporate and other, at cost	177,776	169,420
Accumulated depreciation	(86,435)	(77,743)
	91,341	91,677
	\$ 2,243,775	2,258,563

### (3) Earnings from Unconsolidated Cellular Entities

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

	Three months ended March 31,	
	1998	1997
(Dollars in thousands)		
Results of operations		
Revenues	\$ 323,584	277,570
Operating income	\$ 101,346	85,587
Net income	\$ 96,449	86,241

### (4) Accounting Pronouncements

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

### (5) Stock Split

On February 25, 1998, the Company's Board of Directors declared a three-for-two common stock split effected as a 50% stock dividend on March 31, 1998. Shares outstanding and per share data for the three months ended March 31, 1997 have been restated to reflect this stock split.

### (6) Debt Issuance

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

In mid-January 1998, the Company settled numerous interest rate hedge contracts that had been entered into in anticipation of these debt



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

(7) Sale or Exchange of Asset

In the first quarter of 1998, WorldCom, Inc. ("WorldCom") acquired Brooks Fiber Properties, Inc. ("Brooks"). The Company owned approximately 551,000 shares of Brooks' common stock which, upon WorldCom's acquisition of Brooks, were converted into approximately 1.1 million shares of WorldCom common stock. The Company recorded such conversion at fair value which resulted in a pre-tax gain of approximately \$22.8 million (\$14.8 million after-tax; \$.16 per diluted share).

(8) Pending Acquisition

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

CENTURY TELEPHONE ENTERPRISES, INC.

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

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

Century Telephone Enterprises, Inc. (the "Company") is a regional diversified communications company that is primarily engaged in providing local telephone services and cellular telephone communications services. At March 31, 1998, the Company's local exchange telephone subsidiaries operated over 1.2 million telephone access lines primarily in rural, suburban and small urban areas in 21 states, and the Company's majority-owned and operated cellular entities had more than 576,000 cellular subscribers. On December 1, 1997, the Company significantly expanded its operations by acquiring Pacific Telecom, Inc. ("PTI"). As a result of the acquisition, the Company acquired (i) over 660,000 telephone access lines, (ii) over 88,000 cellular subscribers and (iii) various wireless, cable television and other communications assets.

In addition to historical information, management's discussion and analysis includes certain forward-looking statements regarding events and financial trends that may affect the Company's future operating results and financial position. Such forward-looking statements are subject to uncertainties that could cause the Company's actual results to differ materially from such statements. Such uncertainties include but are not limited to: the effects of ongoing deregulation in the telecommunications industry; the effects of greater than anticipated competition in the Company's markets; possible changes in the demand for the Company's products and services; the Company's ability to successfully introduce new offerings on a timely and cost-effective basis; the risks inherent in rapid technological change; the Company's ability to effectively manage its growth, including integrating the newly-acquired operations of PTI into the Company's operations; and the effects of more general factors such as changes in general market or economic conditions or in legislation, regulation or public policy. These and other uncertainties related to the business are described in greater detail in Item 1 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The Company undertakes no obligation to update any of its forward-looking statements for any reason.

RESULTS OF OPERATIONS

Three Months Ended March 31, 1998 Compared to Three Months Ended March 31, 1997

Net income for the first quarter of 1998 (excluding gain on sale or exchange of assets) was \$41.9 million compared to \$33.1 million during the first quarter of 1997. Diluted earnings per share (excluding gain on sale or exchange of assets) increased to \$.45 during the three months ended March 31, 1998 from \$.37 during the three months ended March 31, 1997, a 21.6% increase.

		Three months ended March 31,	
		1998	1997
		(Dollars, except per share amounts, and shares in thousands)	

Operating income		
Telephone	\$ 76,843	40,524
Wireless	29,655	16,537
Other	3,634	637
	-----	-----
	110,132	57,698
Interest expense	(42,809)	(11,310)
Gain on sale or exchange of assets	24,343	-
Income from unconsolidated cellular entities	6,877	5,580
Minority interest	(2,643)	(364)
Other income and expense	604	1,234
Income tax expense	(38,810)	(19,703)
	-----	-----
Net income	\$ 57,694	33,135
	=====	=====
Diluted earnings per share	\$ .62	.37
	=====	=====
Average diluted shares outstanding	92,917	91,055
	=====	=====

Contributions to operating revenues and operating income by the Company's telephone, wireless, and other operations for the three months ended March 31, 1998 and 1997 were as follows:

	Three months ended March 31,	
	1998	1997
	-----	-----
Operating revenues		
Telephone operations	69.9%	58.8
Wireless operations	25.3%	33.1
Other operations	4.8%	8.1
	-----	-----
Operating income		
Telephone operations	69.8%	70.2
Wireless operations	26.9%	28.7
Other operations	3.3%	1.1
	-----	-----

#### Telephone Operations

	Three months ended March 31,	
	1998	1997
	-----	-----
	(Dollars in thousands)	
Operating revenues		
Local service	\$ 78,126	32,188
Network access	151,178	71,542
Other	30,509	13,365
	-----	-----
	259,813	117,095
	-----	-----
Operating expenses		
Plant operations	56,659	23,596
Customer operations	22,816	10,398
Corporate and other	39,783	17,454
Depreciation and amortization	63,712	25,123
	-----	-----
	182,970	76,571
	-----	-----
Operating income	\$ 76,843	40,524
	=====	=====

Telephone operating income increased \$36.3 million (89.6%) due to an

increase in operating revenues of \$142.7 million (121.9%) which more than offset an increase in operating expenses of \$106.4 million (139.0%).

Of the \$142.7 million increase in operating revenues, \$134.5 million was attributable to the properties acquired in the PTI acquisition. The remaining \$8.2 million increase in revenues was partially due to a \$3.0 million increase in amounts received from the federal Universal Service Fund; a \$1.9 million increase in revenues due to increased minutes of use; and a \$1.0 million increase which resulted from the increase in the number of customer access lines (exclusive of the PTI acquisition).

During the first quarter of 1998, operating expenses, exclusive of depreciation and amortization, increased \$67.8 million, of which \$65.2 million was attributable to the properties acquired in the PTI acquisition. The remainder of the increase in operating expenses was due to increases in general operating expenses.

Depreciation and amortization increased \$38.6 million, of which \$36.7 million (which includes \$6.8 million of amortization of excess cost of net assets acquired) was attributable to the properties acquired in the PTI acquisition. The remainder of the increase was primarily due to higher levels of plant in service.

### Wireless Operations and Income From Unconsolidated Cellular Entities

	Three months ended March 31,	
	1998	1997
	(Dollars in thousands)	
Operating income - wireless operations	\$ 29,655	16,537
Minority interest	(2,643)	(1,320)
Income from unconsolidated cellular entities	6,877	5,580
	\$ 33,889	20,797

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

Wireless Operations	Three months ended March 31,	
	1998	1997
	(Dollars in thousands)	
Operating revenues		
Service revenues	\$ 92,098	64,584
Equipment sales	2,068	1,255
	94,166	65,839
Operating expenses		
Cost of equipment sold	3,696	3,930
System operations	14,252	10,326
General, administrative and customer service	18,381	14,215
Sales and marketing	13,642	11,570
Depreciation and amortization	14,540	9,261
	64,511	49,302
Operating income	\$ 29,655	16,537

Wireless operating income increased \$13.1 million (79.3%) to \$29.7 million in the first quarter of 1998 from \$16.5 million in the first quarter of 1997. Wireless operating revenues increased \$28.3 million (43.0%) while operating expenses increased \$15.2 million (30.8%).

Of the \$27.5 million increase in service revenues, \$17.7 million was attributable to acquisitions consummated since the first quarter of 1997, including \$13.2 million attributable to PTI. The remainder of the increase in cellular service revenues was primarily due to the increase in the number of cellular customers. The average number of cellular units in service in majority-owned markets (exclusive of acquisitions) during the first quarter of 1998 and 1997 was 448,800 and 372,500, respectively. Excluding acquisitions, access and usage revenues increased \$4.7 million (9.9%) in the first quarter of 1998 and roaming and toll revenues increased \$4.1 million (25.2%).

The average monthly cellular service revenue per customer (including acquisitions) declined to \$54 during the first quarter of 1998 from \$58 during the first quarter of 1997 partially due to the continued trend that a higher percentage of new subscribers tend to be lower usage customers. In addition, the properties acquired in the PTI acquisition historically have had a lower average monthly service revenue per customer than the Company's incumbent properties. The average monthly service revenue per customer may further decline (i) as market

penetration increases and additional lower usage customers are activated and (ii) as competitive pressures from current and future wireless communications providers intensify. The Company is responding to such competitive pressures by, among other things, modifying certain of its price plans and implementing certain other plans and promotions, all of which are likely to result in lower average revenue per customer. The Company will continue to focus on customer service and attempt to stimulate cellular usage by promoting the availability of certain enhanced services and by improving the quality of its service through the construction of additional cell sites and other enhancements to its system.

System operations expenses increased \$3.9 million (38.0%) in the first quarter of 1998 primarily due to \$4.1 million of expenses attributable to entities acquired. Such increase was partially offset by a \$1.1 million decrease in the amounts paid to other carriers for cellular service provided to the Company's customers who roam in the other carriers' service areas.

General, administrative and customer service expenses increased \$4.2 million (29.3%), of which \$3.8 million was attributable to expenses of entities acquired. The remainder of the increase was due to increases in general office expenses.

The Company's average monthly churn rate (the percentage of cellular customers that terminate service) was 2.46% for the first quarter of 1998 and 2.51% for the first quarter of 1997.

Entities acquired subsequent to the first quarter of 1997 incurred \$2.6 million of sales and marketing expenses in the first quarter of 1998. A \$573,000 increase in advertising and sales promotion expenses and a \$605,000 increase in costs incurred in selling products and services in retail locations were more than offset by a \$1.6 million reduction in commissions paid to agents for selling services to new customers.

Depreciation and amortization increased \$5.3 million (57.0%), of which \$3.4 million was attributable to acquisitions. The remainder of the increase was due primarily to a higher level of plant in service.

#### Other Operations

	Three months ended March 31,	
	1998	1997
	(Dollars in thousands)	
Operating revenues		
Long distance	\$11,264	7,846
Call center	2,599	3,768
Competitive access	-	2,499
Other	3,878	1,938
	17,741	16,051
Operating expenses		
Cost of sales and operating expenses	13,165	14,473
Depreciation and amortization	942	941
	14,107	15,414
Operating income	\$ 3,634	637

Other operations include the results of operations of subsidiaries of the Company which are not included in the telephone or wireless segments, including, but not limited to, the Company's competitive access subsidiary (which was sold to Brooks Fiber Properties, Inc. in May 1997) and the Company's nonregulated long distance and call center operations. The \$3.4 million increase in long distance revenues was attributable to the growth in the number of customers; the \$1.2 million decrease in call center revenues was primarily due to the loss of two major customers. The increase in other revenues was primarily attributable to the PTI acquisition and the acquisition of two security alarm businesses subsequent to the first quarter of 1997.

Operating expenses decreased because (i) the first quarter of 1997 included \$4.9 million of costs applicable to the Company's competitive access subsidiary and (ii) the amount of intercompany profit with regulated affiliates increased \$2.2 million as a result of the acquisition of PTI. Such decreases were substantially offset by increases in operating expenses due to (i) an increase of \$4.7 million in expenses of the Company's long distance operations due primarily to an increase in customers and (ii) \$1.9 million of operating expenses applicable to acquisitions.

#### Interest Expense

Interest expense increased \$31.5 million in the first quarter of 1998 compared to the first quarter of 1997 primarily due to \$24.2 million of interest expense on the borrowings used to finance the PTI acquisition and \$7.7 million of interest expense applicable to PTI's debt.

## **Gain on Sale or Exchange of Assets**

In the first quarter of 1998, the Company recorded a pre-tax gain of approximately \$22.8 million (\$14.8 million after-tax; \$.16 per diluted share) upon the conversion of its investment in the common stock of Brooks Fiber Properties, Inc. into common stock of WorldCom, Inc. See Note 7 of Notes to Consolidated Financial Statements for additional information.

## **Income from Unconsolidated Cellular Entities**

Earnings from unconsolidated cellular entities, net of the amortization of associated goodwill, increased \$1.3 million (23.2%) primarily due to the improvement in profitability of the cellular entities in which the Company owns less than a majority interest.

## **Minority Interest**

Minority interest is the expense recorded by the Company to reflect the minority interest owners' share of the earnings or loss of the Company's majority-owned and operated cellular entities and majority-owned subsidiaries. Minority interest increased \$1.3 million due to the increased profitability of the Company's majority-owned and operated cellular entities. In addition, \$756,000 of the change in minority interest in the first quarter of 1998 was attributable to the allocation of the minority interest owner's portion of the loss of the Company's competitive access subsidiary (which was sold in May 1997) during the first quarter of 1997.

## **Income Tax Expense**

Income tax expense increased \$19.1 million in the first quarter of 1998 compared to the first quarter of 1997 primarily due to an increase in income before taxes. The effective income tax rate was 40.2% and 37.3% in the three months ended March 31, 1998 and 1997, respectively. Such increase in the effective income tax rate was primarily due to an increase in non-deductible amortization of excess cost of net assets acquired (goodwill) attributable to the PTI acquisition.

## **LIQUIDITY AND CAPITAL RESOURCES**

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

Net cash provided by operating activities was \$146.9 million during the first three months of 1998 compared to \$89.7 million during the first three months of 1997. The Company's accompanying consolidated statements of cash flows identify major differences between net income and net cash provided by operating activities for each of these periods. For additional information relating to the telephone operations, wireless operations, and other operations of the Company, see Results of Operations.

Net cash used in investing activities was \$53.8 million and \$64.5 million for the three months ended March 31, 1998 and 1997, respectively. Payments for property, plant and equipment were \$14.2 million more in the first quarter of 1998 than in the comparable period during 1997. Capital expenditures for the three months ended March 31, 1998 were \$35.3 million for telephone, \$18.1 million for wireless and \$4.8 million for other operations. Cash used in connection with acquisitions was \$21.1 million in the first three months of 1997, substantially all of which was applicable to the acquisition of telephone properties in Wisconsin.

Net cash used in financing activities was \$103.8 million during the first three months of 1998 compared to \$20.0 million during the first three months of 1997. Net payments of long-term debt were \$39.0 million more during the first quarter of 1998 compared to the first quarter of 1997. During the first quarter of 1998, the Company issued an aggregate of \$765 million of senior notes and debentures. The net proceeds of approximately \$758 million were used to reduce the bank indebtedness incurred in connection with the acquisition of PTI. In addition, the Company paid approximately \$40 million to settle numerous interest rate hedge contracts that had been entered into in anticipation of these debt issuances.

Budgeted capital expenditures for 1998 total \$220 million for telephone operations, \$90 million for wireless operations and \$40 million for corporate and other operations.

As of March 31, 1998, Century's telephone subsidiaries had available for use \$140.9 million of commitments for long-term financing from the Rural Utilities Service and the Company had \$423.1 million of undrawn committed bank lines of credit.

During the first quarter of 1998, the Company entered into definitive agreements to purchase from affiliates of Ameritech Corporation ("Ameritech") the assets of certain of Ameritech's local telephone and directory operations in parts of northern and central Wisconsin, in exchange for approximately \$225 million cash (subject to adjustments). The Company expects to provide initial financing through its committed credit facilities.

In April 1998 the Company acquired 32 Local Multipoint Distribution System licenses in the Federal Communications Commission's A and B band auction for an aggregate of \$9.7 million. The licenses acquired cover geographic areas with a combined population of approximately 10.6

million. The Company has not finalized capital expenditure or deployment plans for these systems.

## **OTHER MATTERS**

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

## **PART II. OTHER INFORMATION**

### **CENTURY TELEPHONE ENTERPRISES, INC.**

#### **Item 6. Exhibits and Reports on Form 8-K**

##### **A. Exhibits**

10.1 Form of Stock Option Agreement, pursuant to 1995 Incentive Compensation Plan, dated as of February 24, 1998.

10.2 Amended and Restated Restricted Stock and Performance Share Agreement, pursuant to 1995 Incentive Compensation Plan, dated as of February 24, 1998.

10.3 Form of Restricted Stock and Performance Share Agreement, pursuant to 1995 Incentive Compensation Plan, dated as of February 24, 1998.

11 Computations of Earnings Per Share.

27.1 Financial Data Schedule as of and for the three months ended March 31, 1998.

27.2 Amended Financial Data Schedule as of and for the year ended December 31, 1997.

27.3 Restated Financial Data Schedule as of and for the year ended December 31, 1996.

27.4 Restated Financial Data Schedule as of and for the year ended December 31, 1995.

##### **B. Reports on Form 8-K**

The following items were reported in the Form 8-K dated March 12, 1998 and filed March 31, 1998:

#### **Item 5. Other Events - (i) execution of definitive agreements**

pursuant to which Century plans to purchase certain assets from affiliates of Ameritech Corporation and (ii) adjusted terms of Century's Rights Agreement to reflect the three-for-two stock split in the form of a 50% stock dividend.

## **SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

### **CENTURY TELEPHONE ENTERPRISES, INC.**

*Date: May 13, 1998*  
-----

*/s/ Murray H. Greer*  
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*Murray H. Greer*  
*Controller*  
*(Principal Accounting Officer)*



## EXHIBIT 10.1

### THIS DOCUMENT CONSTITUTES PART OF A PROSPECTUS COVERING SECURITIES THAT HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933.

#### NON-QUALIFIED STOCK OPTION AGREEMENT UNDER THE CENTURY TELEPHONE ENTERPRISES, INC. 1995 INCENTIVE COMPENSATION PLAN

THIS AGREEMENT is entered into as of February 24, 1998 by and between Century Telephone Enterprises, Inc., a Louisiana corporation ("Century"), and \_\_\_\_\_ ("Optionee").

WHEREAS Optionee is a key employee of Century or one of its subsidiaries (collectively, the "Company") and Century considers it desirable and in its best interest that Optionee be given an inducement to acquire a proprietary interest in Century and an incentive to advance the interests of Century by possessing an option to purchase shares of the common stock, \$1.00 par value per share, of Century (the "Common Stock") under the Century Telephone Enterprises, Inc. 1995 Incentive Compensation Plan (the "Plan"), which was adopted by the Compensation Committee of the Board of Directors of Century (the "Committee") on February 19, 1995, ratified by the Board of Directors of Century on February 21, 1995, and approved by the shareholders at Century's 1995 Annual Meeting of Shareholders;

NOW, THEREFORE, in consideration of the premises, it is agreed as follows:

1.

#### Grant of Option

1.01 Century hereby grants to Optionee effective February 24, 1998 (the "Date of Grant") the right, privilege and option to purchase \_\_\_\_\_ shares of Common Stock (the "Option") at an exercise price of \$58.625 per share.

1.02 The Option is a non-qualified stock option and shall not be treated as an incentive stock option under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code").

2.

#### Time of Exercise

2.01 Subject to the provisions of the Plan and Section 2.02 hereof, the Optionee shall be entitled to exercise the Option as follows:

With respect to 50% of the shares covered by the Option	Beginning February 24, 1998
With respect to 100% of the shares covered by the Option, less any shares previously issued	Beginning February 24, 1999

The Option shall expire and may not be exercised later than ten years after the Date of Grant.

2.02 Notwithstanding the foregoing, the Option shall become accelerated and immediately exercisable in full if (a.) Optionee dies while he is employed by the Company, (b.) Optionee becomes disabled within the meaning of Section 22(e)(3) of the Code ("Disability") while he is employed by the Company, (c.) Optionee retires from employment with the Company on or after attaining the age of 55 ("Retirement") or (d.) pursuant to the provisions of the Plan.

3.

#### Conditions for Exercise of Option

During Optionee's lifetime, the Option may be exercised only by him or by his guardian or legal representative. The Option must be exercised while Optionee is employed by the Company, or, to the extent exercisable at the time of termination of employment, within 190 days of the date on which he ceases to be an employee, except that (a.) if he ceases to be an employee because of Retirement, the Option may be exercised within three years from the date on which he ceases to be an employee, (b.) if an Optionee's employment is terminated for cause, the unexercised portion of the Option is immediately terminated, and (c.) in the event of Optionee's Disability or death, the Option may be exercised by the Optionee or, in the case of death, by his estate, or by the person to whom such right evolves from him by reason of his death.



within two years after the date of his Disability or death; provided, however, that no Option may be exercised later than ten years after the Date of Grant.

4.

#### **Preference Share Purchase Rights**

Upon exercise of an Option at a time when preference share purchase rights to purchase shares of Series BB Participating Cumulative Preference Stock or other securities or property of the Company (the "Rights" and each a "Right") remain outstanding pursuant to that certain Rights Agreement dated as of August 27, 1996 between the Company and the Rights Agent named therein, (the "Rights Agreement") or any successor rights agreement, then the Option shall automatically be converted into the right to receive, upon payment of the exercise price, one Right for each share of Common Stock received upon exercise of the Option.

5.

#### **Additional Conditions**

Anything in this Agreement to the contrary notwithstanding, if at any time Century further determines, in its sole discretion, that the listing, registration or qualification (or any updating of any such document) of the shares of Common Stock issuable pursuant to the exercise of an Option 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 issuance of shares of Common Stock pursuant thereto, or the removal of any restrictions imposed on such shares, such shares of Common Stock shall not be issued, 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 Century. Century agrees to promptly take any and all actions necessary or desirable in order that all shares of Common Stock issuable hereunder shall be issued as provided herein.

6.

#### **No Contract of Employment Intended**

Nothing in this Agreement shall confer upon Optionee any right to continue in the employment of the Company or to interfere in any way with the right of Century to terminate Optionee's employment relationship with the Company at any time.

7.

#### **Taxes**

The Company may make such provisions as it may deem appropriate for the withholding of any federal, state and local taxes that it determines are required to be withheld on the exercise of the Option.

8.

#### **Binding Effect**

This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators and successors.

9.

#### **Inconsistent Provisions**

The Option granted hereby is subject to the provisions of the Plan. If any provision of this Agreement conflicts with a provision of the Plan, the Plan provision shall control.

10.

#### **Adjustments to Options**

Appropriate adjustments shall be made to the number and class of shares of Common Stock subject to the Option and to the exercise price in certain situations described in Section 10.6 of the Plan.

**Termination of Option**

The Committee, in its sole discretion, may terminate the Option. However, no termination may adversely affect the rights of Optionee to the extent that the Option is currently exercisable on the date of such termination.

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be executed as of the day and year first above written.

**CENTURY TELEPHONE ENTERPRISES, INC.**

By: \_\_\_\_\_

Glen F. Post, III,  
President and  
Chief Executive Officer

\_\_\_\_\_  
**Optionee**

## EXHIBIT 10.2

### **THIS DOCUMENT CONSTITUTES PART OF A PROSPECTUS COVERING SECURITIES THAT HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933.**

#### **AMENDED AND RESTATED RESTRICTED STOCK AND PERFORMANCE SHARE AGREEMENT UNDER THE 1995 INCENTIVE COMPENSATION PROGRAM**

THIS Amended and Restated Agreement is made as of February 24, 1998, by and between Century Telephone Enterprises, Inc. ("Century") and \_\_\_\_\_ ("Award Recipient").

WHEREAS, Century maintains the 1995 Century Telephone Enterprises, Inc. Incentive Compensation Plan, as amended (the "Plan"), under which the Incentive Awards Subcommittee of the Compensation Committee of the Board of Directors of Century (the "Committee") granted the Award Recipient restricted shares (the "Restricted Stock") of Century's common stock, \$1.00 par value per share (the "Common Stock"), and awards in the form of performance shares (the "Performance Shares") and an agreement (the "Agreement") with respect to such grant was entered into effective February 24, 1997;

WHEREAS, the Committee wishes to amend the Agreement to provide that Century's performance for purposes of determining whether the Restricted Stock and the Performance Shares have vested or been earned will be measured against companies that are more comparable to Century than are those now included in the Value Line Telecommunications/Other Majors Index.

NOW, THEREFORE, in consideration of the premises, it is agreed that the Agreement shall be amended and restated in its entirety to read as follows:

1.

#### **AWARD OF SHARES**

1.1 Under the terms of the Plan, the Committee hereby awards to the Award Recipient, Time-vested shares of Restricted Stock that vest on January 1, 2002, if, subject to Section 4 hereof, the Award Recipient remains employed by Century on that date (the "Time-Vested Restricted Stock").

1.2 Under the terms of the Plan, the Committee also awards to the Award Recipient, Performance-based shares of Restricted Stock (the "Performance-Based Restricted Stock") and Performance Shares that vest if, subject to Section 4 hereof, the Award Recipient remains employed by Century through January 1, 2002, and the performance goals described in Section 3 hereof are achieved.

1.3 All awards hereunder are subject to the terms, conditions, and restrictions set forth in the Plan and in this Agreement. The date of grant of the Restricted Stock and Performance Shares is February 24, 1997.

2.

#### **AWARD RESTRICTIONS ON RESTRICTED STOCK**

2.1 The Restricted Period is a period that begins on the date hereof and ends at such time after December 31, 2001 as the Committee has been able to determine if and to what extent the applicable conditions and performance goals provided herein have been met.

2.2 In addition to the conditions and restrictions provided in the Plan, during the Restricted Period, the shares of Restricted Stock and the right to vote the Restricted Stock and to receive dividends thereon may not be sold, assigned, transferred, exchanged, pledged, hypothecated or otherwise encumbered. During the Restricted Period, except as otherwise provided in this Section 2, the Award Recipient shall be entitled to all rights of a shareholder of Century, including the right to vote the shares and receive dividends and/or other distributions declared on the Restricted Stock.

3.

#### **PERFORMANCE CRITERIA FOR PERFORMANCE-BASED RESTRICTED STOCK AND PERFORMANCE SHARES**

3.1 The restrictions on shares of Performance-Based Restricted Stock will lapse and the Performance Shares will be earned depending upon Century's total shareholder return as compared to the total shareholder return of other comparable companies, as follows:

a. At the end of the year 2001, the total shareholder return (determined by calculating the increase in stock price plus reinvestment of dividends) for the five-year period of 1997 through 2001 (the "Performance Period") will be calculated for each of the companies (the "Peer Companies") included in the performance graph (the "Graph") that appears in the Company's proxy statement issued in connection with the first annual meeting following the end of the Performance Period.

b. Each Peer Company will be ranked based upon total shareholder return as reflected in the Graph for the Performance Period.

c. The average shareholder return of the Peer Companies that make up the top one-third, middle one-third and bottom one-third of the companies included in the Graph will be calculated.

d. If Century's total shareholder return for the Performance Period is less than the average total shareholder return of the bottom one-third of the Peer Companies none of the shares of Performance-Based Restricted Stock will vest and no Performance Shares will be earned.

e. If Century's total shareholder return for the Performance Period equals or exceeds the average total shareholder return of the companies in the bottom one-third of the Peer Companies, then the portion of the Performance-Based Restricted Stock that vests (not more than the number of shares granted) will be equal to

$$(A / B) \times C$$

with A equal to the difference between the Century total shareholder return and the bottom one-third average return

and B equal to the difference between the middle one-third average and the bottom one-third average

and C equal to the number of shares of Performance-Based Restricted Stock granted.

f. In addition to the Performance-Based Restricted Stock that will vest under the terms described in 3.1.e. above, if Century's total shareholder return for the Performance Period is greater than the average shareholder return of the middle one-third of the Peer Companies, the Award Recipient will earn Performance Shares. The portion of the Performance Shares that are earned (not more than the number granted) will be equal to  $(D / E) \times F$

with D equal to the difference between the Century total shareholder return and the middle one-third average return

and E equal to the difference between the top one-third average and the middle one-third average

and F equal to the number of Performance Shares granted.

g. If earned, the Performance Shares will be paid in shares of Common Stock.

3.3 Although permitted by the terms of the Plan, the Committee may not waive any of the performance requirements described in this Section 3 or accelerate the termination of the Restricted Period with respect to the Performance-Based Restricted Stock and Performance Shares. All shares of Restricted Stock will vest, and all Performance Shares will be earned, however, in the event of a Corporate Change of the Company, as provided in Section 10.11 of the Plan.

3.4 Prior to the lapse of restrictions on shares of Performance-Based Restricted Stock or the issuance of shares of Common Stock in payment of Performance Shares, the Committee must certify in writing (including through the adoption of resolutions set forth in duly recorded minutes) that all applicable performance goals and conditions have been met.

3.5 Any shares of Restricted Stock with respect to which restrictions do not lapse and any Performance Shares that are not earned shall be forfeited upon termination of the Restricted Period.

4.

## **TERMINATION OF EMPLOYMENT**

4.1 If an Award Recipient's employment terminates as the result of death, disability within the meaning of Section 22(e)(3) of the Internal Revenue Code ("Disability"), or retirement on or after reaching age 55 ("Retirement") during the Performance Period, all shares of Time-Vested Restricted Stock shall immediately vest and all restrictions thereon shall lapse. Termination of employment for any other reason during the Performance Period, except termination in connection with a Corporate Charge, results in forfeiture of all Time-Vested Restricted Stock.

4.2 If an Award Recipient's employment terminates during the first year of the Performance Period for any reason, all shares of Performance-Based Restricted Stock shall be immediately forfeited and no Performance Shares shall be earned.

4.3 If an Award Recipient's employment terminates as a result of death, Disability or Retirement following the first year of the Performance Period, the Award Recipient shall receive the pro rata portion of the Performance-Based Restricted Stock and Performance Shares based upon the number of full years of the Performance Period that has elapsed prior to termination of employment and Century's total shareholder return for such years as compared to the Peer Companies included in the Graph in the following year. Other shares of Performance-Based Restricted Stock and Performance Shares shall be forfeited.

5.

#### **STOCK CERTIFICATES**

5.1 The stock certificates evidencing the Restricted Stock shall be retained by Century until the termination of the Restricted Period and the lapse of restrictions under the terms hereof. Century shall place a legend on the stock certificates restricting the transferability of the shares of Restricted Stock.

5.2 Upon the lapse of restrictions on shares of Restricted Stock and when Performance Shares are earned, Century shall cause a stock certificate without a restrictive legend to be issued with respect to the vested Restricted Stock and the earned Performance Shares in the name of the Award Recipient or his or her nominee within 30 days after the end of the Restricted Period. Upon receipt of such stock certificate, the Award Recipient is free to hold or dispose of the shares represented by such certificate, subject to applicable securities laws.

6.

#### **DIVIDENDS**

Any dividends paid on shares of Restricted Stock shall be paid to the Award Recipient currently. No dividends or dividend equivalents will be paid with respect to the Performance Shares prior to the issuance of Common Stock in payment thereof.

7.

#### **WITHHOLDING TAXES**

At the time that all or any portion of the Restricted Stock vests or the Performance Shares are earned, the Award Recipient must deliver to Century the amount of income tax withholding required by law.

8.

#### **ADDITIONAL CONDITIONS**

Anything in this Agreement to the contrary notwithstanding, if at any time Century further determines, in its sole discretion, that the listing, registration or qualification (or any updating of any such document) of the shares of Common Stock issued or issuable pursuant hereto 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 issuance of shares of Common Stock pursuant hereto, or the removal or any restrictions imposed on such shares, such shares of Common Stock shall not be issued, in whole or in part, or the restrictions thereon removed, unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to Century.

9.

#### **NO CONTRACT OF EMPLOYMENT INTENDED**

Nothing in this Agreement shall confer upon the Award Recipient any right to continue in the employment of Century, or to interfere in any way with the right of Century to terminate the Award Recipient's employment relationship with Century at any time.

10.

#### **BINDING EFFECT**

This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators and successors.

11.

#### **INCONSISTENT PROVISIONS**

The shares of Restricted Stock and Performance Shares granted hereby are subject to the provisions of the Plan. If any provision of this Agreement conflicts with a provision of the Plan, the Plan provision shall control.

IN WITNESS WHEREOF the parties hereto have caused this Amended and Restated Agreement to be executed on the day and year first above written.

**CENTURY TELEPHONE ENTERPRISES, INC.**

By: \_\_\_\_\_  
Glen F. Post, III, President and  
Chief Executive Officer

\_\_\_\_\_  
**Award Recipient**

## EXHIBIT 10.3

### **THIS DOCUMENT CONSTITUTES PART OF A PROSPECTUS COVERING SECURITIES THAT HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933.**

#### **RESTRICTED STOCK AND PERFORMANCE SHARE AGREEMENT UNDER THE 1995 INCENTIVE COMPENSATION PROGRAM**

THIS AGREEMENT is made as of February 24, 1998, by and between Century Telephone Enterprises, Inc. ("Century") and \_\_\_\_\_ ("Award Recipient").

WHEREAS, Century maintains the 1995 Century Telephone Enterprises, Inc. Incentive Compensation Plan, as amended (the "Plan"), under which the Incentive Awards Subcommittee of the Compensation Committee of the Board of Directors of Century (the "Committee") may, among other things, grant restricted shares (the "Restricted Stock") of Century's common stock, \$1.00 par value per share (the "Common Stock"), and awards in the form of performance shares (the "Performance Shares") to key employees of Century or its subsidiaries as the Committee may determine, subject to terms, conditions, or restrictions as it may deem appropriate;

WHEREAS, pursuant to the Plan the Committee has awarded to the Award Recipient a Restricted Stock award and a Performance Share award.

NOW, THEREFORE, in consideration of the premises, it is agreed with respect to the Restricted Stock and Performance Shares as follows:

1.

#### **AWARD OF SHARES**

1.1 Under the terms of the Plan, the Committee hereby awards to the Award Recipient, Time-vested shares of Restricted Stock that vest on January 1, 2003, if, subject to Section 4 hereof, the Award Recipient remains employed by Century on that date (the "Time-Vested Restricted Stock").

1.2 Under the terms of the Plan, the Committee also awards to the Award Recipient, Performance-based shares of Restricted Stock (the "Performance-Based Restricted Stock") and Performance Shares that vest if, subject to Section 4 hereof, the Award Recipient remains employed by Century through January 1, 2003 and the performance goals described in Section 3 hereof are achieved.

1.3 All awards hereunder are subject to the terms, conditions, and restrictions set forth in the Plan and in this Agreement. The date of grant of the Restricted Stock and Performance Shares is February 24, 1998.

2.

#### **AWARD RESTRICTIONS ON RESTRICTED STOCK**

2.1 The Restricted Period is a period that begins on the date hereof and ends at such time after December 31, 2002 as the Committee has been able to determine if and to what extent the applicable conditions and performance goals provided herein have been met.

2.2 In addition to the conditions and restrictions provided in the Plan, during the Restricted Period, the shares of Restricted Stock and the right to vote the Restricted Stock and to receive dividends thereon may not be sold, assigned, transferred, exchanged, pledged, hypothecated or otherwise encumbered. During the Restricted Period, except as otherwise provided in this Section 2, the Award Recipient shall be entitled to all rights of a shareholder of Century, including the right to vote the shares and receive dividends and/or other distributions declared on the Restricted Stock.

3.

#### **PERFORMANCE CRITERIA FOR PERFORMANCE-BASED RESTRICTED STOCK AND PERFORMANCE SHARES**

3.1 The restrictions on shares of Performance-Based Restricted Stock will lapse and the Performance Shares will be earned depending upon Century's total shareholder return as compared to the total shareholder return of other comparable companies, as follows:

a. At the end of the year 2002, the total shareholder return (determined by calculating the increase in stock price plus reinvestment of

dividends) for the five-year period of 1998 through 2002 (the "Performance Period") will be calculated for each of the companies (the "Peer Companies") included in the performance graph (the "Graph") that appears in the Company's proxy statement issued in connection with the first annual meeting following the end of the Performance Period.

b. Each Peer Company will be ranked based upon total shareholder return as reflected in the Graph for the Performance Period.

c. The average shareholder return of the Peer Companies that make up the top one-third, middle one-third and bottom one-third of the companies included in the Graph will be calculated.

d. If Century's total shareholder return for the Performance Period is less than the average total shareholder return of the bottom one-third of the Peer Companies none of the shares of Performance-Based Restricted Stock will vest and no Performance Shares will be earned.

e. If Century's total shareholder return for the Performance Period equals or exceeds the average total shareholder return of the companies in the bottom one-third of the Peer Companies, then the portion of the Performance-Based Restricted Stock that vests (not more than the number of shares granted) will be equal to

$$(A / B) \times C$$

with A equal to the difference between the Century total shareholder return and the bottom one-third average return

and B equal to the difference between the middle one-third average and the bottom one-third average

and C equal to the number of shares of Performance-Based Restricted Stock granted.

f. In addition to the Performance-Based Restricted Stock that will vest under the terms described in 3.1.e. above, if Century's total shareholder return for the Performance Period is greater than the average shareholder return of the middle one-third of the Peer Companies, the Award Recipient will earn Performance Shares. The portion of the Performance Shares that are earned (not more than the number granted) will be equal to  $(D / E) \times F$

with D equal to the difference between the Century total shareholder return and the middle one-third average return

and E equal to the difference between the top one-third average and the middle one-third average

and F equal to the number of Performance Shares granted.

g. If earned, the Performance Shares will be paid in shares of Common Stock.

3.3 Although permitted by the terms of the Plan, the Committee may not waive any of the performance requirements described in this Section 3 or accelerate the termination of the Restricted Period with respect to the Performance-Based Restricted Stock and Performance Shares. All shares of Restricted Stock will vest, and all Performance Shares will be earned, however, in the event of a Corporate Change of the Company, as provided in Section 10.11 of the Plan.

3.4 Prior to the lapse of restrictions on shares of Performance-Based Restricted Stock or the issuance of shares of Common Stock in payment of Performance Shares, the Committee must certify in writing (including through the adoption of resolutions set forth in duly recorded minutes) that all applicable performance goals and conditions have been met.

3.5 Any shares of Restricted Stock with respect to which restrictions do not lapse and any Performance Shares that are not earned shall be forfeited upon termination of the Restricted Period.

4.

## **TERMINATION OF EMPLOYMENT**

4.1 If an Award Recipient's employment terminates as the result of death, disability within the meaning of Section 22(e)(3) of the Internal Revenue Code ("Disability"), or retirement on or after reaching age 55 ("Retirement") during the Performance Period, all shares of Time-Vested Restricted Stock shall immediately vest and all restrictions thereon shall lapse. Termination of employment for any other reason during the Performance Period, except termination in connection with a Corporate Charge, results in forfeiture of all Time-Vested Restricted Stock.

4.2 If an Award Recipient's employment terminates during the first year of the Performance Period for any reason, all shares of Performance-Based Restricted Stock shall be immediately forfeited and no Performance Shares shall be earned.

4.3 If an Award Recipient's employment terminates as a result of death, Disability or Retirement following the first year of the Performance



Period, the Award Recipient shall receive the pro rata portion of the Performance-Based Restricted Stock and Performance Shares based upon the number of full years of the Performance Period that has elapsed prior to termination of employment and Century's total shareholder return for such years as compared to the Peer Companies included in the Graph in the following year. Other shares of Performance-Based Restricted Stock and Performance Shares shall be forfeited.

5.

### **STOCK CERTIFICATES**

5.1 The stock certificates evidencing the Restricted Stock shall be retained by Century until the termination of the Restricted Period and the lapse of restrictions under the terms hereof. Century shall place a legend on the stock certificates restricting the transferability of the shares of Restricted Stock.

5.2 Upon the lapse of restrictions on shares of Restricted Stock and when Performance Shares are earned, Century shall cause a stock certificate without a restrictive legend to be issued with respect to the vested Restricted Stock and the earned Performance Shares in the name of the Award Recipient or his or her nominee within 30 days after the end of the Restricted Period. Upon receipt of such stock certificate, the Award Recipient is free to hold or dispose of the shares represented by such certificate, subject to applicable securities laws.

6.

### **DIVIDENDS**

Any dividends paid on shares of Restricted Stock shall be paid to the Award Recipient currently. No dividends or dividend equivalents will be paid with respect to the Performance Shares prior to the issuance of Common Stock in payment thereof.

7.

### **WITHHOLDING TAXES**

At the time that all or any portion of the Restricted Stock vests or the Performance Shares are earned, the Award Recipient must deliver to Century the amount of income tax withholding required by law.

8.

### **ADDITIONAL CONDITIONS**

Anything in this Agreement to the contrary notwithstanding, if at any time Century further determines, in its sole discretion, that the listing, registration or qualification (or any updating of any such document) of the shares of Common Stock issued or issuable pursuant hereto 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 issuance of shares of Common Stock pursuant hereto, or the removal or any restrictions imposed on such shares, such shares of Common Stock shall not be issued, in whole or in part, or the restrictions thereon removed, unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to Century.

9.

### **NO CONTRACT OF EMPLOYMENT INTENDED**

Nothing in this Agreement shall confer upon the Award Recipient any right to continue in the employment of Century, or to interfere in any way with the right of Century to terminate the Award Recipient's employment relationship with Century at any time.

10.

### **BINDING EFFECT**

This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators and successors.

11.

### **INCONSISTENT PROVISIONS**

The shares of Restricted Stock and Performance Shares granted hereby are subject to the provisions of the Plan. If any provision of this Agreement conflicts with a provision of the Plan, the Plan provision shall control.

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be executed on the day and year first above written.

**CENTURY TELEPHONE ENTERPRISES, INC.**

By: \_\_\_\_\_  
Glen F. Post, III, President and  
Chief Executive Officer

\_\_\_\_\_  
**Award Recipient**

**EXHIBIT 11**  
**CENTURY TELEPHONE ENTERPRISES, INC.**

**COMPUTATIONS OF EARNINGS PER SHARE**  
**(UNAUDITED)**

	Three months ended March 31,	
	1998	1997
	(Dollars, except per share amounts, and shares in thousands)	
Net income	\$ 57,694	33,135
Dividends applicable to preferred stock	(102)	(128)
Net income applicable to common stock	57,592	33,007
Dividends applicable to preferred stock	102	128
Interest on convertible securities, net of taxes	93	120
Net income as adjusted for purposes of computing diluted earnings per share	\$ 57,787	33,255
Weighted average number of shares:		
Outstanding during period	91,362	89,990
Employee Stock Ownership Plan shares not committed to be released	(401)	(464)
Number of shares for computing basic earnings per share	90,961	89,526
Incremental common shares attributable to dilutive securities:		
Conversion of convertible securities	849	1,204
Shares issuable under stock option plan	1,107	325
Number of shares as adjusted for purposes of computing diluted earnings per share	92,917	91,055
Basic earnings per share	\$ .63	.37
Diluted earnings per share	\$ .62	.37

**ARTICLE 5**

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE UNAUDITED CONSOLIDATED BALANCE SHEET OF CENTURY TELEPHONE ENTERPRISES, INC. AND SUBSIDIARIES AS OF MARCH 31, 1998 AND THE RELATED UNAUDITED CONSOLIDATED STATEMENT OF INCOME FOR THE THREE MONTH PERIOD THEN ENDED AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

MULTIPLIER: 1,000

PERIOD TYPE	3 MOS
FISCAL YEAR END	DEC 31 1998
PERIOD START	JAN 01 1998
PERIOD END	MAR 31 1998
CASH	15,304
SECURITIES	0
RECEIVABLES	189,212
ALLOWANCES	7,174
INVENTORY	21,782
CURRENT ASSETS	227,103
PP&E	3,895,952
DEPRECIATION	1,652,177
TOTAL ASSETS	4,708,228
CURRENT LIABILITIES	265,823
BONDS	2,576,593
PREFERRED MANDATORY	0
PREFERRED	8,106
COMMON	91,548
OTHER SE	1,256,155
TOTAL LIABILITY AND EQUITY	4,708,228
SALES	0
TOTAL REVENUES	371,720
CGS	0
TOTAL COSTS	261,588
OTHER EXPENSES	0
LOSS PROVISION	0
INTEREST EXPENSE	42,809
INCOME PRETAX	96,504
INCOME TAX	38,810
INCOME CONTINUING	57,694
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	57,694
EPS PRIMARY	.63
EPS DILUTED	.62

**ARTICLE 5**

THIS AMENDED SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE AUDITED CONSOLIDATED BALANCE SHEET OF CENTURY TELEPHONE ENTERPRISES, INC. AND SUBSIDIARIES AS OF DECEMBER 31, 1997 AND THE RELATED AUDITED CONSOLIDATED STATEMENT OF INCOME FOR THE TWELVE MONTH PERIOD THEN ENDED AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

RESTATED:

MULTIPLIER: 1,000

PERIOD TYPE	12 MOS	
FISCAL YEAR END	DEC 31 1997	
PERIOD START	JAN 01 1997	
PERIOD END	DEC 31 1997	
CASH	26,017	
SECURITIES	0	
RECEIVABLES	149,567	
ALLOWANCES	5,954	
INVENTORY	21,994	
CURRENT ASSETS	283,480	
PP&E	3,845,498	
DEPRECIATION	1,586,935	
TOTAL ASSETS	4,709,401	
CURRENT LIABILITIES	322,008	
BONDS	2,609,541	
PREFERRED MANDATORY	0	
PREFERRED	8,106	
COMMON	91,104	
OTHER SE	1,201,062	
TOTAL LIABILITY AND EQUITY	4,709,401	
SALES	0	
TOTAL REVENUES	901,521	
CGS	0	
TOTAL COSTS	633,751	
OTHER EXPENSES	0	
LOSS PROVISION	0	
INTEREST EXPENSE	56,474	
INCOME PRETAX	408,341	
INCOME TAX	152,363	
INCOME CONTINUING	255,978	
DISCONTINUED	0	
EXTRAORDINARY	0	
CHANGES	0	
NET INCOME	255,978	
EPS PRIMARY	2.84	<sup>1</sup>
EPS DILUTED	2.80	<sup>1</sup>

<sup>1</sup> REFLECTS MARCH 1998 STOCK SPLIT. FINANCIAL DATA SCHEDULES FOR PRIOR PERIODS HAVE NOT BEEN RESTATED TO REFLECT SUCH STOCK SPLIT.

**ARTICLE 5**

THIS RESTATED SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE AUDITED CONSOLIDATED BALANCE SHEET OF CENTURY TELEPHONE ENTERPRISES, INC. AND SUBSIDIARIES AS OF DECEMBER 31, 1996 AND THE RELATED AUDITED CONSOLIDATED STATEMENT OF INCOME FOR THE TWELVE MONTH PERIOD THEN ENDED AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

RESTATED:

MULTIPLIER: 1,000

PERIOD TYPE	12 MOS
FISCAL YEAR END	DEC 31 1996
PERIOD START	JAN 01 1996
PERIOD END	DEC 31 1996
CASH	8,402
SECURITIES	0
RECEIVABLES	63,508
ALLOWANCES	3,327
INVENTORY	8,222
CURRENT ASSETS	109,234
PP&E	1,685,693
DEPRECIATION	536,681
TOTAL ASSETS	2,028,505
CURRENT LIABILITIES	144,144
BONDS	625,930
PREFERRED MANDATORY	0
PREFERRED	10,041
COMMON	59,859
OTHER SE	958,253
TOTAL LIABILITY AND EQUITY	2,208,505
SALES	0
TOTAL REVENUES	749,677
CGS	0
TOTAL COSTS	526,381
OTHER EXPENSES	0
LOSS PROVISION	0
INTEREST EXPENSE	44,662
INCOME PRETAX	203,642
INCOME TAX	74,565
INCOME CONTINUING	129,077
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	129,077
EPS PRIMARY	2.17
EPS DILUTED	2.15

## ARTICLE 5

THIS RESTATED SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE AUDITED CONSOLIDATED BALANCE SHEET OF CENTURY TELEPHONE ENTERPRISES, INC. AND SUBSIDIARIES AS OF DECEMBER 31, 1995 AND THE RELATED AUDITED CONSOLIDATED STATEMENT OF INCOME FOR THE TWELVE MONTH PERIOD THEN ENDED AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

RESTATED:

MULTIPLIER: 1,000

PERIOD TYPE	12 MOS
FISCAL YEAR END	DEC 31 1995
PERIOD START	JAN 01 1995
PERIOD END	DEC 31 1995
CASH	8,540
SECURITIES	0
RECEIVABLES	53,711
ALLOWANCES	2,768
INVENTORY	6,608
CURRENT ASSETS	95,329
PP&E	1,499,554
DEPRECIATION	451,746
TOTAL ASSETS	1,862,421
CURRENT LIABILITIES	139,924
BONDS	622,904
PREFERRED MANDATORY	0
PREFERRED	2,262
COMMON	59,114
OTHER SE	827,048
TOTAL LIABILITY AND EQUITY	1,862,421
SALES	0
TOTAL REVENUES	644,840
CGS	0
TOTAL COSTS	441,921
OTHER EXPENSES	0
LOSS PROVISION	0
INTEREST EXPENSE	43,615
INCOME PRETAX	183,068
INCOME TAX	68,292
INCOME CONTINUING	114,776
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	114,776
EPS PRIMARY	1.99
EPS DILUTED	1.96

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