

CENTURYTEL INC

FORM 10-K (Annual Report)

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Industry	Communications Services
Sector	Services
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 1996

or

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

Commission file number 1-7784

CENTURY TELEPHONE ENTERPRISES, INC.

(Exact name of Registrant as specified in its charter)

Louisiana
(State or other jurisdiction of
incorporation or organization)

72-0651161
(IRS Employer
Identification No.)

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

71203
(Zip Code)

Registrant's telephone number, including area code - (318)388-9500

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

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

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

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

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

As of February 28, 1997, the aggregate market value of voting stock held by non-affiliates (affiliates being for these purposes only directors, executive officers and holders of more than five percent of the Company's outstanding voting securities) was \$1.8 billion.

As of February 28, 1997, there were 60,019,807 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the Registrant's Proxy Statement prepared in connection with the 1997 annual meeting of shareholders are incorporated in Part III of this Report.

PART I

Item 1. Business

General. Century Telephone Enterprises, Inc. ("Century") is a regional diversified telecommunications company that is primarily engaged in providing traditional local exchange telephone services and cellular telephone communications services. For the year ended December 31, 1996, telephone (local exchange) operations and mobile communications (cellular) operations provided 60% and 33%, respectively, of the consolidated revenues of Century and its subsidiaries (the "Company"). All of the Company's operations are conducted within the continental United States.

At December 31, 1996, the Company's local exchange telephone subsidiaries operated over 503,000 telephone access lines, primarily in rural, suburban and small urban areas in 14 states, with the largest customer bases located in Wisconsin, Louisiana, Michigan, Ohio, Arkansas and Texas. According to published sources, the Company is the sixteenth largest local exchange telephone company in the United States based on the number of access lines served.

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

At December 31, 1996, the Company, through its cellular operations, owned approximately 8.0 million pops in 27 MSAs, primarily concentrated in Michigan, Louisiana, Arkansas, Mississippi and Texas, and 30 RSAs, most of which are in Michigan, Mississippi, Louisiana and Arkansas. The Company is the majority owner and operator in 19 of the MSAs and 15 of the RSAs, which collectively represent 6.5 million pops, and has minority interests in the other MSAs and RSAs, which collectively represent 1.5 million pops. Of the Company's 8.0 million pops, approximately 70% are attributable to the Company's MSA interests, with the balance attributable to its RSA interests. According to data derived from published sources, the Company is the twelfth largest cellular telephone company in the United States based on the Company's owned pops. At December 31, 1996, the Company's majority-owned and operated cellular systems had more than 368,000

cellular subscribers. Except for five MSAs and three RSAs, all of the cellular systems operated by the Company are operated under wireline licenses.

The Company also provides long distance, operator, competitive access and interactive services in certain local and regional markets, as well as certain printing and related services.

Recent Acquisitions. In April 1996 Century acquired Ringgold Telephone Company. In connection with the acquisition, Century acquired approximately 1,700 telephone access lines along with an additional 25% interest in the North Louisiana Cellular Partnership. The acquisition brought the Company's total ownership in the North Louisiana Cellular Partnership to 87%.

In December 1996 Century acquired 100% of the Mississippi RSA #7 cellular system, which has a population of approximately 179,000. Mississippi RSA #7 is adjacent to the Jackson, Mississippi MSA and Mississippi RSA #6, both of which are operated by the Company.

In January 1997 Century acquired Pecoco, Inc., a provider of local exchange telephone service in four counties in Wisconsin. As a result of the acquisition, Century acquired more than 7,600 telephone access lines and a minority interest in two cellular partnerships serving Madison and Milwaukee, Wisconsin, representing approximately 35,000 pops.

The Company is continually evaluating the possibility of acquiring additional telephone access lines and cellular or other wireless interests in exchange for cash, securities or both. Although the Company's primary focus will continue to be on acquiring telephone and wireless interests that are proximate to its properties or that serve a customer base large enough for the Company to operate efficiently, other communications interests may also be acquired.

Other. As of December 31, 1996, the Company employed approximately 3,400 persons, of which approximately 185 employees located in Ohio are covered by a three-year collective bargaining agreement between the Company and the Communications Workers of America. The agreement, which was scheduled to lapse on March 30, 1997, has been extended until March 30, 1998.

Century was incorporated under Louisiana law in 1968 to serve as a holding company for several telephone companies acquired over the previous 15 to 20 years. Century's principal executive offices are located at 100 Century Park Drive, Monroe, Louisiana 71203 and its telephone number is (318) 388-9500.

TELEPHONE OPERATIONS

The Company is the sixteenth largest local exchange telephone company in the United States, based on the more than 503,000 access lines it served at December 31, 1996. Currently, the Company operates over 500 central office and remote switching centers in its telephone operating areas. All of the Company's access lines are digitally switched. Through its operating telephone subsidiaries, Century provides services to predominately rural, suburban and small urban markets in 14 states. The table below sets forth certain information with respect to the Company's access lines as of December 31, 1996:

State	Number of access lines	Percent of access lines

Wisconsin	105,252	21%
Louisiana	92,677	18
Michigan	88,483	18
Ohio	75,103	15
Arkansas	40,673	8
Texas	38,327	8
Tennessee	23,507	5
Mississippi	16,211	3
Colorado	7,420	1
New Mexico	5,168	1
Indiana	4,827	1
Idaho	4,162	1
Arizona	1,563	0
Iowa	189	0

	503,562	100%
=====		

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

	Year Ended or As of December 31,				
	1996	1995	1994	1993	1992
	(Dollars in thousands)				
Access lines	503,562	480,757	454,963	434,691	397,300
% Residential	77%	78	79	80	81
% Business	23%	22	21	20	19
Operating revenues	\$ 451,538	419,242	391,265	350,330	298,812
Capital expenditures	\$ 110,147	136,006	152,336	131,180	108,974

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

Services

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

	1996	1995	1994
Local service	26.9%	26.6	25.6
Network access	61.2	61.7	62.3
Other	11.9	11.7	12.1
	100.0%	100.0	100.0

Local service revenues are derived from the provision of local exchange telephone services in the Company's service areas. Internal access line growth during 1996, 1995 and 1994 was 4.3%, 4.4% and 4.1%, respectively. The Company believes that access line growth in the future will benefit from population growth in its service areas, acquisitions and the growth of second lines. The Company markets local Internet access in 194 communities in eight states, which the Company believes has led to an increase in orders for second lines.

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

revenues are derived through pooling arrangements administered by the National Exchange Carrier Association ("NECA"). The NECA receives access charges billed by the Company and other participating local exchange carriers ("LECs") to interstate long distance carriers and other LEC customers for their use of the local exchange network to complete long distance calls and subsequently distributes these revenues to such LECs based primarily on cost separation studies. The charges billed to the long distance carriers and other LEC customers are based on tariffed access rates filed with the FCC by the NECA on behalf of the Company and other participating LECs. Interstate revenues as a percentage of telephone operating revenues amounted to 33.8%, 34.6% and 33.5% in 1996, 1995 and 1994, respectively.

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

The installation of digital switches and related software has been an important component of the Company's growth strategy because it allows the Company to offer enhanced services (such as call forwarding, conference calling, caller identification, selective call ringing and call waiting) and to thereby increase utilization of existing access lines. In 1996 the Company continued to expand its list of premium services (such as voice mail and Internet access) offered in certain service areas and aggressively marketed these services.

The Company's telephone subsidiaries are installing fiber optic cable in high traffic routes in certain areas in which the subsidiaries operate and have provided alternative routing of telephone service over fiber optic cable networks in several strategic operating areas. At December 31, 1996, the Company's telephone subsidiaries had over 2,600 miles of fiber optic cable in place.

Other revenues include revenues related to (i) leasing, selling, installing, maintaining and repairing customer premise telecommunications equipment and wiring, (ii) providing billing and collection services for interexchange carriers, (iii) leasing network facilities, (iv) participating in the publication of local directories and (v) providing Internet access. At the end of 1996, the Company offered Internet access in telephone markets representing 82% of its telephone customers. Certain large telecommunications companies for which the Company currently provides billing and collection services continue to indicate their desire to reduce their billing and collection expenses, which is expected to result in future reductions of billing and collection revenues.

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

Federal Financing Programs

Certain of the Company's telephone subsidiaries receive long-term financing from the Rural Utilities Service ("RUS") and the Rural Telephone Bank ("RTB"). The RUS has made long-term loans to telephone companies since 1949 for the purpose of improving telephone service in rural areas. The RUS continues to make new loans at interest rates that range from 5% to 7% based on borrower qualifications and the cost of money to the United States government. The RTB, established in 1971, makes long-term loans at interest rates based on its average cost of funds as determined by statutory formula (such rates ranged from 6.04% to 6.42% for the fiscal year ended September 30, 1996), and in some cases makes loans concurrently with RUS loans. Most of the Company's telephone plant is pledged or mortgaged to secure obligations of the Company's telephone subsidiaries to the RUS and RTB. The Company's telephone subsidiaries which have borrowed from government agencies generally may not loan or advance any funds to Century, but may pay dividends if certain financial ratios are met.

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

Regulation and Competition

Traditionally, LECs have operated as regulated monopolies. Consequently, the majority of the Company's telephone operations have traditionally been regulated extensively by various state regulatory agencies (generally called public service commissions or public utility commissions) and by the FCC. As discussed in greater detail below, passage of the Telecommunications Act of 1996 (the "1996 Act"), coupled with state legislative and regulatory initiatives and technological changes, has fundamentally altered the telephone industry by reducing the regulation of LECs and permitting competition in each segment of the telecommunications industry. Although Century anticipates that these trends towards reduced regulation and increased competition will continue, it is difficult to determine the form or degree of future regulation and competition in the Company's service areas.

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

accounting procedures and (iii) regulate various other matters, including certain service standards and operating procedures.

In recent years, Wisconsin, Louisiana, Michigan, Ohio and other state legislatures and regulatory commissions having jurisdiction over the Company's telephone subsidiaries have either begun to reduce the regulation of LECs or have announced their intention to review such regulation, and it is expected that this trend will continue. This reduced regulatory oversight of certain of the Company's telephone operations may allow the Company to offer new and competitive services faster than under the traditional regulatory process. Coincident with these efforts is the introduction of competition into traditionally monopolistic segments of the industry. For a discussion of legislative, regulatory and technological changes that have introduced competition into the local exchange industry, see "-Developments Affecting Competition."

Substantially all of the state regulatory commissions have statutory authority, the specific limits of which vary, to initiate and conduct earnings reviews of the LECs that they regulate. As part of the movement towards deregulation, several states are moving away from traditional rate of return regulation towards price cap regulation and incentive regulation (which are similar to the FCC regulations discussed below), and are actively encouraging larger LECs to adopt these newer forms of price regulation. The continuation of this trend may lead to fewer earnings reviews in the future. Currently, however, most of the Company's LECs continue to be regulated under rate of return regulation. During 1995 the Louisiana Public Service Commission ("LPSC") adopted a new regulatory plan for independent telephone companies in Louisiana effective July 1, 1995. For additional information, see "Regulation and Competition" in Item 7 herein. As stated in Item 7, the Company anticipates that, as a result of the LPSC's plan, the access revenues of its Louisiana telephone subsidiaries will be reduced by approximately \$3.8 million in 1997 and an additional \$1.4 in 1998, and that there is no assurance that revenues of such companies will not be further reduced in the future as a result of the LPSC plan.

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

Effective January 1, 1991, the FCC adopted price-cap regulation relating to interstate access rates for the Regional Bell Operating Companies ("RBOCs") and GTE Corporation. An annual opportunity to elect price-cap regulation is available for other LECs. Under price-cap regulation, limits imposed on a company's

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

In February 1996 the FCC sought public comments on whether it should initiate a rate of return represetation proceeding for LECs that are subject to rate of return regulation for interstate access revenues. The Company is unaware of any significant developments in this proceeding.

In December 1996 the FCC opened a new proceeding to address reforming the system requiring long distance carriers to pay certain LECs for access to the LECs' networks. Although the FCC's proceeding primarily affects LECs other than those (such as the Company's LECs) which are primarily subject to rate of return regulation, the FCC is expected to review a number of matters under this proceeding which will have an impact on rate of return companies. The FCC also plans to initiate a separate proceeding in 1997 to undertake a comprehensive review of access charges for rate of return incumbent LECs. The FCC has outlined two possible approaches for restructuring access charges and for deregulating LEC access services as competition develops in the LEC market, one of which would allow the marketplace to determine access charges. The other approach would involve the FCC mandating price levels or pricing methodologies.

High-Cost Support Funds, Revenue Pools and Related Matters. A significant number of the Company's telephone subsidiaries recover a portion of their costs under federal and state cost recovery mechanisms that traditionally have allowed LECs serving small communities and rural areas to provide access to telecommunications services reasonably comparable to those available in urban areas and at reasonably comparable prices.

In February 1996 the United States Congress enacted the 1996 Act which provides, among other things, that a federal-state joint board (the "Board") review the then-existing universal service support mechanisms and recommend changes to the FCC regulations in order that such regulations will be consistent with the universal service principles in the 1996 Act. The 1996 Act provides that all telecommunications carriers providing interstate services contribute to universal service support mechanisms. The 1996 Act provides that only eligible telecommunications carriers designated by a state shall be eligible to receive specific federal universal service

support and that any eligible telecommunications carrier that receives such support shall only use that support to provide, maintain and upgrade facilities and services for universal service in the area for which the support is received. In November 1996 the Board issued its recommendations. Although the Board has recommended maintaining and funding universal service support mechanisms, the Board deferred a recommendation on how large the subsidy should be. The Board also recommended creation of a \$2.25 billion fund for providing discounted services to schools and libraries. The FCC is expected to take final actions on these recommendations prior to May 8, 1997. Although the Company anticipates that the 1996 Act may ultimately result in a reduction of its federal support revenues, management believes it is premature to assess or estimate the ultimate impact thereof. During 1996 and 1995 the Company's telephone subsidiaries received \$49.3 million and \$41.8 million, respectively, from the federal Universal Service Fund.

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

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

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

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

As indicated above, in February 1996 Congress enacted the 1996 Act, which obligates LECs to permit competitors to interconnect their facilities to the LEC's network and to take various other steps that are designed to lower barriers of entry to competitors. The 1996 Act imposes a general duty to interconnect with other telecommunications carriers and to forego the installation or implementation of network features or functions that do not comply with guidelines and standards established under the 1996 Act. The 1996 Act imposes several duties on a LEC if it receives a specific request from another entity which seeks to connect with or provide services using the LEC's network. These include the duties (i) to refrain from prohibiting

resale of its service, (ii) to provide number portability, (iii) to provide dialing parity, (iv) to afford access to poles, ducts, conduits, and rights-of-way, and (v) to establish reciprocal compensation arrangements for the transport and termination of traffic. In addition, each incumbent LEC is obligated to (i) negotiate interconnection agreements in good faith, (ii) provide "unbundled" access to all aspects of the LEC's network, (iii) offer resale of its telecommunications services at wholesale rates and (iv) permit competitors to collocate its physical plant on the LEC's property, or provide virtual collocation if physical collocation is not practicable. Under the 1996 Act's rural telephone company exemption, each of the Company's telephone subsidiaries is exempt from certain interconnection requirements until such time as the appropriate state regulatory commission receives notice that a bona fide request has been presented to such company for interconnection, services or network elements and such commission determines that the request is technically feasible, not unduly economically burdensome and is consistent with the universal service provisions contained in the 1996 Act. Facility interconnection charges are required to be based on cost (to be determined without a rate-of-return or other rate-based proceeding) and may include a reasonable profit. The 1996 Act provides that each LEC, to the extent that it provides wireline services, shall have a statutory duty to provide equal access and nondiscrimination to interexchange carriers and information service providers. In August 1996 the FCC issued an order which included rules implementing most of the interconnection provisions of the 1996 Act. Under the FCC's order, rural LECs will have the burden of proving the continuing availability of the rural telephone company exemption. The FCC order is currently subject to judicial review. Management believes that the 1996 Act will ultimately increase competition in its telephone service areas, although the form and degree of competition cannot be ascertained until such time as the FCC (and, in certain instances, state regulatory commissions) adopts final and nonappealable implementing regulations.

Of the 14 states in which the Company provides telephone services, most (including Wisconsin, Louisiana, Ohio and Michigan) have taken legislative or regulatory steps to introduce competition into the local exchange business. Largely as a result thereof, several well-established interexchange carriers, competitive access providers and cable television companies have accelerated their development of networks and facilities designed to provide local exchange services, principally in larger cities. Other companies with wireline experience (including electric utilities) are expected to explore opportunities in this market, along with wireless companies and other emerging technology companies. A cable company has requested authorization to provide local exchange service in a portion of the Company's service area in Ohio, and it is anticipated that similar action may be taken by others in the Company's service areas. States can, if they so desire, introduce more competition than is mandated under the 1996 Act.

Competition from competitive access providers and others has increased and is expected to continue to increase. Competitive access providers, which originally were formed to provide redundancy services, have provided access services in urban areas for several years, and more recently have begun to provide competitive

local exchange services. Although competitive access providers have thus far not significantly affected the Company, in the future the Company may face competition from competitive access providers in its operating areas located near larger urban areas.

In addition to receiving services directly from companies competing with incumbent LECs, interexchange carriers and other users of toll service are expected to increasingly seek other means to bypass LECs' switching services and local distribution facilities. There are several ways which users of toll service can bypass the Company's switching services. Certain interexchange carriers provide services which allow users to divert their traffic from LECs' usage-sensitive services to their flat-rate services. In addition, users or interexchange carriers may construct, modify or lease facilities to transmit traffic directly from a user to an interexchange carrier. Cable television companies, in particular, may be able to modify their networks to partially or completely bypass the Company's local network. Moreover, users may choose to use wireless services to bypass LECs' switching services. Although certain of the Company's telephone subsidiaries have experienced a loss of traffic to such bypass, the Company believes that the impact of such loss on revenues has not been significant.

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

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

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

markets and to continue to evaluate new business opportunities that may arise out of future technological, legislative and regulatory developments.

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

MOBILE COMMUNICATIONS OPERATIONS

According to data derived from published sources, the Company is the twelfth largest cellular telephone company in the United States based on the Company's owned pops. The number of pops owned by a cellular operator does not represent the number of users of cellular service and is not necessarily indicative of the number of potential subscribers. Rather, this term is frequently used as a basis for comparing the size of cellular system operators. At December 31, 1996, the Company owned approximately 8.0 million pops, of which 70% were applicable to MSAs and 30% were RSA pops.

Cellular Industry

The cellular telephone industry has been in existence for less than 15 years in the United States. Although the industry is relatively new, it has grown significantly during this period and cellular service is now available in substantially all areas of the United States. According to the Cellular Telecommunications Industry Association, in December 1996 there were estimated to be over 44 million cellular customers across the United States.

Cellular mobile telephone service is capable of high-quality, high-capacity communications to and from vehicle-mounted and hand-held radio telephones. Cellular systems, if properly designed and equipped, are capable of handling thousands of calls at any given time and are capable of providing service to tens of thousands of subscribers in a market.

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

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

Cellular telephone systems have high subscriber capacity because of the substantial frequency spectrum allocated to these systems by the FCC and because frequencies can be reused throughout the system. Frequency reuse is possible because the transmission power of cell site equipment and mobile units is relatively low. Therefore, signals on the same channel will not interfere with each other if they are transmitted in cells that are sufficiently far apart. Reuse multiplies the capacity of channels available to the system operator and thereby increases the telephone calling capacity.

Until recently, substantially all radio transmissions of cellular systems were conducted on an analog basis. Technological developments involving the application of digital radio technology offer certain advantages over analog technologies, including expanding the capacity of mobile communications systems, improving voice clarity, permitting the introduction of new services, and making such systems more private. Providers of certain services competitive with cellular are currently incorporating digital technology into their operations, and are expected to continue to do so in the future. In recent years several cellular carriers have installed digital cellular voice transmission facilities in certain larger markets. During the fourth quarter of 1996, the Company deployed digital service in four of its MSA markets and plans to deploy digital service in the majority of its remaining MSAs and certain of its RSAs in 1997. See "-Regulation and Competition-Developments Affecting Mobile Communications Competition."

Construction and Maintenance

The construction and maintenance of cellular systems is capital intensive. Although all of the Company's MSA and RSA systems are operational, the Company has continued to add cell sites to increase coverage, provide additional capacity, expand areas where hand-held cellular phones may be used and improve the quality of these systems. In 1996 the Company completed construction of 69 cell sites in markets operated by the Company. At December 31, 1996, the Company operated 354 cell sites in its majority-owned markets.

During the last few years the Company upgraded certain portions of its cellular systems to be capable of providing digital service. As mentioned above, the Company implemented digital service in certain markets during 1996 using the TDMA digital standard and plans to install digital voice transmission facilities in other markets in 1997. See "-Regulation and Competition-Developments Affecting Mobile Communications

Competition." Total capital expenditures related to majority-owned cellular systems operated by the Company were approximately \$84 million in 1996 and are anticipated to be approximately \$67 million in 1997.

Strategy

The Company's business development strategy for its cellular telephone operations is to secure operating control of service areas that are geographically clustered. Clustered cellular systems aid the Company's marketing efforts and provide various operating and service advantages. Approximately 48% of the Company's pops in markets operated by the Company are in a single, contiguous cluster of eight MSAs and seven RSAs in Michigan; another 21% are in a cluster of five MSAs and seven RSAs in northern and central Louisiana, southern Arkansas and eastern Texas. See "-The Company's Cellular Interests."

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

Based on its review of publicly available data, the Company believes that it has the second highest ratio of owned cellular pops to telephone access lines among the 20 largest telephone companies (based on access lines) in the United States. At the end of 1996, the Company provided cellular service in markets covering 38% of its telephone customers. In early 1997 the Company was awarded 12 PCS licenses in connection with the FCC's D and E block auctions of 10MHz PCS licenses. The licenses, 11 of which are in Michigan, will allow the Company to provide an additional alternative to the LEC's service in the areas covered by the PCS licenses. The Company is currently negotiating for additional PCS ownership.

Marketing

The Company markets its cellular services through several distribution channels, including independent agents, its direct sales force and retail outlets owned by the Company and others. The Company's cellular sales force consists of almost 350 independent agents, which generate a majority of the Company's new subscribers,

and over 200 sales employees. Each sales employee and independent agent solicits cellular customers exclusively for the Company. Company sales employees are compensated by salary and commission and independent sales agents are paid commissions. The Company advertises its services through various means, including direct mail, billboard, magazine, radio, television and newspaper advertisements.

The sales and marketing costs of obtaining new subscribers include advertising and a direct expense applicable to most new subscribers, either in the form of a commission payment to an agent or a salary/incentive payment to a direct sales person. In addition, the Company discounts the cost of cellular telephone equipment, and periodically runs promotions which provide some amount of initial activation, access or airtime free to new subscribers. The cost of acquisition per gross subscriber addition (\$283 in 1996) remains one of the largest expenses in conducting the Company's cellular operations.

Since 1994, AT&T Corp. has marketed cellular service under the AT&T brand name. The Company competes with AT&T in three of the MSAs it operates and several of its operated RSAs. While AT&T and several of the Company's other competitors have substantially greater resources than the Company, the Company intends to continue to modify certain of its price plans and implement certain other plans and promotions in order to retain current customers and attract new customers.

Services, Customers and System Usage

There are a number of different types of cellular telephones, all of which are currently compatible with cellular systems nationwide. The Company sells a full range of vehicle-mounted, transportable, and hand-held portable cellular telephones. Features offered in the cellular telephones sold by the Company include hands-free calling, repeat dialing, horn alert and others.

The Company charges its subscribers for access to its systems, for minutes of use and for enhanced services, such as voice mail. A subscriber may purchase certain of these services separately or may purchase rate plans which bundle these services in different ways and are designed to fit different calling patterns. While the Company historically has typically charged its customers separately for custom-calling features, air time in excess of the packaged amount, and toll calls, recently it has begun to offer plans which include features such as unlimited toll calls and unlimited weekend calling in certain calling areas. Custom-calling features provided by the Company include call-forwarding, call-waiting, three-way calling and no-answer transfer. The Company offers voice message service in many of its markets. This service, which functions like a sophisticated answering machine, allows customers to receive messages from callers when they are not available to take calls. In the Company's markets where digital service has been deployed, customers can subscribe to caller ID and other digital enhancements.

Cellular customers come from a wide range of occupations. They typically include a large proportion of individuals who work outside of their office, such as employees in the construction, real estate, wholesale and retail distribution businesses, and professionals. More customers are selecting portable and other transportable cellular telephones as these units become more compact and fully featured, as well as more attractively priced. The average monthly cellular service revenue per customer declined to \$63 in 1996 from \$66 in 1995 and \$69 in 1994. It is anticipated that average revenue per customer may continue to 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 and place additional pressure on rates. See "-Regulation and Competition."

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

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

Churn rate (the average percentage of cellular customers that terminate service each month) is an industry-wide concern. A portion of the churn in the Company's markets is due to the Company disconnecting service to customers for nonpayment of bills for cellular service. In addition, the Company faces substantial competition from the other cellular provider in certain of its markets. The Company's churn rate was 2.37% in 1996 and 2.42% in 1995. The Company is attempting to lower the churn rate by increasing its proactive customer service efforts and through the implementation of additional customer retention programs.

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

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

	Year Ended or At December 31,		
	1996	1995	1994

Majority-owned and operated MSA and RSA systems (Note 1):			
Cellular systems operated	34	33	31
Population of systems operated (Note 2)	7,097,568	6,877,598	6,359,699
Customers (Note 3):			
At beginning of period	290,075	211,710	116,484
Additions	165,377	139,836	110,636
Net acquisitions/dispositions	4,850	8,699	30,743
Disconnects, net of reconnects	92,069	70,170	46,153
At end of period	368,233	290,075	211,710
Market penetration at end of period (Note 4)	5.19%	4.22	3.33
Churn rate (Note 5)	2.37%	2.42	1.99
Average monthly cellular service revenue per customer	\$ 63	66	69
Construction expenditures (in thousands)	\$ 83,679	41,990	39,937
All operated MSA and RSA systems (Note 6):			
Cellular systems operated	38	37	36
Population of systems operated (Note 2)	7,946,442	7,721,569	7,445,571
Customers at end of period (Note 7)	407,400	313,430	227,140
Market penetration at end of period (Note 8)	5.13%	4.06	3.05
Churn rate (Note 5)	2.32%	2.39	2.29

Notes:

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

The Company's Cellular Interests

The Company obtained the right to provide cellular service through (i) the FCC's licensing process described below, under which it received interests in wireline licenses, and (ii) its acquisition program, under which it has acquired interests in both wireline and non-wireline licenses. The table below sets forth certain information with respect to the interests in cellular systems that the Company owned as of December 31, 1996:

	1996 population (Note 1)	Ownership percentage	The Company's pops at December 31, 1996	Other cellular operator (Note 2)

Majority-owned and operated MSAs				

Grand Rapids, MI	739,158	97.00%	716,983	AirTouch
Lansing-E. Lansing, MI	496,879	97.00	481,973	AirTouch
Saginaw-Bay City-Midland, MI	402,519	91.70	369,110	AirTouch
Kalamazoo, MI	306,098	97.00	296,915	Centennial
Battle Creek, MI	194,414	97.00	188,582	Centennial
Muskegon, MI	188,491	97.00	182,836	AirTouch
Benton Harbor, MI	161,660	97.00	156,810	Masters Cellular
Jackson, MI	154,352	97.00	149,721	Centennial
Shreveport, LA	378,941	87.00	329,679	AT&T
Alexandria, LA	141,580	100.00	141,580	Centennial
Monroe, LA	147,876	87.00	128,652	AT&T
Jackson, MS (Note 4)	418,523	87.33	365,496	MCTA
Biloxi-Gulfport, MS (Note 4)	232,839	93.12	216,824	Cellular South
Pascagoula, MS (Note 4)	129,580	86.12	111,591	Cellular South
La Crosse, WI	102,239	95.00	97,127	U. S. Cellular
Pine Bluff, AR	83,443	100.00	83,443	SBC
McAllen-Edinburg- Mission, TX (Note 4)	492,998	68.33	336,877	SBC
Brownsville-Harlingen, TX (Note 4)	315,875	77.81	245,794	SBC
Texarkana, AR/TX	136,981	89.00	121,913	AT&T

	5,224,446		4,721,906	

Minority-owned MSAs				

Flint, MI	506,014	3.20%	16,182	Note 3
Detroit, MI	4,601,330	3.20	147,151	Note 3
Appleton-Oshkosh- Neenah, WI	478,129	10.83	51,781	Note 3
Little Rock, AR	547,406	36.00	197,066	Note 3
Lafayette, LA	258,524	49.00	126,677	Note 3
Austin, TX	940,500	35.00	329,175	Note 3
Dallas-Ft. Worth, TX	4,398,889	.50	21,994	Note 3
Sherman-Denison, TX	98,246	.50	491	Note 3

	11,829,038		890,517	

Total MSAs	17,053,484		5,612,423	

Operated RSAs				

Arkansas 2	83,956	82.00%	68,844	SBC
Arkansas 3	103,016	82.00	84,473	SBC
Arkansas 11	67,319	89.00	59,914	AT&T
Arkansas 12	187,673	80.00	150,138	SBC
Louisiana 1	114,736	87.00	99,820	Cellular One
Louisiana 2	115,681	87.00	100,642	AT&T/Centennial
Louisiana 3 (B2)	95,554	87.00	83,132	AT&T/Centennial
Louisiana 4	73,532	100.00	73,532	Centennial

Michigan 3	157,905	38.76	61,208	Unitel
Michigan 4	131,551	100.00	131,551	RFB
Michigan 5	157,820	38.76	61,175	Unitel
Michigan 6	137,778	98.00	135,022	Centennial
Michigan 7	239,804	41.78	100,202	Centennial
Michigan 8	98,358	97.00	95,407	Allegan Cellular
Michigan 9	293,345	43.38	127,253	Centennial
Mississippi 2 (Note 4)	244,570	100.00	244,570	Bell South
				Mobility
Mississippi 6 (Note 4)	182,538	100.00	182,538	Cellular South
Mississippi 7 (Note 4)	179,227	100.00	179,227	MCTA
Texas 7 (B6)	57,633	89.00	51,293	AT&T

	2,721,996		2,089,941	

Non-operated RSAs				

Arizona 2	249,229	21.30%	53,077	Note 3
Michigan 10	135,060	26.00	35,116	Note 3
Minnesota 11	206,076	13.01	26,806	Note 3
New Mexico 4W	136,354	35.71	48,698	Note 3
Texas 16	322,312	9.60	30,942	Note 3
Wisconsin 1	109,883	8.44	9,276	Note 3
Wisconsin 2	85,161	12.81	10,909	Note 3
Wisconsin 3	140,259	14.29	20,037	Note 3
Wisconsin 6	114,832	28.57	32,809	Note 3
Wisconsin 8	233,713	4.00	9,349	Note 3
Wisconsin 10	128,962	15.00	19,344	Note 3

	1,861,841		296,363	

Total RSAs	4,583,837		2,386,304	

	21,637,321		7,998,727	
=====				

Notes:

1. Based on 1996 independent third-party population estimates.
2. Information provided to the best of the Company's knowledge.
3. Markets not operated by the Company.
4. Represents a non-wireline interest.

Operations

A substantial number of the cellular systems in MSAs operated by the Company are owned by limited partnerships in which the Company is a general partner ("MSA Partnerships"). Most of these partnerships are governed by partnership agreements with similar terms, including, among other things, customary provisions concerning capital contributions, sharing of profits and losses, and dissolution and termination of the partnership. Most of these partnership agreements vest complete operational control of the partnership with the general partner. The general partner typically has the power to manage, supervise and conduct the affairs of the

partnership, make all decisions appropriate in connection with the business purposes of the partnership, and incur obligations and execute agreements on behalf of the partnership. The general partner also may make decisions regarding the time and amount of cash contributions and distributions, and the nature, timing and extent of construction, without the consent of the other partners. The Company owns more than 50% of all of the MSA Partnerships.

A substantial number of the cellular systems in RSAs operated by the Company are also owned by limited or general partnerships in which the Company is either the general or managing partner (the "RSA Partnerships"). These partnerships are governed by partnership agreements with varying terms and provisions. In many of these partnerships, the noncontrolling partners have the right to vote on major issues such as the annual budget and system design. In a few of these partnerships, the Company's management position is for a limited term (similar to a management contract) and the other partners in the partnership have the right to change managers, with or without cause. The Company owns less than 50% of some of the RSA Partnerships.

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

Revenue

The following table reflects the major revenue categories for the Company's mobile communications operations as a percentage of mobile communications operating revenues in 1996, 1995 and 1994.

	1996	1995	1994
Cellular access fees and toll revenues	79.7%	79.5	77.7
Cellular roaming	18.6	17.7	16.1
Equipment sales	1.7	2.8	4.3
Paging services (Note)	-	-	1.9
	100.0%	100.0	100.0
	=====		

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

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

Regulation and Competition

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

Cellular Licensing Process. During the 1980's and early 1990's, the FCC awarded two licenses to provide cellular service in each market. Each licensee is required to provide service to a designated portion of the area or population in its licensed area as a condition to maintaining that license. Initially, one license was reserved for companies offering local telephone service in the market (the wireline carrier) and one license was available for firms unaffiliated with the local telephone company (the non-wireline carrier). Since mid-1986, the FCC has permitted telephone companies or their affiliates to acquire control of non-wireline licenses in markets in which they do not hold interests in the wireline license.

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

Initial operating licenses were granted for ten-year periods and are renewable upon application to the FCC for periods of ten years. Licenses may be revoked and license renewal applications denied for cause. There may be competition for licenses upon the expiration of the initial ten-year terms and there is no assurance that any license will be renewed, although the FCC has issued a decision that grants a renewal expectancy during the license renewal period to incumbent licensees that substantially comply with the terms and conditions of their cellular authorizations and the FCC's regulations. The licenses for the MSA markets operated by the Company were initially granted between 1984 and 1987, and licenses for operated RSAs were initially granted between 1989 and 1991. The Company intends to file renewal applications for its licenses which will otherwise expire in 1997.

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

Cellular operators are also subject to state and local regulation in some instances. Although the FCC has pre-empted the states from exercising jurisdiction in the areas of licensing, technical standards and market structure, certain states require cellular operators to be certified. In addition, some state authorities regulate certain aspects of a cellular operator's business, including certain aspects of pricing, the resale of long distance

service to its customers, the technical arrangements and charges for interconnection with the landline network, and the transfer of interests in cellular systems. The siting and construction of the cellular facilities may also be subject to state or local zoning, land use and other local regulations.

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

Developments Affecting Mobile Communications Competition. Continued and rapid technological advances in the communications field, coupled with legislative and regulatory uncertainty, make it difficult to (i) predict the extent of future competition to cellular systems, (ii) determine which emerging technologies pose the most viable alternatives to the Company's cellular operations, or (iii) list each development that may ultimately impact the Company's cellular operations.

Several recent FCC initiatives have resulted in the allocation of additional radio spectrum or the issuance of licenses for emerging mobile communications technologies that have or may become competitive with the Company's cellular and telephone operations, including personal communication services ("PCS"). Although there is no universally recognized definition of PCS, the term is generally used to refer to wireless services to be provided by licensees operating in the 1850 MHz to 1990 MHz radio frequency band using microcells and high-capacity digital technology. In 1996 and early 1997 the FCC auctioned up to six PCS licenses per market. Two 30MHz frequency blocks were awarded for each of the 51 Rand McNally Major Trading Areas ("MTAs"), while one 30MHz and three 10MHz frequency blocks were awarded for each of the 493 Rand McNally Basic Trading Areas ("BTAs"). The Company did not participate in the FCC's auction of the MTA licenses. In early 1997 the Company was awarded 12 PCS licenses in connection with the FCC's D and E block auctions of 10MHz PCS licenses. The licenses cover areas with a total population of approximately four million; the Company's investment in the licenses was \$4.6 million. The Company expects to begin the construction of networks in 1997 to be utilized in providing PCS services under the licenses.

PCS technology permits PCS operators to offer wireless data, image and multimedia services. The largest PCS providers commenced initial operations in late 1996, and have announced plans to substantially increase their operations in 1997. Thus far the Company has experienced PCS competition in only one of its markets. The extent to which PCS will offer services in the Company's markets that are complementary or competitive

with cellular services is uncertain, and is expected to be influenced by continuing developments in PCS and cellular technologies.

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

Several companies are currently developing and marketing small hand-held devices that provide digital wireless data transmission services that compete with similar analog services currently being provided by cellular companies.

Recently, several large cellular providers have merged with other companies or formed joint ventures. The resulting entities have substantially greater assets and resources than the Company. Several of these joint ventures pooled their resources to purchase PCS licenses and to develop the associated markets. For more information, see "-Marketing."

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

OTHER OPERATIONS

The Company also provides long distance, operator, competitive access and interactive services in certain local and regional markets, as well as certain printing and related services. The results of these operations,

which accounted for 6.4% and .1%, respectively, of the Company's consolidated revenues and operating income during 1996, are reflected for financial reporting purposes in the "Other operations" section in operating income.

Long Distance. In 1996 the Company began marketing long distance service in all of its equal access telephone operating areas. At December 31, 1996, the Company provided long distance services in certain of its local exchange markets to more than 110,000 customers, which represented a 137% increase from the number of customers served as of January 1, 1996. Although the Company owns and operates long distance switches in La Crosse, Wisconsin and San Marcos, Texas, it anticipates that most of its future long distance service revenues will be provided by reselling service purchased from other facilities-based long distance providers. The Company intends to continue to expand its long distance business, principally through reselling arrangements.

Competitive access. The Company's competitive access subsidiary has constructed a 231-mile fiber optic network which allows the Company to offer certain competitive access services in Fort Worth and Arlington, Texas, along with a portion of downtown Dallas. The subsidiary, which also has smaller networks in Austin and San Antonio, Texas, provides enhanced data transmission services, transport to local area network users, and central office interconnection, primarily for large business customers. The subsidiary also provides transport for origination and termination services for long distance companies. The Company plans for the subsidiary to begin offering competitive local exchange service in certain of its service areas in 1997. While the Company plans to continue to pursue the development of its competitive access business in Texas, it is also considering other alternatives, such as possibly acquiring other competitive access operations or merging the subsidiary with another competitive access company. While the Company expects to increasingly incur operating losses in such business during the next few years, the amount of such losses will be dependent upon how quickly the subsidiary transitions to a full-service competitive local exchange carrier.

Other. The Company provides 0+ and 0- operator services for retail and wholesale markets. The retail market consists primarily of the hospitality and payphone industries. The wholesale market consists of other independent telephone companies and interexchange carriers.

The Company has a subsidiary which provides audiotext services, fax-on-demand services, and interactive marketing surveys and research. The advertising and consumer information provided through the audiotext services is supplied by the businesses that advertise. The Company has another subsidiary that provides printing, database management and direct mail services which, in conjunction with the subsidiary that provides marketing surveys and research, can provide a complete market research package to customers.

Certain service subsidiaries of the company provide installation and maintenance services, materials and supplies, and managerial, technical and accounting services to the telephone and mobile communications

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

OTHER MATTERS

The Company has certain obligations based on federal, state and local laws relating to the protection of the environment. Costs of compliance through 1996 have not been material and the Company currently has no reason to believe that such costs will become material.

For additional information concerning the business and properties of the Company, see notes 3, 5, 13, 16 and 17 of Notes to Consolidated Financial Statements set forth in Item 8 elsewhere herein.

Item 2. Properties.

The Company's properties consist principally of (i) telephone lines, central office equipment, telephone instruments and related equipment, and land and building related to telephone operations and (ii) switching and cell site equipment related to cellular telephone operations. As of December 31, 1996, the Company's gross property, plant and equipment of approximately \$1.7 billion consisted of the following:

Telephone	
Cable and wire.....	43.1%
Central office equipment.....	23.1
General support.....	6.1
Information origination/termination equipment....	1.6
Construction in progress.....	2.3
Other.....	.3

	76.5

Mobile communications	
Cell site.....	12.1
General support.....	2.8
Construction in progress.....	.9
Other.....	.2

	16.0

Other.....	7.5

	100.0%
	=====

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

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

Item 3. Legal Proceedings.

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

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

Not applicable.

Executive Officers of the Registrant

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

PART II

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

Matters.

Century's common stock is listed on the New York Stock Exchange and is traded under the symbol CTL. The following table sets forth the high and low sale prices, along with the quarterly dividends, for each of the quarters indicated:

	Sale prices		Dividend per common share
	High	Low	
1995:			
First quarter	\$ 33-1/8	29	.0825
Second quarter	\$ 31-3/4	27-1/2	.0825
Third quarter	\$ 32-1/8	27	.0825
Fourth quarter	\$ 32-1/8	27-1/2	.0825
1996:			
First quarter	\$ 35-1/2	31-1/4	.09
Second quarter	\$ 34-1/4	30-3/8	.09
Third quarter	\$ 34-1/2	30-1/2	.09
Fourth quarter	\$ 34-1/2	28-1/2	.09

Common stock dividends during 1995 and 1996 were paid each quarter. As of February 28, 1997, there were approximately 6,600 stockholders of record of Century's common stock.

Item 6. Selected Financial Data.

The following table presents certain selected consolidated financial data as of and for each of the years ended in the five-year period ended December 31, 1996:

Selected Income Statement Data

	Year ended December 31,				
	1996	1995	1994	1993	1992
	(Dollars, except per share amounts, and shares expressed in thousands)				
Operating revenues					
Telephone	\$ 451,538	419,242	391,265	350,330	298,812
Mobile communications	250,243	197,494	150,802	84,712	62,092
Other	47,896	28,104	22,534	20,633	9,956
Total operating revenues	\$ 749,677	644,840	564,601	455,675	370,860
Operating income					
Telephone	\$ 155,183	143,527	137,992	114,902	103,672
Mobile communications	67,914	57,009	31,443	9,906	5,956
Other	199	2,383	3,371	3,201	3,324
Total operating income	\$ 223,296	202,919	172,806	128,009	112,952

Income before cumulative effect of changes in accounting principles	\$ 129,077	114,776	100,238	69,004	59,973
Cumulative effect of changes in accounting principles	-	-	-	-	(15,668)
Net income	\$ 129,077	114,776	100,238	69,004	44,305
=====					
Fully diluted earnings per share before cumulative effect of changes in accounting principles	\$ 2.14	1.95	1.80	1.32	1.22
Cumulative effect of changes in accounting principles	-	-	-	-	(.31)
Fully diluted earnings per share	\$ 2.14	1.95	1.80	1.32	.91
Dividends per common share	\$.36	.33	.32	.31	.293
Average fully diluted shares outstanding	60,660	59,107	58,135	55,892	48,653
=====					

Selected Balance Sheet Data

December 31,					
	1996	1995	1994	1993	1992
(Dollars in thousands)					
Net property, plant and equipment	\$ 1,149,012	1,047,808	947,131	827,776	675,878
Excess cost of net assets acquired, net	\$ 532,410	493,655	441,436	297,158	217,688
Total assets	\$ 2,028,505	1,862,421	1,643,253	1,319,390	1,040,487
Long-term debt	\$ 625,930	622,904	518,603	364,433	346,944
Stockholders' equity	\$ 1,028,153	888,424	650,236	513,768	385,449

The following table presents certain selected consolidated operating data as of the end of each of the years in the five-year period ended December 31, 1996:

Year ended December 31,					
	1996	1995	1994	1993	1992
Telephone access lines	503,562	480,757	454,963	434,691	397,300
Cellular units in service in majority-owned markets	368,233	290,075	211,710	116,484	73,084

See Items 1 and 2 in Part I and notes 1, 5 and 13 of Notes to Consolidated Financial Statements set forth in Item 8 elsewhere herein for additional information.

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

RESULTS OF OPERATIONS

OVERVIEW

Century Telephone Enterprises, Inc. is a regional diversified telecommunications company that is primarily engaged in providing traditional telephone services and cellular mobile telephone services. The 1996 net income of Century Telephone Enterprises, Inc. and its subsidiaries (the "Company") increased to \$129.1 million from \$114.8 million during 1995 and \$100.2 million during 1994. Fully diluted earnings per share for 1996 increased to \$2.14 from \$1.95 during 1995 and \$1.80 during 1994.

The Company's 1996 operating income was \$223.3 million, an increase of \$20.4 million (10.0%) over 1995 operating income of \$202.9 million. During 1996 the operating income of the Company's telephone and mobile communications segments increased \$11.7 million (8.1%) and \$10.9 million (19.1%), respectively, while the operating income of the Company's other operations decreased \$2.2 million (91.6%). The Company's operating income during 1994 was \$172.8 million.

Year ended December 31,	1996	1995	1994
(Dollars, except per share amounts, and shares in thousands)			
Operating income			
Telephone	\$ 155,183	143,527	137,992
Mobile communications	67,914	57,009	31,443
Other	199	2,383	3,371
Interest expense	223,296	202,919	172,806
Income from unconsolidated cellular entities	(44,662)	(43,615)	(42,577)
Gain on sales of assets	26,952	20,084	15,698
Minority interest	815	6,782	15,877
Other income and expense	(6,675)	(8,084)	(3,377)
Income tax expense	3,916	4,982	3,111
	(74,565)	(68,292)	(61,300)
Net income	\$ 129,077	114,776	100,238
Fully diluted earnings per share	\$ 2.14	1.95	1.80
Average fully diluted shares outstanding	60,660	59,107	58,135

The Company's mobile communications operations reflect the operations of the cellular entities in which the Company has a majority ownership interest. For additional information concerning the minority interest

owners' share of the income of such entities and the Company's share of earnings from cellular entities in which it has less than a majority interest, see Cellular Operations and Investments.

Contributions to operating revenues and operating income by the Company's telephone, mobile communications, and other operations for each of the years in the three-year period ended December 31, 1996 were as follows:

Year ended December 31,	1996	1995	1994

Operating revenues			
Telephone operations	60.2%	65.0	69.3
Mobile communications operations	33.4%	30.6	26.7
Other operations	6.4%	4.4	4.0
Operating income			
Telephone operations	69.5%	70.7	79.9
Mobile communications operations	30.4%	28.1	18.2
Other operations	.1%	1.2	1.9

During the three years ended December 31, 1996, the Company has consummated the acquisitions of various telephone and cellular operations. See Notes 13 and 14 of Notes to Consolidated Financial Statements for additional information.

TELEPHONE OPERATIONS

The Company's telephone operations are conducted in rural, suburban and small urban communities in 14 states. Approximately 87% of the Company's telephone access lines are in Wisconsin, Louisiana, Michigan, Ohio, Arkansas and Texas. The operating revenues, expenses and income of the Company's telephone operations for 1996, 1995 and 1994 are summarized below.

Year ended December 31,	1996	1995	1994

(Dollars in thousands)			
Operating revenues			
Local service	\$ 121,728	111,629	100,020
Network access	276,123	258,462	243,759
Other	53,687	49,151	47,486

	451,538	419,242	391,265

Operating expenses			
Plant operations	90,083	86,789	84,117
Customer operations	43,413	38,768	35,746
Corporate and other	67,066	63,834	60,235
Depreciation and amortization	95,793	86,324	73,175

	296,355	275,715	253,273

Operating income	\$ 155,183	143,527	137,992
=====			

Local Service Revenues

Local service revenues are derived from the provision of local exchange telephone services in the Company's service areas.

The \$10.1 million increase in such revenues in 1996 included \$6.2 million due to the increase in the number of customer access lines and \$3.0 million due to the provision of custom calling features. Acquisitions contributed \$2.0 million to the 1995 increase of \$11.6 million; \$4.5 million of the 1995 increase was due to the increase in access lines; \$3.0 million was due to increased rates for basic services; and \$2.0 million was due to the provision of custom calling features. Internal access line growth during 1996, 1995 and 1994 was 4.3%, 4.4% and 4.1%, respectively.

Network Access Revenues

Network access revenues primarily relate to services provided to interexchange carriers (long distance carriers) in connection with the completion of long distance telephone calls. Most of the Company's interstate network access revenues are received through pooling arrangements administered by the National Exchange Carrier Association ("NECA") based on cost separation studies. The NECA receives access charges billed by the Company and other participating local exchange carriers ("LECs") to interstate long distance carriers and other LEC customers for their use of the local exchange network to complete long distance calls. These charges to the long distance carriers and other LEC customers are based on tariffed access rates filed with the Federal Communications Commission ("FCC") by the NECA on behalf of the Company and other participating LECs. Intrastate network access revenues are based on access rates, cost separation studies or special settlement arrangements with intrastate long distance carriers.

Network access revenues increased \$17.7 million (6.8%) in 1996 and \$14.7 million (6.0%) in 1995 due to the following factors:

	1996 increase (decrease)	1995 increase (decrease)

	(Dollars in thousands)	
Increased recovery from the federal Universal Service Fund ("USF")	\$ 7,532	4,394
Increased minutes of use	5,432	1,440
Partial recovery of increased operating expenses through revenue pools in which the Company participates with other telephone companies and return on rate base	4,063	3,039
Acquisitions	726	4,821
Revision of prior year revenue settlement agreements	(2,296)	(500)
Other, net	2,204	1,509
- - - - -		
	\$ 17,661	14,703
=====		

Included in other, net in 1996 and 1995 were approximately \$2.3 million and \$2.0 million, respectively, of revenue increases associated with a change in the methodology applied in the network access revenue billing process, a change which has been completely phased in. Included in other, net in 1996 and 1995 were reductions of \$1.7 million and \$500,000, respectively, in access fees due to the previously-announced reduction in intrastate switched access rates mandated by the Louisiana Public Service Commission ("LPSC") which is being phased in from July 1995 through July 1997. As such reduction in rates continues to be phased in, future access revenues will be reduced approximately \$3.8 million in 1997 and an additional \$1.4 million in 1998. The change in other, net in 1995 also included a reduction of \$1.7 million in intrastate high-cost assistance revenues as a result of the phase out of the Wisconsin state support fund; the loss of such revenues was offset by an increase in local rates in the same jurisdictions.

Other Revenues

Other revenues include revenues related to (i) leasing, selling, installing, maintaining and repairing customer premise telecommunications equipment and wiring ("CPE services"), (ii) providing billing and collection services for interexchange carriers, (iii) leasing network facilities, (iv) participating in the publication of local directories and (v) providing Internet access. Revenues from CPE services contributed \$3.2 million to the \$4.5 million increase in other revenues in 1996; \$1.4 million was attributable to the provision of Internet access. Revenues from CPE services and acquisitions contributed \$1.9 million and \$606,000, respectively, to the increase in other revenues in 1995. Such increases in 1996 and 1995 were partially offset by decreases in billing and collection revenues of \$606,000 and \$896,000, respectively. Billing and collection revenues are expected to continue to decrease in 1997.

Operating Expenses

Plant operations expenses during 1996 and 1995 increased \$3.3 million (3.8%) and \$2.7 million (3.2%), respectively. Approximately \$2.2 million of the 1996 increase was due to an increase in expenses incurred in the provision of Internet access and \$905,000 was due to an increase in salaries and wages. Operating expenses attributable to acquisitions contributed \$1.8 million to the 1995 increase. The remainder of the 1995 increase was due to an increase in general operating expenses.

Customer operations, corporate, and other expenses increased \$7.9 million (7.7%) in 1996, partially due to a \$2.0 million increase in marketing expenses. Exclusive of marketing expenses, expenses incurred in the provision of CPE services were up \$1.9 million. Operating taxes increased \$1.5 million in 1996 due partially to the increase in plant in service. Expenses attributable to acquisitions contributed \$2.7 million to the 1995

increase of \$6.6 million (6.9%) in customer operations, corporate, and other expenses. Ad valorem taxes increased \$1.2 million in 1995 and marketing expenses increased \$2.1 million.

Depreciation and amortization increased \$9.5 million (11.0%) and \$13.1 million (18.0%) in 1996 and 1995, respectively. Depreciation expense included nonrecurring additional depreciation charges approved by regulators in certain jurisdictions which aggregated \$8.2 million in 1996 and \$6.5 million in 1995. Approximately \$1.0 million of the increase in 1995 was due to acquisitions. The remaining increases in depreciation and amortization in 1996 and 1995 were due to higher levels of plant in service. The composite depreciation rate for the Company's regulated telephone properties, including the additional depreciation charges, was 7.5% for 1996 and 1995 and 7.1% for 1994.

Other

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

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

CELLULAR OPERATIONS AND INVESTMENTS

Year ended December 31,	1996	1995	1994

	(Dollars in thousands)		

Operating income - mobile communications segment	\$ 67,914	57,009	31,443
Minority interest	(7,062)	(8,084)	(3,377)
Income from unconsolidated cellular entities	26,952	20,084	15,698

	\$ 87,804	69,009	43,764
=====			

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

reflected in the Company's Consolidated Statements of Income in "Income from unconsolidated cellular entities." See Income from Unconsolidated Cellular Entities for additional information.

MOBILE COMMUNICATIONS OPERATIONS

Substantially all of the Company's cellular customers are located in Michigan, Louisiana, Arkansas, Mississippi and Texas. The operating revenues, expenses and income of the Company's mobile communications operations for 1996, 1995 and 1994 are summarized below.

Year ended December 31,	1996	1995	1994
(Dollars in thousands)			
Operating revenues			
Service revenues	\$ 246,037	191,953	141,325
Equipment sales	4,206	5,541	6,554
Paging	-	-	2,923
	250,243	197,494	150,802
Operating expenses			
Cost of equipment sold	12,771	10,235	8,978
System operations	36,301	25,902	22,881
General, administrative and customer service	52,891	39,471	33,171
Sales and marketing	46,793	39,450	33,074
Depreciation and amortization	33,573	25,427	21,255
	182,329	140,485	119,359
Operating income	\$ 67,914	57,009	31,443

Based on its review of publicly available data, the Company believes that it has the second highest ratio of owned cellular pops (the population of licensed cellular telephone markets multiplied by the Company's proportionate equity interests in the licensed operators thereof) to telephone access lines among the 20 largest telephone companies (based on access lines) in the United States.

Operating Revenues

Cellular service revenues include monthly service fees for providing access and airtime to customers, service fees for providing airtime to other carriers' customers roaming through the Company's service areas, and toll revenue. Cellular service revenues during 1996 increased to \$246.0 million from \$192.0 million in 1995 and \$141.3 million in 1994.

The 1996 and 1995 increases in cellular service revenues were primarily attributable to the increases in cellular customers resulting principally from increased demand, acquisitions and expanded areas of service.

Cellular units in service in the Company's majority-owned markets increased to 368,233 as of December 31, 1996 from 290,075 as of December 31, 1995 and 211,710 as of December 31, 1994. Included in the 1996 and 1995 increases were 4,850 and 8,931, respectively, of units added through acquisitions. Exclusive of acquisitions, access and usage revenues increased \$33.9 million (25.6%) in 1996 and \$30.8 million (30.3%) in 1995 and roaming and toll revenues increased \$11.8 million (24.2%) and \$12.9 million (36.0%) in 1996 and 1995, respectively. Acquisitions contributed \$7.8 million and \$4.0 million to the increases in cellular service revenues in 1996 and 1995, respectively.

The average monthly cellular service revenue per customer declined to \$63 in 1996 from \$66 in 1995 and \$69 in 1994. It has been an industry-wide trend that early subscribers have normally been the heaviest users and that a higher percentage of new subscribers tend to be lower usage customers. The average monthly service revenue per customer may further decline (i) as market penetration increases and additional lower usage customers are activated and

(ii) as competitive pressures from current and future wireless communications providers intensify and place additional pressure on rates. 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. During the fourth quarter of 1996, the Company deployed digital service in four of its Metropolitan Statistical Area ("MSA") markets and plans to deploy digital service in the majority of its remaining MSAs and certain of its Rural Service Area markets in 1997.

Equipment sales decreased \$1.3 million in 1996 and \$1.0 million in 1995. Although the Company sold more phones in 1996 than in 1995, revenues decreased because the Company has increasingly sold phones below cost, a practice which is common in the cellular industry.

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

Operating Expenses

The increases in cost of equipment sold during 1996 and 1995 resulted from increases in the number of cellular phones sold.

The \$10.4 million (40.1%) increase in system operations expenses in 1996 included a \$4.0 million increase in the net cost paid to other carriers for cellular service provided to the Company's customers who roam in the other carriers' service areas in excess of the amounts the Company bills its customers and a \$1.8 million

increase in expenses associated with cellular fraud. The remainder of the increase in system operations expenses in 1996 resulted primarily from the operation of new cell sites.

The Company operated 354 cell sites at December 31, 1996 in entities in which it had a majority interest, compared to 277 at December 31, 1995 and 230 at December 31, 1994. In 1996 and 1995, eight cell sites and 24 cell sites, respectively, were added through acquisitions.

System operations expenses increased \$3.0 million (13.2%) in 1995 primarily due to a \$1.5 million increase in the net cost paid to other carriers for cellular service provided to the Company's customers who roam in the other carriers' service areas in excess of the amounts the Company bills its customers and a \$1.5 million increase in expenses incurred in the operation of new cell sites. The \$3.0 million increase in 1995 was net of a \$1.0 million decrease in operating expenses due to the sale of the Company's paging operations in 1994.

Most of the \$13.4 million (34.0%) increase in general, administrative and customer service expenses in 1996 was related to increased expenses resulting from a larger customer base. Customer service and retention costs increased \$5.5 million, the provision for doubtful accounts increased \$2.2 million, billing costs were \$1.3 million higher and other general office expenses increased \$3.9 million. Of the \$6.3 million increase in general, administrative and customer service expenses in 1995, \$1.4 million was due to an increase in billing costs, \$1.2 million was due to an increase in the provision for doubtful accounts, \$1.1 million was due to an increase in other general office expenses and \$620,000 represented increased customer service expenses.

Churn rate (the percentage of cellular customers that terminate service) is an industry-wide concern. The Company faces substantial competition from the other cellular provider in certain of its markets. A portion of the churn in the Company's markets is due to the Company disconnecting service to customers for nonpayment of bills for cellular service. The Company's average monthly churn rate was 2.37% in 1996 and 2.42% in 1995.

During 1996 and 1995, sales and marketing expenses increased \$7.3 million (18.6%) and \$6.4 million (19.3%), respectively. The 1996 increase included a \$3.7 million increase in advertising and sales promotions expenses, a portion of which was applicable to the introduction of digital service in certain of the Company's markets. In addition, a \$2.8 million increase in costs was incurred in selling products and services in retail locations, including Company-owned stores. Approximately \$3.8 million of the 1995 increase was commissions paid to agents for selling cellular services to new customers. The 1995 increase also included a \$1.8 million increase in advertising and sales promotions expenses. Costs of operating the Company's retail stores, the first of which was opened in late 1994, increased \$601,000 in 1995.

Depreciation and amortization increased \$8.1 million (32.0%) in 1996 and \$4.2 million (19.6%) in 1995 due primarily to higher levels of plant in service.

Other

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

OTHER OPERATIONS

Other operations include the results of operations of subsidiaries of the Company which are not included in the telephone or mobile communications segments, including, but not limited to, the Company's competitive access subsidiary and the Company's nonregulated long distance operations. Of the \$19.8 million (70.4%) increase in operating revenues in 1996, \$15.9 million was applicable to the long distance operations; of the \$22.0 million (85.4%) increase in operating expenses, \$13.8 million was incurred by the long distance operations. During 1996 the operating loss of the Company's competitive access subsidiary (\$6.2 million) was \$2.6 million greater than in 1995. While the Company expects such loss to be greater in 1997 than it was in 1996, the amount of such loss will be dependent upon how quickly the Company's competitive access subsidiary transitions to a full-service competitive local exchange carrier. The \$988,000 decrease in operating income in 1995 was substantially due to the loss incurred by the Company's competitive access subsidiary in 1995 (\$3.6 million) being \$1.8 million more than in 1994.

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

INTEREST EXPENSE

Interest expense increased \$1.0 million (2.4%) in 1996, primarily due to an increase in average debt outstanding. In November 1995 the Company issued \$150.0 million of senior notes under a shelf registration statement. The effect of higher average interest rates increased interest expense \$4.0 million in 1995. Such increase was substantially offset by a decrease in interest expense due to a decrease in average debt outstanding as a result of the conversion in February 1995 of the Company's \$115.0 million of 6% convertible debentures into 4.5 million shares of common stock. For additional information, see Liquidity and Capital Resources - Financing Activities and Note 5 of Notes to Consolidated Financial Statements.

INCOME FROM UNCONSOLIDATED CELLULAR ENTITIES

Earnings from unconsolidated cellular entities, net of the amortization of associated goodwill, increased \$6.9 million (34.2%) during 1996 and \$4.4 million (27.9%) during 1995 due to the improvement in profitability of the cellular entities in which the Company owns less than a majority interest. During 1995 the Company recorded a nonrecurring \$800,000 reduction in earnings from unconsolidated cellular entities as a result of a retroactive adjustment recorded by the operator of a cellular partnership in which the Company owns less than a majority interest.

GAIN ON SALES OF ASSETS

During 1995 the Company sold its ownership interests in certain non-strategic cellular entities which resulted in a pre-tax gain of \$5.9 million (\$2.0 million after-tax; \$.03 per fully diluted share). Sales of other assets during 1995 resulted in a pre-tax gain of \$873,000 (\$567,000 after-tax; \$.01 per fully diluted share).

The Company sold the assets comprising a cellular system in a Rural Service Area in Minnesota in 1994 and recognized a pre-tax gain of \$14.7 million (\$8.5 million after-tax; \$.15 per fully diluted share). In addition, the Company sold its paging operations in 1994 which resulted in a pre-tax gain of \$1.2 million (\$756,000 after-tax; \$.01 per fully diluted share).

MINORITY INTEREST

Minority interest is the expense recorded by the Company to reflect the minority interest owners' share of the earnings of the Company's majority-owned and operated cellular entities and majority-owned subsidiaries. While such entities' profitability increased in 1996, minority interest decreased \$1.4 million (17.4%) due to the effect of the Company's acquisition, during the second quarter of 1996, of an additional 25% interest in a Louisiana cellular partnership which decreased the minority interest owners' share of such partnership. The increased profitability during 1995 of the Company's majority-owned and operated cellular entities resulted in a corresponding increase of \$4.7 million in minority interest.

OTHER INCOME AND EXPENSE

Other income and expense during 1996 was \$3.9 million compared to \$5.0 million during 1995 and \$3.1 million in 1994. During 1995 the Company invested \$20.0 million in a minority equity interest in an entity formed for the purpose of participating in the FCC auction of one 30MHz Personal Communications Services ("PCS") license for each Basic Trading Area. In 1996 such entity withdrew from the auction and, as a result thereof, the Company recovered \$18.9 million of its equity investment in such entity and recorded a \$1.1 million loss. During 1995 interest income increased \$1.0 million due to interest income earned on a \$25.0 million note receivable issued to Century in 1994. For additional information, see Liquidity and Capital Resources - Investing Activities and Note 2 of Notes to Consolidated Financial Statements.

INCOME TAX EXPENSE

The Company's effective income tax rate was 36.6%, 37.3% and 37.9% in 1996, 1995 and 1994, respectively. For additional information, see Note 7 of Notes to Consolidated Financial Statements.

ACCOUNTING PRONOUNCEMENTS

In 1996 the Company adopted Statement of Financial Accounting Standards No. 121 ("SFAS 121"), "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." SFAS 121 established accounting standards for the impairment of long-lived assets, certain identifiable intangibles, and goodwill related to those assets to be held and used, and for long-lived assets and certain identifiable intangibles to be disposed of. SFAS 121 requires that a rate-regulated enterprise recognize an impairment for

the amount of costs excluded when a regulator excludes all or part of a cost from the enterprise's rate base. The effect of adoption of SFAS 121 did not affect the Company's consolidated financial position or results of operations.

In 1996 the Company adopted Statement of Financial Accounting Standards No.

123 ("SFAS 123"), "Accounting for Stock-Based Compensation." SFAS 123 established financial accounting and reporting standards for stock-based employee compensation plans. As allowed by SFAS 123, the Company accounts for employee stock compensation plans in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." For additional information, see Note 11 of Notes to Consolidated Financial Statements.

The Company adopted Statement of Financial Accounting Standards No. 112 ("SFAS 112"), "Employers' Accounting for Postemployment Benefits," in the first quarter of 1994. No cumulative effect of change in accounting principle was required to be recorded upon adoption of SFAS 112.

INFLATION

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

LIQUIDITY AND CAPITAL RESOURCES

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

Operating Activities

Net cash provided by operating activities was \$264.7 million, \$215.7 million and \$199.8 million in 1996, 1995 and 1994, respectively. The Company's accompanying consolidated statements of cash flows identify major differences between net income and net cash provided by operating activities for each of those years. For additional information relating to the telephone operations, mobile communications operations, and other operations of the Company, see Results of Operations.

Investing Activities

Net cash used in investing activities was \$241.8 million, \$227.8 million and \$280.3 million in 1996, 1995 and 1994, respectively. Capital expenditures for 1996 were \$110.1 million for telephone operations, \$83.7 million for mobile communications operations and \$29.1 million for corporate and other operations. Payments for property, plant and equipment during 1995 and 1994 were \$196.6 million and \$200.8 million, respectively. Cash used for acquisitions was \$46.3 million during 1996, compared to \$22.1 million in 1995 and \$56.0 million in 1994. During 1995 the Company invested \$20.0 million in exchange for a minority equity interest in an entity formed for the purpose of participating in the FCC auction of Basic Trading Area PCS licenses. During 1996 such entity withdrew from the auction and, as a result thereof, the Company withdrew its equity investment in such entity and recouped \$18.9 million of its investment. Investments in unconsolidated cellular entities were \$744,000 in 1996, down from \$8.0 million in 1995, while distributions received from such entities were \$15.6 million, an increase of \$10.7 million. In connection with the corporate restructuring of an unaffiliated local exchange telephone company which has been viewed from time to time as an acquisition candidate, Century loaned the telephone company's holding company \$25.0 million in May 1994.

Financing Activities

Net cash used in financing activities was \$23.0 million during 1996. Net cash provided by financing activities was \$13.5 million and \$77.8 million during 1995 and 1994, respectively. Net payments of debt were \$11.6 million during 1996 compared to net borrowings of \$27.7 million during 1995. In November 1995 the Company issued \$150.0 million of senior notes under its \$400.0 million shelf registration statement (see next paragraph), under which \$300.0 million of senior notes have been issued, to take advantage of attractive long-term interest rates. The net proceeds were used to reduce the Company's borrowings under its credit facilities.

During 1994 the Company filed a shelf registration statement with the United States Securities and Exchange Commission registering \$400.0 million of senior unsecured debt securities under which the Company issued \$150.0 million of senior notes in May 1994. The proceeds were used to discharge the Company's

indebtedness under a \$90.0 million bridge loan incurred to fund substantially all of the Company's cash requirements in connection with the acquisition of Celutel, Inc. in February 1994 and to reduce the Company's short-term bank indebtedness under various floating-rate credit facilities.

In August 1996 Standard & Poor's upgraded Century's senior unsecured debt rating from BBB+ to A-.

Other

Budgeted capital expenditures for 1997 total \$102 million for telephone operations, \$67 million for mobile communications operations and \$36 million for corporate and other operations. The Company anticipates that capital expenditures in its telephone operations will continue to include the installation of fiber optic cable and the upgrading of its plant and equipment, including its digital switches, to provide enhanced services. Mobile communications capital expenditures are expected to continue to focus on constructing additional cell sites (which will provide additional capacity and expanded areas where hand-held cellular phones may be used) and to provide digital service in additional markets. Budgeted capital expenditures for other operations for 1997 include \$30 million of capital construction costs planned to be expended in the Company's competitive access operations.

In early 1997 the Company was awarded 12 PCS licenses in connection with the FCC's D and E block auctions of 10MHz PCS licenses. The licenses cover areas with a total population of approximately four million; the Company's investment in the licenses was \$4.6 million. The Company expects to begin the construction of networks in 1997 to be utilized in providing PCS services under the licenses. The amount of capital expenditures to be incurred in 1997 will not be known until the Company finalizes its PCS business plan and construction budget.

The Company will continue its long-term strategy of pursuing the acquisition of attractive communications properties in exchange for cash, securities or both, and may require additional financing in connection therewith. Approximately 1.8 million shares of Century common stock and 200,000 shares of Century preferred stock remain available for future issuance in connection with acquisitions under an acquisition shelf registration statement.

As of December 31, 1996, Century's telephone subsidiaries had available for use \$138.1 million of commitments for long-term financing from the Rural Utilities Service and the Company had \$98.6 million of undrawn committed bank lines of credit. In addition, approximately \$130.0 million of uncommitted credit facilities were available to Century at December 31, 1996. The Company also has access to debt and equity

capital markets, including its shelf registration statements mentioned above. The Company has experienced no significant problems in obtaining funds for capital expenditures or other purposes.

Common stockholders' equity as a percentage of total capitalization was 60.8% and 57.5% at December 31, 1996 and 1995, respectively.

REGULATION AND COMPETITION

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

Events Affecting the Telecommunications Industry

In recent years, the FCC and a number of state legislative and regulatory bodies have taken steps to foster local exchange competition. Coincident with this movement toward increased competition has been the relaxation of regulatory oversight of LECs. These changes have led to the organization and continued growth of various companies providing services that compete with LECs' services. Wireless telephone services are also expected to increasingly compete with LECs.

In February 1996 the United States Congress accelerated these trends towards increased competition and reduced regulation by enacting the Telecommunications Act of 1996 (the "1996 Act"). The 1996 Act obligates LECs to permit competitors to interconnect their facilities to the LEC's network and to take various other steps that are designed to lower barriers of entry to competitors. Under the 1996 Act's rural telephone company exemption, each of the Company's telephone subsidiaries is exempt from certain interconnection requirements until such time as the appropriate state regulatory commission receives certain notices and makes certain determinations. In August 1996 the FCC issued an order which included rules implementing most of the interconnection provisions of the 1996 Act. Under the FCC's order, rural LECs will have the burden of proving the continuing availability of the rural telephone company exemption. The FCC order is currently subject to judicial review. The 1996 Act also provided that all interstate telecommunications carriers shall contribute to universal service support mechanisms, and authorized a federal-state joint board (the "Board") to recommend changes to existing FCC support mechanisms to ensure that they will be consistent with the universal service principles in the 1996 Act. In November 1996 the Board issued its recommendations. Although the Board has recommended maintaining and funding universal service support mechanisms, the Board deferred a recommendation on how large the subsidy should be. The Board also recommended creation of a \$2.25 billion fund for providing discounted services to schools and libraries. The FCC is expected to take

final actions on these recommendations prior to May 8, 1997. Management believes that the 1996 Act will ultimately increase competition in the Company's telephone service areas, although the form and degree of competition cannot be ascertained with certainty until such time as final and nonappealable regulations implementing the 1996 Act's interconnection and universal service provisions are in effect.

In December 1996 the FCC opened a new proceeding to address reforming the system requiring long distance carriers to pay certain LECs for access to the LECs' networks. Although the FCC's proceeding primarily affects LECs other than those (such as the Company's LECs) which are primarily subject to rate of return regulation, the FCC is expected to review a number of matters under this proceeding which will have an impact on rate of return companies, and the FCC plans to initiate a separate proceeding in 1997 to undertake a comprehensive review of rate of return incumbent LECs. The FCC has outlined two possible approaches for restructuring access charges and for deregulating LEC access services as competition develops in the LEC market, one of which would allow the marketplace to determine access charges. The other approach would involve the FCC mandating price levels or pricing methodologies.

In recent years, the FCC has allocated a significant amount of additional frequency spectrum for mobile communications technologies that are competitive with cellular, including PCS and mobile satellite services. In 1996 several major PCS companies began providing services competitive with cellular in selected larger markets. Thus far PCS competition has been experienced in only one of the Company's markets. The Company expects competition from PCS providers in certain of its other markets in 1997. The FCC has also authorized certain specialized mobile radio service licensees to configure their systems so as to operate in a manner similar to cellular systems.

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

Recent Events Affecting the Company

Revenues from the USF increased approximately \$7.5 million to \$49.3 million during 1996 after increasing \$5.4 million during 1995. The 1996 Act contemplates certain changes to existing universal service support

mechanisms, as described further in Events Affecting the Telecommunications Industry. Although the Company anticipates that it may experience a reduction in its federal support revenues at some point in the future, management believes it is premature to assess or estimate the ultimate impact thereof. There can be no assurance, however, that such impact will not be material. In February 1996 the FCC sought public comments on whether it should initiate a rate of return represetation proceeding for LECs that are subject to rate of return regulation for interstate access revenues. The Company is unaware of any significant developments in this proceeding.

During the last few years, Wisconsin, Louisiana, Ohio, Michigan and certain other states in which the Company operates took legislative and/or regulatory steps to further introduce competition into the LEC business. While the Company is aware of only one company (a cable company) which has requested authorization to provide local exchange service in a portion of one of the Company's service areas, it is anticipated that similar action may be taken by others in the future.

During 1995 the LPSC adopted a new regulatory plan for independent telephone companies in Louisiana. Under this plan, the Company's access revenues were reduced \$1.7 million in 1996 and \$500,000 in 1995, and the Company anticipates that its access revenues will be further reduced by approximately \$3.8 million in 1997 and an additional \$1.4 million in 1998. The plan established a target rate of return of between 10.75% and 12.75%. During 1996 and 1995 certain of the Company's Louisiana telephone subsidiaries, with the LPSC's approval, recorded an aggregate of \$7.1 million and \$6.5 million, respectively, of nonrecurring additional depreciation charges. The Company anticipates that certain of its Louisiana telephone subsidiaries may continue to request nonrecurring additional depreciation charges in the future. The Company's Louisiana telephone subsidiaries are required to file annual earnings monitoring reports with the LPSC. Based on the reports filed for 1995, which gave effect to the access revenue reductions mentioned above and to other known and measurable changes, the Company's Louisiana telephone subsidiaries were not required to make adjustments to their rates. There is no assurance, however, that revenues of such companies will not be further reduced in the future as a result of this plan.

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

Other Matters

The Company's regulated telephone operations are subject to the provisions of SFAS 71, under which the Company is required to account for the economic effects of the rate-making process, including the recognition

of depreciation of plant and equipment over lives approved by regulators. The ongoing applicability of SFAS 71 to the Company's regulated telephone operations is being monitored due to the changing regulatory, competitive and legislative environments. When the regulated operations of the Company no longer qualify for the application of SFAS 71, the net adjustments required will result in a material, extraordinary, noncash charge against earnings. While the amount of such charge cannot be precisely estimated at this time, management believes that the noncash, after-tax, extraordinary charge would be between \$100 million and \$130 million. See Note 10 of Notes to Consolidated Financial Statements for additional information.

The Company has certain obligations based on federal, state and local laws relating to the protection of the environment. Costs of compliance through 1996 have not been material and the Company currently has no reason to believe that such costs will become material.

Item 8. Financial Statements and Supplementary Data

Report of Management

The Shareholders
Century Telephone Enterprises, Inc.:

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

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

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

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

/s/ R. Stewart Ewing, Jr.

*R. Stewart Ewing, Jr.
Senior Vice President and Chief Financial Officer*

Independent Auditors' Report

The Board of Directors
Century Telephone Enterprises, Inc.:

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

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Century Telephone Enterprises, Inc. and subsidiaries as of December 31, 1996 and 1995, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1996, in conformity with generally accepted accounting principles. Also in our opinion, the related financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

/s/ KPMG Peat Marwick LLP

KPMG PEAT MARWICK LLP

*Shreveport, Louisiana
January 29, 1997*

CENTURY TELEPHONE ENTERPRISES, INC.
Consolidated Statements of Income

	Year ended December 31,		
	1996	1995	1994
	(Dollars in thousands, except per share amounts)		
OPERATING REVENUES			
Telephone	\$ 451,538	419,242	391,265
Mobile communications	250,243	197,494	150,802
Other	47,896	28,104	22,534
Total operating revenues	749,677	644,840	564,601
OPERATING EXPENSES			
Cost of sales and operating expenses	394,360	328,151	296,082
Depreciation and amortization	132,021	113,770	95,713
Total operating expenses	526,381	441,921	391,795
OPERATING INCOME	223,296	202,919	172,806
OTHER INCOME (EXPENSE)			
Interest expense	(44,662)	(43,615)	(42,577)
Income from unconsolidated cellular entities	26,952	20,084	15,698
Gain on sales of assets	815	6,782	15,877
Minority interest	(6,675)	(8,084)	(3,377)
Other income and expense	3,916	4,982	3,111
Total other income (expense)	(19,654)	(19,851)	(11,268)
INCOME BEFORE INCOME TAX EXPENSE	203,642	183,068	161,538
Income tax expense	74,565	68,292	61,300
NET INCOME	\$ 129,077	114,776	100,238
PRIMARY EARNINGS PER SHARE	\$ 2.15	1.97	1.88
FULLY DILUTED EARNINGS PER SHARE	\$ 2.14	1.95	1.80
DIVIDENDS PER COMMON SHARE	\$.36	.33	.32

See accompanying notes to consolidated financial statements.

CENTURY TELEPHONE ENTERPRISES, INC.
Consolidated Balance Sheets

	December 31,	
	1996	1995
	(Dollars in thousands)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 8,402	8,540
Accounts receivable		
Customers, less allowance of \$3,327 and \$2,768	60,181	50,943
Other	26,263	24,219
Materials and supplies, at average cost	8,222	6,608
Other	6,166	5,019
Total current assets	109,234	95,329
NET PROPERTY, PLANT AND EQUIPMENT	1,149,012	1,047,808
INVESTMENTS AND OTHER ASSETS		
Excess cost of net assets acquired, less accumulated amortization of \$67,061 and \$52,944	532,410	493,655
Other	237,849	225,629
Total investments and other assets	770,259	719,284
TOTAL ASSETS	\$ 2,028,505	1,862,421
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 19,919	15,325
Notes payable	-	14,199
Accounts payable	60,548	55,329
Accrued expenses and other current liabilities		
Salaries and benefits	20,224	18,178
Taxes	13,913	12,489
Interest	5,581	6,024
Other	8,837	5,337
Advance billings and customer deposits	15,122	13,043
Total current liabilities	144,144	139,924
LONG-TERM DEBT	625,930	622,904
DEFERRED CREDITS AND OTHER LIABILITIES	230,278	211,169
STOCKHOLDERS' EQUITY		
Common stock, \$1.00 par value, authorized 175,000,000 shares, issued and outstanding 59,858,540 and 59,113,670 shares	59,859	59,114
Paid-in capital	474,607	453,584
Retained earnings	494,726	387,424
Unearned ESOP shares	(11,080)	(13,960)
Preferred stock - non-redeemable	10,041	2,262
Total stockholders' equity	1,028,153	888,424
TOTAL LIABILITIES AND EQUITY	\$ 2,028,505	1,862,421

See accompanying notes to consolidated financial statements.

CENTURY TELEPHONE ENTERPRISES, INC.
Consolidated Statements of Cash Flows

	Year ended December 31,		
	1996	1995	1994
(Dollars in thousands)			
OPERATING ACTIVITIES			
Net income	\$ 129,077	114,776	100,238
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	132,021	113,770	95,713
Income from unconsolidated cellular entities	(26,952)	(20,084)	(15,698)
Minority interest	6,675	8,084	3,377
Deferred income taxes	7,935	9,563	7,423
Gain on sales of assets	(815)	(6,782)	(15,877)
Loss on investment in unconsolidated personal communications services entity	1,100	-	-
Changes in current assets and current liabilities:			
Increase in accounts receivable	(4,353)	(8,949)	(1,581)
Increase (decrease) in accounts payable	5,103	2,656	(2,383)
Increase (decrease) in other accrued taxes	1,285	(4,134)	8,347
Changes in other current assets and other current liabilities, net	6,220	(4,413)	6,543
Increase in other noncurrent liabilities	4,305	5,754	4,092
Other, net	3,051	5,497	9,610
Net cash provided by operating activities	264,652	215,738	199,804
INVESTING ACTIVITIES			
Payments for property, plant and equipment	(222,885)	(196,592)	(200,776)
Acquisitions, net of cash acquired	(46,327)	(22,130)	(55,979)
Investment in unconsolidated personal communications services entity	18,900	(20,000)	-
Investments in unconsolidated cellular entities	(744)	(8,013)	(5,516)
Distributions from unconsolidated cellular entities	15,648	4,957	5,969
Proceeds from sales of assets	-	19,953	10,475
Purchase of life insurance investment	(5,944)	(6,418)	(7,664)
Note receivable	1,667	833	(25,000)
Other, net	(2,106)	(396)	(1,764)
Net cash used in investing activities	(241,791)	(227,806)	(280,255)
FINANCING ACTIVITIES			
Proceeds from issuance of long-term debt	59,649	203,987	155,427
Payments of long-term debt	(57,021)	(18,377)	(59,792)
Notes payable, net	(14,199)	(158,000)	(7,700)
Proceeds from issuance of common stock	10,089	6,522	4,814
Cash dividends	(21,775)	(19,351)	(17,184)
Other, net	258	(1,327)	2,263
Net cash provided by (used in) financing activities	(22,999)	13,454	77,828
Net increase (decrease) in cash and cash equivalents	(138)	1,386	(2,623)
Cash and cash equivalents at beginning of year	8,540	7,154	9,777
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 8,402	8,540	7,154

See accompanying notes to consolidated financial statements.

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

	Year ended December 31,		
	1996	1995	1994
	(Dollars and shares in thousands)		
COMMON STOCK			
Balance at beginning of year	\$ 59,114	53,574	51,295
Issuance of common stock for acquisitions	257	577	2,000
Conversion of debentures into common stock	-	4,540	-
Issuance of common stock through dividend reinvestment, incentive and benefit plans	455	422	277
Conversion of preferred stock into common stock	33	1	2
Balance at end of year	59,859	59,114	53,574
PAID-IN CAPITAL			
Balance at beginning of year	453,584	319,235	262,294
Issuance of common stock for acquisitions	8,201	15,981	50,311
Conversion of debentures into common stock	-	108,596	-
Issuance of common stock through dividend reinvestment, incentive and benefit plans	9,676	6,100	4,537
Amortization of unearned compensation and other	2,983	3,667	2,034
Conversion of preferred stock into common stock	163	5	59
Balance at end of year	474,607	453,584	319,235
RETAINED EARNINGS			
Balance at beginning of year	387,424	291,999	208,945
Net income	129,077	114,776	100,238
Cash dividends declared			
Common stock - \$.36, \$.33 and \$.32 per share	(21,355)	(19,228)	(17,084)
Preferred stock	(420)	(123)	(100)
Balance at end of year	494,726	387,424	291,999
UNEARNED ESOP SHARES			
Balance at beginning of year	(13,960)	(16,840)	(9,220)
Release of ESOP shares	2,880	2,880	2,380
Commitment to ESOP	-	-	(10,000)
Balance at end of year	(11,080)	(13,960)	(16,840)
PREFERRED STOCK - NON-REDEEMABLE			
Balance at beginning of year	2,262	2,268	454
Issuance of preferred stock for acquisitions	7,975	-	1,875
Conversion of preferred stock into common stock	(196)	(6)	(61)
Balance at end of year	10,041	2,262	2,268
TOTAL STOCKHOLDERS' EQUITY			
	\$ 1,028,153	888,424	650,236
COMMON SHARES OUTSTANDING			
Balance at beginning of year	59,114	53,574	51,295
Issuance of common stock for acquisitions	257	577	2,000
Conversion of debentures into common stock	-	4,540	-
Issuance of common stock through dividend reinvestment, incentive and benefit plans	455	422	277
Conversion of preferred stock into common stock	33	1	2
Balance at end of year	59,859	59,114	53,574

See accompanying notes to consolidated financial statements.

CENTURY TELEPHONE ENTERPRISES, INC.

Notes to Consolidated Financial Statements December 31, 1996

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

Impairment of long-lived assets and excess cost of net assets acquired (goodwill) - In 1996 the Company adopted Statement of Financial Accounting Standards No. 121 ("SFAS 121"), "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." SFAS 121 established accounting standards for the impairment of long-lived assets, certain identifiable intangibles, and goodwill related to those assets to be held and used, and for long-lived assets and certain identifiable intangibles to be disposed of. The carrying value of long-lived assets, including allocated goodwill, is reviewed for impairment at least annually, or whenever events or changes in circumstances indicate that such carrying value may not be recoverable, by assessing the recoverability of such carrying value through estimated undiscounted future net cash flows expected to be generated by the assets or the acquired business. The adoption of SFAS 121 did not affect the Company's consolidated financial position or results of operations. The excess cost of net assets acquired of substantially all of the Company's acquisitions accounted for as purchases is being amortized over forty years.

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

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

Earnings per share - Primary earnings per share amounts are determined on the basis of the weighted average number of common shares and common stock equivalents outstanding during the year. The weighted average number of shares used in computing primary earnings per share was 59.9 million in 1996, 58.1 million in 1995 and 53.4 million in 1994.

Fully diluted earnings per share amounts give further effect to convertible securities which are not common stock equivalents. The weighted average number of shares used in computing fully diluted earnings per share was 60.7 million, 59.1 million and 58.1 million in 1996, 1995 and 1994, respectively.

Stock compensation - During 1996 the Company adopted Statement of Financial Accounting Standards No. 123 ("SFAS 123"), "Accounting for Stock-Based Compensation." As allowed by SFAS 123, the Company accounts for employee stock compensation plans in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees."

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

Reclassifications - Certain amounts previously reported for prior years have been reclassified to conform with the 1996 presentation.

(2) INVESTMENTS AND OTHER ASSETS

Investments and other assets at December 31, 1996 and 1995 were composed of the following:

December 31,	1996	1995

	(Dollars in thousands)	
Excess cost of net assets acquired, less accumulated amortization	\$ 532,410	493,655
Investments in unconsolidated cellular entities	99,212	83,552
Cash surrender value of life insurance contracts, net	61,750	54,697
Note receivable, less current portion	20,833	22,500
Investment in unconsolidated personal communications services entity	-	20,000
Marketable equity securities	8,478	8,478
Other	47,576	36,402
-----	-----	-----
	\$ 770,259	719,284
=====	=====	=====

Goodwill amortization of \$12.8 million, \$11.4 million and \$10.6 million for 1996, 1995 and 1994, respectively, is included in "Depreciation and amortization."

In 1995 the Company invested \$20.0 million in exchange for a minority equity interest in an entity formed for the purpose of participating in the Federal Communication Commission's auction of one 30MHz Personal Communications Services license for each Basic Trading Area. In 1996 such entity withdrew from the auction and the Company withdrew its equity investment in such entity.

In 1994 Century loaned an unaffiliated telephone holding company \$25.0 million. The loan bears interest at prime plus 1.5%; interest is due quarterly. Quarterly principal payments began in August 1995 and the unpaid balance becomes due in May 1998. Century received a security interest in the holding company's

capital stock, a guaranty from such company's principal stockholder and first refusal rights to acquire certain properties under various specified circumstances.

(3) PROPERTY, PLANT AND EQUIPMENT

Net property, plant and equipment at December 31, 1996 and 1995 was composed of the following:

December 31,	1996	1995
(Dollars in thousands)		
Telephone, at original cost		
Cable and wire	\$ 726,340	661,429
Central office	389,259	357,359
General support	102,667	99,145
Information origination/termination	27,881	24,394
Construction in progress	38,981	59,859
Other	5,161	5,161
	1,290,289	1,207,347
Accumulated depreciation	(417,497)	(357,633)
	872,792	849,714
Mobile communications, at cost		
Cell site	203,879	140,462
General support	47,138	33,651
Construction in progress	15,716	16,162
Other	2,656	1,319
	269,389	191,594
Accumulated depreciation	(75,666)	(54,927)
	193,723	136,667
Corporate and other, at cost		
General support	94,042	86,149
Other	31,973	14,464
	126,015	100,613
Accumulated depreciation	(43,518)	(39,186)
	82,497	61,427
Net property, plant and equipment	\$ 1,149,012	1,047,808

Depreciation expense was \$118.9 million, \$102.1 million and \$84.8 million in 1996, 1995 and 1994, respectively. The composite depreciation rate for telephone properties was 7.5% for 1996 and 1995 and 7.1% for 1994.

(4) INVESTMENTS IN UNCONSOLIDATED CELLULAR ENTITIES

The Company's share of earnings from cellular entities in which it does not own a majority interest was \$28.2 million, \$21.4 million and \$16.9 million in 1996, 1995 and 1994, respectively, and is included, net of \$1.3 million, \$1.3 million and \$1.2 million of amortization of goodwill attributable to such investments, in "Income from unconsolidated cellular entities."

Over 70% of the 1996 income from unconsolidated cellular entities was attributable to the following investments.

	Ownership interest
GTE Mobilnet of Austin Limited Partnership	35%
Alltel Cellular Associates of Arkansas Limited Partnership	36%
Lafayette MSA Limited Partnership	49%
Detroit SMSA Limited Partnership	3%
New Mexico 4 - Santa Fe RSA West Limited Partnership	36%

The following summarizes the unaudited combined assets, liabilities and equity, and the unaudited combined results of operations, of the cellular entities in which the Company's investments (as of December 31, 1996 and 1995) were accounted for by the equity method.

December 31,	1996	1995	
	(Dollars in thousands)		
	(Unaudited)		
Assets			
Current assets	\$ 286,197	204,222	
Property and other noncurrent assets	603,204	487,073	
	\$ 889,401	691,295	
	=====		
Liabilities and equity			
Current liabilities	\$ 108,525	79,085	
Noncurrent liabilities	24,564	6,922	
Equity	756,312	605,288	
	\$ 889,401	691,295	
	=====		
Year ended December 31,	1996	1995	1994
	(Dollars in thousands)		
	(Unaudited)		
Results of operations			
Revenues	\$ 985,788	743,779	329,907
Operating income	\$ 338,554	266,355	93,512
Net income	\$ 339,040	268,967	92,446

At December 31, 1996, \$41.7 million of the Company's consolidated retained earnings represented undistributed earnings of unconsolidated cellular entities.

(5) LONG-TERM DEBT

December 31,	1996	1995
(Dollars in thousands)		
Century		
8.25% senior notes, series B, due 2024	\$ 100,000	100,000
7.2% senior notes, series D, due 2025	100,000	100,000
5.7%* notes payable to banks, due 2000	62,500	22,500
7.75% senior notes, series A, due 2004	50,000	50,000
6.55% senior notes, series C, due 2005	50,000	50,000
9.4% senior notes, due through 2003	25,800	60,400
7.1%* Employee Stock Ownership Plan commitment, due in installments through 2004	11,080	13,960
10.1%* notes, due in installments through 2006	417	674
Total Century	399,797	397,534
Subsidiaries		
First mortgage debt		
5.9%* notes, payable to agencies of the United States government and cooperative lending associations, due in installments through 2025	208,920	202,037
6.1% bonds, due in 1997	1,775	4,760
Other debt		
7.4%* notes, due in installments through 2020	18,112	19,164
6.5% note, due in installments through 2001	14,605	13,714
8.2%* capital lease obligations, due in installments through 1998	2,640	1,020
Total subsidiaries	246,052	240,695
Total long-term debt	645,849	638,229
Less current maturities	19,919	15,325
Long-term debt, excluding current maturities	\$ 625,930	622,904
* weighted average interest rate at December 31, 1996		

The approximate annual debt maturities (including sinking fund requirements) for the five years subsequent to December 31, 1996 are as follows: 1997 - \$19.9 million; 1998 - \$17.9 million; 1999 - \$16.6 million; 2000 - \$80.4 million; and 2001 - \$18.2 million.

Short-term borrowings of \$62.5 million at December 31, 1996 were classified as long-term debt on the accompanying balance sheet as the Company had available an aggregate of \$145.0 million in two long-term revolving credit facilities. The Company intends to refinance such debt using the facilities, both of which are multi-year agreements which expire in August 2000 and contain a variety of pricing options including competitive bid options. Relying on the same facilities, short-term borrowings of \$22.5 million, along with \$30.0 million of debt becoming due in 1996, were classified as long-term debt at December 31, 1995.

Certain of the Company's loan agreements contain various restrictions, among which are limitations regarding issuance of additional debt, payment of cash dividends, reacquisition of the Company's capital stock

and other matters. At December 31, 1996, all of the consolidated retained earnings reflected on the balance sheet was available for the declaration of dividends.

The transfer of funds from certain consolidated subsidiaries to Century is restricted by various loan agreements. Subsidiaries which have loans from government agencies and cooperative lending associations, or have issued first mortgage bonds, generally may not loan or advance any funds to Century, but may pay dividends if certain financial ratios are met. At December 31, 1996, restricted net assets of subsidiaries were \$280.3 million. Subsidiaries' retained earnings in excess of amounts restricted by debt covenants totaled \$467.2 million.

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

Century's telephone subsidiaries had approximately \$138.1 million in commitments for long-term financing from the Rural Utilities Service available at December 31, 1996. Approximately \$228.6 million of additional borrowings, of which \$130.0 million were under uncommitted facilities, were available to the Company through lines of credit with various banks. In addition, Century has \$100.0 million of registered, unissued senior unsecured debt securities under a shelf registration statement.

During the fourth quarter of 1995, Century issued \$50.0 million of 10-year, 6.55% senior notes and \$100.0 million of 30-year, 7.2% senior notes under a shelf registration statement. The proceeds were used to reduce Century's short-term indebtedness under various credit facilities. Interest payments are due semi-annually and principal payments are due in 2005 and 2025 upon maturity of the 10-year and 30-year notes, respectively. The 30-year notes may be redeemed by Century at any time subject to certain "make-whole" provisions contained therein.

In January 1995 Century called for redemption its \$115.0 million of outstanding 6% convertible debentures due 2007. All of the debentures were converted into Century common stock by the debenture holders in February 1995 at a conversion price of \$25.33 per share. If Century had issued common stock instead of the debentures, primary earnings per share for the years ended December 31, 1995 and 1994 would have been \$1.95 and \$1.81, respectively.

In May 1994 Century issued \$50.0 million of 10-year, 7.75% senior notes and \$100.0 million of 30-year, 8.25% senior notes under a shelf registration statement. The proceeds were used to reduce certain of the Company's short-term bank indebtedness. Interest payments are due semi-annually and principal payments are due in 2004 and 2024 upon maturity of the 10-year and 30-year notes, respectively. The 30-year notes may be

redeemed by Century on or after May 1, 2004 subject to a premium schedule which declines from 103.62% as of May 1, 2004 to 100% as of May 1, 2014.

(6) DEFERRED CREDITS AND OTHER LIABILITIES

Deferred credits and other liabilities at December 31, 1996 and 1995 were composed of the following:

December 31,	1996	1995
(Dollars in thousands)		
Deferred federal and state income taxes	\$ 111,110	93,118
Accrued postretirement benefit costs	48,515	44,513
Minority interest	32,460	29,354
Regulatory liability - income taxes	22,575	27,027
Deferred investment tax credits	3,882	6,026
Other	11,736	11,131
	\$ 230,278	211,169
=====		

(7) INCOME TAXES

Income tax expense for the years ended December 31, 1996, 1995 and 1994 was as follows:

Year ended December 31,	1996	1995	1994
(Dollars in thousands)			
Federal			
Current	\$ 60,530	53,554	47,969
Deferred	7,390	9,021	5,703
State			
Current	6,100	5,175	5,908
Deferred	545	542	1,720
	\$ 74,565	68,292	61,300
=====			

Income tax expense was allocated as follows:

Year ended December 31,	1996	1995	1994
(Dollars in thousands)			
Net tax expense in the consolidated statements of income	\$ 74,565	68,292	61,300
Stockholders' equity, primarily for compensation expense for tax purposes in excess of amounts recognized for financial reporting purposes	(1,866)	(2,354)	(1,243)
	\$ 72,699	65,938	60,057
=====			

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

Year ended December 31,	1996	1995	1994

	(Percentage of pre-tax income)		
Statutory federal income tax rate	35.0%	35.0	35.0
State income taxes, net of federal income tax benefit	2.1	2.0	3.0
Amortization of nondeductible excess cost of net assets acquired	1.8	1.8	2.1
Amortization of investment tax credits	(1.1)	(1.3)	(1.4)
Amortization of regulatory liability	(.9)	(1.0)	(1.2)
Other, net	(.3)	.8	.4

Effective income tax rate	36.6%	37.3	37.9
=====			

The tax effects of temporary differences that gave rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 1996 and 1995 were as follows:

December 31,	1996	1995

	(Dollars in thousands)	
Deferred tax assets		
Postretirement benefit costs	\$ 16,790	15,314
Net operating loss carryforwards of an acquired subsidiary	8,367	9,234
Regulatory liability	7,901	9,460
Deferred compensation	2,435	2,659
Deferred investment tax credits	1,216	1,918
Other employee benefits	4,393	4,673
Other	2,146	3,227

Gross deferred tax assets	43,248	46,485
Less valuation allowance	(8,367)	(9,234)

Net deferred tax assets	34,881	37,251

Deferred tax liabilities		
Property, plant and equipment, primarily due to depreciation differences	(129,123)	(117,095)
Excess cost of net assets acquired	(6,112)	(4,563)
Intercompany profits	(3,338)	(3,787)
Other	(7,418)	(4,924)

Gross deferred tax liabilities	(145,991)	(130,369)

Net deferred tax liability	\$ (111,110)	(93,118)
=====		

As a result of the acquisition of Celutel, Inc. ("Celutel") (see Note 13) the Company had \$23.9 million, \$26.4 million and \$29.4 million of net operating loss carryforwards at December 31, 1996, 1995 and 1994, respectively, which related to various entities acquired. The yearly utilization of such loss carryforwards is limited to separate entity taxable income; the loss carryforwards are further limited by certain Internal Revenue Code regulations. During 1996 and 1995, the Company utilized \$2.5 million and \$3.0 million, respectively, of such loss carryforwards; the related tax benefits reduced excess cost of net assets acquired. Subsequently recognized tax benefits applicable to the net operating loss carryforwards will reduce excess cost of net assets acquired. The net operating loss carryforwards expire between 2003 and 2008.

(8) POSTRETIREMENT AND POSTEMPLOYMENT BENEFITS

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

Net periodic postretirement benefit cost for 1996, 1995 and 1994 included the following components:

Year ended December 31,	1996	1995	1994
(Dollars in thousands)			
Service cost	\$ 2,354	1,769	2,007
Interest cost	4,212	3,972	3,473
Amortization of unrecognized actuarial losses (gains)	475	(50)	447
Amortization of unrecognized prior service cost	121	121	121
Net periodic postretirement benefit cost	\$ 7,162	5,812	6,048

The following table sets forth the amounts recognized as liabilities for postretirement benefits in the Company's consolidated balance sheets at December 31, 1996 and 1995.

December 31,	1996	1995
(Dollars in thousands)		
Accumulated postretirement benefit obligation		
Retirees and retirees' dependents	\$ 25,105	26,185
Fully eligible active plan participants	10,512	9,972
Other active plan participants	23,540	23,971
Accumulated postretirement benefit obligation	59,157	60,128
Plan assets	-	-
Unrecognized prior service cost	(1,303)	(1,424)
Unrecognized net gain (loss)	(6,986)	(12,881)
Accrued postretirement benefit costs	\$ 50,868	45,823

For calculation purposes, a 7% health care cost rate was assumed for 1997; the rate was assumed to decrease to 6% thereafter. If the assumed health care cost rate had been increased by one percentage point in each year, the accumulated postretirement benefit obligation as of December 31, 1996 would have increased \$4.5 million and the net periodic postretirement benefit cost for the year ended December 31, 1996 would have increased \$351,000. The discount rates used in determining the accumulated postretirement benefit obligation as of December 31, 1996 and 1995 were 7.75% and 7.25%, respectively.

In the first quarter of 1994 the Company adopted Statement of Financial Accounting Standards No. 112 ("SFAS 112"), "Employers' Accounting for Postemployment Benefits." Liabilities for postemployment benefits in the consolidated balance sheet as of December 31, 1993 were not materially different than those

required by SFAS 112; therefore, no cumulative effect of change in accounting principle was recorded upon adoption of SFAS 112.

(9) STOCKHOLDERS' EQUITY

Common stock - At December 31, 1996, unissued shares of Century common stock were reserved as follows:

December 31,	1996

	(In thousands)
Stock option plans	3,707
Acquisitions	2,389
Employee stock purchase plan	506
Conversion of convertible preferred stock	353
Other employee benefit plans	1,244
-----	-----
	8,199
=====	=====

Under Century's Articles of Incorporation each share of common stock beneficially owned continuously by the same person since May 30, 1987 generally entitles the holder thereof to ten votes per share. All other shares entitle the holder to one vote per share. At December 31, 1996, the holders of 7.9 million shares of common stock were entitled to ten votes per share.

Preferred stock - As of December 31, 1996, Century had 2.0 million shares of preferred stock, \$25 par value per share, authorized. At December 31, 1996 and 1995, there were 401,629 and 90,467 shares, respectively, of outstanding preferred stock. Holders of outstanding Century preferred stock are entitled to receive cumulative dividends, receive preferential distributions equal to \$25 per share plus unpaid dividends upon Century's liquidation and vote as a single class with the holders of common stock.

Shareholders' Rights Plan - In 1996 the Board of Directors declared a dividend of one preference share purchase right for each common share outstanding. Such rights become exercisable if and when a potential acquiror takes certain steps to acquire 15% or more of Century's common stock. Upon the occurrence of such an acquisition, each right held by shareholders other than the acquiror may be exercised to receive that number of shares of common stock or other securities of Century (or, in certain situations, the acquiring company) which at the time of such transaction will have a market value of two times the exercise price of the right. The Shareholders' Rights Plan approved by the Board of Directors in 1986 expired in November 1996.

(10) ACCOUNTING FOR THE EFFECTS OF REGULATION

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

The Company's consolidated balance sheet as of December 31, 1996 included regulatory assets of approximately \$7.9 million and regulatory liabilities of approximately \$22.6 million exclusive of (i) property, plant and equipment, (ii) accumulated depreciation and (iii) deferred income taxes and deferred investment tax credits associated with regulatory assets and liabilities. The \$7.9 million of regulatory assets included assets established in connection with postretirement benefits (\$1.7 million), income taxes (\$2.7 million), extraordinary retirements (\$603,000) and deferred financing costs (\$2.9 million). The \$22.6 million of regulatory liabilities was established in connection with the adoption of Statement of Financial Accounting Standards No. 109, "Accounting For Income Taxes." Net deferred income tax assets related to the regulatory assets and liabilities quantified above were \$5.1 million.

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

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

be impacted based on the change in the temporary differences for property, plant and equipment and accumulated depreciation.

The ongoing applicability of SFAS 71 to the Company's regulated telephone operations is being monitored due to the changing regulatory, competitive and legislative environments, and it is possible that changes in regulation, legislation or competition or in the demand for regulated services or products could result in the Company's telephone operations no longer being subject to SFAS 71 in the near future. When the regulated operations of the Company no longer qualify for the application of SFAS 71, the net adjustments required will result in a material, noncash charge against earnings which will be reported as an extraordinary item. While the effect of implementing SFAS 101 cannot be precisely estimated at this time, management believes that the noncash, after-tax, extraordinary charge would be between \$100 million and \$130 million. For regulatory purposes, the accounting and reporting of the Company's telephone subsidiaries will not be affected by the discontinued application of SFAS 71.

(11) STOCK OPTION PROGRAM

Century has an incentive compensation program which allows the Board of Directors, through a subcommittee to the Compensation Committee, to grant incentives to employees in any one or a combination of the following forms: incentive stock options and non-qualified stock options; stock appreciation rights; restricted stock; and performance shares. As of December 31, 1996, Century had reserved 3.7 million shares of common stock which may be issued under the incentive compensation program.

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

During 1995 the Company granted 634,031 options (the "1995 Options") above market price. During 1994 the Company granted 31,000 options at market price. The weighted-average fair value of each of the 1995 Options was estimated as of the date of grant to be \$9.93 using an option-pricing model with the following assumptions: dividend yield - 1.1%; expected volatility - 25%; risk-free interest rate - 6.5%; and expected option life - eight years.

Stock option transactions during 1996, 1995 and 1994 were as follows:

	Number of options	Average price
-----	-----	-----
Outstanding December 31, 1993	2,381,749	\$ 20.96
Exercised	(139,282)	11.10
Granted	31,000	26.25
-----	-----	-----
Outstanding December 31, 1994	2,273,467	21.63
Exercised	(272,300)	10.12
Granted	634,031	36.15
-----	-----	-----
Outstanding December 31, 1995	2,635,198	25.46
Exercised	(292,403)	18.72
Forfeited	(12,550)	29.27
-----	-----	-----
Outstanding December 31, 1996	2,330,245	27.25
=====	=====	=====
Exercisable December 31, 1995	2,604,198	26.32
=====	=====	=====
Exercisable December 31, 1996	2,317,745	27.26
=====	=====	=====

The following tables summarize certain information about Century's stock options at December 31, 1996.

Options outstanding			
Range of exercise prices	Number of options outstanding	Weighted average remaining contractual life	Weighted average exercise price
-----	-----	-----	-----
\$ 8.85-16.00	103,906	1.8 years	\$ 10.09
18.75-27.67	1,602,364	5.0	24.87
31.63-39.69	623,975	8.4	36.22

8.85-39.69	2,330,245	6.1	27.25
	=====		
Options exercisable			
Range of exercise prices	Number of options exercisable		Weighted average exercise price
-----	-----		-----
\$ 8.85-16.00	103,906		\$ 10.09
18.75-27.67	1,589,864		24.86
31.63-39.69	623,975		36.22

8.85-39.69	2,317,745		27.26
	=====		

The Company applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," in accounting for its program. Accordingly, no compensation cost has been recognized for the program. If compensation cost for Century's program had been determined consistent with SFAS 123 for the 1995 Options, the Company's net income and earnings per share for 1995 would have been reduced to the pro forma amounts shown in the following table. All of the 1995 Options became fully vested in 1995; under SFAS 123 there would be no compensation expense after 1995 applicable to the 1995 Options.

Year ended December 31,	1995

	(Dollars in thousands, except per share amounts)
Net income	
As reported	\$ 114,776
Pro forma	\$ 110,813
Fully diluted earnings per share	
As reported	\$ 1.95
Pro forma	\$ 1.88

(12) RETIREMENT AND SAVINGS PLANS

Century sponsors an Outside Directors' Retirement Plan and a Supplemental Executive Retirement Plan to provide directors and officers, respectively, with supplemental retirement, death and disability benefits. In addition, the bargaining unit employees of a subsidiary are provided benefits under a defined benefit pension plan. At December 31, 1996 and 1995, the combined accumulated benefit obligation of the plans, substantially all of which was vested, aggregated \$19.6 million and \$18.4 million, respectively. The plans' assets were \$1.7 million in excess of the projected benefit obligations as of December 31, 1996. The projected benefit obligations were \$823,000 in excess of the plans' assets as of December 31, 1995. During 1996 and 1995 Century funded \$2.2 million and \$2.9 million, respectively, of the obligations of the plans. Prepaid pension cost was \$4.2 million at December 31, 1996 and \$2.5 million at December 31, 1995. The net periodic pension cost in 1996, 1995 and 1994 was \$508,000, \$928,000 and \$1.2 million, respectively. Discount rates used in determining the year-end liabilities were 7.75% for 1996 and 7.25% for 1995.

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

The Company contributed \$1.9 million, \$1.6 million and \$2.3 million to the ESBP during 1996, 1995 and 1994, respectively. At December 31, 1996, the ESBP owned 4.0 million shares of Century common stock.

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

The ESOP had outstanding debt of \$3.6 million at December 31, 1996 which was applicable to shares purchased prior to 1993. Interest incurred by the ESOP on debt applicable to such shares was \$430,000, \$580,000 and \$728,000 in 1996, 1995 and 1994, respectively. The Company contributed and expensed \$2.1 million, \$2.3 million and \$1.9 million during 1996, 1995 and 1994, respectively, with respect to such shares. Dividends on unallocated ESOP shares used for debt service by the ESOP were \$189,000 in 1996, \$170,000 in 1995 and \$288,000 in 1994. ESOP shares as of December 31, 1996 and 1995 which were purchased prior to 1993 were as follows:

December 31,	1996	1995

	(In thousands)	
Allocated shares	1,445	1,338
Unreleased shares	294	490

	1,739	1,828
=====		

The Company accounts for shares purchased subsequent to December 31, 1992 in accordance with Statement of Position 93-6 ("SOP 93-6"). Accordingly, as shares are released from collateral, the Company reports compensation expense equal to the current market price of the shares and the shares become outstanding for earnings per share computations. Dividends on allocated ESOP shares are recorded as a reduction of retained earnings; dividends on unallocated ESOP shares are recorded as a reduction of debt. ESOP compensation expense applicable to shares purchased subsequent to 1992 was \$1.4 million for 1996, \$1.3 million for 1995 and \$605,000 for 1994. The fair value of unreleased ESOP shares accounted for under SOP 93-6 was \$9.7 million and \$11.2 million at December 31, 1996 and December 31, 1995, respectively. ESOP shares purchased subsequent to 1992 totaled 416,850, of which 104,200 were allocated and 312,650 were unreleased as of December 31, 1996.

Century also sponsors a qualified profit sharing plan pursuant to Section 401(k) of the Internal Revenue Code (the "401(k) Plan") which is available to substantially all employees of the Company. The Company's matching contributions to the 401(k) Plan were \$2.3 million in 1996 and \$2.4 million in 1995 and 1994.

(13) MAJOR ACQUISITION

In February 1994 the Company acquired Celutel for approximately \$106.0 million in a stock and cash transaction accounted for as a purchase. Approximately \$56.0 million of the purchase price was paid in cash, with the remainder paid through the issuance of approximately 1.9 million shares of Century common stock. At acquisition, Celutel provided cellular service to approximately 29,000 customers in five non-wireline provider systems in MSAs in Mississippi and Texas.

(14) SUPPLEMENTAL CASH FLOW DISCLOSURES

The Company paid interest of \$45.1 million, \$45.8 million and \$40.8 million during 1996, 1995 and 1994, respectively. Income taxes paid were \$64.1 million in 1996, \$62.4 million in 1995 and \$41.3 million in 1994.

Century has consummated the acquisition of various telephone and cellular operations, along with certain other assets, during the three years ended December 31, 1996. In connection with these acquisitions, the following assets were acquired, liabilities assumed, and common and preferred stock issued:

Year ended December 31,	1996	1995	1994

	(Dollars in thousands)		
Property, plant and equipment	\$ 4,963	16,949	11,301
Excess cost of net assets acquired	53,220	70,124	152,239
Investments in unconsolidated cellular entities	-	2,804	-
Notes payable	-	(14,199)	-
Long-term debt	(3,273)	(38,147)	(46,478)
Deferred credits and other liabilities	(171)	(1,880)	(5,706)
Other assets and liabilities, excluding cash and cash equivalents	8,021	3,037	(1,191)
Common stock issued	(8,458)	(16,558)	(52,311)
Preferred stock issued	(7,975)	-	(1,875)

Decrease in cash due to acquisitions	\$ 46,327	22,130	55,979
=====			

Century has consummated the disposition of various cellular operations, along with certain other assets, during the three years ended December 31, 1996. In connection with these dispositions, the following assets were sold, liabilities eliminated, assets received and gain recognized:

Year ended December 31,	1996	1995	1994

	(Dollars in thousands)		
Property, plant and equipment	\$ 900	(4,399)	(2,673)
Excess cost of net assets acquired	-	(4,494)	(3,976)
Other assets and liabilities, excluding cash and cash equivalents	(85)	(4,278)	993
Assets of cellular system	-	-	11,058
Gain on sales of assets	(815)	(6,782)	(15,877)

Increase in cash due to dispositions	\$ -	(19,953)	(10,475)
=====			

In February 1995 Century's \$115.0 million of outstanding 6% convertible debentures were converted into Century common stock by the debenture holders at a conversion price of \$25.33 per share.

(15) FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table presents the carrying amounts and estimated fair values of certain of the Company's financial instruments at December 31, 1996 and 1995.

	Carrying amount	Fair value	
(Dollars in thousands)			
December 31, 1996			

Financial assets			
Investments			
Note receivable			
(including current portion)	\$ 22,500	22,500	(1)
Marketable equity securities	\$ 8,478	7,959	(2)
Other	\$ 16,362	16,362	(1)
Financial liabilities			
Long-term debt			
(including current maturities)	\$ 645,849	649,756	(3)
Other	\$ 15,122	15,122	(1)

December 31, 1995			

Financial assets			
Investments			
Note receivable			
(including current portion)	\$ 24,167	24,167	(1)
Marketable equity securities	\$ 8,478	8,672	(2)
Other equity investment	\$ 20,000	20,000	(1)
Other	\$ 9,912	9,912	(1)
Financial liabilities			
Long-term debt			
(including current maturities)	\$ 638,229	638,383	(3)
Other	\$ 13,043	13,043	(1)

(1)	Fair value was estimated by the Company.		
(2)	Fair value was based on quoted market prices.		
(3)	Fair value was estimated by discounting the scheduled payment streams to present value based upon rates currently offered to the Company for similar debt.		

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

(16) SALES OF ASSETS

In the first quarter of 1995 the Company sold, for an aggregate of \$17.9 million cash, its ownership interests in certain non-strategic cellular Rural Service Areas ("RSAs") located primarily in western states and three Metropolitan Statistical Areas ("MSAs") in the midwest. These transactions resulted in a pre-tax gain of \$5.9 million (\$2.0 million after-tax). During the fourth quarter of 1995, the Company sold certain assets of one of its subsidiaries for \$2.0 million which resulted in a pre-tax gain of \$873,000 (\$567,000 after-tax).

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

(17) BUSINESS SEGMENTS

The Company is primarily engaged in providing traditional telephone services and mobile communications services. The Company's telephone operations are conducted in rural, suburban and small urban communities in 14 states. Approximately 87% of the Company's telephone access lines are in Wisconsin, Louisiana, Michigan, Ohio, Arkansas and Texas. The Company's cellular customers are located primarily in Michigan, Louisiana, Arkansas, Mississippi and Texas.

	Operating revenues	Depreciation and amortization	Operating income
(Dollars in thousands)			
Year ended December 31, 1996			
Telephone	\$ 451,538	95,793	155,183
Mobile communications	250,243	33,573	67,914
Other	59,561	2,655	199
Eliminations	(11,665)	-	-
Total	\$ 749,677	132,021	223,296
Year ended December 31, 1995			
Telephone	\$ 419,242	86,324	143,527
Mobile communications	197,494	25,427	57,009
Other	39,580	2,019	2,383
Eliminations	(11,476)	-	-
Total	\$ 644,840	113,770	202,919
Year ended December 31, 1994			
Telephone	\$ 391,265	73,175	137,992
Mobile communications	150,802	21,255	31,443
Other	33,272	1,283	3,371
Eliminations	(10,738)	-	-
Total	\$ 564,601	95,713	172,806

Year ended December 31,	1996	1995	1994
(Dollars in thousands)			
Operating income	\$ 223,296	202,919	172,806
Interest expense	(44,662)	(43,615)	(42,577)
Income from unconsolidated cellular entities	26,952	20,084	15,698
Gain on sales of assets	815	6,782	15,877
Minority interest	(6,675)	(8,084)	(3,377)
Other income and expense	3,916	4,982	3,111
Income before income tax expense	\$ 203,642	183,068	161,538
Capital expenditures			
Telephone	\$ 110,147	136,006	152,336
Mobile communications	\$ 83,679	41,990	39,937
Corporate and other	\$ 29,059	18,596	8,503
Identifiable assets			
Telephone	\$ 1,174,317	1,114,827	1,053,950
Mobile communications	644,587	547,260	430,777
General corporate	95,545	109,096	88,305
Other	114,056	91,238	70,221
Total assets	\$ 2,028,505	1,862,421	1,643,253

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

(18) COMMITMENTS AND CONTINGENCIES

Construction expenditures and investments in vehicles, buildings and other work equipment during 1997 are estimated to be \$102 million for telephone operations, \$67 million for mobile communications operations and \$36 million for corporate and other operations.

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

CENTURY TELEPHONE ENTERPRISES, INC.
Consolidated Quarterly Income Information

	First quarter	Second quarter	Third quarter	Fourth quarter
(Dollars in thousands, except per share amounts) (Unaudited)				
1996				
Operating revenues	\$ 175,814	186,538	193,096	194,229
Operating income	\$ 55,515	57,697	59,016	51,068
Net income	\$ 29,665	32,941	36,350	30,121
Fully diluted earnings per share	\$.50	.55	.60	.50
1995				
Operating revenues	\$ 148,779	156,815	167,304	171,942
Operating income	\$ 47,961	49,682	56,392	48,884
Net income	\$ 27,000	26,167	31,880	29,729
Fully diluted earnings per share	\$.47	.45	.54	.50

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

None.

PART III

Item 10. Directors and Executive Officers of the Registrant.

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

Name	Age	Office(s) held with Century
Clarke M. Williams	75	Chairman of the Board of Directors
Glen F. Post, III	44	Vice Chairman of the Board of Directors, President and Chief Executive Officer

David D. Cole	39	President - Mobile Communications Group
Kenneth R. Cole	49	President - Telephone Group
R. Stewart Ewing, Jr.	45	Senior Vice President and Chief Financial Officer
W. Bruce Hanks	42	Senior Vice President - Corporate Development and Strategy
Harvey P. Perry	52	Senior Vice President, General Counsel and Secretary

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

The balance of the information required by Item 10 is incorporated by reference to the Registrant's definitive proxy statement relating to its 1997 annual meeting of stockholders (the "Proxy Statement"), which Proxy Statement will be filed pursuant to Regulation 14A within 120 days after the end of the last fiscal year.

Item 11. Executive Compensation.

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

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

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

Item 13. Certain Relationships and Related Transactions.

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

PART IV

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

a. Financial Statements

(i) Consolidated Financial Statements:

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

Consolidated Statements of Income for the years ended December 31, 1996, 1995 and 1994

Consolidated Balance Sheets - December 31, 1996 and 1995

Consolidated Statements of Cash Flows for the years ended December 31, 1996, 1995 and 1994

Consolidated Statements of Stockholders' Equity for the years ended December 31, 1996, 1995 and 1994

Notes to Consolidated Financial Statements

Consolidated Quarterly Income Information (unaudited)

(ii) Schedules:*

I Condensed Financial Information of Registrant

II Valuation and Qualifying Accounts

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

b. Reports on Form 8-K.

There were no reports on Form 8-K filed during the fourth quarter of 1996.

c. Exhibits:

- 3(i) Amended and Restated Articles of Incorporation of Registrant, dated as of December 2, 1996, included elsewhere herein.
- 3(ii) Registrant's Bylaws, as amended through November 21, 1996 (incorporated by reference to Exhibit 3.2 of the Company's Registration Statement on Form S-4, Registration No. 333-17015).
- 4.1 Competitive Advance and Revolving Credit Facility Agreement, dated October 17, 1995, between Registrant and Bank One of Texas, N.A. (incorporated by reference to Exhibit 4.2 to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1995).
- 4.2 Note Purchase Agreement, dated September 1, 1989, between Registrant, Teachers Insurance and Annuity Association of America and the Lincoln National Life Insurance Company (incorporated by reference to Exhibit 4.23 to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1989).
- 4.3 Rights Agreement, dated as of August 27, 1996, between Century Telephone Enterprises, Inc. and Society National Bank, as Rights Agent, including the form of Rights Certificate (incorporated by reference to Exhibit 1 of Registrant's Current Report on Form 8-K filed August 30, 1996).
- 4.4 Form of common stock certificate of the Registrant (incorporated by reference to Exhibit 4.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1993).
- 4.5 Revolving Credit Facility Agreement, dated February 7, 1992 between Registrant and NationsBank of Texas, N.A. (incorporated by reference to Exhibit 4.24 to Registrant's Annual Report on Form 10-K for the year ended December 31, 1991), amendment thereto dated April 8, 1993 (incorporated by reference to

Exhibit 19.2 to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1993), amendment thereto dated July 9, 1993 (incorporated by reference to Exhibit 4.24 to Registrant's Annual Report on Form 10-K for the year ended December 31, 1993), amendment thereto dated August 15, 1994 (incorporated by reference to Exhibit 4.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1994) and amendment thereto dated October 5, 1995 (incorporated by reference to Exhibit 4.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1995).

- 4.6 Indenture dated as of March 31, 1994 between the Company and Regions Bank of Louisiana (formerly First American Bank & Trust of Louisiana), as Trustee (incorporated by reference to Exhibit 4.1 of the Company's Registration Statement on Form S-3, Registration No. 33-52915).
- 4.7 Resolutions designating the terms and conditions of the Company's 7-3/4% Senior Notes, Series A, due 2004 and 8-1/4% Senior Notes, Series B, due 2024 (incorporated by reference to Exhibit 4.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1994).
- 4.8 Resolutions designating the terms and conditions of the Company's 6.55% Senior Notes, Series C, due 2005 and 7.2% Senior Notes, Series D, due 2025 ("Senior Notes") (incorporated by reference to Exhibit 4.27 to Registrant's Annual Report on Form 10-K for the year ended December 31, 1995).
- 4.9 Form of Senior Notes (incorporated by reference to Exhibit 4.3 of the Company's Registration Statement on Form S-3, Registration No. 33-52915).
- 10.1 Employee Benefit Plans
 - (a) Registrant's Employee Stock Ownership Plan and Trust, as amended and restated December 30, 1994 (incorporated by reference to Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1995), amendment thereto dated January 26, 1996 (incorporated by reference to Exhibit 10.1(a) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1995) and amendment thereto dated July

15, 1996 (incorporated by reference to Exhibit 10.2 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1996).

- (b) Registrant's Stock Bonus Plan, PAYSOP and Trust, as amended and restated December 30, 1994 (incorporated by reference to Exhibit 10.2 to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1995), amendment thereto dated July 11, 1995 (incorporated by reference to Exhibit 10.4 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1995), amendment thereto dated January 26, 1996 (incorporated by reference to Exhibit 10.1(b) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1995) and amendment thereto dated July 15, 1996 (incorporated by reference to Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1996).
- (c) Registrant's Dollars & Sense Plan and Trust, as amended and restated, generally effective April 1, 1992 (incorporated by reference to Exhibit 10.7 to Registrant's Annual Report on Form 10-K for the year ended December 31, 1994) and amendment thereto dated July 15, 1996 (incorporated by reference to Exhibit 10.3 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1996).
- (d) Registrant's Restated Supplemental Executive Retirement Plan, generally effective as of November 16, 1995 (incorporated by reference to Exhibit 10.1(d) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1995) and amendment thereto dated November 21, 1996, included elsewhere herein.
- (e) Registrant's 1983 Restricted Stock Plan, dated February 21, 1984, as amended and restated as of November 16, 1995 (incorporated by reference to Exhibit 10.1(e) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1995) and amendment thereto dated November 21, 1996, included elsewhere herein.
- (f) Registrant's Key Employee Incentive Compensation Plan, dated January 1, 1984, as amended and restated as of November 16, 1995 (incorporated by

reference to Exhibit 10.1(f) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1995) and amendment thereto dated November 21, 1996, included elsewhere herein.

- (g) Registrant's 1988 Incentive Compensation Program as amended and restated August 22, 1989 (incorporated by reference to Exhibit 19.8 to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1989) and amendment thereto dated November 21, 1996, included elsewhere herein.
- (h) Form of Stock Option Agreement entered into in 1988 by the Registrant, pursuant to 1988 Incentive Compensation Program, with certain of its officers (incorporated by reference to Exhibit 10.10 to Registrant's Annual Report on Form 10-K for the year ended December 31, 1988) and amendment thereto (incorporated by reference to Exhibit 4.6 to Registrant's Registration No. 33-31314).
- (i) Registrant's 1990 Incentive Compensation Program, dated March 15, 1990 (incorporated by reference to Exhibit 19.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1990) and amendment thereto dated November 21, 1996, included elsewhere herein.
- (j) Form of Stock Option Agreement entered into in 1990 by the Registrant, pursuant to 1990 Incentive Compensation Program, with certain of its officers (incorporated by reference to Exhibit 19.3 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1990) and amendment thereto dated as of May 22, 1995 (incorporated by reference to Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1995).
- (k) Form of Stock Option Agreement entered into in 1992 by the Registrant, pursuant to 1990 Incentive Compensation Program, with certain of its officers and employees (incorporated by reference to Exhibit 10.17 to Registrant's Annual Report on Form 10-K for the year ended December 31, 1992) and amendment thereto dated as of May 22, 1995 (incorporated by

reference to Exhibit 10.2 to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1995).

- (l) Registrant's 1995 Incentive Compensation Plan approved by Registrant's shareholders on May 11, 1995 (incorporated by reference to Exhibit 4.4 to Registration No. 33-60061) and amendment thereto dated November 21, 1996, included elsewhere herein.
- (m) Form of Stock Option Agreement, pursuant to 1995 Incentive Compensation Plan and dated as of May 22, 1995, entered into by Registrant and its officers (incorporated by reference to Exhibit 10.5 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1995).
- (n) Form of Stock Option Agreement, pursuant to 1995 Incentive Compensation Plan and dated as of June 23, 1995, entered into by Registrant and certain key employees (incorporated by reference to Exhibit 10.6 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1995).
- (o) Form of Performance Share Agreement Under the 1990 Incentive Compensation Program, entered into in 1993 with certain of its officers and employees (incorporated by reference to Exhibit 28.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1993) and amendment thereto dated as of May 22, 1995 (incorporated by reference to Exhibit 10.3 to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1995).
- (p) Registrant's Restated Supplemental Defined Contribution Plan, dated as of November 16, 1995 (incorporated by reference to Exhibit 10.1(q) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1995), amendment thereto dated July 15, 1996 (incorporated by reference to Exhibit 10.4 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1996) and amendment thereto dated November 21, 1996, included elsewhere herein.

- (q) Registrant's Amended and Restated Supplemental Dollars & Sense Plan, effective as of January 1, 1995 (incorporated by reference to Exhibit 10.22 to Registrant's Annual Report on Form 10-K for the year ended December 31, 1994), amendment thereto dated July 18, 1995 (incorporated by reference to Exhibit 10.5 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1996) and amendment thereto dated November 21, 1996, included elsewhere herein.
- (r) Registrant's Amended and Restated Salary Continuation (Disability) Plan for Officers, dated November 26, 1991 (incorporated by reference to Exhibit 10.16 of Registrant's Annual Report on Form 10-K for the year ended December 31, 1991).
- (s) Registrant's Restated Outside Directors' Retirement Plan, dated as of November 16, 1995 (incorporated by reference to Exhibit 10.1(t) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1995).
- (t) Registrant's Restated Deferred Compensation Plan for Outside Directors, dated as of November 16, 1995 (incorporated by reference to Exhibit 10.1(u) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1995).

10.2 Employment, Severance and Related Agreements

- (a) Employment Agreement, dated May 24, 1993, by and between Clarke M. Williams and Registrant (incorporated by reference to Exhibit 19.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1993) and amendment thereto dated as of February 27, 1996 (incorporated by reference to Exhibit 10.2(a) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1995).
- (b) Form of Amended and Restated Severance Agreement, by and between Registrant and each of its executive officers other than Clarke M. Williams, dated as of November 16, 1995 (incorporated by reference to Exhibit

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

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

10.3 Other Agreement

- (a) Loan Agreement and Grant of Rights of First Refusal to Acquire Assets and/or Capital Stock of MillTenn, Inc. and its Subsidiaries (incorporated by reference to Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1994).

- 11 Computations of Earnings Per Share, included elsewhere herein.
- 21 Subsidiaries of the Registrant, included elsewhere herein.
- 23 Independent Auditors' Consent, included elsewhere herein.
- 27 Financial Data Schedule, included elsewhere herein.

SIGNATURES

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

CENTURY TELEPHONE ENTERPRISES, INC.

Date: March 17, 1997

By: /s/ Clarke M. Williams

Clarke M. Williams
Chairman of the Board

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

/s/ Clarke M. Williams	Chairman of the Board	March 17, 1997
- -----	of Directors	
Clarke M. Williams		

Vice Chairman of the

/s/ Glen F. Post, III	Board of Directors,	March 17, 1997
- -----	President, and Chief	
Glen F. Post, III	Executive Officer	

/s/ R. Stewart Ewing, Jr.	Senior Vice President	March 17, 1997
- -----	and Chief Financial	
R. Stewart Ewing, Jr.	Officer	

/s/ Harvey P. Perry	Senior Vice President,	March 17, 1997
- -----	General Counsel,	
Harvey P. Perry	Secretary and Director	

/s/ W. Bruce Hanks	Senior Vice President -	March 17, 1997
- -----	Corporate Development	
W. Bruce Hanks	and Strategy and Director	

/s/ Murray H. Greer	Controller (Principal	March 17, 1997
- -----	Accounting Officer)	
Murray H. Greer		

/s/ William R. Boles, Jr.	Director	March 17, 1997
- -----		
William R. Boles, Jr.		

/s/ Virginia Boulet	Director	March 17, 1997
- -----		
Virginia Boulet		

/s/ Ernest Butler, Jr. ----- Ernest Butler, Jr.	Director	March 17, 1997
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----- Director Calvin Czeschin

/s/ James B. Gardner ----- James B. Gardner	Director	March 17, 1997
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/s/ R. L. Hargrove, Jr. ----- R. L. Hargrove, Jr.	Director	March 17, 1997
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/s/ Johnny Hebert ----- Johnny Hebert	Director	March 17, 1997
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/s/ F. Earl Hogan ----- F. Earl Hogan	Director	March 17, 1997
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/s/ C. G. Melville, Jr. ----- C. G. Melville, Jr.	Director	March 17, 1997
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/s/ Jim D. Reppond ----- Jim D. Reppond	Director	March 17, 1997
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SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT
CENTURY TELEPHONE ENTERPRISES, INC.
(Parent Company)

STATEMENTS OF INCOME

	Year ended December 31,		
	1996	1995	1994
	(Dollars in thousands)		
REVENUES	\$ 6,520	5,608	6,190
EXPENSES			
Operating expenses	6,071	5,165	5,400
Depreciation and amortization	7,286	6,860	6,603
Total expenses	13,357	12,025	12,003
OPERATING LOSS	(6,837)	(6,417)	(5,813)
OTHER INCOME (EXPENSE)			
Loss on investment	(1,100)	-	-
Interest expense	(36,709)	(37,467)	(34,463)
Interest income	28,884	30,930	24,088
Total other income (expense)	(8,925)	(6,537)	(10,375)
LOSS BEFORE INCOME TAXES AND EQUITY IN SUBSIDIARIES' EARNINGS	(15,762)	(12,954)	(16,188)
Income tax benefit	4,467	3,769	3,205
LOSS BEFORE EQUITY IN SUBSIDIARIES' EARNINGS	(11,295)	(9,185)	(12,983)
Equity in subsidiaries' earnings	140,372	123,961	113,221
NET INCOME	\$ 129,077	114,776	100,238
=====			

See accompanying notes to condensed financial information of registrant.

SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT
(continued)

CENTURY TELEPHONE ENTERPRISES, INC.
(Parent Company)

BALANCE SHEETS

	December 31,	
	1996	1995
	(Dollars in thousands)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,055	1,616
Receivables from subsidiaries	99,506	94,217
Other receivables	12,527	9,888
Prepayments and other	1,711	1,854
Total current assets	114,799	107,575
PROPERTY, PLANT AND EQUIPMENT		
Property and equipment	1,028	983
Accumulated depreciation	(651)	(583)
Net property, plant and equipment	377	400
INVESTMENTS AND OTHER ASSETS		
Investments in subsidiaries (at equity)	1,348,986	1,166,186
Receivables from subsidiaries	183,333	139,631
Other investments	37,570	50,620
Note receivable	20,833	22,500
Deferred charges	4,916	5,010
Total investments and other assets	1,595,638	1,383,947
TOTAL ASSETS	\$ 1,710,814	1,491,922
=====		
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 5,122	5,516
Payables to subsidiaries	202,467	143,793
Accrued interest	3,784	4,424
Other accrued liabilities	7,336	4,377
Total current liabilities	218,709	158,110
LONG-TERM DEBT	394,675	392,018
PAYABLES TO SUBSIDIARIES	47,618	35,684
DEFERRED CREDITS AND OTHER LIABILITIES	21,659	17,686
STOCKHOLDERS' EQUITY		
Common stock, \$1.00 par value, authorized 175,000,000 shares, issued and outstanding 59,858,540 and 59,113,670 shares	59,859	59,114
Paid-in capital	474,607	453,584
Retained earnings	494,726	387,424
Unearned ESOP shares	(11,080)	(13,960)
Preferred stock - non-redeemable	10,041	2,262
Total stockholders' equity	1,028,153	888,424
TOTAL LIABILITIES AND EQUITY	\$ 1,710,814	1,491,922
=====		

See accompanying notes to condensed financial information of registrant.

SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT
(Continued)

CENTURY TELEPHONE ENTERPRISES, INC.
(Parent Company)

STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	1996	1995	1994
	(Dollars in thousands)		
OPERATING ACTIVITIES			
Net income	\$ 129,077	114,776	100,238
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	7,286	6,860	6,603
Deferred income taxes	2,934	4,241	5,918
Earnings of subsidiaries	(140,372)	(123,961)	(113,221)
Loss on investment in unconsolidated personal communications services entity	1,100	-	-
Changes in current assets and current liabilities:			
(Increase) decrease in other receivables	(2,639)	(8,947)	7,078
Increase (decrease) in other accrued liabilities	329	(3,409)	5,063
Changes in other current assets and other current liabilities, net	3,998	(4,377)	6,014
Other, net	2,197	1,558	766
Net cash provided by (used in) operating activities	3,910	(13,259)	18,459
INVESTING ACTIVITIES			
Acquisitions	(46,327)	(22,130)	(55,979)
Capital contributions to subsidiaries	(20,179)	(53,050)	(47,516)
Dividends received from subsidiaries	473	52,423	3,841
(Increase) decrease in receivables from subsidiaries	(45,945)	71,203	(98,917)
Increase (decrease) in payables to subsidiaries	97,908	(10,271)	70,512
Investment in unconsolidated personal communications services entity	18,900	(20,000)	-
Note receivable	1,667	833	(25,000)
Other, net	(4,425)	(2,546)	(3,292)
Net cash provided by (used in) investing activities	2,072	16,462	(156,351)
FINANCING ACTIVITIES			
Proceeds from issuance of long-term debt	47,500	171,046	147,754
Payments of long-term debt	(42,357)	(4,901)	(4,870)
Notes payable, net	-	(158,000)	7,500
Proceeds from issuance of common stock	10,089	6,522	4,814
Cash dividends paid	(21,775)	(19,351)	(17,184)
Net cash provided by (used in) financing activities	(6,543)	(4,684)	138,014
Net increase (decrease) in cash and cash equivalents	(561)	(1,481)	122
Cash and cash equivalents at beginning of year	1,616	3,097	2,975
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,055	1,616	3,097

See accompanying notes to condensed financial information of registrant.

SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT
(continued)

CENTURY TELEPHONE ENTERPRISES, INC.
(Parent Company)

NOTES TO CONDENSED FINANCIAL INFORMATION OF REGISTRANT

(A) LONG-TERM DEBT

The approximate annual debt maturities (including sinking fund requirements) for the five years subsequent to December 31, 1996 are as follows:

1997 -	\$	5.1 million
1998 -	\$	4.7 million
1999 -	\$	4.3 million
2000 -	\$	67.7 million
2001 -	\$	5.1 million

(B) GUARANTEES

As of December 31, 1996, Century has guaranteed a promissory note for a subsidiary of \$2.4 million, as well as the applicable interest and premium. Century has also guaranteed \$795,000 in Industrial Development Revenue Bonds originally issued by a subsidiary; such bonds were assumed by the purchaser of the subsidiary's assets.

(C) DIVIDENDS FROM SUBSIDIARIES

Dividends paid to Century by consolidated subsidiaries were \$472,800, \$52.4 million and \$3.8 million during 1996, 1995 and 1994, respectively.

(D) INCOME TAXES AND INTEREST PAID

Income taxes paid by Century (including amounts reimbursed from subsidiaries) were \$56.0 million, \$56.9 million and \$35.0 million during 1996, 1995 and 1994, respectively.

Interest paid by Century was \$37.3 million, \$40.4 million and \$32.0 million during 1996, 1995 and 1994, respectively.

(E) AFFILIATED TRANSACTIONS

Century provides and bills management services to subsidiaries and in certain instances makes interest bearing advances to finance construction of plant and purchases of equipment. Century recorded intercompany interest income of \$26.4 million, \$28.2 million and \$22.2 million in 1996, 1995 and 1994, respectively.

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

For the years ended December 31, 1996, 1995 and 1994

Description	Balance at beginning of period	Additions charged to costs and expenses	Deductions from allowance(1)	Other changes(2)	Balance at end of period

(Dollars in thousands)					
Year ended					
December 31, 1996					
Allowance for					
doubtful accounts	\$ 2,768	10,155	(9,662)	66	3,327
Year ended					
December 31, 1995					
Allowance for					
doubtful accounts	\$ 2,360	7,200	(6,946)	154	2,768
Year ended					
December 31, 1994					
Allowance for					
doubtful accounts	\$ 1,473	4,748	(4,139)	278	2,360

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

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

Exhibit 3(i)

AMENDED AND RESTATED

**ARTICLES OF INCORPORATION
OF
CENTURY TELEPHONE ENTERPRISES, INC.**

Century Telephone Enterprises, Inc., a Louisiana corporation (the "Corporation"), through its undersigned President and Secretary and by authority of its Board of Directors, does hereby certify as of December 2, 1996 that:

FIRST: The Amended and Restated Articles of Incorporation set forth in Paragraph Fifth below accurately set forth the articles of incorporation of the Corporation and all amendments thereto in effect on the date hereof, including the changes made in the manner described in Paragraph Fourth below.

SECOND: All such amendments have been effected in conformity with law.

THIRD: The date of incorporation of the Corporation was April 30, 1968, and the date of these Amended and Restated Articles of Incorporation is December 2, 1996.

FOURTH: On November 21, 1996, the Board of Directors of the Corporation, at a duly-convened regular meeting of the Board of Directors, unanimously adopted resolutions to amend the Corporation's articles of incorporation to (i) delete paragraphs E and H of Article III, which heretofore set forth the terms of the Corporation's Series A and Series AA preferred stock, (ii) delete all references to the Corporation's Series A and Series AA preferred stock, (iii) amend Article III (F)(2) [heretofore numbered Article III(G)(2)] to clarify the ranking of the Series K preferred stock, and (iv) renumber the Articles to reflect the deleted sections. At such meeting, the Board of Directors also unanimously adopted resolutions to restate the articles of incorporation.

FIFTH: The Amended and Restated Articles of Incorporation of the Corporation are as follows:

ARTICLE I

Name

The name of this Corporation is Century Telephone Enterprises, Inc.

ARTICLE II

Purpose

The purpose of the Corporation is to engage in any lawful activity for which corporations may be formed under the Business Corporation Law of Louisiana.

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. (1) The Preferred Stock may be issued from time to time in one or more series.

(2) In respect to any series of Preferred Stock, the Board of Directors is hereby authorized to fix or alter the dividend rights, dividend rates, conversion rights, voting rights, rights and terms of redemption (including sinking fund provisions), the redemption price or prices, and the liquidation preferences of any wholly unissued series of Preferred Stock, and the number of shares constituting any such series and the designation thereof, or any of them; and to increase or decrease the number of shares of any series subsequent to the issue of shares of that series, but not below the number of shares of such series then outstanding. In case the number of shares of any series shall be so decreased, the shares constituting such decrease shall resume the status which they had prior to the adoption of the resolution originally fixing the number of shares of such series. In addition thereto the Board of Directors shall have such other powers with respect to the Preferred Stock and any series thereof as shall be permitted by applicable law.

(3) No full dividend for any quarterly dividend period may be declared or paid on shares of any series of Preferred Stock unless the full dividend for that period shall be concurrently declared or paid on all series of Preferred Stock outstanding in accordance with the terms of each

series. If there are any accumulated dividends accrued or in arrears on any share of any series of Preferred Stock those dividends shall be paid in full before any full dividend shall be paid on any other series of Preferred Stock. If less than a full dividend is to be paid, the amount of the dividend to be distributed shall be divided among the shares of Preferred Stock for which dividends are accrued or in arrears in proportion to the aggregate amounts which would be distributable to those holders of Preferred Stock if full cumulative dividends had previously been paid thereon in accordance with the terms of each series.

C. VOTING RIGHTS. (1) Each share of Common Stock and each outstanding share of the Series 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 holders of Common Stock and voting shares of 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 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.

E. SERIES H PREFERRED STOCK. The Corporation's Preferred Stock, Series H ("Series H Shares"), shall consist of 20,000 shares of Preferred Stock.

(1) Holders of the outstanding Series H Shares shall be entitled to one vote per share thereof, voting with holders of shares of Common Stock and with holders of other voting shares of Preferred Stock as a single class, except as to those matters on which holders of Preferred Stock or a particular series thereof are required by applicable law to vote separately; and shall be entitled to receive, out of any funds legally available therefor, dividends at the rate of 7% per annum of the part value thereof, and no more, payable in cash quarterly on the last day of March, June, September, and December in each year, commencing 1975, when and as declared by the Board of Directors of the Corporation. Dividends shall accrue on each share of Series H from the date of its original issuance and shall accrue from day to day, whether or not earned or declared. Dividends shall be cumulative so that if dividends in respect of any previously quarterly dividend period at the prescribed rate per annum shall not have been paid on or declared and set apart for all Series H Shares at the time outstanding, the deficiency shall be fully paid on or declared and set apart for said

shares before any dividend or other distribution shall be paid on or declared or set apart for shares of Common Stock.

(2) In the event of a liquidation, dissolution or winding up of this Corporation, the holders of Series H Shares shall be entitled to receive, pro rata with all other holders of Preferred Stock of whatever series, to the extent available out of the assets of this Corporation, whether such assets are capital or surplus of any nature, an amount equal to the par value of such Preferred Stock, and in addition thereto, a further amount equal to the dividends unpaid and accumulated thereon, to the date that payment is earned or declared or not, and no more, before any payment shall be made or any assets distributed to the holders of Common Stock. A consolidation or merger of this Corporation with or into any other corporation or corporations, or a sale of all or substantially all of the assets of the Corporation, shall not be deemed to be a liquidation, dissolution or winding up, within the meaning of this paragraph.

(3) The holders of Series H Shares shall have conversion rights as follows:

(a) The Series H Shares shall be convertible, at the option of the respective holders thereof, at the office of the Corporation or any transfer agent for such shares, into fully paid and non-assessable shares (calculated to the nearest whole share, fractions of a share being disregarded) of Common Stock of the Corporation, at the conversion rate of one and twelve thirteenths (1-12/13ths) shares of Common Stock for each Series H Share converted. Such conversion rate shall be subject to adjustment from time to time in certain instances, as hereinafter provided. The Corporation shall make no payment or adjustment on account of any dividends accrued on the Series H Shares surrendered for conversion.

(b) Before any holder of Series H Shares shall be entitled to convert the same in Common Stock, he shall surrender the certificate or certificates therefor, duly endorsed, at the office of the Corporation or of any transfer agent for the Series H Shares, and shall give written notice to the Corporation at such office that he elects to convert the same and shall state in writing therein the name or names in which he wishes the certificate or certificates for Common Stock to be issued. The Corporation shall, as soon as practicable thereafter, issue and deliver at such office to such holder of Series H Shares, or to his nominee or nominees, certificates for the number of full shares of Common Stock to which he shall be entitled, as aforesaid. Such conversion shall be deemed to have been made as of the date of surrender of the Series H Shares to be converted, and the person or persons entitled to receive the Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of that Common Stock on said date.

(c) In case the Corporation shall at any time subdivide the outstanding shares of Common Stock, or shall issue as a dividend on Common Stock such number of shares of Common Stock as shall equal 10% or more of the number of shares of Common Stock outstanding immediately prior to the issuance of such dividend, the conversion price

in effect immediately prior to such subdivision or the issuance of such dividend shall be proportionately decreased, and in case the Corporation shall at any time combine the outstanding shares of Common Stock, the conversion price in effect immediately prior to such combination shall be proportionately increased, effective at the close of business on the date of such subdivision, dividend or combination, as the case may be.

(d) No fractional shares of Common Stock shall be issued upon the conversion of Series H Shares. If any fractional interest in a share of Common Stock would, except for the provisions of this paragraph (d), be deliverable upon conversion hereunder, the Corporation shall adjust such fractional interest by rounding off said fractional interest to the nearest whole number of shares of Common Stock.

(e) Whenever the conversion is adjusted, as herein provided, the Corporation shall forthwith maintain at its office and file with the transfer agents for Series H Shares, if any, a statement signed by the Chairman of the Board, or the President, or a Vice President of the Corporation, and by its Treasurer or an Assistant Treasurer, showing in detail the facts requiring such adjustment and the conversion price after such adjustment. Such transfer agent shall be under no duty or responsibility with respect to any such statement except to exhibit the same from time to time to any holder of Series H Shares desiring an inspection thereof.

(f) In case of any capital reorganization or any reclassification of the capital stock of the Corporation or in case of the consolidation or merger of the Corporation with or into another corporation or the conveyance of all or substantially all of the assets of the Corporation to another corporation, each Series H Share shall thereafter be convertible into the number of shares of stock or other securities or property to which a holder of the number of shares of Common Stock of the Corporation deliverable upon conversion of such Series H Shares would have been entitled upon such reorganization, reclassification, consolidation, merger or conveyance; and, in any such case, appropriate adjustment (as determined by the Board of Directors) shall be made in the application of the provisions herein set forth with respect to the rights and interests thereafter of the holders of the Series H Shares, to the end that the provisions set forth herein (including provisions with respect to changes in and other adjustments of the conversion price) shall thereafter be applicable, as nearly as reasonably may be, in relation to any shares of stock or other property thereafter deliverable upon the conversion of the Series H Shares.

(g) In case:

1. the Corporation shall take a record of the holders of its Common Stock for the purpose of entitling them to receive a dividend, or any other distribution, payable otherwise than in cash; or

2. the Corporation shall take a record of the holders of its Common Stock for the purpose of entitling them to subscribe for or purchase any shares of stock of any class or to receive any other rights; or

3. of any capital reorganization of the Corporation, reclassification of the capital stock of the Corporation (other than a subdivision or combination of its outstanding shares of Common Stock), consolidation or merger of the Corporation with or into another corporation, or conveyance of all or substantially all of the assets of the Corporation to another corporation; or

4. of the voluntary or involuntary dissolution, liquidation or winding up of the Corporation; then, and in any such case, the Corporation shall cause to be mailed to the holders of record of the outstanding Series H Shares, at least 10 days prior to the date hereinafter specified, a notice stating the date on which (i) a record is to be taken for the purpose of such dividend, distribution, or rights, or (ii) such reclassification, reorganization, consolidation, merger, conveyance, dissolution, liquidation or winding up is to take place and the date, if any is to be fixed, as of which holders of Common Stock of record shall be entitled to exchange their shares of Common Stock for securities or other property deliverable upon such reclassification, reorganization, consolidation, merger, conveyance, dissolution, liquidation or winding up.

(h) The Corporation shall at all times reserve and keep available, out of its authorized but unissued Common Stock, solely for the purpose of effecting the conversion of the Series H Shares, the full number of shares of Common Stock deliverable upon the conversion of all Series H Shares from time to time outstanding.

(i) The Corporation shall pay any and all issue and other taxes that may be payable in respect to any issue or delivery of shares of Common Stock or conversion of Series H Shares pursuant hereto. The Corporation shall not, however, be required to pay any tax which may be payable in respect of any transfer involved in the issue and delivery of shares of Common Stock in a name other than that in which the Series H Shares so converted were registered, and no such issue or delivery shall be made unless and until the person requesting such issue has paid to the Corporation the amount of any such tax, or has established, to the satisfaction of the Corporation, that such tax has been paid.

(j) All certificates of the Series H Shares surrendered for conversion shall be appropriately cancelled on the books of the Corporation, and the shares so converted represented by such certificates shall be restored to the status of authorized but unissued Preferred Stock of the Corporation without designation as to series.

F. SERIES K PREFERRED STOCK. The Corporation's 5% Cumulative Convertible Series K Preferred Stock ("Series K Shares") shall consist of 75,000 shares of Preferred Stock having the preferences, limitations and relative rights set forth below.

(1) Holders of the Series K Shares shall be entitled to cast one vote per share, voting with holders of shares of Common Stock and with holders of other series of voting preferred stock as a single class on any matter to come before a meeting of the shareholders, except with respect to the casting of ballots on those matters as to which holders of Preferred Stock or a particular series thereof are required by law to vote separately.

(2) The Series K Shares shall, with respect to dividend rights and rights upon liquidation, dissolution and winding up, rank prior to the Common Stock and pari passu with respect to the Series H Shares and Series L Shares. All equity securities of the Corporation as to which the Series K Shares rank prior, whether with respect to dividends or upon liquidation, dissolution or winding-up or otherwise, including the Common Stock, are collectively referred to herein as the "Junior Securities"; all equity securities of the Corporation as to which the Series K Shares rank pari passu, including the Series H Shares and Series L Shares, are collectively referred to herein as the "Parity Securities"; and all other equity securities of the Corporation (other than convertible debt securities) as to which the Series K Shares ranks junior are collectively referred to herein as the "Senior Securities." The preferences, limitations and relative rights of the Series K Shares shall be subject to the preferences, limitations and relative rights of any Junior Securities, Parity Securities or Senior Securities issued after the Series K Shares.

(3) The holders of Series K Shares shall have the following dividend rights:

(a) The holders of record of the Series K Shares shall be entitled to receive, when, as and if declared by the Board of Directors out of funds of the Corporation legally available therefor, an annual cash dividend of \$1.25 on each Series K Share, payable quarterly on each March 31, June 30, September 30 and December 31 on which any Series K Shares shall be outstanding (each a "Dividend Due Date"), commencing on the last day of the calendar quarter in which a wholly-owned subsidiary of the Corporation merges with and into Kingsley Telephone Company. Dividends on each Series K Share shall accrue and be cumulative from and after the date of issuance of such Series K Share and dividends payable for any partial quarterly period shall be calculated on the basis of a year of 360 days consisting of twelve 30-day months. Dividends shall be payable to the holders of record as they appear on the Corporation's stock transfer books at the close of business on the record date for such payment, which the Board of Directors shall fix not more than 60 days or less than 10 days preceding a Dividend Due Date. Holders of the Series K Shares shall not be entitled to any dividends, whether paid in cash, property or stock, in excess of the cumulative dividends as provided in this paragraph (a) and shall not be entitled to any interest thereon.

(b) Unless all cumulative dividends accrued on the Series K Shares have been or contemporaneously are declared and paid or declared and a sum set apart sufficient

for such payment through the most recent Dividend Payment Date, then (i) except as provided in the last sentence of this paragraph, no dividend or other distribution shall be declared or paid or set apart for payment on any Parity Securities, (ii) no dividend or other distribution shall be declared or paid or set aside for payment upon the Junior Securities (other than a dividend or distribution paid in shares of, or warrants, rights or options exercisable for or convertible into, Junior Securities) and (iii) no Junior Securities shall be redeemed, purchased or otherwise acquired for any consideration, nor shall any monies be paid to or made available for a sinking fund for the redemption of any Junior Securities, except by conversion of Junior Securities into, or by exchange of Junior Securities for, other Junior Securities. If accrued dividends are not paid or set apart with respect to the Series K Shares and all other Parity Securities in full, all dividends declared with respect to such securities shall be declared pro rata on a share-by-share basis among all Series K Shares and Parity Securities outstanding at the time.

(4) The holders of Series K Shares shall have the following conversion rights:

(a) Subject to the rights of the Corporation specified in paragraph (b) below, each Series K Share shall be convertible, at any time, at the option of the holder thereof into that number of fully paid and nonassessable shares of the Common Stock obtained by dividing \$25.00 by the Conversion Price then in effect under the terms of this subsection (4). Unless and until changed in accordance with the terms of this subsection (4), the Conversion Price shall be \$25.33. In order for a holder of the Series K Shares to effect such conversion, the holder shall deliver to Society Shareholder Services, Inc., Dallas Texas, or such other agent as may be designated by the Board of Directors as the transfer agent for the Series K Shares (the "Transfer Agent"), the certificates representing such shares in accordance with paragraph (c) below accompanied by written notice jointly addressed to the Corporation and the Transfer Agent that the holder thereof elects to convert such shares or a specified portion thereof. Each conversion shall be deemed to have been effected immediately prior to the close of business on the date on which the certificates representing the Series K Shares being converted shall have been delivered to the Transfer Agent in accordance with each term and condition of paragraph (c) below, accompanied by the written notice jointly addressed to the Corporation and the Transfer Agent of such conversion (the "Optional Conversion Date"), and the person or persons in whose names any certificate or certificates for shares of Common Stock shall be issuable upon such conversion shall be deemed to have become the holder or holders of record of the Common Stock represented thereby at such time. As of the close of business on the Optional Conversion Date, the Series K Shares shall be deemed to cease to be outstanding and all rights of any holder thereof shall be extinguished except for the rights arising under the Common Stock issued in exchange therefor and the right to receive accrued and unpaid dividends on such Series K Shares through the Optional Conversion Date on the terms specified in paragraph (d) below.

(b) At any time after July 1, 1997, the Corporation, at its option, shall be entitled to convert, in whole but not in part, each outstanding Series K Share into that

number of fully paid and nonassessable shares of Common Stock obtained by dividing \$25.00 by the Conversion Price then in effect. In order to effect such conversion, the Corporation shall mail notice to each record holder of the Series K Shares at least 30 but not more than 60 days prior to the date fixed for such conversion (the "Mandatory Conversion Date" and together with the Optional Conversion Date, the "Conversion Date"). Each notice shall specify the Mandatory Conversion Date and the Conversion Price then in effect. Any notice mailed in such manner shall be conclusively deemed to have been duly given regardless of whether such notice is in fact received. Upon receipt of such notice, the holder of Series K Shares shall promptly surrender to the Transfer Agent in accordance with paragraph (c) below the certificate representing the converted Series K Shares. In order to facilitate the conversion of the Series K Shares, the Board of Directors may fix a record date for the determination of the holders of the Series K Shares, which shall not be more than 60 days prior to the Mandatory Conversion Date. As of the close of business on the Mandatory Conversion Date, the Series K Shares shall be deemed to cease to be outstanding and all rights of any holder thereof shall be extinguished except for the rights arising under the Common Stock issued in exchange therefore and the right to receive accrued and unpaid dividends on such Series K Shares through the Mandatory Conversion Date on the terms specified in paragraph (d) below; provided, however, that no certificates representing such Common Stock shall be issued and no dividends or other distributions shall be payable with respect to such Common Stock, until the certificates representing the Series K Shares have been surrendered to the Transfer Agent in accordance with paragraph (c) below.

(c) In connection with surrendering to the Transfer Agent the certificates representing (or formerly representing) Series K Shares, the holder shall furnish the Transfer Agent with transfer instruments satisfactory to the Corporation and sufficient to transfer the Series K Shares being converted to the Corporation free of any adverse interest or claims. As promptly as practicable after the surrender of the Series K Shares in accordance with this paragraph and any other requirement under this subsection (4), the Corporation, acting directly or through the Transfer Agent, shall issue and deliver to such holder certificates for the number of whole shares of Common Stock issuable upon the conversion of such shares in accordance with the provisions hereof (along with any interest payment specified in paragraph (a) or (b) above and cash payment in lieu of fractional shares specified in paragraph (e) below). Certificates will be issued for the balance of any remaining Series K Shares in any case in which fewer than all of the Series K Shares are converted. Any conversion under paragraph (a) or (b) shall be effected at the Conversion Price in effect on the Conversion Date.

(d) If the Conversion Date with respect to any Series K Share occurs after any record date with respect to the payment of a dividend on the Series K Shares (the "Dividend Record Date") and on or prior to the Dividend Due Date, then (i) the dividend due on such Dividend Due Date shall be payable to the holder of record of such share as of the Dividend Record Date and (ii) the dividend that accrues from the close of business on the Dividend Record Date through the Conversion Date shall be payable to the holder of record

of such share as of the Conversion Date. Except as provided in this subsection (4), no payment or adjustment shall be made in connection with any conversion on account of any dividends accrued on Series K Shares surrendered for conversion or on account of any dividends on the Common Stock issued upon conversion.

(e) No fractional interest in a share of Common Stock shall be issued by the Corporation upon the conversion of any Series K Share. In lieu of any such fractional interest, the holder that would otherwise be entitled to such fractional interest shall receive a cash payment (computed to the nearest cent) equal to such fraction multiplied by the market value of a share of Common Stock, which shall be deemed to equal the last reported per share sale price of Common Stock on the New York Stock Exchange ("NYSE") (or, if the Common Stock is not then traded on the NYSE, then the last reported per share sale price on such other national securities exchange on which the Common Stock is listed or admitted to trading or, if not then listed or admitted to trading on any national securities exchange, then the last quoted bid price in the over-the-counter market as reported by the National Association of Securities Dealers, Inc. Automated Quotation System ("NASDAQ"), or any similar system of automated dissemination of securities prices) on the Trading Day (as defined below) immediately prior to the Conversion Date. As used in this subsection (4), the term "Trading Day" means (i) if the Common Stock is listed or admitted for trading on any national securities exchange, days on which such national securities exchange is open for business, or (ii) if the Common Stock is not so listed or admitted for trading but is quoted by NASDAQ or any similar system of automated dissemination of quotations of securities prices, days on which trades may be made on such system.

(f) The Conversion Price shall be adjusted from time to time as follows:

1. If the Corporation shall pay or make a dividend or other distribution on any class of capital stock of the Company in the form of Common Stock, then the Conversion Price in effect at the opening of business on the day following the date fixed for the determination of shareholders entitled to receive such dividend or other distribution shall be reduced by multiplying such Conversion Price by a fraction the numerator of which shall be the number of shares of Common Stock outstanding at the close of business on the date fixed for such determination and the denominator of which shall be the aggregate number of shares of Common Stock that would be outstanding if such dividend or other distribution were effected as of such date. For the purposes of this subparagraph (1), the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Corporation.

2. If the Corporation shall issue rights, warrants or other securities convertible into Common Stock to all holders of its Common Stock entitling them to subscribe for or purchase shares of Common Stock at a price per share less than the current market price per share (determined as provided in

subparagraph (6) below) of the Common Stock on the date fixed for the determination of shareholders entitled to receive such rights, warrants or convertible securities, then the Conversion Price in effect at the opening of business on the day following the date fixed for such determination shall be reduced by multiplying such Conversion Price by a fraction the numerator of which shall be the number of shares of Common Stock outstanding at the close of business on the date fixed for such determination plus the number of shares of Common Stock that the aggregate of the offering price of the total number of shares of Common Stock so offered for subscription or purchase would purchase at such current market price and the denominator of which shall be the number of shares of Common Stock outstanding at the close of business on the date fixed for such determination plus the number of shares of Common Stock so offered for subscription or purchase. For the purposes of this subparagraph (2), the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Corporation.

3. If the outstanding shares of Common Stock shall be subdivided into a greater number of shares of Common Stock, then the Conversion Price in effect at the opening of business on the day following the day upon which such subdivision becomes effective shall be reduced proportionately in the manner provided in subparagraph (1) above, and, conversely, if the outstanding shares of Common Stock shall each be combined into a smaller number of shares of Common Stock, then the Conversion Price in effect at the opening of business on the day following the day upon which such combination becomes effective shall be proportionately increased.

4. If the Corporation shall, by dividend or otherwise, distribute to all holders of its Common Stock evidences of its indebtedness or cash or other assets (excluding any dividend or distribution referred to in subparagraph (1) above, any rights, warrants or convertible securities referred to in subparagraph (2) above, and any dividend payable solely in cash from the earnings of the Corporation), then in each case the Conversion Price shall be adjusted so that the Conversion Price shall equal the price determined by multiplying the Conversion Price in effect immediately prior to the close of business on the record date for the determination of holders of Common Stock entitled to receive such distribution by a fraction the numerator of which shall be the current market price per share (determined as provided in subparagraph (6) below) of the Common Stock on such record date less the then fair market value per share (determined solely by the Board of Directors and described in a statement filed with the Transfer Agent) of the cash or other assets or evidences of indebtedness so distributed (and for which an adjustment to the Conversion Price has not previously been made pursuant to the terms of this paragraph (f)) applicable to one share of Common Stock and the denominator of which shall be such current market price per share of the Common Stock.

5. The reclassification of Common Stock into securities, including securities other than Common Stock (other than any reclassification upon a consolidation, merger or statutory share exchange to which subparagraph (9) below applies), shall be deemed to involve (A) a distribution of such securities other than Common Stock to all holders of Common Stock and the effective date of such reclassification shall be deemed to be "the date fixed for the determination of shareholders entitled to receive such distribution" and "the date fixed for such determination" within the meaning of subparagraph (2) above, and (B) a subdivision or combination, as the case may be, of the number of shares of Common Stock outstanding immediately prior to such reclassification into the number of shares of Common Stock outstanding immediately thereafter and the effective date of such reclassification shall be deemed to be "the day upon which such subdivision becomes effective" or "the day upon which such combination becomes effective," as the case may be, and "the day upon which such subdivision or combination becomes effective" within the meaning of subparagraph (3) above.

6. For the purpose of any computation under subparagraphs (2) and (4) above, the current market price per share of Common Stock on any day shall be deemed to be the average of the last reported sale price for the 20 consecutive Trading Days selected by the Board of Directors commencing no more than 30 Trading Days before and ending no later than the day before the day in question on the NYSE (or, if the Common Stock is not then traded on the NYSE, then the last reported sale price on such other national securities exchange on which the Common Stock is listed or admitted to trading or, if not then listed or admitted to trading on any national securities exchange, then the last quoted bid price in the over-the-counter market as reported by NASDAQ or any similar system of automated dissemination of securities prices).

7. No adjustment in the Conversion Price shall be required unless such adjustment would require an increase or decrease of at least 1% of such price; provided, however, that any adjustments which by reason of this subparagraph (7) are not required to be made shall be carried forward and taken into account in any subsequent adjustment and provided, further, that any adjustment shall be made in accordance with the provisions of this paragraph (f) (other than this subparagraph (7)) not later than such time as may be required in order to preserve the tax-free nature of a distribution to the holders of shares of Common Stock. Anything in this subparagraph (7) to the contrary notwithstanding, the Corporation shall be entitled to make such reductions in the Conversion Price, in addition to those required by this paragraph (f), as it in its discretion shall determine to be advisable in order that any stock dividend, subdivision or combination of shares, distribution of capital stock or rights or warrants to purchase stock or securities, or distribution of evidences of indebtedness or assets (other than cash dividends or distributions paid from retained earnings) hereafter made by the Corporation to its shareholders be a tax-free

distribution for federal income tax purposes. All calculations shall be made to the nearest cent.

8. Whenever the Conversion Price is adjusted as herein provided, the Corporation shall promptly deliver to the Transfer Agent an officer's certificate setting forth the Conversion Price after such adjustment and setting forth a brief statement of the facts requiring such adjustment, which certificate shall constitute conclusive evidence, absent manifest error, of the correctness of such adjustment. Promptly after delivery of such certificate, the Corporation shall prepare and mail a notice to each holder of Series K Shares at each such holder's last address as the same appears on the books of the Corporation, which notice shall set forth the Conversion Price and a brief statement of the facts requiring the adjustment.

9. If the Corporation shall be a party to any transaction, including, without limitation, a merger, consolidation or statutory share exchange but excluding a reincorporation merger and any transaction as to which subparagraphs (1) through (5) apply, in which shares of Common Stock shall be converted into the right to receive securities, cash or other property (or any combination thereof) (each of the foregoing being referred to herein as a "Transaction"), then each holder of Series K Shares outstanding shall have the right thereafter to convert such shares only into the kind and amount of securities, cash and other property receivable in connection with such Transaction by a holder of the number of shares of Common Stock into which such Series K Shares might have been converted immediately prior to such Transaction, assuming such holder of Common Stock (A) is not an entity with which the Corporation consolidated, into which the Corporation merged, that merged into the Corporation, that engaged in a share exchange, or to which such sale or transfer was made, as the case may be (a "constituent entity"), or an affiliate of a constituent entity, (B) did not exercise dissenters' rights with respect to such Transaction and (C) failed to exercise his rights of election, if any, as to the kind or amount of securities, cash or other property receivable in connection with such Transaction (provided that if the kind or amount of securities, cash and other property receivable in connection with such Transaction is not the same for each share of Common Stock held immediately prior to such Transaction by holders other than a constituent entity or an affiliate thereof and in respect of which such rights of election shall not have been exercised ("non-electing share"), then for the purpose of this subparagraph (9) the kind and amount of securities, cash and other property receivable in connection with such Transaction by each non-electing share shall be deemed to be the kind and amount so receivable per share by all or a plurality of the non-electing shares). If necessary, appropriate adjustment shall be made in the application of the provisions set forth herein with respect to the rights and interests thereafter of the holders of Series K Shares so that the provisions set forth herein shall thereafter correspondingly be made applicable, as nearly as may reasonably be, in relation to any shares of stock or other securities or property thereafter deliverable

on the conversion of the shares. Any such adjustment shall be evidenced by a certificate of independent public accountants and a notice of such adjustment filed and mailed in the manner set forth in subparagraph (8) above, and each containing the information set forth in such subparagraph (8); and any adjustment so certified shall for all purposes hereof conclusively be deemed to be an appropriate adjustment. The above provisions shall similarly apply to successive Transactions.

10. For purposes of this paragraph (f), "Common Stock" includes any stock of any class of the Corporation that has no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation and that is not subject to redemption by the Corporation. However, subject to the provisions of subparagraph (9) above, shares issuable on conversion of Series K Shares shall include only shares of the class designated as Common Stock of the Corporation on the date of the initial issuance of Series K Shares by the Corporation, or shares of any class or classes resulting from any reclassification thereof that have no preference in respect of dividends or amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation and that are not subject to redemption by the Corporation; provided that if at any time there shall be more than one such resulting class, the shares of each such class then so issuable shall be substantially in the proportion that the total number of shares of such class resulting from all such reclassifications bears to the total number of shares of all such classes resulting from all such reclassifications.

(g) The Corporation shall pay any and all documentary stamp or similar issue or transfer taxes payable in respect of the issuance or delivery of shares of Common Stock in connection with conversions of Series K Shares pursuant hereto; provided, however, that the Corporation shall not be required to pay any tax that may be payable in respect of any transfer involved in the issuance or delivery of shares of Common Stock in a name other than that of the record holder of the Series K Shares to be converted and no such issue or delivery shall be made unless and until the person requesting such issue or delivery has paid to the Corporation the amount of any such tax or has established, to the satisfaction of the Corporation, that such tax has been paid.

(h) The Corporation covenants that (A) all shares of Common Stock that may be issued upon conversions of Series K Shares will upon issuance be duly and validly issued, fully paid and nonassessable, free of all liens and charges and not subject to any preemptive rights, and (B) it will at all times reserve and keep available, free from preemptive rights, out of the aggregate of its authorized but unissued shares of Common Stock or its issued shares of Common stock held in its treasury, or both, for the purpose of effecting conversions of Series K Shares, the whole number of shares of Common Stock deliverable upon the conversion of all outstanding Series K Shares.

(5) The holders of Series K Shares shall have the following liquidation rights and preferences:

- (a) Upon any voluntary or involuntary dissolution, liquidation, or winding up of the Corporation (for the purposes of this subsection (5), a "Liquidation"), the holder of each Series K Share then outstanding shall be entitled to be paid out of the assets of the Corporation available for distribution to its shareholders an amount equal to \$25.00 per share plus all dividends (whether or not declared or due) accrued and unpaid on such share through the date fixed for the distribution of assets of the Corporation to the holders of Series K Shares. With respect to the distribution of the Corporation's assets upon a Liquidation, the Series K Shares shall rank prior to Junior Securities, pari passu with the Parity Securities and junior to the Senior Securities.
- (b) If upon any Liquidation of the Corporation, the assets available for distribution to the holders of Series K Shares and any Parity Securities then outstanding shall be insufficient to pay in full the liquidation distributions to the holders of the outstanding Series K Shares and Parity Securities in accordance with the terms of these Articles of Incorporation, then the holders of such shares shall share ratably in such distribution of assets.
- (c) Neither the voluntary sale, conveyance, lease, pledge, exchange or transfer of all or substantially all the property or assets of the Corporation, the merger or consolidation of the Corporation into or with any other corporation, the merger of any other corporation into the Corporation, a statutory share exchange with any other corporation, nor any purchase or redemption of some or all of the shares of any class or series of stock of the Corporation, shall be deemed to be a Liquidation of the Corporation for the purposes of this subsection (5) (unless in connection therewith the Liquidation of the Corporation is specifically approved).
- (d) The holder of any Series K Shares shall not be entitled to receive any payment owed for such shares under this subsection (5) until such holder shall cause to be delivered to the Corporation the certificate or certificates representing such Series K Shares and transfer instruments satisfactory to the Corporation and sufficient to transfer such Series K Shares to the Corporation free of any adverse interest or claim. No interest shall accrue on any payment upon Liquidation.
- (e) After payment of the full amount of the liquidating distribution to which they are entitled, the holders of Series K Shares will not be entitled to any further participation in any distribution of assets by the Corporation.
- (6) The Series K Shares is not entitled to any preemptive or subscription rights in respect of any securities of the Corporation.

G. SERIES L PREFERRED STOCK. The Corporation's 5% Cumulative Convertible Series L Preferred Stock ("Series L Shares") shall consist of 325,000 shares of Preferred Stock having the preferences, limitations and relative rights set forth below.

(1) **VOTING RIGHTS.** Holders of the Series L Shares shall be entitled to cast one vote per share, voting with holders of shares of Common Stock and with holders of other series of voting preferred stock as a single class on any matter to come before a meeting of the shareholders, except with respect to the casting of ballots on those matters as to which holders of Preferred Stock or a particular series thereof are required by law to vote separately.

(2) **RANK.** The Series L Shares shall, with respect to dividend rights and rights upon liquidation, dissolution and winding up, rank prior to the Common Stock and pari passu with respect to the Series H and K Shares. All equity securities of the Corporation to which the Series L Shares rank prior, whether with respect to dividends or upon liquidation, dissolution or winding-up or otherwise, including the Common Stock, are collectively referred to herein as the "Junior Securities"; all equity securities of the Corporation with which the Series L Shares rank pari passu, including the Series H and K Shares, are collectively referred to herein as the "Parity Securities"; and all other equity securities of the Corporation (other than any convertible debt securities) to which the Series L Shares ranks junior are collectively referred to herein as the "Senior Securities." The preferences, limitations and relative rights of the Series L Shares shall be subject to the preferences, limitations and relative rights of the Junior Securities, Parity Securities and Senior Securities issued after the Series L Shares are issued.

(3) **DIVIDENDS.** (a) The holders of record of the Series L Shares shall be entitled to receive, when, as and if declared by the Board of Directors out of funds of the Corporation legally available therefor, an annual cash dividend of \$1.25 on each Series L Share, payable quarterly on each March 31, June 30, September 30 and December 31 on which any Series L Shares shall be outstanding (each a "Dividend Due Date"), commencing on the first such date following the issuance of the Series L Shares. Dividends on each Series L Share shall accrue and be cumulative from and after the date of issuance of such Series L Share and dividends payable for any partial quarterly period shall be calculated on the basis of a year of 360 days consisting of twelve 30-day months. Dividends shall be payable to the holders of record as they appear on the Corporation's stock transfer books at the close of business on the record date for such payment, which the Board of Directors shall fix not more than 60 days or less than 10 days preceding a Dividend Due Date. Holders of the Series L Shares shall not be entitled to any dividends, whether paid in cash, property or stock, in excess of the cumulative dividends as provided in this paragraph (a) and shall not be entitled to any interest thereon.

(b) Unless all cumulative dividends accrued on the Series L Shares have been or contemporaneously are declared and paid or declared and a sum set apart sufficient for such payment through the most recent Dividend Payment Date, then (i) except as provided below, no dividend or other distribution shall be declared or paid or set apart for payment on any Parity Securities, (ii) no dividend or other distribution shall be declared or paid or set aside for payment

upon the Junior Securities (other than a dividend or distribution paid in shares of, or warrants, rights or options exercisable for or convertible into, Junior Securities) and (iii) no Junior Securities shall be redeemed, purchased or otherwise acquired for any consideration, nor shall any monies be paid to or made available for a sinking fund for the redemption of any Junior Securities, except by conversion of Junior Securities into, or by exchange of Junior Securities for, other Junior Securities. If any accrued dividends are not paid or set apart with respect to the Series L Shares and any Parity Securities, all dividends declared with respect to the Series L Shares and any Parity Securities shall be declared pro rata on a share-by-share basis among all Series L Shares and Parity Securities outstanding at the time.

(4) **CONVERSION.** (a) Each Series L Share shall be convertible, at any time, at the option of the holder thereof into that number of fully paid and nonassessable shares of the Common Stock obtained by dividing \$25.00 by the Conversion Price then in effect under the terms of this subsection (4). Unless and until changed in accordance with the terms of this subsection (4), the Conversion Price shall be \$41.25. In order for a holder of the Series L Shares to effect such conversion, the holder shall deliver to KeyCorp Shareholder Services, Inc., Dallas, Texas, or such other agent as may be designated by the Board of Directors as the transfer agent for the Series L Shares (the "Transfer Agent"), the certificates representing such shares in accordance with paragraph

(b) below accompanied by written notice jointly addressed to the Corporation and the Transfer Agent that the holder thereof elects to convert such shares or a specified portion thereof. Each conversion shall be deemed to have been effected immediately prior to the close of business on the date on which the certificates representing the Series L Shares being converted shall have been delivered to the Transfer Agent in accordance with each term and condition of paragraph (b) below, accompanied by the written notice jointly addressed to the Corporation and the Transfer Agent of such conversion (the "Conversion Date"), and the person or persons in whose names any certificate or certificates for shares of Common Stock shall be issuable upon such conversion shall be deemed to have become the holder or holders of record of the Common Stock represented thereby at such time. As of the close of business on the Conversion Date, the Series L Shares shall be deemed to cease to be outstanding and all rights of any holder thereof shall be extinguished except for the rights arising under the Common Stock issued in exchange therefor and the right to receive accrued and unpaid dividends on such Series L Shares through the Conversion Date on the terms specified in paragraph (c) below.

(b) In connection with surrendering to the Transfer Agent the certificates representing (or formerly representing) Series L Shares, the holder shall furnish the Transfer Agent with transfer instruments satisfactory to the Corporation and sufficient to transfer the Series L Shares being converted to the Corporation free of any adverse interest or claims. As promptly as practicable after the surrender of the Series L Shares in accordance with this paragraph and any other requirement under this subsection (4), the Corporation, acting directly or through the Transfer Agent, shall issue and deliver to such holder certificates for the number of whole shares of Common Stock issuable upon the conversion of such shares in accordance with the provisions hereof (along with any interest payment specified in paragraph (a) above and any cash payment in lieu of fractional shares specified in paragraph (d) below). Certificates will be issued for the balance of any remaining

Series L Shares in any case in which fewer than all of the Series L Shares are converted. Any conversion under paragraph (a) shall be effected at the Conversion Price in effect on the Conversion Date.

(c) If the Conversion Date with respect to any Series L Share occurs after any record date with respect to the payment of a dividend on the Series L Shares (the "Dividend Record Date") and on or prior to the Dividend Due Date, then (i) the dividend due on such Dividend Due Date shall be payable to the holder of record of such share as of the Dividend Record Date and (ii) the dividend that accrues from the close of business on the Dividend Record Date through the Conversion Date shall be payable to the holder of record of such share as of the Conversion Date. Except as provided in this subsection (4), no payment or adjustment shall be made upon any conversion on account of any dividends accrued on Series L Shares surrendered for conversion or on account of any dividends on the Common Stock issued upon conversion.

(d) No fractional interest in a share of Common Stock shall be issued by the Corporation upon the conversion of any Series L Share. In lieu of any such fractional interest, the holder that would otherwise be entitled to such fractional interest shall receive a cash payment (computed to the nearest cent) equal to such fraction multiplied by the market value of a share of Common Stock, which shall be deemed to equal the last reported per share sale price of Common Stock on the New York Stock Exchange ("NYSE") (or, if the Common Stock is not then traded on the NYSE, the last reported per share sale price on such other national securities exchange on which the Common Stock is listed or admitted to trading or, if not then listed or admitted to trading on any national securities exchange, the last quoted bid price in the over-the-counter market as reported by the National Association of Securities Dealers, Inc. Automated Quotation System ("NASDAQ"), or any similar system of automated dissemination of securities prices) on the trading day immediately prior to the Conversion Date.

(e) The Conversion Price shall be adjusted from time to time as follows:

1. If the Corporation effects any (i) dividend or other distribution upon or in redemption of the Common Stock payable in the form of shares of capital stock of the Corporation or any of its subsidiaries or in the form of any other property (other than cash dividends paid in the ordinary course), (ii) combination of outstanding shares of Common Stock into a smaller number of shares of Common Stock, (iii) split or other subdivision of outstanding shares of Common Stock into a larger number of shares of Common Stock, or (iv) reorganization, exchange or reclassification of Common Stock, or any consolidation or merger of the Corporation with another corporation, or the sale of all or substantially all of its assets to another corporation, or any other transaction effected in a manner such that holders of outstanding Common Stock shall be entitled to receive (either directly, or upon subsequent liquidation) stock, securities or other property with respect to or in exchange for Common Stock (a "Diluting Event"), then as a condition of such Diluting Event, lawful, appropriate, equitable and adequate adjustments shall be made to the Conversion Price whereby the holders of the Series L Shares shall thereafter be entitled to receive (under the same terms otherwise applicable to their receipt of the Common Stock upon conversion

of the Series L Shares), in lieu of or in addition to, as the case may be, the number of shares of Common Stock issuable under this subsection (4), such shares of stock, securities or other property as may be issued or payable with respect to or in exchange for that number of shares of Common Stock to which such holders of Series L Shares were so entitled under this subsection (4), and in any such case appropriate, equitable and adequate adjustments shall also be made to such resulting consideration in like manner in connection with any subsequent Diluting Events. It is the intention of the parties that the foregoing shall have the effect of entitling such holders of Series L Shares to receive upon the due exercise of their conversion rights under this subsection (4) such stock, securities and other property (other than cash dividends paid in the ordinary course) as such holders would have received had they held the Common Stock issuable under this subsection (4) (or any replacement or additional stock, securities or property, as applicable) on the record date of such Diluting Event.

2. No adjustment in the Conversion Price shall be required unless such adjustment would require an increase or decrease of at least 5% of such price.

3. Whenever the Conversion Price is adjusted as herein provided, the Corporation shall promptly deliver to the Transfer Agent an officer's certificate setting forth the Conversion Price after such adjustment and setting forth a brief statement of the facts requiring such adjustment, which certificate shall constitute conclusive evidence, absent manifest error, of the correctness of such adjustment. Promptly after delivery of such certificate, the Corporation shall prepare and mail a notice to each holder of Series L Shares at each such holder's last address as the same appears on the books of the Corporation, which notice shall set forth the Conversion Price and a brief statement of the facts requiring the adjustment. The failure of the Corporation to take any such action shall not invalidate any corporate action by the Corporation.

(f) The Corporation covenants that (A) all shares of Common Stock that may be issued upon conversions of Series L Shares will upon issue be duly and validly issued, fully paid and nonassessable, and free of all liens, charges or preemptive rights, and (B) it will at all times reserve and keep available, free from preemptive rights, out of the aggregate of its authorized but unissued shares of Common Stock or its issued shares of Common Stock held in its treasury, or both, for the purpose of effecting conversions of Series L Shares, the whole number of shares of Common Stock deliverable upon the conversion of all outstanding Series L Shares not theretofore converted.

(5) LIQUIDATION PREFERENCE. (a) Upon any voluntary or involuntary dissolution, liquidation, or winding up of the Corporation (for the purposes of this subsection (5), a "Liquidation"), the holder of each Series L Share then outstanding shall be entitled to be paid out of the assets of the Corporation available for distribution to its shareholders, an amount equal to \$25 per share plus all dividends (whether or not declared or due) accrued and unpaid on such share on the date fixed for the distribution of assets of the Corporation to the holders of Series L Shares. With respect to the distribution of the Corporation's assets upon a Liquidation, the Series L Shares shall

rank prior to Junior Securities, pari passu with the Parity Securities and junior to the Senior Securities.

(b) If upon any Liquidation of the Corporation, the assets available for distribution to the holders of Series L Shares and any Parity Securities then outstanding shall be insufficient to pay in full the liquidation distributions to the holders of outstanding Series L Shares and Parity Securities in accordance with the terms of these Articles of Incorporation, then the holders of such shares shall share ratably in such distribution of assets in accordance with the amount that would be payable on such distribution if the amounts to which the holders of the Series L Shares and Parity Securities are entitled were paid in full.

(c) Neither the voluntary sale, conveyance, lease, pledge, exchange or transfer of all or substantially all the property or assets of the Corporation, the merger or consolidation of the Corporation into or with any other corporation, the merger of any other corporation into the Corporation, a share exchange with any other corporation, nor any purchase or redemption of some or all of the shares of any class or series of stock of the Corporation, shall be deemed to be a Liquidation of the Corporation for the purposes of this subsection (5) (unless in connection therewith the Liquidation of the Corporation is specifically approved).

(d) The holder of any Series L Shares shall not be entitled to receive any payment owed for such shares under this subsection (5) until such holder shall cause to be delivered to the Corporation the certificate or certificates representing such Series L Shares and transfer instruments satisfactory to the Corporation and sufficient to transfer such Series L Shares to the Corporation free of any adverse interest. No interest shall accrue on any payment upon Liquidation after the due date thereof.

(e) After payment of the full amount of the liquidating distribution to which they are entitled, the holders of Series L Shares will not be entitled to any further participation in any distribution of assets by the Corporation.

(6) **PREEMPTIVE RIGHTS.** The Series L Shares is not entitled to any preemptive or subscription rights in respect of any securities of the Corporation.

H. SERIES BB PREFERENCE STOCK. The Corporation's Series BB Participating Cumulative Preference Stock shall consist of 1,000,000 shares of Preferred Stock having the preferences, limitations and relative rights set forth below. Such number of shares may be increased or decreased by resolution of the Board of Directors; provided, however, that no decrease shall reduce the number of shares of Series BB Participating Cumulative Preference Stock to a number less than the number of shares then outstanding plus the number of shares reserved for issuance upon the exercise of outstanding options or rights or upon the conversion of any outstanding securities issued by the Corporation convertible into Series BB Participating Cumulative Preference Stock.

(1) The holders of Series BB Participating Cumulative Preference Stock shall have the following dividend rights.

(a) Subject to the rights of the holders of any shares of any series of Preferred Stock (or any similar stock) ranking prior and superior to the Series BB Participating Cumulative Preference Stock with respect to dividends, the holders of shares of Series BB Participating Cumulative Preference Stock shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the fifteenth day of March, June, September and December in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series BB Participating Cumulative Preference Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) \$10.00 or (b) subject to the provision for adjustment hereinafter set forth, 100 times the aggregate per share amount of all cash dividends, and 100 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock, par value \$1.00 per share, of the Corporation (the "Common Stock") since the immediately preceding Quarterly Dividend Payment Date, or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series BB Participating Cumulative Preference Stock. In the event the Corporation shall at any time after August 27, 1996 (the "Right Declaration Date") (i) declare or pay any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amount to which holders of shares of Series BB Participating Cumulative Preference Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(b) The Corporation shall declare a dividend or distribution on the Series BB Participating Cumulative Preference Stock as provided in paragraph

(a) above immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of \$10.00 per share on the Series BB Participating Cumulative Preference Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(c) Dividends shall begin to accrue and be cumulative on outstanding shares of Series BB Participating Cumulative Preference Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares of Series BB Participating Cumulative Preference Stock, unless the date of issue of such shares is prior to the record date for the first

Quarterly Dividend Payment Date, in which case dividends of such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series BB Participating Cumulative Preference Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series BB Participating Cumulative Preference Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series BB Participating Cumulative Preference Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be no more than 45 days prior to the date fixed for the payment thereof.

(2) In addition to any voting rights otherwise required by law, the holders of shares of Series BB Participating Cumulative Preference Stock shall have the following voting rights:

(a) Subject to the provision for adjustment hereinafter set forth, each share of Series BB Participating Cumulative Preference Stock shall entitle the holder thereof to 100 votes on all matters submitted to a vote of the shareholders of the Corporation. In the event the Corporation shall at any time after the Rights Declaration Date (i) declare or pay any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the number of votes per share to which holders of shares of Series BB Participating Preference Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(b) Except as otherwise provided in the Corporation's Articles of Incorporation or by law, the holders of shares of Series BB Participating Cumulative Preference Stock and the holders of shares of Common Stock shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

(c) (i) If at any time dividends on any Series BB Participating Cumulative Preference Stock shall be in arrears in an amount equal to six quarterly dividends thereon, the occurrence of such contingency shall mark the beginning of a period (herein called a "default period") which shall extend until such time when all accrued and unpaid dividends for all previous quarterly dividend periods and for the current quarterly dividend period on all shares of Series BB Participating Cumulative Preference Stock then outstanding shall have been declared and paid or set apart for payment. During each default period, all holders of Preferred Stock (including holders of the Series BB Participating Cumulative Preference Stock) with dividends in arrears in an

amount equal to six quarterly dividends thereon, voting as a class, irrespective of series, shall have the right to elect two Directors.

(ii) During any default period, such voting right of the holders of Series BB Participating Cumulative Preference Stock may be exercised initially at a special meeting called pursuant to subparagraph (iii) of this Section 2(c) or at any annual meeting of shareholders, and thereafter at annual meetings of shareholders, provided that neither such voting right nor the right of the holders of any other series of Preferred Stock, if any, to increase, in certain cases, the authorized number of Directors shall be exercised unless the holders of 10% in number of shares of Preferred Stock outstanding shall be present in person or by proxy. The absence of a quorum of the holders of Common Stock shall not affect the exercise by the holders of Preferred Stock of such voting right. At any meeting at which the holders of Preferred Stock shall exercise such voting right initially during an existing default period, they shall have the right, voting as a class, to elect Directors to fill such vacancies, if any, in the Board of Directors as may then exist up to two Directors or, if such right is exercised at an annual meeting, to elect two Directors. If the number which may be so elected at any special meeting does not amount to the required number, the holders of the Preferred Stock shall have the right to make such increase in the number of Directors as shall be necessary to permit the election by them of the required number. After the holders of the Preferred Stock shall have exercised their right to elect Directors in any default period and during the continuance of such period, the number of Directors shall not be increased or decreased except by vote of the holders of Preferred Stock as herein provided or pursuant to the rights of any equity securities ranking senior to or pari passu with the Series BB Participating Cumulative Preference Stock.

(iii) Unless the holders of Preferred Stock shall, during an existing default period, have previously exercised their right to elect Directors, the Board of Directors may order, or any shareholder or shareholders owning in the aggregate not less than 10% of the total number of shares of Preferred Stock outstanding, irrespective of series, may request, the calling of a special meeting of the holders of Preferred Stock, which meeting shall thereupon be called by the Chairman of the Board, the Chief Executive Officer, the President, a Vice-President or the Secretary of the Corporation. Notice of such meeting and of any annual meeting at which holders of Preferred Stock are entitled to vote pursuant to this paragraph (c)(iii) shall be given to each holder of record of Preferred Stock by mailing a copy of such notice to the holder the last address appearing on the books of the Corporation. Such meeting shall be called for a time not earlier than 20 days and not later than 60 days after such order or request or in default of the calling of such meeting within 60 days after such order or request, such meeting may be called on similar notice by any shareholder or shareholders owning in the aggregate not less than 10% of the total number of shares of Preferred Stock outstanding. Notwithstanding the provisions of this paragraph (c)(iii), no such special meeting shall be called during the period within 60 days immediately preceding the date fixed for the next annual meeting of the shareholders.

(iv) In any default period, the holders of Common Stock, and other classes of stock of the Corporation, if applicable, shall continue to be entitled to elect the whole

number of Directors until the holders of Preferred Stock shall have exercised their right to elect two Directors voting as a class, after the exercise of which right (x) the Directors so elected by the holders of Preferred Stock shall continue in office until their successors shall have been elected by such holders or until the expiration of the default period, and (y) any vacancy in the Board of Directors may (except as provided in paragraph (c)(ii) of this

Section 2) be filled by vote of a majority of the remaining Directors theretofore elected by the holders of the class of stock which elected the Director whose office shall have become vacant. References in this paragraph (c) to Directors elected by the holders of a particular class of stock shall include Directors elected by such Directors to fill vacancies as provided in clause (y) of the foregoing sentence.

(v) Immediately upon the expiration of a default period, (x) the right of the holders of Preferred Stock as a class to elect Directors shall cease, (y) the term of any Directors elected by the holders of Preferred Stock as a class shall terminate, and (z) the number of Directors shall be such number as may be provided for in the Corporation's Articles of Incorporation or By-laws irrespective of any increase made pursuant to the provisions of paragraph

(c)(ii) of this Section 2 (such number being subject, however, to change thereafter in any manner provided by law or in the Corporation's Articles of Incorporation or By-laws). Any vacancies in the Board of Directors effected by the provisions of clauses (y) and (z) in the preceding sentence may be filled by a majority of the remaining Directors.

(d) Except as set forth herein, holders of Series BB Participating Cumulative Preference Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

(3) Any shares of Series BB Participating Cumulative Preference Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock to be created by resolution or resolutions of the shareholders or the Board of Directors, subject to the conditions and restrictions on issuance set forth in the Corporation's Articles of Incorporation.

(4) The Corporation shall abide by the following restrictions:

(a) Whenever quarterly dividends or other dividends or distributions payable on the Series BB Participating Cumulative Preference Stock as provided for in Section 1 are in arrears or the Corporation shall be in default in payment thereof, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series BB Participating Cumulative Preference Stock outstanding shall have been paid or set aside for payment in full, and in addition to any and all other rights which any holder of shares of Series BB Participating Cumulative Preference Stock may have in such circumstances, the Corporation shall not:

1. declare or pay dividends, or make any other distributions, on any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series BB Participating Cumulative Preference Stock;
 2. declare or pay dividends, or make any other distributions, on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series BB Participating Cumulative Preference Stock, unless dividends are paid ratably on the Series BB Participating Cumulative Preference Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;
 3. redeem or purchase or otherwise acquire for consideration shares of any stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series BB Participating Cumulative Preference Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such junior stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series BB Participating Cumulative Preference Stock; or
 4. redeem or purchase or otherwise acquire for consideration any shares of Series BB Participating Cumulative Preference Stock, or any shares of stock ranking on a parity with the Series BB Participating Cumulative Preference Stock (either as to dividends or upon liquidation, dissolution or winding up), except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.
- (b) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph
- (a) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.
- (5) Upon any liquidation, dissolution or winding up of the Corporation, the holders of Series BB Participating Cumulative Preference Stock shall have the following rights.
- (a) Upon any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, no distribution shall be made to the holders of shares of stock ranking (either as to dividends or upon liquidation, dissolution or winding up) junior to the Series

BB Participating Cumulative Preference Stock unless, prior thereto, the holders of shares of Series BB Participating Cumulative Preference Stock shall have received \$100 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment (the "Series BB Liquidation Preference"). Following the payment of the full amount of the Series BB Liquidation Preference, no additional distributions shall be made to the holders of shares of Series BB Participating Cumulative Preference Stock unless, prior thereto, the holders of shares of Common Stock shall have received an amount per share (the "Common Adjustment") equal to the quotient obtained by dividing (i) the Series BB Liquidation Preference by (ii) 100 (as appropriately adjusted as set forth in subparagraph (c) below to reflect such events as stock splits, stock dividends and recapitalizations with respect to the Common Stock) (such number in clause (ii), the "Adjustment Number"). Following the payment of the full amount of the Series BB Liquidation Preference and the Common Adjustment in respect of all outstanding shares of Series BB Participating Cumulative Preference Stock and Common Stock, respectively, holders of Series BB Participating Cumulative Preference Stock and holders of shares of Common Stock shall receive their ratable and proportionate share of the remaining assets to be distributed in the ratio of the Adjustment Number to 1 with respect to such Cumulative Preference Stock and Common Stock, on a per share basis, respectively.

(b) In the event, however, that there are not sufficient assets available to permit payment in full of the Series BB Liquidation Preference and the liquidation preferences of all other series of Cumulative Preference Stock, if any, which rank on a parity with the Series BB Participating Cumulative Preference Stock, then such remaining assets shall be distributed ratably to the holders of such parity shares in proportion to their respective liquidation preferences. In the event, however, that there are not sufficient assets available to permit payment in full of the Common Adjustment then such remaining assets shall be distributed ratably to the holders of Common Stock.

(c) In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the Adjustment Number in effect immediately prior to such event shall be adjusted by multiplying such Adjustment Number by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(6) In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or converted into other stock or securities, cash and/or any other property, then in any such case the shares of Series BB Participating Cumulative Preference Stock shall at the same time be similarly exchanged or converted in an amount per share (subject to the provision for adjustment hereinafter set forth) equal to 100 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is

converted or exchanged. In the event the Corporation shall at any time after the Rights Declaration Date (i) declare or pay any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amount set forth in the preceding sentence with respect to the exchange or conversion of shares of Series BB Participating Cumulative Preference Stock shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(7) The shares of Series BB Participating Cumulative Preference Stock shall not be redeemable.

(8) The Articles of Incorporation of the Corporation shall not be further amended in any manner which would materially alter or change the powers, preferences or special rights of the Series BB Participating Cumulative Preference Stock so as to affect them adversely without the affirmative vote of the holders of at least two-thirds of the outstanding shares of Series BB Participating Cumulative Preference Stock, voting separately as a class.

(9) Series BB Participating Cumulative Preference Stock may be issued in fractions of a share which shall entitle the holder, in proportion to such holder's fractional shares, to exercise voting rights, receive dividends, participate in distributions and to have the benefit of all other rights of holders of Series BB Participating Cumulative Preference Stock.

ARTICLE IV

Directors

A. **NUMBER OF DIRECTORS.** The business and affairs of this Corporation shall be managed under the direction of the Board 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 (D)), 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(D) hereof) entitled to be cast by the holders of Voting Stock (as defined in Article V(D) 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(D) hereof), 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 (as defined in Article V(D) hereof) 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. VOTE REQUIRED IN BUSINESS COMBINATIONS. No Business Combination may be effected unless all of the following conditions have been fulfilled:

(1) In addition to any vote otherwise required by law or these Articles, the proposal to effect a Business Combination shall have been approved by (i) a majority of the directors then in office and a majority of the Continuing Directors and (ii) by the affirmative votes of both of the following:

(a) 80% of the Total Voting Power entitled to be cast by holders of outstanding shares of Voting Stock of this Corporation, voting as a separate voting group; and

(b) Two-thirds of the Total Voting Power entitled to be cast by the Independent Stockholders present or duly represented at a meeting, voting as a separate voting group.

(2) A proxy or information statement describing the proposed Business Combination and complying with the requirements of the Securities Exchange Act of 1934, as amended (the "Act"), and the rules and regulations thereunder (or any subsequent provisions replacing the Act, rules or regulations as a whole or in part) is 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 the Act or subsequent provisions).

B. NONAPPLICABILITY OF VOTING REQUIREMENTS. The vote required by Paragraph A of this Article does not apply to a Business Combination if all conditions specified in either of paragraphs 1 or 2 below are met:

(1) The proposed Business Combination is approved prior to the time the Related Person involved in the proposed transaction became a Related Person by the affirmative votes of both a majority of the directors then in office and a majority of the Continuing Directors, voting as a separate group.

(2) All of the following five conditions have been met:

(a) The aggregate amount of the cash and the Market Value on the Valuation Date of consideration other than cash to be received per share by all 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 dealers' fees, paid by or on behalf of the Related Person for any shares of Common Stock of the same class or series acquired by it within the two-year period immediately prior to the Announcement Date or in the transaction in which it became a Related Person, whichever is higher;

2. The Market Value per share of Common Stock of the same class or series 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 of the same class or series determined pursuant to clause (2) immediately preceding, multiplied by the fraction of (i) the highest per share price, including any brokerage commissions, transfer taxes and soliciting dealers' fees, paid by or for the Related Person for any shares of Common Stock of the same class or

series acquired by it within the two-year period immediately prior to the Announcement Date, over (ii) the Market Value per share of Common Stock of the same class or series on the first day in such two-year period on which the Related Person 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 Related Person has previously acquired any shares of a particular class or series of stock:

1. The highest per share price, including any brokerage commissions, transfer taxes and soliciting dealers' fees, paid by or for the Related Person for any shares of such class of stock acquired by it within the two-year period immediately prior to the Announcement Date or in the transaction in which it became a Related Person, whichever is higher;
2. The highest preferential amount per share to which the holders of shares of such class of stock are entitled in the event of any voluntary or involuntary liquidation, dissolution or winding up of this Corporation;
3. The Market Value per share of such class 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 of stock determined pursuant to clause (3) immediately preceding, multiplied by the fraction of (i) the highest per share price, including any brokerage commissions, transfer taxes and soliciting dealers' fees, paid by or for the Related Person for any shares of any class of Voting Stock acquired by it within the two-year period immediately prior to the Announcement Date, over (ii) the Market Value per share of the same class of Voting Stock on the first day in such two-year period on which the Related Person acquired any shares of the same class 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 Related Person has previously paid for shares of the same class or series of stock. If the Related Person 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 cash or the form used to acquire the largest number of shares of such class or series of stock previously acquired by it.

(d) After the Related Person has become a Related Person 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, cumulative or not, on any outstanding Preferred Stock of this Corporation;
2. There shall have been no reduction in the annual rate of dividends paid on any class or series of stock of this Corporation that is not Preferred Stock except as necessary to reflect any subdivision of the 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 any similar transaction which has the effect of reducing the number of outstanding shares of the stock; and
3. The Related Person did not become the Beneficial Owner of any additional shares of stock of this Corporation except as part of the transaction which resulted in such Related Person becoming a Related Person or by virtue of proportionate stock splits or stock dividends.

The provisions of clause (1) and (2) immediately preceding shall not apply if no Related Person or an Affiliate or Associate of the Related Person voted as a director of this Corporation in a manner inconsistent with such clauses and the Related Person, within ten days after any act or failure to act inconsistent with such clauses, notifies the Board of Directors of this Corporation in writing that the Related Person disapproves thereof and requests in good faith that the Board of Directors rectify such act or failure to act.

(e) After the Related Person has become a Related Person, the Related Person may not have received the benefit, directly or indirectly, except proportionately as a shareholder, of any loans, advances, guarantees, pledges or other financial assistance or any tax credits or other tax advantages provided by this Corporation or any of its Subsidiaries, whether in anticipation of or in connection with such Business Combination or otherwise.

C. ALTERNATIVE SHAREHOLDER VOTE FOR BUSINESS COMBINATIONS. In the event the conditions set forth in Subparagraph (B) (1) or (B)(2) have been met, the affirmative vote required of shareholders in order to approve the proposed Business Combination shall be 66-2/3% of the Total Voting Power present or duly represented at the meeting called for such purpose.

D. DEFINITIONS. The following terms, for all purposes of these Articles or the By-laws of this Corporation, shall have the following meaning:

(1) An "Affiliate" of, or a person "affiliated with," a specified person means a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the person specified.

(2) "Announcement Date" means the first general public announcement of the proposal or intention to make a proposal of the Business Combination or its first communication generally to shareholders of this Corporation, whichever is earlier.

(3) "Associate," when used to indicate a relationship with any person, means any of the following:

(a) Any corporation or organization, other than this Corporation, of which such person is an officer, director or partner or is, directly or indirectly, the Beneficial Owner of 10% or more of any class of Equity Securities.

(b) Any trust or other estate in which such person has a substantial beneficial interest or as to which such person serves as trustee or in a similar fiduciary capacity.

(c) Any relative or spouse of such person, or any relative of such spouse, who has the same home as such person.

(d) Any investment company registered under the Investment Company Act of 1940 for which such person serves as investment advisor.

(4) 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;

(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 of its subsidiaries.

(5) "Business Combination" means any of the following transactions, when entered into by the Corporation or a Subsidiary with, or upon a proposal by, a Related Person:

(a) The merger or consolidation of, or an exchange of securities by, the Corporation or any Subsidiary;

(b) The sale, lease, exchange, mortgage, pledge, transfer or any other disposition (in one or a series of transactions) of any assets of the Corporation, or of any Subsidiary, having an aggregate book or fair market value of \$1,000,000 or more, measured at the time the transaction or transactions are approved by the Board of Directors;

(c) The adoption of a plan or proposal for the liquidation or dissolution of the Corporation or any Subsidiary;

(d) The issuance or transfer by the Corporation or any Subsidiary (in one or a series of transactions) of securities of the Corporation, or of any Subsidiary, having a fair market value of \$1,000,000 or more;

(e) The reclassification of securities (including a reverse stock split), recapitalization, consolidation or any other transaction (whether or not involving a Related Person) which has the direct or indirect effect of increasing the voting power (regardless whether then exercisable) or the proportionate amount of the outstanding shares of any class or series of Equity Securities of this Corporation or any of its Subsidiaries held by a Related Person, or any Associate or Affiliate of a Related Person;

(f) 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 a Related Person or any Affiliate or Associate thereof, except proportionately as a shareholder; or

(g) Any agreement, contract or other arrangement providing directly or indirectly for any of the foregoing.

(6) "Capital Stock" means any Common Stock, Preferred Stock or other 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.

(7) "Common Stock" means any stock other than a class or series of preferred or preference stock.

(8) "Continuing Director" shall mean any member of the Board of Directors who is not a Related Person or an Affiliate or Associate thereof, and who was a member of the Board of Directors prior to the time that the Related Person became a Related Person, and any successor to a Continuing Director who is not a Related Person or an Affiliate or Associate thereof and was recommended to succeed a Continuing Director by a majority of Continuing Directors who were then members of the Board of Directors, provided that, in the absence of a Related Person, any reference to "Continuing Directors" shall mean all directors then in office.

- (9) "control," including the terms "controlling," "controlled by" and "under common control with," means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract or otherwise. The beneficial ownership of 10% or more of the votes entitled to be cast by a corporation's voting stock creates a presumption of control.
- (10) "Determination Date" means the date on which a Related Person first became a Related Person.
- (11) "Equity Security" means any of the following:
- (a) Any stock or similar security, certificate of interest or participation in any profit sharing agreement, voting trust certificate or certificate of deposit for an equity security.
 - (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.
 - (c) Any put, call, straddle or other option or privilege of buying an equity security from or selling an equity security to another without being bound to do so.
- (12) "Independent Shareholder" or "Independent Stockholder" means a holder of Voting Stock of this Corporation who is not a Related Person.
- (13) "Market Value" means the following:
- (a) In the case of stock, the highest closing sale price on the date or during the period in question of a share of such stock on the principal United States securities exchange registered under the Securities Exchange Act of 1934 on which such stock is listed or, if such stock is not listed on any such exchange, the highest closing bid quotation with respect to a share of such stock on the date or during the period in question on the National Association of Securities Dealers, Inc., Automated Quotations Systems, or any alternative system then in use, or, if no such quotations are available, the fair market value on the date or during the period in question of a share of such stock as determined by a majority of the Continuing Directors of this Corporation in good faith.
 - (b) In the case of property other than cash or stock, the fair market value of such property on the date or during the period in question as determined by a majority of the Continuing Directors of this Corporation in good faith.
- (14) A "person" shall mean 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, as in effect on January 1, 1984.
- (15) "Related Person" means any person (other than the Corporation, a Subsidiary or any profit sharing, employee stock ownership or other employee benefit plan of the Corporation or any Subsidiary or any trust, trustee of or fiduciary with respect to any such plan acting in such capacity) who (a) is the direct or indirect Beneficial Owner of shares of Capital Stock representing more than 10% of the outstanding Total Voting Power entitled to vote for the election of directors, and any Affiliate or Associate of any such person, 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 the Beneficial Owner of a percentage, specified in this Article, of the outstanding Total Voting Power, the number of shares of Voting Stock deemed to be outstanding shall include shares deemed owned by that person through application of Article V(D)(3) but shall not include any other shares which may be issuable to any other person.
- (16) "Subsidiary" means any corporation of which Voting Stock having a majority of the votes entitled to be cast is owned, directly or indirectly, by this Corporation.
- (17) "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.
- (18) "Valuation Date" means the following:
- (a) For a Business Combination voted upon by shareholders, the latter of the date prior to the date of the shareholders' vote and the day 20 days prior to the consummation of the Business Combination; and
 - (b) For a Business Combination not voted upon by the shareholders, the date of the consummation of the Business Combination.
- (19) "Voting Stock" means shares of Capital Stock of the Corporation entitled to vote generally in the election of directors.

E. BENEFIT OF STATUTE. This Corporation claims and shall have the benefit of the provisions of R.S. 12:133 except that the provisions of R.S. 12:133 shall not apply to any business combination involving an interested shareholder that is an employee benefit plan or related trust of

this Corporation.

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, the holders of 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.

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

These Amended and Restated Articles of Incorporation are dated as of December 2, 1996.

<i>WITNESSES:</i>	<i>CENTURY TELEPHONE ENTERPRISES, INC.</i>
<i>/s/ Kay Buchart</i> _____	<i>/s/ Glen F. Post, III</i> BY: _____ <i>Glen F. Post, III, President</i>
<i>/s/ Joy Eppinette</i> _____	<i>/s/ Harvey P. Perry</i> BY: _____ <i>Harvey P. Perry, Secretary</i>

STATE OF LOUISIANA

PARISH OF OUACHITA

BEFORE ME, the undersigned authority, personally came and appeared Glen F. Post, III and Harvey P. Perry, to me known to be the persons who signed the foregoing instrument as President and Secretary, respectively, and who, having been duly sworn, acknowledged and declared, in the presence of the two witnesses whose names are subscribed below, that they signed such instrument as their free act and deed for the purposes mentioned therein.

IN WITNESS WHEREOF, the appearers, witnesses and I have hereunto affixed our hands on this 2nd day of December, 1996.

WITNESSES:

/s/ Kay Buchart

/s/ Glen F. Post, III

Glen F. Post, III, President

/s/ Joy B. Eppinette

/s/ Harvey P. Perry

Harvey P. Perry, Secretary

/s/ Kathy Tettleton

NOTARY PUBLIC

Exhibit 10.1(d)

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

WHEREAS, an amendment to the Century Telephone Enterprises, Inc. Supplemental Executive Retirement Plan (the "Plan") was adopted by the Compensation Committee of the Board of Directors on November 20, 1996 and ratified by the Board of Directors on November 21, 1996 to reflect that the approval as to whether an officer is covered by the Plan shall be in the discretion of the Committee that administers the Plan.

NOW THEREFORE, the Plan is hereby amended as follows:

I.

Section 3.01(c) of the Plan shall be amended to read in its entirety as follows:

c. The coverage of the officer is duly approved by the Committee.

IN WITNESS WHEREOF, Century Telephone Enterprises, Inc. has executed this amendment in its corporate name as of the 21st day of November, 1996.

CENTURY TELEPHONE ENTERPRISES, INC.

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

Exhibit 10.1(e)

**AMENDMENT TO THE
CENTURY TELEPHONE ENTERPRISES, INC.
1983 RESTRICTED STOCK PLAN**

WHEREAS, an amendment to the Century Telephone Enterprises, Inc. 1983 Restricted Stock Plan (the "Plan") was adopted by the Compensation Committee of the Board of Directors on November 20, 1996 and ratified by the Board of Directors on November 21, 1996 to make certain changes with respect to the membership of the committee of the Board of Directors that administers the Plan in order that transactions in restricted stock through the Plan will meet the requirements of an exemption under amended Rule 16b-3 under the Securities Exchange Act of 1934.

NOW THEREFORE, the Plan is hereby amended as follows:

I.

Section 2.(b) of the Plan shall be amended to read in its entirety as follows:

2.(b) "Committee" shall mean the Compensation Committee of the Board of Directors of the Company or a subcommittee of the Compensation Committee. The Committee shall consist of two or more members of the Board of Directors, each of whom shall qualify as a "non-employee director" under Rule 16b-3 under the Securities Exchange Act of 1934, as currently in effect or any successor rule.

II.

The first sentence of Section 4., "Administration," of the Plan shall be amended to read in its entirety as follows:

The Plan shall be administered by the Committee.

IN WITNESS WHEREOF, Century Telephone Enterprises, Inc. has executed this amendment in its corporate name as of the 21st day of November, 1996.

CENTURY TELEPHONE ENTERPRISES, INC.

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

Exhibit 10.1(f)

**AMENDMENT TO THE
CENTURY TELEPHONE ENTERPRISES, INC.
KEY EMPLOYEE INCENTIVE COMPENSATION PLAN**

WHEREAS, an amendment to the Century Telephone Enterprises, Inc. Key Employee Incentive Compensation Plan (the "Plan") was adopted by the Compensation Committee of the Board of Directors on November 20, 1996 and ratified by the Board of Directors on November 21, 1996 to reflect that the Plan shall be administered by the Compensation Committee or a subcommittee of the Compensation Committee and to reflect that a determination as to whether a bonus award is to be paid partially in shares of restricted stock under the 1983 Restricted Stock Plan or the 1995 Incentive Compensation Plan shall be in the discretion of the Committee that administers the 1983 Restricted Stock Plan or the 1995 Incentive Compensation Plan, as appropriate;

NOW THEREFORE, the Plan is hereby amended as follows:

I.

Section 2.(b) of the Plan is hereby amended to read as follows:

(b) "Committee" shall mean the Compensation Committee of the Board of Directors or a subcommittee of the Compensation Committee made up of members who are not participants in this Plan.

II.

Section 7. of the Plan entitled "ALLOCATION OF INCENTIVE BONUS FUND" shall be amended to read in its entirety as follows:

The Committee shall in its sole discretion award bonuses within the predetermined maximum limits to Participants from the Incentive Pool. The Committee, subject to approval of the Board of Directors, shall determine each year whether the value of the award will be paid in cash, restricted stock, or a combination thereof. If payment of the award is partially or totally in the form of restricted stock, shares of stock allocated to the 1983 Restricted Stock Plan or the 1995 Incentive Compensation Plan may be used in the discretion of the committee that administers those Plans. Any such stock payments shall be subject to the provisions of the 1983 Restricted Stock Plan or the 1995 Incentive Compensation Plan, as appropriate, and an individual award agreement between the Company and the Participant.

IN WITNESS WHEREOF, Century Telephone Enterprises, Inc. has executed this amendment in its corporate name as of the 21st day of November, 1996.

CENTURY TELEPHONE ENTERPRISES, INC.

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

Exhibit 10.1(g)
AMENDMENT TO THE
CENTURY TELEPHONE ENTERPRISES, INC.
1988 INCENTIVE COMPENSATION PROGRAM

WHEREAS, the Century Telephone Enterprises, Inc. 1988 Incentive Compensation Program (the "Plan") was adopted by the Board of Directors on May 16, 1988 and approved by the shareholders at the 1989 annual meeting; and

WHEREAS, an amendment to the Plan was adopted by the Compensation Committee of the Board of Directors on November 20, 1996 and ratified by the Board of Directors on November 21, 1996 to permit the Plan to be administered by the Compensation Committee or by a subcommittee of the Compensation Committee, the members of which meet the requirements of Rule 16b-3 under the Securities Exchange Act of 1934 and Section 162(m) of the Internal Revenue Code and the regulations thereunder.

NOW THEREFORE, the Plan is hereby amended as follows:

I.

Section 2.1 is hereby amended to read in its entirety as follows:

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 "non-employee director" under Rule 16b-3 under the Securities Exchange Act of 1934 (the "1934 Act"), as currently in effect or any successor rule, and (b) qualify as an "outside director" under Section 162(m) of the Code and the regulations thereunder.

IN WITNESS WHEREOF, Century Telephone Enterprises, Inc. has executed this amendment in its corporate name as of the 21st day of November, 1996.

CENTURY TELEPHONE ENTERPRISES, INC.

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

**AMENDMENT TO THE
CENTURY TELEPHONE ENTERPRISES, INC.
1990 INCENTIVE COMPENSATION PROGRAM**

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

Exhibit 10.1(l)

**AMENDMENT TO THE
CENTURY TELEPHONE ENTERPRISES, INC.
1995 INCENTIVE COMPENSATION PLAN**

WHEREAS, the Century Telephone Enterprises, Inc. 1995 Incentive Compensation Plan (the "Plan") was adopted by the Compensation Committee of the Board of Directors on February 19, 1995, ratified by the Board of Directors on February 21, 1995 and approved by the shareholders on May 11, 1995; and

WHEREAS, an amendment to the Plan was adopted by the Compensation Committee of the Board of Directors on November 20, 1996 and ratified by the Board of Directors on November 21, 1996 to remove restrictions no longer applicable under recent amendments to Rule 16b-3 under the Securities Exchange Act of 1934 that (a) relate to the elimination of a six-month holding period applicable to awards granted under the Plan; (b) permit transfer of stock options and stock appreciation rights for estate planning purposes; and (c) make certain other changes in order to reflect the terms of Rule 16b-3, as recently amended.

NOW THEREFORE, the Plan is hereby amended as follows:

I.

Section 2.1 is hereby amended to read in its entirety as follows:

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 "non-employee director" under Rule 16b-3 under the Securities Exchange Act of 1934 (the "1934 Act"), as currently in effect or any successor rule, and (b) qualify as an "outside director" under Section 162(m) of the Code and the regulations thereunder.

II.

Section 6.3 is hereby amended to read in its entirety as follows:

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. 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.

III.

Section 7.2 is hereby amended to read in its entirety as follows:

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. 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.

IV.

Section 8.2 is hereby amended to read in its entirety as follows:

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. 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.

V.

Section 10.2 is hereby amended to read in its entirety as follows:

10.2 Transferability of Incentives. No stock option or SAR granted hereunder may be transferred, pledged, assigned or otherwise encumbered by the holder thereof except:

- (a) by will;
- (b) by the laws of descent and distribution; or
- (c) in the case of non-qualified stock options or SARs only,
 - (i) pursuant to a domestic relations order, as defined in the Code,
 - (ii) to family members,
 - (iii) to a family partnership,
 - (iv) to a family limited liability company, or
 - (v) to a trust for the benefit of family members,

in all such cases, if permitted by the Committee and so provided in the Incentive Agreement or an amendment thereto.

Any attempted assignment, transfer, pledge, hypothecation or other disposition of a stock option or SAR or levy of attachment, or similar process upon a stock option or SAR not specifically permitted herein, shall be null and void and without effect.

VI.

Section 10.3 entitled "Non-Transferability of Common Stock" and Section 10.14 entitled "Compliance with Section 16" are hereby deleted in their entirety.

The remaining subsections of Section 10 shall be renumbered accordingly.

IN WITNESS WHEREOF, Century Telephone Enterprises, Inc. has executed this amendment in its corporate name as of the 21st day of November, 1996.

CENTURY TELEPHONE ENTERPRISES, INC.

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

*R. Stewart Ewing, Jr.
Senior Vice President and
Chief Financial Officer*

Exhibit 10.1(p)

**AMENDMENT TO THE
CENTURY TELEPHONE ENTERPRISES, INC.
SUPPLEMENTAL DEFINED CONTRIBUTION PLAN**

WHEREAS, an amendment to the Century Telephone Enterprises, Inc. Supplemental Defined Contribution Plan (the "Plan") was adopted by the Compensation Committee of the Board of Directors on November 20, 1996 and ratified by the Board of Directors on November 21, 1996 to make certain changes with respect to the membership of the committee of the Board of Directors that administers the Plan in order that the acquisition of phantom stock units through the Plan will meet the requirements of an exemption under amended Rule 16b-3 under the Securities Exchange Act of 1934 and to make other technical changes.

NOW THEREFORE, the Plan is hereby amended as follows:

I.

Section 2.04 shall be amended to read in its entirety as follows:

2.04 "Committee" shall mean the Compensation Committee of the Board of Directors of the Company or a subcommittee of the Compensation Committee. The Committee shall consist of two or more members of the Board of Directors, each of whom shall (a) qualify as a "non-employee director" under Rule 16b-3 under the Securities Exchange Act of 1934, as currently in effect or any successor rule, and (b) qualify as an "outside director" under Section 162(m) of the Code and the regulations thereunder.

II.

Section 3.01(c) under the heading "Participation" shall be amended to read in its entirety as follows:

c. The coverage of the officer is duly approved by the Committee.

III.

Section 11.01 under the heading "Administration and Interpretation" shall be amended to read in its entirety as follows:

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

IN WITNESS WHEREOF, Century Telephone Enterprises, Inc. has executed this amendment in its corporate name as of the 21st day of November, 1996.

CENTURY TELEPHONE ENTERPRISES, INC.

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

Exhibit 10.1(q)

**AMENDMENT TO THE
CENTURY TELEPHONE ENTERPRISES, INC.
SUPPLEMENTAL DOLLARS & SENSE PLAN**

WHEREAS, an amendment to the Century Telephone Enterprises, Inc. Supplemental Dollars & Sense Plan (the "Plan") was adopted by the Compensation Committee of the Board of Directors on November 20, 1996 and ratified by the Board of Directors on November 21, 1996 to reflect that the approval as to whether an officer is covered by the Plan shall be in the discretion of the Committee that administers the Plan.

NOW THEREFORE, the Plan is hereby amended as follows:

I.

Section 3.01(c) of the Plan shall be amended to read in its entirety as follows:

c. The coverage of the officer is duly approved by the Committee.

IN WITNESS WHEREOF, Century Telephone Enterprises, Inc. has executed this amendment in its corporate name as of the 21st day of November, 1996.

CENTURY TELEPHONE ENTERPRISES, INC.

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

EXHIBIT 11
CENTURY TELEPHONE ENTERPRISES, INC.

COMPUTATIONS OF EARNINGS PER SHARE

	Year ended December 31,		
	1996	1995	1994
	(Dollars, except per share amounts, and shares expressed in thousands)		
Net income	\$ 129,077	114,776	100,238
Dividends applicable to preferred stock	(113)	(115)	(93)
Net income applicable to common stock	128,964	114,661	100,145
Dividends applicable to preferred stock	113	115	93
Interest on convertible securities, net of taxes	579	714	4,595
Net income as adjusted for purposes of computing fully diluted earnings per share	\$ 129,656	115,490	104,833
Weighted average number of shares:			
Outstanding during period	59,621	58,000	53,139
Common stock equivalent shares	635	509	580
Employee Stock Ownership Plan shares not committed to be released	(332)	(373)	(300)
Number of shares for computing primary earnings per share	59,924	58,136	53,419
Incremental common shares attributable to additional dilutive effect of convertible securities	736	971	4,716
Number of shares as adjusted for purposes of computing fully diluted earnings per share	60,660	59,107	58,135
Earnings per average common share	\$ 2.16	1.98	1.88
Primary earnings per share	\$ 2.15	1.97	1.88
Fully diluted earnings per share	\$ 2.14	1.95	1.80

EXHIBIT 21
CENTURY TELEPHONE ENTERPRISES, INC.
SUBSIDIARIES OF THE REGISTRANT
AS OF DECEMBER 31, 1996

Subsidiary	State of incorporation
Aragon Consulting Group, Inc.	Missouri
Brownsville Cellular Telephone Co., Inc. *	Delaware
Celutel, Inc.	Delaware
Celutel of Biloxi, Inc. *	Delaware
Century Area Long Lines (CALL), Inc.	Wisconsin
Century Business Communications, Inc.	Louisiana
Century Cellunet, Inc.	Louisiana
Century Cellunet of Alexandria, Inc.	Louisiana
Century Cellunet of La Crosse, Inc.	Louisiana
Century Cellunet of Michigan RSA #4, Inc.	Louisiana
Century Cellunet of Michigan RSAs, Inc.	Louisiana
Century Cellunet of Mississippi RSA #2, Inc.	Mississippi
Century Cellunet of Mississippi RSA #6, Inc.	Mississippi
Century Cellunet of Mississippi RSA #7, Inc.	Mississippi
Century Cellunet of North Arkansas, Inc.	Louisiana
Century Cellunet of North Louisiana, Inc.	Louisiana
Century Cellunet of Pine Bluff, Inc.	Arkansas
Century Cellunet of Saginaw, Inc.	Louisiana
Century Cellunet of Shreveport, Inc.	Louisiana
Century Cellunet of South Arkansas, Inc.	Louisiana
Century Cellunet of Southern Michigan, Inc.	Delaware
Century Cellunet of Texarkana, Inc.	Louisiana
Century Investments, Inc.	Louisiana
Century Interactive Fax, Inc.	Louisiana
Century Paging, Inc.	Louisiana
Century Service Group, Inc.	Louisiana
Century Supply Group, Inc.	Louisiana
Century Telecommunications, Inc.	Texas
Century Telelink, Inc.	Louisiana
Century Telephone Midwest, Inc.	Michigan
Century Telephone of Adamsville, Inc.	Tennessee
Century Telephone of Arkansas, Inc.	Arkansas
Century Telephone of Central Indiana, Inc.	Indiana
Century Telephone of Central Louisiana, Inc.	Louisiana
Century Telephone of Chatham, Inc.	Louisiana
Century Telephone of Chester, Inc.	Iowa
Century Telephone of Claiborne, Inc.	Tennessee
Century Telephone of Colorado, Inc.	Colorado
Century Telephone of East Louisiana, Inc.	Louisiana
Century Telephone of Evangeline, Inc.	Louisiana
Century Telephone of Forestville, Inc.	Wisconsin
Century Telephone of Idaho, Inc.	Delaware
Century Telephone of Lake Dallas, Inc.	Texas
Century Telephone of Larsen-Readfield, Inc.	Wisconsin
Century Telephone of Michigan, Inc.	Michigan
Century Telephone of Monroe County, Inc.	Wisconsin
Century Telephone of Mountain Home, Inc.	Arkansas

Century Telephone of North Louisiana, Inc.	Louisiana
Century Telephone of North Mississippi, Inc.	Mississippi
Century Telephone of Northern Michigan, Inc.	Michigan
Century Telephone of Northern Wisconsin, Inc.	Wisconsin
Century Telephone of Northwest Louisiana, Inc.	Louisiana
Century Telephone of Northwest Wisconsin, Inc.	Wisconsin
Century Telephone of Odon, Inc.	Indiana
Century Telephone of Ohio, Inc.	Ohio
Century Telephone of Ooltewah-Collegedale, Inc.	Tennessee
Century Telephone of Port Aransas, Inc.	Texas
Century Telephone of Redfield, Inc.	Arkansas
Century Telephone of Ringgold, Inc.	Louisiana
Century Telephone of San Marcos, Inc.	Texas
Century Telephone of South Arkansas, Inc.	Arkansas
Century Telephone of Southeast Louisiana, Inc.	Louisiana
Century Telephone of Southwest, Inc.	New Mexico
Century Telephone of Southwest Louisiana, Inc.	Louisiana
Century Telephone of Wisconsin, Inc.	Wisconsin
Interactive Communications, Inc.	Louisiana
Jackson Cellular Telephone Co., Inc. *	Delaware
The McAllen Cellular Telephone Co., Inc. *	Nevada
Metro Access Networks, Inc.	Delaware
Pascagoula Cellular Telephone Company, Inc. *	Delaware
Remote Access Cellular Telecommunications, Inc.	Texas
Tele-Max, Inc.	Texas
Universal Telephone, Inc.	Wisconsin

* Conduct business in the name of Century Cellunet

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

EXHIBIT 23

Independent Auditors' Consent

The Board of Directors
Century Telephone Enterprises, Inc.:

We consent to incorporation by reference in the Registration Statements (No. 33-17114 and No. 33-52915) on Form S-3, the Registration Statements (No. 33-5836, No. 33-17113, No. 33-46562, No. 33-48554 and No. 33-60061) on Form S-8, the Registration Statements (No. 33-31314 and No. 33-46473) on combined Form S-8 and Form S-3, and the Registration Statements (No. 33-48956 and No. 333-17015) on Form S-4 of Century Telephone Enterprises, Inc. of our report dated January 29, 1997, relating to the consolidated balance sheets of Century Telephone Enterprises, Inc. and subsidiaries as of December 31, 1996 and 1995, and the related consolidated statements of income, stockholders' equity, and cash flows and related financial statement schedules for each of the years in the three-year period ended December 31, 1996, which report appears in the December 31, 1996 annual report on Form 10-K of Century Telephone Enterprises, Inc.

/s/ KPMG Peat Marwick LLP

KPMG PEAT MARWICK LLP

*Shreveport, Louisiana
March 14, 1997*

ARTICLE 5

THIS 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.

CIK: 0000018926

NAME: CENTURY TELEPHONE ENTERPRISES, INC.

MULTIPLIER: 1,000

PERIOD TYPE	YEAR
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	2,028,505
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	2.15
EPS DILUTED	2.14

End of Filing

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