

CENTURYTEL INC

FORM 10-Q/A (Amended Quarterly Report)

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Sector	Services
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A

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

For the quarterly period ended September 30, 2002

or

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

Commission File Number: 1-7784

CenturyTel, Inc.

(Exact name of registrant as specified in its charter)

Louisiana
(State or other jurisdiction of
incorporation or organization)

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

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

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

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

☒ Yes ☐ No

As of October 31, 2002, there were 142,607,886 shares of common stock outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

CenturyTel, Inc. CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Three months ended September 30,		Nine months ended September 30,	
	2002	2001	2002	2001
(Dollars, except per share amounts, and shares in thousands)				
OPERATING REVENUES				
Telephone	\$ 460,935	377,747	1,214,165	1,116,880
Other	63,562	46,226	171,952	127,945
Total operating revenues	524,497	423,973	1,386,117	1,244,825
OPERATING EXPENSES				
Cost of sales and operating expenses (exclusive of depreciation and amortization)	257,924	209,609	694,801	617,577
Corporate overhead costs allocable to discontinued operations (See Note 4)	1,343	4,918	11,275	14,876
Depreciation and amortization	107,514	103,455	293,745	302,863
Total operating expenses	366,781	317,982	999,821	935,316
OPERATING INCOME	157,716	105,991	386,296	309,509
OTHER INCOME (EXPENSE)				
Interest expense	(60,021)	(54,438)	(164,826)	(173,499)
Nonrecurring gains and losses	-	43,543	3,709	33,043
Other income and expense	(573)	(733)	(356)	3,517
Total other income (expense)	(60,594)	(11,628)	(161,473)	(136,939)
INCOME FROM CONTINUING OPERATIONS				
BEFORE INCOME TAX EXPENSE	97,122	94,363	224,823	172,570
Income tax expense	33,503	34,793	78,139	65,081
INCOME FROM CONTINUING OPERATIONS	63,619	59,570	146,684	107,489
DISCONTINUED OPERATIONS (See Note 4)				
Income from discontinued operations, net of \$248,565, \$20,326, \$285,809 and \$113,470 tax	544,130	32,735	610,595	185,779
NET INCOME	\$ 607,749	92,305	757,279	293,268
NET INCOME, AS ADJUSTED FOR GOODWILL AMORTIZATION (See Notes 1 and 5)	\$ 607,749	106,295	757,279	335,476

See accompanying notes to consolidated financial statements.

CenturyTel, Inc.
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

(Continued)

	Three months ended September 30,		Nine months ended September 30,	
	2002	2001	2002	2001
(Dollars, except per share amounts, and shares in thousands)				
BASIC EARNINGS PER SHARE				
From continuing operations	\$.45	.42	1.04	.76
From continuing operations, as adjusted*	\$.45	.50	1.04	1.01
From discontinued operations	\$ 3.84	.23	4.32	1.32
From discontinued operations, as adjusted*	\$ 3.84	.25	4.32	1.37
Basic earnings per share	\$ 4.29	.65	5.36	2.08
Basic earning per share, as adjusted*	\$ 4.29	.75	5.36	2.38
DILUTED EARNINGS PER SHARE				
From continuing operations	\$.45	.42	1.03	.76
From continuing operations, as adjusted*	\$.45	.50	1.03	1.00
From discontinued operations	\$ 3.81	.23	4.28	1.31
From discontinued operations, as adjusted*	\$ 3.81	.25	4.28	1.36
Diluted earnings per share	\$ 4.26	.65	5.31	2.06
Diluted earnings per share, as adjusted*	\$ 4.26	.75	5.31	2.36
DIVIDENDS PER COMMON SHARE	\$.0525	.05	.1575	.15
AVERAGE BASIC SHARES OUTSTANDING	141,692	140,772	141,324	140,693
AVERAGE DILUTED SHARES OUTSTANDING	142,770	142,260	142,710	142,267

* As adjusted to reflect the after-tax effect of eliminating goodwill amortization in accordance with SFAS 142 (See Notes 1 and 5). See accompanying notes to consolidated financial statements.

CenturyTel, Inc.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

	Three months ended September 30,		Nine months ended September 30,	
	2002	2001	2002	2001
(Dollars in thousands)				
NET INCOME	\$ 607,749	92,305	757,279	293,268
OTHER COMPREHENSIVE INCOME, NET OF TAX:				
Unrealized holding gains (losses):				
Unrealized holding gains (losses) arising during period, net of (\$175) and \$5,385 tax	-	(326)	-	9,999
Reclassification adjustment for gains included in net income, net of (\$19,100) tax	-	(35,470)	-	(35,470)
Derivative instruments:				
Net gains (losses) on derivatives hedging variability of cash flows, net of (\$355) tax	(658)	-	(658)	-
COMPREHENSIVE INCOME	\$ 607,091	56,509	756,621	267,797
=====				
COMPREHENSIVE INCOME, AS ADJUSTED FOR GOODWILL AMORTIZATION (See Notes 1 and 5)	\$ 607,091	70,499	756,621	310,005
=====				

See accompanying notes to consolidated financial statements.

CenturyTel, Inc.
CONSOLIDATED BALANCE SHEETS
(UnAUDITED)

	September 30, 2002	December 31, 2001
	(Dollars in thousands)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 294,239	3,496
Accounts receivable, less allowance of \$30,888 and \$13,908	281,733	205,990
Materials and supplies, at average cost	9,318	10,916
Other	8,872	9,511
Total current assets	594,162	229,913
NET PROPERTY, PLANT AND EQUIPMENT	3,335,224	2,736,142
INVESTMENTS AND OTHER ASSETS		
Goodwill	3,693,948	2,087,158
Other	430,245	420,043
Total investments and other assets	4,124,193	2,507,201
ASSETS HELD FOR SALE (See Note 4)	11,796	845,428
TOTAL ASSETS	\$ 8,065,375	6,318,684
=====		
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 28,431	955,834
Short-term debt	-	53,000
Accounts payable	67,417	61,056
Accrued expenses and other liabilities		
Salaries and benefits	68,087	46,588
Taxes	392,562	27,937
Interest	61,880	49,191
Other	39,520	15,968
Advance billings and customer deposits	41,180	29,308
Total current liabilities	699,077	1,238,882
LONG-TERM DEBT	3,650,046	2,087,500
DEFERRED CREDITS AND OTHER LIABILITIES	652,329	506,052
LIABILITIES RELATED TO ASSETS HELD FOR SALE (See Note 4)	-	148,870
STOCKHOLDERS' EQUITY		
Common stock, \$1.00 par value, authorized 350,000,000 shares, issued and outstanding 142,042,786 and 141,232,806 shares	142,043	141,233
Paid-in capital	515,593	524,668
Accumulated other comprehensive income (loss), net of tax	(658)	-
Retained earnings	2,400,720	1,666,004
Unearned ESOP shares	(1,750)	(2,500)
Preferred stock - non-redeemable	7,975	7,975
Total stockholders' equity	3,063,923	2,337,380
TOTAL LIABILITIES AND EQUITY	\$ 8,065,375	6,318,684
=====		

See accompanying notes to consolidated financial statements.

CenturyTel, Inc.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(UNAUDITED)

	Nine months ended September 30,	
	2002	2001
	(Dollars in thousands)	
COMMON STOCK		
Balance at beginning of period	\$ 141,233	140,667
Conversion of convertible securities into common stock	-	254
Issuance of common stock through dividend reinvestment, incentive and benefit plans	810	168
Balance at end of period	142,043	141,089
PAID-IN CAPITAL		
Balance at beginning of period	524,668	509,840
Equity unit issuance costs and contract adjustment payments	(24,377)	-
Conversion of convertible securities into common stock	-	3,046
Issuance of common stock through dividend reinvestment, incentive and benefit plans	13,319	2,989
Amortization of unearned compensation and other	1,983	2,856
Balance at end of period	515,593	518,731
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX		
Balance at beginning of period	-	25,471
Change in other comprehensive income (loss) (net of reclassification adjustment in 2001), net of tax	(658)	(25,471)
Balance at end of period	(658)	-
RETAINED EARNINGS		
Balance at beginning of period	1,666,004	1,351,626
Net income	757,279	293,268
Cash dividends declared		
Common stock-\$.1575 and \$.15 per share, respectively	(22,264)	(21,209)
Preferred stock	(299)	(299)
Balance at end of period	2,400,720	1,623,386
UNEARNED ESOP SHARES		
Balance at beginning of period	(2,500)	(3,500)
Release of ESOP shares	750	750
Balance at end of period	(1,750)	(2,750)
PREFERRED STOCK - NON-REDEEMABLE		
Balance at beginning and end of period	7,975	7,975
TOTAL STOCKHOLDERS' EQUITY	\$ 3,063,923	2,288,431

See accompanying notes to consolidated financial statements.

CenturyTel, Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Nine months ended September 30,	
	2002	2001
	(Dollars in thousands)	
OPERATING ACTIVITIES FROM CONTINUING OPERATIONS		
Net income	\$ 757,279	293,268
Adjustments to reconcile net income to net cash provided by operating activities from continuing operations:		
Income from discontinued operations, net of tax	(610,595)	(185,779)
Depreciation and amortization	293,745	302,863
Deferred income taxes	43,343	2,309
Nonrecurring gains and losses	(3,709)	(33,043)
Changes in current assets and current liabilities:		
Accounts receivable	(22,222)	36,461
Accounts payable	6,361	(19,977)
Other accrued taxes	58,838	69,751
Other current assets and other current liabilities, net	61,745	12,572
Increase in other noncurrent assets	(23,562)	(55,914)
Increase in other noncurrent liabilities	31,849	5,099
Other, net	43,315	30,738
Net cash provided by operating activities from continuing operations	636,387	458,348
INVESTING ACTIVITIES FROM CONTINUING OPERATIONS		
Acquisitions, net of cash acquired	(2,245,026)	(47,131)
Payments for property, plant and equipment	(270,774)	(331,733)
Proceeds from sale of assets	4,144	64,584
Other, net	5,349	3,150
Net cash used in investing activities from continuing operations	(2,506,307)	(311,130)
FINANCING ACTIVITIES FROM CONTINUING OPERATIONS		
Proceeds from issuance of debt	1,168,249	3,896
Payments of debt	(604,593)	(359,414)
Proceeds from issuance of common stock	14,129	3,157
Cash dividends	(22,563)	(21,508)
Payment of debt issuance costs	(12,899)	-
Payment of equity units issuance costs	(15,867)	-
Other, net	2,572	962
Net cash provided by (used in) financing activities from continuing operations	529,028	(372,907)
Net cash provided by discontinued operations (See Note 4)	1,631,635	224,799
Net increase (decrease) in cash and cash equivalents	290,743	(890)
Cash and cash equivalents at beginning of period	3,496	11,523
Cash and cash equivalents at end of period	\$ 294,239	10,633
Supplemental cash flow information:		
Income taxes paid	\$ 26,183	16,877
Interest paid (net of capitalized interest of \$1,176 and \$3,694)	\$ 153,781	165,871
See accompanying notes to consolidated financial statements.		

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2002

(UNAUDITED)

(1) Basis of Financial Reporting

The consolidated financial statements of CenturyTel, Inc. and its subsidiaries (the "Company") include the accounts of CenturyTel, Inc. ("CenturyTel") and its majority-owned subsidiaries and partnerships. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to rules and regulations of the Securities and Exchange Commission; however, in the opinion of management, the disclosures which are made are adequate to make the information presented not misleading. The consolidated financial statements and footnotes included in this Form 10-Q should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's current report on Form 8-K dated March 19, 2002 and filed August 13, 2002. Certain 2001 amounts have been reclassified to be consistent with the Company's 2002 presentation.

The unaudited financial information for the three months and nine months ended September 30, 2002 and 2001 has not been audited by independent certified public accountants; however, in the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the results of operations for the three-month and nine-month periods have been included therein. The results of operations for the first nine months of the year are not necessarily indicative of the results of operations which might be expected for the entire year.

In July 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). Under SFAS 142, effective January 1, 2002, systematic amortization of goodwill is no longer permitted; instead, SFAS 142 requires goodwill recorded in a business combination to be reviewed for impairment and to be written down only in periods in which the recorded amount of goodwill exceeds its fair value. Impairment of goodwill is tested at least annually by comparing the fair value of the reporting unit to its carrying value (including goodwill). Estimates of the fair value of the reporting unit are based on valuation models using criterion such as multiples of earnings. Each adjustment reflected in the consolidated statements of income and comprehensive income by use of the term "as adjusted for goodwill amortization" reflects the effects of SFAS 142, as more fully described in Note 5.

In October 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"). SFAS 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets and also broadens the reporting of discontinued operations to include all components of an entity with operations that can be distinguished from the rest of the entity and that will be eliminated from the ongoing operations of the entity in a disposal transaction. As a result of the Company's agreement in March 2002 to sell its wireless operations (which was consummated on August 1, 2002) (see Note

4), such operations have been reflected as discontinued operations for the three months and nine months ended September 30, 2002. Assets and liabilities related to the Company's wireless operations are reflected as "Held for sale" on the accompanying consolidated balance sheets. Results of operations for 2001 have been restated to conform to this presentation.

(2) Net Property, Plant and Equipment

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

	Sept. 30, 2002	Dec. 31, 2001
(Dollars in thousands)		
Telephone, at original cost	\$ 6,075,708	5,292,255
Accumulated depreciation	(3,053,681)	(2,839,268)
	3,022,027	2,452,987
Other, at cost	501,516	446,920
Accumulated depreciation	(188,319)	(163,765)
	313,197	283,155
	\$ 3,335,224	2,736,142

(3) Acquisitions

On July 1, 2002, the Company completed the acquisition of approximately 300,000 telephone access lines in the state of Alabama from Verizon Communications, Inc. ("Verizon") for approximately \$1.022 billion cash. On August 31, 2002, the Company completed the acquisition of approximately 354,000 telephone access lines in the state of Missouri from Verizon for approximately \$1.179 billion cash. The assets purchased include (i) all telephone access lines and related property and equipment comprising Verizon's local exchange operations in predominantly rural markets throughout Alabama and Missouri, (ii) Verizon's assets used to provide digital subscriber line ("DSL") and other high speed data services within the purchased exchanges and (iii) approximately 2,800 route miles of fiber optic cable within the purchased exchanges. The acquired assets do not include Verizon's cellular, personal communications services ("PCS"), long distance, dial-up Internet, or directory publishing operations, or rights under various Verizon contracts, including those relating to customer premise equipment. The Company will not assume any liabilities of Verizon other than (i) those associated with contracts, facilities and certain other assets transferred in connection with the purchase and (ii) certain employee-related liabilities, including liabilities for postretirement health benefits. For financing arrangements related to these acquisitions, see Note 7.

The results of operations of the acquired properties are included in the Company's results of operations from and after the respective acquisition dates.

The following table presents the Company's preliminary allocation of its aggregate purchase price to the assets acquired and liabilities assumed in connection with the acquisitions.

	(In thousands)
Accounts receivable	\$ 49,716
Property, plant and equipment	640,843
Goodwill	1,579,153
Accrued expenses and other liabilities	(1,195)
Advance billings and customer deposits	(10,362)
Other deferred credits	(56,897)
Aggregate purchase price	\$ 2,201,258

Allocation of the purchase price has not been finalized because the third party valuation of the fixed assets and identifiable intangibles has not been completed. The preliminary purchase price allocation above assumes that the net book value of the property, plant and equipment will approximate its appraised value. The Company anticipates allocating a portion of the purchase price to an identifiable intangible (customer base) and will amortize such asset over its remaining useful life. For the preliminary allocation depicted above, such amount is included in goodwill. The Company does not anticipate that the amount allocated to customer base (nor the associated amortization) will be material to its results of operations. The Company believes the entire amount of goodwill will be deductible for income tax purposes.

The following pro forma information represents the consolidated results of continuing operations of the Company for the nine months ended September 30, 2002 and 2001 as if the Verizon acquisitions had been consummated as of January 1, 2002 and 2001, respectively.

	Nine months ended September 30, 2002	2001
(Dollars in thousands)		

Operating revenues from continuing operations	\$ 1,699,540	1,658,920
Income from continuing operations	\$ 170,443	135,957
Basic earnings per share from		
continuing operations, as adjusted	\$ 1.20	1.21
Diluted earnings per share from		
continuing operations, as adjusted	\$ 1.19	1.20

The pro forma information is based on various assumptions and estimates (including estimates of the Company's Verizon Missouri operating results for July and August 2002 based on their operations for the six months ended June 30, 2002), and on the above-mentioned preliminary purchase price allocations. To the extent that final allocations of the purchase price cause the Company's annual depreciation and amortization expense to differ from that presented in the pro forma information, annual earnings per share will be effected by \$.01 per share for every \$2.4 million difference in annual depreciation and amortization expense. The pro forma information (i) reflects the effect of reduced interest expense after August 1, 2002 as a result of reducing outstanding indebtedness from utilization of proceeds received from the August 1, 2002 sale of the Company's wireless operations described in Note 4 and (ii) makes no pro forma adjustments to reflect any assumed consummation of such sale (or any use of such sale proceeds) prior to August 1, 2002. The pro forma information is not necessarily indicative of the operating results that would have occurred if the Verizon acquisitions had been consummated as of January 1 of each respective period, nor is it necessarily indicative of future operating results. The pro forma information does not give effect to any potential revenue enhancements or cost synergies or other operating efficiencies that could result from the acquisitions. The actual results of operations of the Verizon properties are included in the consolidated financial statements only from the respective dates of acquisition.

(4) Discontinued Operations

On August 1, 2002 (pursuant to a definitive agreement signed March 19, 2002), the Company sold substantially all of its wireless operations to an affiliate of ALLTEL Corporation ("Alltel") and certain partners in the Company's markets that exercised "first refusal" purchase rights for an aggregate of approximately \$1.59 billion in cash. In connection with this transaction, the Company divested its (i) interests in its majority-owned and operated cellular systems, which at June 30, 2002 served approximately 783,000 customers and had access to approximately 7.8 million pops, (ii) minority cellular equity interests representing approximately 1.8 million pops at June 30, 2002, and (iii) licenses to provide PCS covering 1.3 million pops in Wisconsin and Iowa. Proceeds from the sale of the wireless operations were used to partially fund the Company's acquisitions of telephone properties in Alabama and Missouri during the third quarter of 2002.

As a result, the Company's wireless operations prior to August 1, 2002 have been reflected as discontinued operations in the Company's consolidated financial statements as of and for the three months and nine months ended September 30, 2002. Amounts reported for 2001 have been restated to conform to the 2002 presentation. The depreciation and amortization of long-lived and intangible assets related to the wireless operations ceased on March 19, 2002, the date of the definitive agreement to sell such operations.

The following table represents certain summary income statement information related to the Company's wireless operations reflected as discontinued operations.

	Three months ended September 30,		Nine months ended September 30,	
	2002	2001	2002	2001
(Dollars in thousands)				
Operating revenues	\$ 38,012	115,404	246,705	329,496
Operating income (loss) (1)	\$ (15,167)	37,820	71,258	103,715
Income from unconsolidated cellular entities	5,426	16,622	29,622	32,648
Minority interest expense	(1,659)	(3,449)	(8,569)	(9,150)
Gain on sale of discontinued operations	803,905	-	803,905	-
Nonrecurring gains and losses	-	-	-	166,928
Other income and (expense)	190	2,068	188	5,108
Pre-tax income from discontinued operations	792,695	53,061	896,404	299,249
Income tax expense	(248,565)	(20,326)	(285,809)	(113,470)
Income from discontinued operations	\$ 544,130	32,735	610,595	185,779

(1) Excludes corporate overhead costs allocated to the wireless operations of \$1.3 million, \$4.9 million, \$11.3 million, and \$14.9 million for the three months ended September 30, 2002 and 2001 and the nine months ended September 30, 2002 and 2001, respectively, which the Company expects to continue to incur after the August 1, 2002 disposal of the wireless business. The three months and nine months ended September 30, 2002 includes a \$30.5 million charge associated with a write-off of all amounts expended to develop the wireless portion of the Company's billing system currently in development.

The following table represents certain summary cash flow statement information related to the Company's wireless operations reflected as discontinued operations.

	Nine months ended September 30,	
	2002	2001
(Dollars in thousands)		
Net cash provided by operating activities	\$ 55,721	145,280
Net cash provided by investing activities (1)	1,575,914	79,519
Net cash used in financing activities	-	-
Net cash provided by discontinued operations	\$ 1,631,635	224,799

(1) Includes cash proceeds of \$1.59 billion from the sale of substantially all of the Company's wireless operations.

The following table represents the net assets of the discontinued wireless operations as of September 30, 2002 and December 31, 2001, which are classified as held for sale on the consolidated balance sheets.

	Sept. 30, 2002	Dec. 31, 2001
(Dollars in thousands)		
Current assets	\$ -	70,360
Net property, plant and equipment	-	263,421
Goodwill	-	384,326
Other assets (1)	11,796	127,321
Assets held for sale	\$ 11,796	845,428
Current liabilities	\$ -	55,074
Deferred credits and other liabilities	-	93,796
Liabilities related to assets held for sale	\$ -	148,870

(1) At September 30, 2002, represents the Company's minority interest in a cellular partnership that the Company has agreed to sell to Alltel upon the satisfaction of various closing conditions, including approval of the Federal Communications Commission.

(5) Goodwill and other intangible assets

The following information relates to the Company's goodwill as of September 30, 2002 and December 31, 2001:

	Sept. 30, 2002	Dec. 31, 2001
(Dollars in thousands)		
Carrying amount of goodwill		
Telephone segment	\$ 3,653,302	2,074,036
Other operations	40,646	13,122
Total goodwill	\$ 3,693,948	2,087,158

The Company has completed the initial transitional goodwill impairment test of SFAS 142 as well as the required annual test and has determined its goodwill is not impaired. The increase in goodwill in the telephone segment since December 31, 2001 is substantially due to the Verizon acquisitions consummated in third quarter 2002 (see Note 3).

The following is a reconciliation of reported net income and reported earnings per share to the amounts that would have been reported for periods ending prior to December 31, 2001 had the Company been subject to SFAS 142 during 2001.

	Three months ended September 30,		Nine months ended September 30,	
	2002	2001	2002	2001
(Dollars in thousands, except per share amounts)				
Net income, as reported	\$ 607,749	92,305	757,279	293,268
Goodwill amortization, net of taxes	-	13,990	-	42,208
Net income, as adjusted	\$ 607,749	106,295	757,279	335,476
Basic earnings per share, as reported	\$ 4.29	.65	5.36	2.08
Goodwill amortization, net of taxes	-	.10	-	.30
Basic earnings per share, as adjusted	\$ 4.29	.75	5.36	2.38
Diluted earnings per share, as reported	\$ 4.26	.65	5.31	2.06
Goodwill amortization, net of taxes	-	.10	-	.30
Diluted earnings per share, as adjusted	\$ 4.26	.75	5.31	2.36

(6) Business Segments

The Company's only separately reportable business segment is its telephone operations. The operating income of this segment is reviewed by the Company's chief operating decision maker to assess performance and make business decisions. Due to the sale of the Company's wireless operations, such operations (which were previously reported as a separate segment) are classified as discontinued operations (see Note 4). Other operations include, but are not limited to, the Company's non-regulated long distance operations, Internet operations, competitive local exchange carrier operations and security monitoring operations.

	Three months ended September 30,		Nine months ended September 30,	
	2002	2001	2002	2001
(Dollars in thousands)				
Operating revenues				
Telephone	\$ 460,935	377,747	1,214,165	1,116,880
Other operations	63,562	46,226	171,952	127,945
Total operating revenues	\$ 524,497	423,973	1,386,117	1,244,825
Operating income				
Telephone	\$ 144,619	104,365	366,296	307,728
Other operations	14,440	6,544	31,275	16,657
Corporate overhead costs allocable to discontinued operations (See Note 4)	(1,343)	(4,918)	(11,275)	(14,876)
Total operating income	\$ 157,716	105,991	386,296	309,509
Operating income	\$ 157,716	105,991	386,296	309,509
Interest expense	(60,021)	(54,438)	(164,826)	(173,499)
Nonrecurring gains and losses	-	43,543	3,709	33,043
Other income and expense	(573)	(733)	(356)	3,517
Income from continuing operations before income tax expense	\$ 97,122	94,363	224,823	172,570

	Sept. 30, 2002	Dec. 31, 2001
(Dollars in thousands)		
Assets		
Telephone	\$ 6,911,961	4,754,522
Other operations	1,141,618	718,734
Assets held for sale (See Note 4)	11,796	845,428
Total assets	\$ 8,065,375	6,318,684

(7) Financing Arrangements

On May 6, 2002, the Company issued and sold in an underwritten public offering \$500 million of Equity Units. Net proceeds to the Company from this issuance were approximately \$483.4 million. Each of the 20 million Equity Units issued was priced at \$25 and consists initially of a beneficial interest in a CenturyTel senior unsecured note with a principal amount of \$25 and a contract to purchase shares of CenturyTel common stock no later than May 2005. The senior notes will mature in May 2007. The total distributions on the Equity Units will be at an initial annual rate of 6.875%, consisting of interest (6.02%) and contract adjustment payments (0.855%). Each stock purchase contract will generally require the holder to purchase between .6944 and .8741 of a share of CenturyTel common stock in May 2005 in exchange for \$25, subject to certain adjustments and exceptions.

The Equity Units are reflected on the balance sheet as long-term debt in the amount of \$500 million. Interest expense is accrued at a rate of 6.02%, the initial interest rate of the senior notes. The present value of the contract adjustment payments was recorded as a reduction to paid-in capital and as a liability upon the issuance of the Equity Units. Subsequent contract adjustment payments will be allocated between the liability and interest expense based on the effective interest method over the three-year life of the purchase contract. The issuance costs were allocated to the debt and equity components of the Equity Units. The debt issuance costs (\$3.3 million) were computed based on typical costs of a debt transaction and will be amortized to interest expense over the term of the senior notes. The remainder of the issuance costs (\$12.6 million) were treated as a cost of raising equity and recorded as a charge to paid-in capital.

On July 22, 2002, the Company entered into \$800 million of credit facilities, consisting of a \$533 million three-year facility and a \$267 million 364-day revolving facility with a one-year term-out option. The agents for these credit facilities are JP Morgan Chase Bank, Wachovia Bank, Bank of America, Bank One and SunTrust Bank. These facilities replaced credit facilities that matured during the third quarter of 2002.

In the third quarter of 2002, the Company issued \$500 million of senior notes due 2012 (which bear interest at 7.875%) and \$165 million of convertible senior debentures (which bear interest at 4.75% and which, upon the occurrence of specified events, may be converted into shares of CenturyTel common stock at a conversion price of \$40.455 per share).

Proceeds from the sale of Equity Units, senior notes and convertible senior debentures, along with the proceeds received from the sale of substantially all of the Company's wireless operations and utilization of its \$800 million credit facilities, were used to finance the third quarter 2002 acquisitions of telephone properties in Alabama and Missouri from Verizon which aggregated \$2.201 billion and the redemption of \$400 million principal amount in remarketable debt securities (plus an associated \$71.1 million premium payment) in October 2002 (see Note 9).

The Company also has an obligation to pay taxes in December 2002 of approximately \$300 million as a result of the sale of substantially all of its wireless operations.

(8) Derivative Instruments

During the third quarter of 2002, the Company entered into the following derivative transactions:

(a) A cash flow hedge designed to lock in a fixed interest rate for \$100 million of the anticipated \$500 million senior notes issued in August 2002. Such hedge was settled in the third quarter of 2002 for a \$1.1 million payment by the Company. Such amount will be amortized as additional interest expense over a ten-year period, which equates to the term of the debt issuance hedged.

(b) A fair value hedge with respect to the Company's \$500 million aggregate principal amount of 8.375% Series H senior notes, due 2010. This hedge is a "fixed to variable" interest rate swap that effectively converts the Company's fixed rate interest payment obligations under these notes into variable rate obligations which is reflected as a component of interest expense for the nine months ended September 30, 2002. The fair value of such hedge at September 30, 2002 was \$19.2 million and is reflected on the accompanying balance sheet as an asset (included in "Other assets") and as an increase in the underlying debt (included in "Long-term debt").

(c) A cash flow hedge designed to eliminate the variability of interest payments for \$400 million of variable rate debt under its \$800 million credit facilities. Such hedge was deemed to be an effective hedge as of September 30, 2002 and its value (\$1.0 million) is reflected as a liability (included in Deferred Credits and Other Liabilities) and as Accumulated Other Comprehensive Income (Loss) (net of tax) on the accompanying balance sheet.

(9) Subsequent Event

On October 15, 2002, the Company redeemed \$400 million principal amount (which has been classified as long-term debt on the September 30, 2002 balance sheet) of its Series I Remarketable Senior Notes at par value, plus accrued interest. In connection with such redemption, the Company also paid a premium of approximately \$71.1 million in accordance with the redemption provisions of the associated remarketing agreement. Such premium payment (net of \$11.1 million of unamortized net premium primarily associated with the option payment received by the Company in connection with the original issuance of the remarketable notes) will be reflected as an expense in the Company's results of operations for the fourth quarter of 2002 (\$39.0 million after-tax; \$.27 per share).

(10) Commitments and Contingencies

From time to time, the Company is involved in various claims and legal actions relating to the conduct of its 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.

CenturyTel, Inc.

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

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") included herein should be read in conjunction with MD&A and the other information included in the Company's current report on Form 8-K dated March 19, 2002 and filed August 13, 2002. The results of operations for the three months and nine months ended September 30, 2002 are not necessarily indicative of the results of operations which might be expected for the entire year.

CenturyTel, Inc. and its subsidiaries (the "Company") is a regional integrated communications company engaged primarily in providing local exchange, long distance, Internet access and data services to customers in 22 states. On July 1, 2002, the Company acquired the assets of all of the local exchange telephone operations of Verizon Communications, Inc. ("Verizon") in the state of Alabama for approximately \$1.022 billion cash. On August 31, 2002, the Company acquired the assets of all of the local exchange telephone operations of Verizon in the state of Missouri for approximately \$1.179 billion cash. The results of operations for the Verizon assets acquired are reflected in the Company's consolidated results of operations subsequent to each respective acquisition.

On August 1, 2002 (pursuant to a definitive agreement signed March 19, 2002), the Company sold substantially all of its wireless operations to an affiliate of ALLTEL Corporation ("Alltel") and certain other purchasers in exchange for an aggregate of approximately \$1.59 billion in cash. As a result, the Company's wireless operations for the three months and nine months ended September 30, 2002 and 2001 have been reflected as discontinued operations on the Company's consolidated statements of income and cash flows. For further information, see "Discontinued Operations" below.

In addition to historical information, management's discussion and analysis includes certain forward-looking statements regarding events and financial trends that may affect the Company's future operating results and financial position. Such forward-looking statements are subject to uncertainties that could cause the Company's actual results to differ materially from such statements. Such uncertainties include but are not limited to: the Company's ability to effectively manage its growth, including integrating newly-acquired businesses into the Company's operations, hiring adequate numbers of qualified staff and successfully upgrading its billing and other information systems; the risks inherent in rapid technological change; the effects of ongoing changes in the regulation of the communications industry; the effects of greater than anticipated competition in the Company's markets; possible changes in the demand for, or pricing of, the Company's products and services; the Company's ability to successfully introduce new product or service offerings on a timely and cost-effective basis; the direct and indirect effects on the Company's business resulting from the financial difficulties of other communications companies, including the effect on the Company's ability to collect receivables from financially troubled carriers, and the effects of more general factors such as changes in overall market or economic conditions, in prevailing interest rates or in legislation, regulation or public policy. These and other uncertainties related to the business are described in greater detail in Item 1 to the Company's Annual Report on Form 10-K for the year ended December 31, 2001. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The Company undertakes no obligation to update any of its forward-looking statements for any reason.

RESULTS OF OPERATIONS

Three Months Ended September 30, 2002 Compared to Three Months Ended September 30, 2001

Net income (and diluted earnings per share) was \$607.7 million (\$4.26) and \$92.3 million (\$.65) for the third quarter of 2002 and 2001, respectively. Income from continuing operations was \$63.6 million for the third quarter of 2002 and \$59.6 million for the third quarter of 2001. Diluted earnings per share from continuing operations was \$.45 during the third quarter of 2002 compared to \$.42 during the third quarter of 2001. In accordance with the provisions of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"), amortization of goodwill ceased effective January 1, 2002. Had the results of operations for the three months ended September 30, 2001 been subject to SFAS 142, income from continuing operations (and diluted earnings per share) would have been \$71.0 million (\$.50) and net income (and diluted earnings per share) would have been \$106.3 million (\$.75).

Exclusive of the effects of nonrecurring items, diluted earnings per share (as adjusted for goodwill amortization) would have been \$.57 and \$.55 for the third quarter of 2002 and 2001, respectively. Net income in the third quarter of 2002 includes a net favorable impact of nonrecurring items (\$765.8 million pre-tax; \$3.69 per share) consisting of (i) an \$803.9 million pre-tax gain (\$3.86 per share) on the sale of assets, substantially all of which relates to the Company's sale of substantially all of its wireless business (reflected as a component of discontinued operations), (ii) a \$30.5 million pre-tax charge (\$.14 per share) attributable to a write-off of the wireless portion of the Company's billing system currently in development (reflected as a component of discontinued operations) and (iii) a \$7.6 million pre-tax charge (\$.03 per share) related to the Company's refund of access charges collected from interexchange carriers on certain properties acquired in 1998. Net income in the third quarter of 2001 includes a net favorable impact of nonrecurring items (\$43.7 million pre-tax; \$.20 per share) consisting primarily of (i) \$58.5 million of pre-tax gains on sales of assets (\$.27 per share), substantially all of which related to the sale of the Company's remaining shares of common stock of Illuminet Holdings, Inc. ("Illuminet"), (ii) the write-down of certain non-operating investments (\$15.0 million pre-tax; \$.07 per share) and (iii) costs incurred to defend an unsolicited takeover proposal (\$3.0 million pre-tax; \$.01 per share).

	Three months ended September 30,	
	2002	2001
	(Dollars, except per share amounts, and shares in thousands)	
Operating income		
Telephone	\$ 144,619	104,365
Other	14,440	6,544
Corporate overhead costs allocable to discontinued operations	(1,343)	(4,918)
Interest expense	157,716	105,991
Nonrecurring gains and losses	(60,021)	(54,438)
Other income and expense	-	43,543
Income tax expense	(573)	(733)
	(33,503)	(34,793)
Income from continuing operations	63,619	59,570
Discontinued operations, net of tax	544,130	32,735
Net income	\$ 607,749	92,305
Net income, as adjusted for goodwill amortization	\$ 607,749	106,295
Basic earnings per share		
From continuing operations	\$.45	.42
From continuing operations, as adjusted for goodwill amortization	\$.45	.50
From discontinued operations	\$ 3.84	.23
From discontinued operations, as adjusted for goodwill amortization	\$ 3.84	.25
Basic earnings per share	\$ 4.29	.65
Basic earnings per share, as adjusted for goodwill amortization	\$ 4.29	.75
Diluted earnings per share		
From continuing operations	\$.45	.42
From continuing operations, as adjusted for goodwill amortization	\$.45	.50
From discontinued operations	\$ 3.81	.23
From discontinued operations, as adjusted for goodwill amortization	\$ 3.81	.25
Diluted earnings per share	\$ 4.26	.65
Diluted earnings per share, as adjusted for goodwill amortization	\$ 4.26	.75
Average basic shares outstanding	141,692	140,772
Average diluted shares outstanding	142,770	142,260

Contributions to operating revenues and operating income by the Company's telephone and other operations for the three months ended September 30, 2002 and 2001 were as follows:

	Three months ended September 30,	
	2002	2001
Operating revenues		
Telephone operations	87.9%	89.1
Other operations	12.1%	10.9
Operating income		
Telephone operations	91.7%	98.4
Other operations	9.2%	6.2
Corporate overhead costs allocable to discontinued operations	(.9)%	(4.6)

Telephone Operations

	Three months ended September 30,	
	2002	2001
	(Dollars in thousands)	
Operating revenues		
Local service	\$ 169,098	122,829
Network access	249,047	219,432
Other	42,790	35,486

	460,935	377,747

Operating expenses		
Plant operations	117,997	98,605
Customer operations	41,161	28,148
Corporate and other	52,774	46,293
Depreciation and amortization	104,384	100,336

	316,316	273,382

Operating income	\$ 144,619	104,365
=====		

The Company conducts its telephone operations in rural, suburban and small urban communities in 22 states. As of September 30, 2002, approximately 84% of the Company's 2.4 million access lines were in Wisconsin, Missouri, Alabama, Arkansas, Washington, Michigan, Louisiana and Colorado.

Telephone operating income increased \$40.3 million (38.6%) due to an increase in operating revenues of \$83.2 million (22.0%), partially offset by an increase in operating expenses of \$42.9 million (15.7%).

Of the \$46.3 million (37.7%) increase in local service revenues, \$42.9 million was due to the properties acquired from Verizon in the third quarter of 2002. The remaining increase of \$3.4 million was primarily due to a \$2.2 million increase in the provision of custom calling features.

Network access revenues increased \$29.6 million (13.5%) in the third quarter of 2002 of which \$35.9 million was due to the properties acquired from Verizon. The remaining \$6.3 million decrease was primarily due to a \$7.6 million pre-tax charge relating to the Company's refund of access charges to interexchange carriers and a \$5.0 million decrease in intrastate revenues due to (i) a reduction in intrastate minutes (partially due to the displacement of minutes by wireless services) and (ii) decreased access rates in certain states. Such decreases were partially offset by a \$2.3 million increase in the revision of prior year revenue settlement agreements, a \$1.9 million increase in revenues from the federal Universal Service Fund and a \$1.8 million increase in rates in certain jurisdictions.

Other revenues increased \$7.3 million (20.6%) of which \$6.7 million was due to the properties acquired from Verizon.

Exclusive of access lines acquired from Verizon, access lines declined 1.0% during the three months ended September 30, 2002. Access line growth during the three months ended September 30, 2001 was 0.1%. The Company believes the decline in the number of access lines during 2002 is primarily due to general economic conditions in the Company's markets (which the Company believes will continue until there is an economic recovery) and an increase in the number of customers receiving telephone services from competitive service providers, including wireless and cable telephony providers.

During the third quarter of 2002, the Company incurred aggregate pre-acquisition operating expenses of approximately \$2.3 million associated with the two Verizon acquisitions, one of which was completed on July 1, 2002 and the other of which was completed on August 31, 2002.

Plant operations expenses increased \$19.4 million (19.7%), of which \$23.5 million related to the properties acquired from Verizon and \$5.3 million related to increases in salaries and benefits. Of the remaining \$9.4 million decrease in expenses, \$3.6 million was due to a decrease in access expense primarily as a result of previously-disclosed changes in certain optional calling plans in Arkansas approved in late 2001, \$2.6 million was due to reduced network costs and \$1.8 million was due to lower information technology expenses.

During the third quarter of 2002, customer operations expenses increased \$13.0 million (46.2%), of which \$6.8 million was due to the acquisitions of the Verizon properties, \$2.4 million was due to increased customer service expenses and \$2.6 million was due to an increase in salaries and benefits.

Corporate and other expenses increased \$6.5 million (14.0%), of which \$10.1 million was due to the acquisitions of the Verizon properties. Such increase was partially offset by a \$4.8 million decrease in the provision for doubtful accounts.

Depreciation and amortization increased \$4.0 million (4.0%), of which \$13.4 million was due to the acquisitions of the Verizon properties and \$5.7 million was due to higher levels of plant in service. Such increase was partially offset by a \$14.1 million decrease related to ceasing amortization of goodwill effective January 1, 2002 in accordance with the provisions of SFAS 142.

Other Operations

	Three months ended September 30,	
	2002	2001
	(Dollars in thousands)	
Operating revenues		
Long distance	\$ 39,592	31,050
Internet	14,996	10,561
Other	8,974	4,615
	63,562	46,226
Operating expenses		
Cost of sales and operating expenses	45,992	36,563
Depreciation and amortization	3,130	3,119
	49,122	39,682
Operating income	\$ 14,440	6,544
=====		

Other operations include the results of continuing operations of the Company which are not included in the telephone segment including, but not limited to, the Company's non-regulated long distance operations, Internet operations, competitive local exchange carrier operations and security monitoring operations.

The \$8.5 million increase in long distance revenues was primarily attributable to the growth in the number of customers and increased minutes of use (\$10.5 million), which was partially offset by a decrease in the average rate charged by the Company per minute of use (\$2.0 million). The number of long distance customers as of September 30, 2002 and 2001 was 584,890 and 438,669, respectively. Internet revenues increased \$4.4 million due to growth in the number of customers, primarily due to the expansion of the Company's digital subscriber line ("DSL") product offering. Other revenues increased \$4.4 million primarily due to increased revenues in the Company's competitive local exchange carrier ("CLEC") business, substantially all of which was due to an acquisition of certain CLEC operations in the first quarter of 2002.

Cost of sales and operating expenses increased \$9.4 million primarily due to (i) a \$6.1 million increase in expenses associated with the Company's long distance operations (of which \$4.5 million was due to increased payments to other carriers due to higher minutes of use (partially offset by a decrease in the average rate per minute of use) and \$798,000 related to increased sales and marketing costs); (ii) a \$3.5 million increase in expenses associated with the Company's CLEC operations primarily due to the expansion of the business and operations

acquired in the first quarter of 2002; and (iii) a \$3.6 million increase associated with expanding the Company's Internet operations. Such increases were partially offset by a \$3.1 million reduction in expenses due to the increased intercompany profit with regulated affiliates (the recognition of which in accordance with regulatory accounting principles acts to offset operating expenses).

Interest Expense

Interest expense increased \$5.6 million (10.3%) in the third quarter of 2002 compared to the third quarter of 2001 substantially due to an increase in net indebtedness outstanding as a result of the acquisitions of telephone properties from Verizon, which were only partially funded from the sale of the Company's wireless business.

Nonrecurring Gains and Losses

In the third quarter of 2001, the Company recorded a \$58.5 million pre-tax gain (\$.27 per share) on the sale of assets, substantially all of which related to the sale of its remaining shares of common stock of Illuminet. In the third quarter of 2001, the Company also recorded a pre-tax charge of \$15.0 million (\$.07 per share) due to the write-down in the value of certain non-operating investments in which the Company owns a minority interest.

Income Tax Expense

Income tax expense from continuing operations decreased \$1.3 million in the third quarter of 2002 compared to the third quarter of 2001. The effective income tax rate (from continuing operations) was 34.5% and 36.9% for the three months ended September 30, 2002 and 2001, respectively. Such decrease in the effective tax rate is primarily attributable to the effect of ceasing amortization of goodwill (some of which was nondeductible for tax purposes) effective January 1, 2002 in accordance with the provisions of SFAS 142.

Discontinued Operations

On August 1, 2002 (pursuant to a definitive agreement signed March 19, 2002), the Company sold substantially all of its wireless operations to Alltel and certain other purchasers for an aggregate of approximately \$1.59 billion in cash. As a result, the Company's wireless operations for the three months ended September 30, 2002 (which only reflect results of operations prior to the date of sale) have been reflected as discontinued operations in the Company's consolidated financial statements. The results of operations for the three months ended September 30, 2001 have been restated to conform to the 2002 presentation. The following table summarizes certain information concerning the Company's wireless operations for the periods presented.

	Three months ended September 30,	
	2002	2001
	(Dollars in thousands)	
Operating revenues	\$ 38,012	115,404
Operating expenses, exclusive of corporate overhead costs of \$1.3 million and \$4.9 million, respectively	\$ (53,179)	(77,584)
Income from unconsolidated cellular entities	\$ 5,426	16,622
Minority interest expense	\$ (1,659)	(3,449)
Gain on sale of discontinued operations	\$ 803,905	-
Other income and (expense)	\$ 190	2,068
Income tax expense	\$ (248,565)	(20,326)
Income from discontinued operations, net of tax	\$ 544,130	32,735

Included in operating expenses for the three months ended September 30, 2002 is a \$30.5 million charge associated with the write-off of all costs expended to develop the wireless portion of the Company's billing system currently in development.

The Company recorded an \$803.9 million pre-tax gain on the sale of substantially all of its wireless business in the third quarter of 2002.

For further information, see Note 4 to the Company's consolidated financial statements appearing elsewhere in this report.

Nine Months Ended September 30, 2002 Compared to Nine Months Ended September 30, 2001

Net income (and diluted earnings per share) was \$757.3 million (\$5.31) and \$293.3 million (\$2.06) for the first nine months of 2002 and 2001, respectively. Income from continuing operations was \$146.7 million for the first nine months of 2002 and \$107.5 million for the first nine months of 2001. Diluted earnings per share from continuing operations was \$1.03 during the first nine months of 2002 compared to \$.76 during the first nine months of 2001. In accordance with the provisions of SFAS 142, amortization of goodwill ceased effective January 1, 2002. Had the results of operations for the nine months ended September 30, 2001 been subject to SFAS 142, income from continuing operations (and diluted earnings per share) would have been \$142.2 million (\$1.00) and net income (and diluted earnings per share) would have been \$335.5 million (\$2.36).

Exclusive of nonrecurring items, diluted earnings per share (as adjusted for goodwill amortization) would have been \$1.68 and \$1.46 for the nine months ended September 30, 2002 and 2001, respectively. Net income for the first nine months of 2002 includes a net favorable impact (\$751.5 million pre-tax; \$3.63 per share) of nonrecurring items consisting of (i) a \$803.9 million pre-tax gain (\$3.86 per share) on the sale of substantially all of its wireless operations (reflected as a component of discontinued operations), (ii) a \$30.5 million pre-tax charge (\$.14 per share) to write down the wireless portion of the billing system (reflected as a component of discontinued operations), (iii) a \$15.0 million pre-tax charge (\$.07 per share) for uncollectible receivables primarily related to the bankruptcy of WorldCom, Inc., (iv) a \$3.0 million pre-tax charge (\$.01 per share) associated with responding to an unsolicited takeover proposal, (v) a \$7.6 million pre-tax charge (\$.03 per share) related to the Company's refund of access charges to interexchange carriers, and (vi) a \$3.7 million pre-tax gain (\$.02 per share) on the sale of certain non-strategic assets. Net income for the first nine months of 2001 includes a net favorable impact (\$200.3 million pre-tax; \$.90 per share) of nonrecurring items consisting primarily of (i) gain on the sale of PCS licenses, reflected as a component of discontinued operations (\$169.1 million pre-tax; \$.76 per share), (ii) gain on the sale of assets (\$58.5 million pre-tax; \$.27 per share), substantially all of which relates to the sale of Illuminet stock, (iii) the write-down of certain non-operating investments (\$25.5 million pre-tax; \$.12 per share), (iv) a \$3.0 million pre-tax charge (\$.01 per share) associated with responding to an unsolicited takeover proposal and (v) costs incurred related to an ice storm (\$2.0 million pre-tax; \$.01 per share).

Nine months
ended September 30,

	2002	2001
	(Dollars, except per share amounts, and shares in thousands)	
Operating income		
Telephone	\$ 366,296	307,728
Other	31,275	16,657
Corporate overhead costs allocable to discontinued operations	(11,275)	(14,876)
Interest expense	386,296	309,509
Nonrecurring gains and losses	(164,826)	(173,499)
Other income and expense	3,709	33,043
Income tax expense	(356)	3,517
	(78,139)	(65,081)
Income from continuing operations	146,684	107,489
Discontinued operations, net of tax	610,595	185,779
Net income	\$ 757,279	293,268
Net income, as adjusted for goodwill amortization	\$ 757,279	335,476
Basic earnings per share		
From continuing operations	\$ 1.04	.76
From continuing operations, as adjusted for goodwill amortization	\$ 1.04	1.01
From discontinued operations	\$ 4.32	1.32
From discontinued operations, as adjusted for goodwill amortization	\$ 4.32	1.37
Basic earnings per share	\$ 5.36	2.08
Basic earnings per share, as adjusted for goodwill amortization	\$ 5.36	2.38
Diluted earnings per share		
From continuing operations	\$ 1.03	.76
From continuing operations, as adjusted for goodwill amortization	\$ 1.03	1.00
From discontinued operations	\$ 4.28	1.31
From discontinued operations, as adjusted for goodwill amortization	\$ 4.28	1.36
Diluted earnings per share	\$ 5.31	2.06
Diluted earnings per share, as adjusted for goodwill amortization	\$ 5.31	2.36
Average basic shares outstanding	141,324	140,693
Average diluted shares outstanding	142,710	142,267

Contributions to operating revenues and operating income by the Company's telephone and other operations for the nine months ended September 30, 2002 and 2001 were as follows:

	Nine months ended September 30,	
	2002	2001
Operating revenues		
Telephone operations	87.6%	89.7
Other operations	12.4%	10.3
Operating income		
Telephone operations	94.8%	99.4
Other operations	8.1%	5.4
Corporate overhead costs allocable to discontinued operations	(2.9)%	(4.8)

Telephone Operations

	Nine months ended September 30,	
	2002	2001
	(Dollars in thousands)	
Operating revenues		
Local service	\$ 418,332	367,283
Network access	686,325	645,869
Other	109,508	103,728
	1,214,165	1,116,880
Operating expenses		
Plant operations	305,230	285,980
Customer operations	103,484	86,219
Corporate and other	155,269	140,329
Depreciation and amortization	283,886	296,624
	847,869	809,152
Operating income	\$ 366,296	307,728

The Company conducts its telephone operations in rural, suburban and small urban communities in 22 states. As of September 30, 2002, approximately 84% of the Company's 2.4 million access lines were in Wisconsin, Missouri, Alabama, Arkansas, Washington, Michigan, Louisiana and Colorado.

Telephone operating income increased \$58.6 million (19.0%) due to an increase in operating revenues of \$97.3 million (8.7%), which was partially offset by an increase in operating expenses of \$38.7 million (4.8%).

The \$51.0 million (13.9%) increase in local service revenues was primarily due to a \$42.9 million increase due to the acquisitions of the Verizon properties. The remaining increase of \$8.1 million was primarily due to a \$5.5 million increase in the provision of custom calling features.

Network access revenues increased \$40.5 million (6.3%) in the first nine months of 2002 primarily due to a \$35.9 million increase due to the acquisitions of the Verizon properties, a \$9.2 million increase in the partial recovery of increased operating expenses through revenue sharing arrangements in which the Company participates with other telephone companies, a \$7.9 million increase in revenues from the federal Universal Service Fund, a \$7.3 million increase in rates in certain jurisdictions and a \$3.9 million increase in the revision of prior year revenue settlement agreements. Such increases were partially offset by a \$17.1 million decrease in intrastate revenues due to (i) a reduction in intrastate minutes (partially due to the displacement of minutes by wireless services) and (ii) decreased access rates in certain states; and a \$7.6 million pre-tax charge relating to the Company's refund of access charges to interexchange carriers.

Other revenues increased \$5.8 million (5.6%) in the first nine months of 2002 primarily due to a \$6.7 million increase due to the acquisitions of the Verizon properties.

Exclusive of access lines acquired from Verizon, access lines declined 0.5% during the nine months ended September 30, 2002. Access line growth during the nine months ended September 30, 2001 was 0.6%. The Company believes the decline in the number of access lines during 2002 is primarily due to general economic conditions in the Company's markets (which the Company believes will continue until there is an

economic recovery) and an increase in the number of customers receiving telephone services from competitive service providers, including wireless and cable telephony providers.

During the first nine months of 2002, the Company incurred aggregate pre-acquisition operating expenses of approximately \$6.0 million associated with the two Verizon acquisitions, one of which was completed July 1, 2002 and the other of which was completed August 31, 2002.

Plant operations expenses increased \$19.3 million (6.7%), of which \$23.9 million was related to the acquisitions of the Verizon properties and \$13.3 million was related to increases in salaries and benefits. Such increases were partially offset by a \$13.8 million decrease in access expenses primarily as a result of previously-disclosed changes in certain optional calling plans in Arkansas approved in late 2001 and a \$3.1 million decrease in repairs and maintenance expenses.

During the first nine months of 2002, customer operations expenses increased \$17.3 million (20.0%) primarily due to \$7.0 million increase related to the acquisitions of the Verizon properties, a \$5.0 million increase in salaries and benefits and a \$5.0 million increase in customer service expenses.

Corporate and other expenses increased \$14.9 million (10.6%) primarily due to a \$10.3 million increase related to the acquisitions of the Verizon properties, a \$3.6 million increase in salaries and benefits, and a \$3.8 million increase in the provision for doubtful accounts. The Company recorded a provision for uncollectible receivables, primarily related to the bankruptcy of WorldCom, Inc., in the amount of \$15.0 million during the first nine months of 2002. Such increase was partially offset by an \$11.2 million reduction in the provision for uncollectible receivables.

Depreciation and amortization decreased \$12.7 million (4.3%), of which \$43.4 million related to ceasing amortization of goodwill effective January 1, 2002 in accordance with the provisions of SFAS 142. Such decrease was partially offset by a \$18.9 million increase in depreciation expense due to higher levels of plant in service and \$13.5 million of depreciation related to the properties acquired from Verizon.

Other Operations

	Nine months ended September 30,	
	2002	2001
	(Dollars in thousands)	
Operating revenues		
Long distance	\$ 105,871	87,164
Internet	42,263	27,678
Other	23,818	13,103
	171,952	127,945
Operating expenses		
Cost of sales and operating expenses	130,818	105,049
Depreciation and amortization	9,859	6,239
	140,677	111,288
Operating income	\$ 31,275	16,657

Other operations include the results of continuing operations of the Company which are not included in the telephone segment including, but not limited to, the Company's non-regulated long distance operations, Internet operations, competitive local exchange carrier operations and security monitoring operations.

The \$18.7 million increase in long distance revenues was primarily attributable to the growth in the number of customers and increased minutes of use (\$22.1 million), partially offset by a decrease in the average rate charged by the Company per minute of use (\$3.4 million). The number of long distance customers as of September 30, 2002 and 2001 was 584,890 and 438,669, respectively. Internet revenues increased \$14.6 million due to growth in the number of customers, primarily due to the expansion of the Company's DSL product offering. Other revenues increased \$10.7 million due to increased revenues in the Company's CLEC business, substantially all of which was due to an acquisition of certain CLEC operations in the first quarter of 2002.

Cost of sales and operating expenses increased \$25.8 million primarily due to (i) a \$17.4 million increase in expenses associated with the Company's long distance operations (of which \$9.4 million was due to increased payments to other carriers due to higher minutes of use partially offset by a decrease in the average rate per minute of use; \$3.3 million related to increased sales and marketing costs; \$2.3 million was due to an increase in the provision for doubtful accounts; and \$1.6 million was due to an increase in billing and collection costs); (ii) a \$9.7 million increase in expenses associated with the Company's CLEC operations primarily due to the expansion of the business and operations acquired in the first quarter of 2002; and (iii) a \$9.4 million increase associated with expanding the Company's Internet operations. Such increases were partially offset by a \$7.0 million reduction in expenses due to the increased intercompany profit with regulated affiliates (the

recognition of which in accordance with regulatory accounting principles acts to offset operating expenses).

Depreciation and amortization increased \$3.6 million (58.0%) primarily due to increased depreciation expense in the Company's CLEC and fiber network businesses.

Interest Expense

Interest expense decreased \$8.7 million (5.0%) in the first nine months of 2002 compared to the first nine months of 2001 due to decreased average debt outstanding and decreased rates.

Nonrecurring Gains and Losses

In the second quarter of 2002, the Company recorded a pre-tax gain of \$3.7 million from the sale of a PCS license.

In the first nine months of 2001, the Company recorded a pre-tax gain of \$58.5 million from the sale of assets, substantially all of which related to the sale of its remaining common shares of Illuminet. Such gain was partially offset by a \$25.5 million pre-tax charge due to the write-down in the value of certain non-operating investments.

Other Income and Expense

Other expense was \$356,000 in the first nine months of 2002 compared to income of \$3.5 million during the first nine months of 2001. Such decrease was primarily due to a \$2.5 million reduction in capitalized interest.

Income Tax Expense

Income tax expense from continuing operations increased \$13.1 million in the first nine months of 2002 compared to the first nine months of 2001 primarily due to an increase in income before taxes. The effective income tax rate (from continuing operations) was 34.8% and 37.7% for the nine months ended September 30, 2002 and 2001, respectively. Such decrease in the effective tax rate is primarily attributable to the effect of ceasing amortization of goodwill (some of which was nondeductible for tax purposes) effective January 1, 2002 in accordance with the provisions of SFAS 142.

Discontinued Operations

On August 1, 2002 (pursuant to a definitive agreement signed March 19, 2002), the Company sold substantially all of its wireless operations to Alltel and certain other purchasers for an aggregate of approximately \$1.59 billion in cash. As a result, the Company's wireless operations for the nine months ended September 30, 2002 (which only reflect results of operations prior to the date of sale) have been reflected as discontinued operations in the Company's consolidated financial statements. The results of operations for the nine months ended September 30, 2001 have been restated to conform to the 2002 presentation. The following table summarizes certain information concerning the Company's wireless operations for the periods presented.

	Nine months ended September 30,	
	2002	2001
(Dollars in thousands)		
Operating revenues	\$ 246,705	329,496
Operating expenses, exclusive of corporate overhead costs of \$11.3 million and \$14.9 million, respectively	\$ (175,447)	(225,781)
Income from unconsolidated cellular entities	\$ 29,622	32,648
Minority interest expense	\$ (8,569)	(9,150)
Gain on sale of discontinued operations	\$ 803,905	-
Nonrecurring gains	\$ -	166,928
Other income and (expense)	\$ 188	5,108
Income tax expense	\$ (285,809)	(113,470)
Income from discontinued operations, net of tax	\$ 610,595	185,779

Included in operating expenses for the nine months ended September 30, 2002 is a \$30.5 million charge associated with the write-off of all costs expended to develop the wireless portion of the Company's billing system currently in development.

The Company recorded an \$803.9 million pre-tax gain on the sale of substantially all of its wireless business in the third quarter of 2002.

Nonrecurring gains and losses for the first nine months of 2001 relate to the sale of 30 PCS licenses to Leap Wireless, Inc.

For further information, see Note 4 to the Company's consolidated financial statements appearing elsewhere in this report.

Accounting Pronouncements

In July 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 141, "Business Combinations" ("SFAS 141") and SFAS 142. SFAS 141 requires all business combinations consummated after June 30, 2001 to be accounted for under the purchase method of accounting; the pooling of interests method is no longer permitted. Under SFAS 142, effective January 1, 2002, systematic amortization of goodwill is no longer permitted; instead, SFAS 142 requires goodwill recorded in a business combination to be reviewed for impairment at least annually and to be written down only in periods in which the recorded amount of goodwill exceeds its fair value. The Company has completed the initial transitional goodwill impairment test as well as the required annual test of SFAS 142 and has determined its goodwill is not impaired.

In October 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"). SFAS 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets and also broadens the reporting of discontinued operations to include all components of an entity with operations that can be distinguished from the rest of the entity and that will be eliminated from the ongoing operations of the entity in a disposal transaction. The provisions of SFAS 144 are effective for financial statements issued for fiscal years beginning after December 15, 2001. The Company's wireless operations have been reflected as discontinued operations for the first nine months of 2002 in accordance with the provisions of SFAS 144. Results of operations for 2001 have been restated to conform to this presentation. The adoption of the impairment portion of SFAS 144 is not expected to have a material effect on the results of operations of the Company.

LIQUIDITY AND CAPITAL RESOURCES

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

Net cash provided by operating activities from continuing operations was \$636.4 million during the first nine months of 2002 compared to \$458.3 million during the first nine months of 2001. The Company's accompanying consolidated statements of cash flows identify major differences between net income and net cash provided by operating activities from continuing operations for each of these periods. For additional information relating to the continuing operations of the Company, see Results of Operations.

Net cash used in investing activities from continuing operations was \$2.506 billion and \$311.1 million for the nine months ended September 30, 2002 and 2001, respectively. During the third quarter of 2002, the Company acquired the assets of Verizon's Alabama and Missouri local exchange telephone operations for \$2.201 billion cash. During the first quarter of 2002, the Company acquired the assets of certain CLEC operations for \$43.8 million cash. During the first quarter of 2001, the Company paid \$47.1 million cash to acquire an additional 18.6% interest in Spectra Communication Group, LLC, the Company's majority-owned subsidiary organized in 2000 to acquire and operate former Verizon properties in Missouri. Payments for property, plant and equipment were \$61.0 million less in the first nine months of 2002 than in the comparable period during 2001. Capital expenditures from continuing operations for the nine months ended September 30, 2002 were \$221.3 million for telephone operations and \$49.4 million for other operations. During the third quarter of 2001, the Company received cash proceeds of \$64.6 million, primarily from the sale of its remaining Illuminet common stock.

Budgeted capital expenditures from continuing operations for 2002 total \$315 million for telephone operations and \$65 million for other operations.

Net cash provided by (used in) financing activities from continuing operations was \$529.0 million during the first nine months of 2002 compared to (\$372.9) million during the first nine months of 2001. Proceeds from the issuance of debt, net of debt payments, were \$563.7 million during the first nine months of 2002, compared to net payments of debt of \$355.5 million during the first nine months of 2001. For additional information, see the Company's accompanying consolidated statements of cash flows.

Net cash provided by discontinued operations was \$1.632 billion during the nine months ended September 30, 2002 compared to \$224.8 million during the nine months ended September 30, 2001. For additional information, see Note 4 to the Company's consolidated financial statements.

On May 6, 2002, the Company issued and sold in an underwritten public offering \$500 million of Equity Units. Net proceeds to the Company from this issuance were approximately \$483.4 million. Each of the 20 million Equity Units issued was priced at \$25 and consists initially of a beneficial interest in a CenturyTel senior unsecured note with a principal amount of \$25 and a contract to purchase shares of CenturyTel common stock no later than May 2005. The senior notes will mature in May 2007. The total distributions on the Equity Units will be at an initial annual rate of 6.875%, consisting of interest (6.02%) and contract adjustment payments (0.855%). Each stock purchase contract will generally require the holder to purchase between .6944 and .8741 of a share of CenturyTel common stock in May 2005 in exchange for \$25, subject to certain adjustments and exceptions.

On July 22, 2002, the Company entered into \$800 million of credit facilities, consisting of a \$533 million three-year facility and a \$267 million 364-day revolving facility with a one-year term-out option. The agents for these credit facilities are JP Morgan Chase Bank, Wachovia Bank, Bank of America, Bank One and SunTrust Bank. These facilities replaced credit facilities that matured during the third quarter of 2002.

In the third quarter of 2002, the Company issued \$500 million of senior notes due 2012 (which bear interest at 7.875%) and \$165 million of convertible senior debentures (which bear interest at 4.75% and which may be converted into shares of CenturyTel common stock at a conversion price of \$40.455 per share).

On August 1, 2002, the Company sold substantially all of its wireless operations to Alltel and certain other purchasers for an aggregate of approximately \$1.59 billion cash.

Proceeds from the sale of Equity Units, senior notes and convertible senior debentures, along with the proceeds received from the sale of the Company's wireless operations and utilization of its \$800 million credit facilities, were used to finance the third quarter 2002 acquisitions of telephone properties in Alabama and Missouri from Verizon which aggregated \$2.201 billion and the redemption of \$400 million principal amount in remarketable debt securities (plus an associated \$71.1 million premium payment) in October 2002. The Company also has an obligation to pay taxes in December 2002 estimated at approximately \$300 million as a result of the sale of substantially all of its wireless operations.

The following table contains certain information concerning the Company's material obligations as of October 31, 2002.

		Payments due by period			
Total obligations	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
(Dollars in thousands)					
Long-term debt, including current maturities	\$3,459,037	28,473	1,009,207	183,097	2,238,260
Estimated income tax payments as a result of the sale of wireless operations	\$ 300,000	300,000	-	-	-

As of October 31, 2002, CenturyTel had \$605 million of undrawn committed bank lines of credit and CenturyTel's subsidiaries had available \$123.0 million of commitments for long-term financing from the Rural Utilities Service and the Rural Telephone Bank for use in making capital improvements to the Company's telephone plant and equipment. CenturyTel also has a commercial paper program that authorizes it to have outstanding up to \$1.5 billion in commercial paper at any one time. At October 31, 2002, CenturyTel had no commercial paper outstanding under such program.

Following CenturyTel's issuance of Equity Units in May 2002, Moody's Investors Service affirmed its rating of CenturyTel's long-term debt of Baa2 (with a stable outlook) and Standard & Poor's improved its rating of CenturyTel's long-term debt to BBB+ (with a stable outlook) from BBB+ (with a negative outlook). Such ratings were reaffirmed in connection with the Company's issuance of \$665 million aggregate principal amount of senior debt in the third quarter of 2002.

OTHER MATTERS

Accounting for the Effects of Regulation

The Company currently accounts for its regulated telephone operations (except for the properties acquired from Verizon in the third quarter of 2002) in accordance with the provisions of Statement of Financial Accounting Standards No. 71 ("SFAS 71"), "Accounting for the Effects of Certain Types of Regulation." While the ongoing applicability of SFAS 71 to the Company's telephone operations accounted for under SFAS 71 is being monitored due to the changing regulatory, competitive and legislative environments, the Company believes that SFAS 71 still applies to these operations. However, it is possible that changes in regulation or legislation or anticipated changes in competition or in the demand for regulated services or products could result in these telephone operations not being subject to SFAS 71 in the near future. In that event, implementation of Statement of Financial Accounting Standards No. 101 ("SFAS 101"), "Regulated Enterprises - Accounting for the Discontinuance of Application of FASB Statement No. 71," would require the write-off of previously established regulatory assets and liabilities, along with an adjustment of certain accumulated depreciation accounts to reflect the difference between recorded depreciation and the amount of depreciation that would have been recorded had the Company's telephone operations not been subject to rate regulation. Such discontinuance of the application of SFAS 71 may result in a material, noncash charge against earnings which would be reported as an extraordinary item.

All of the Company's telephone properties (except for the properties acquired from Verizon in the third quarter of 2002) are regulated for interstate services by the Federal Communications Commission ("FCC") under "rate of return" regulation which focuses on authorized levels of earnings by local exchange carriers. The properties acquired from Verizon in the third quarter of 2002 are regulated under "price cap" regulation. Under price cap regulation, limits imposed on a company's interstate rates are adjusted periodically to reflect inflation, productivity improvement and changes in certain non-controllable costs. For additional information, see the Company's Annual Report on Form 10-K for the year ended December 31, 2001.

Development of Billing System

The Company is in the process of developing an integrated billing and customer care system. The costs to develop such system have been capitalized in accordance with Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," and aggregated \$132.6 million at September 30, 2002. A portion of these billing system costs related to the wireless business (\$30.5 million) was written off as a component of discontinued operations in the third quarter of 2002 as a result of the sale of substantially all of the Company's wireless operations on August 1, 2002. See Note 4 to the Company's consolidated financial statements appearing elsewhere in this report. The Company's remaining billing system costs are expected to aggregate approximately \$175 million upon completion and are expected to be amortized over a twenty-year period. The Company expects to begin amortization of the billing system in 2003 as properties are migrated to this new system.

The system remains in the development stage and has required substantially more time and money to develop than originally anticipated. Although the Company expects to complete the system in early 2004, there is no assurance that this deadline (or the Company's budget) will be met or that the system will function as anticipated.

Other

The decline in equity markets in recent years coupled with record low interest rates and rising medical costs have increased the level of employee benefits expenses, including defined benefit pension expense and pre- and post-retirement medical expenses. The Company expects these declines in the equity markets and rising medical costs will result in higher pension expense and pre- and post-retirement medical expenses in 2003. Based on the Company's current estimates, such costs are expected to increase between \$15-25 million in 2003 over 2002 levels on an annual basis.

Item 3.

CenturyTel, Inc.
QUANTITATIVE AND QUALITATIVE
DISCLOSURES ABOUT MARKET RISK

Market Risk

At September 30, 2002, the fair value of the Company's long-term debt was estimated to be \$3.7 billion based on the overall weighted average rate of the Company's long-term debt of 6.6% and an overall weighted maturity of 10 years compared to terms and rates currently available in long-term financing markets. Market risk is estimated as the potential decrease in fair value of the Company's long-term debt resulting from a hypothetical increase of 66 basis points in interest rates (ten percent of the Company's overall weighted average borrowing rate). Such an increase in interest rates would result in approximately a \$142.3 million decrease in fair value of the Company's long-term debt. As of September 30, 2002, approximately 86% of the Company's long-term debt obligations were fixed rate (after giving effect to the hedging transactions described below).

The Company uses derivative instruments to (i) swap its current or anticipated exposure to changing or variable interest rates for fixed interest rates or (ii) to swap obligations to pay fixed interest rates for variable interest rates. The Company has established policies and procedures for risk assessment and the approval, reporting and monitoring of derivative instrument activities. The Company does not hold or issue derivative financial instruments for trading or speculative purposes. Management periodically reviews the Company's exposure to interest rate fluctuations and implements strategies to manage the exposure.

At September 30, 2002, the Company had outstanding a fair value interest rate hedge associated with \$500 million aggregate principal amount of its Series H senior notes, due 2010, that pay interest at a fixed rate of 8.375%. This hedge is a "fixed to variable" interest rate swap that effectively converts the Company's fixed rate interest payment obligations under these notes into obligations to pay variable rates equal to the six-month London InterBank Offered Rate ("LIBOR") plus 3.59%, with settlement and rate reset dates occurring each six months through the expiration of the hedge in October 2010. At September 30, 2002, the Company realized a rate under this hedge of 5.31%. The fair market value of this hedge was \$19.2 million at September 30, 2002 and is reflected as an asset and as an adjustment to the underlying debt on the September 30, 2002 balance sheet. Market risk is estimated as the potential change in the fair value of the hedge resulting from a hypothetical 10% change in the forward rates used to determine the fair value. A hypothetical 10% increase in the forward rates would result in a \$14.9 million decrease in the fair value of the hedge.

At September 30, 2002, the Company also had outstanding a cash flow hedge associated with \$400 million of anticipated borrowings expected to be incurred in the fourth quarter of 2002 under its \$800 million credit facilities. Such hedge expires in October 2003. This hedge is designed to swap the Company's future obligation to pay variable rate interest based on LIBOR into obligations that lock-in a fixed rate of 1.865%. The fair value of this hedge was \$1.0 million at September 30, 2002 and is reflected as a liability and as Accumulated Other Comprehensive Income (Loss) (net of tax) on the September 30, 2002 balance sheet. A hypothetical 10% increase in the forward rates would result in a \$645,000 decrease in the fair value of this hedge.

Item 4.

CONTROLS AND PROCEDURES

The Company's Chief Executive Officer, Glen F. Post, III, and the Company's Chief Financial Officer, R. Stewart Ewing, Jr., have evaluated the Company's disclosure controls and procedures within 90 days of the filing of this quarterly report. Based on the evaluation, Messrs. Post and Ewing have concluded that the Company's disclosure controls and procedures are effective in providing reasonable assurance that they are timely alerted of all material information required to be filed in this quarterly report. Since the date of Messrs. Post's and Ewing's most recent evaluation, there have been no significant changes in the Company's internal controls or in other factors that could significantly affect these controls.

PART II. OTHER INFORMATION

CenturyTel, Inc.

Item 1: Legal Proceedings

On March 13, 2002, the Arkansas Court of Appeals vacated two orders issued by the Arkansas Public Service Commission ("APSC") in connection with the Company's acquisition of its Arkansas LECs from Verizon in July 2000, and remanded the case back to the APSC for further hearings. The Court took these actions in response to challenges to the rates the Company has charged other LECs for intrastate switched access service. On May 13, 2002, the APSC reaffirmed its prior orders and the Company's intrastate switched access rates on an interim basis subject to further rehearing and appeal proceedings. Further ruling by the APSC is expected in the fourth quarter of 2002.

On August 29, 2002, the Wisconsin Court of Appeals upheld a ruling upon appeal that ordered the Company to refund access charges collected from interexchange carriers from December 1998 through 2000 on the former properties acquired from Ameritech. As a result of this ruling, the Company recorded a one-time charge of \$.03 per share related to this refund in the third quarter of 2002.

For information on other legal proceedings, see the Company's Annual Report on Form 10-K for the year ended December 31, 2001 and its Quarterly Report on Form 10-Q for the quarter ended March 31, 2002.

Item 2: Changes in Securities and Use of Proceeds

In the quarter ended September 30, 2002, the Company completed a private offering of an aggregate of \$165 million principal amount of its 4.75% Convertible Senior Debentures, Series K, due 2032, to qualified institutional buyers pursuant to Section 4(2) of the Securities Act of 1933, as amended, and Rule 144A promulgated thereunder. Banc of America Securities LLC, J.P. Morgan Securities Inc., and Wachovia Securities, Inc. acted as the initial purchasers of the debentures. On August 26, 2002, the Company sold \$150 million principal amount of the debentures to the initial purchasers and, on September 10, 2002, the Company sold an additional \$15 million principal amount of the debentures to the initial purchasers upon exercise of their over-allotment option. The debentures were issued under an Indenture, dated as of March 31, 1994, between the Company and Regions Bank, as trustee, and a supplemental indenture, dated as of August 20, 2002 (together, the "indenture"). The Company sold the debentures at par value and realized proceeds, net of purchasers' discounts and expenses, of approximately \$160.4 million.

Holders may convert each \$1,000 principal amount of their debentures into 24.7188 shares of common stock of the Company (subject to adjustments described in the indenture) under any of the following circumstances:

- o at any time at the option of the holder if the average sales price (as defined in the indenture) of the Company's common stock for the last 20 trading days in the preceding calendar quarter is greater than or equal to 120% of the conversion price;
- o if the credit rating assigned to the debentures is reduced to Ba2 or lower by Moody's Investor's Service Inc. or BB+ or lower by Standard and Poor's Ratings Group;
- o if the Company calls the debentures for redemption; or
- o upon the occurrence of certain corporate transactions specified in the indenture.

Interest on the debentures is payable semiannually on February 1 and August 1 of each year, beginning February 1, 2003. The Company will also pay contingent interest under certain circumstances described in the indenture. The Company may redeem the debentures for cash beginning on August 5, 2006. Holders may require the Company to purchase all or a portion of their debentures on August 1, 2006, August 1, 2010, and August 1, 2017, or upon a change of control of the Company (as defined in the indenture).

On October 10, 2002, the Company filed a registration statement on Form S-3, which has not yet become effective, to register the debentures and the underlying shares of the Company's common stock into which such debentures are convertible. For additional information regarding the Company's sale of the debentures and the use of the net proceeds therefrom, see Note 7 to the Company's consolidated financial statements appearing in Item 1 of Part I of this Quarterly Report, and Management's Discussion and Analysis of Financial Condition and Results of Operations appearing in Item 2 of Part I of this Quarterly Report.

Item 6: Exhibits and Reports on Form 8-K

A. Exhibits

4.1 Second Supplemental Indenture dated as of August 20, 2002 between CenturyTel and Regions Bank (successor-in-interest to First American Bank & Trust of Louisiana and Regions Bank of Louisiana), as Trustee, designating and outlining the terms and conditions of CenturyTel's 4.75% Convertible Senior Debentures, Series K, due 2032 (incorporated by reference to Exhibit 4.3 of CenturyTel's registration statement on Form S-4, File No. 333-100480).

4.2 Form of 4.75% Convertible Senior Debentures, Series K, due 2032 (included in Exhibit 4.1).

4.3 Board resolutions designating the terms and conditions of CenturyTel's 7.875% Senior Notes, Series L, due 2012 (incorporated by reference to Exhibit 4.2 of CenturyTel's registration statement on Form S-3, File No. 333-100481).

4.4 Form of 7.875% Senior Notes, Series L, due 2012 (included in Exhibit 4.3).

4.5 Registration Rights Agreement dated as of August 26, 2002 by and among CenturyTel, and Banc of America Securities LLC, J.P. Morgan Securities Inc. and Wachovia Securities, Inc., (incorporated by reference to Exhibit 4.5 of CenturyTel's registration statement on Form S-4, File No. 333-100480).

4.6 Exchange and Registration Rights Agreement dated as of August 26, 2002 by and among CenturyTel and Banc of America Securities LLC, J.P. Morgan Securities Inc. and Wachovia Securities, Inc., as representatives of the initial purchasers named therein (incorporated by reference to Exhibit 4.4 of CenturyTel's registration statement on Form S-3, File No. 333-100481).

10.1 CenturyTel's 2002 Directors Stock Option Plan, included herein.

10.2 Form of Stock Option Agreement, pursuant to the 2002 Directors Stock Option Plan, entered into by CenturyTel in connection with options granted to the outside directors as of May 10, 2002, included herein.

10.3 CenturyTel's 2002 Management Incentive Compensation Plan, included herein.

10.4 Form of Stock Option Agreement, pursuant to the 2002 Management Incentive Compensation Plan, entered into between CenturyTel and certain of its officers and key employees at various dates since May 9, 2002, included herein.

11 Computations of Earnings Per Share, included herein.

B. Reports on Form 8-K

The following items were reported in the Form 8-K filed July 15, 2002:

Item 2. Acquisition or Disposition of Assets -

Consummation of the acquisition of telephone properties in Alabama from Verizon.

Item 7. Financial Statements and Exhibits - Such

information required was provided in a subsequent Form 8-K filed on August 13, 2002.

The following item was reported in the Form 8-K filed July 19, 2002:

Item 9. Regulation FD Disclosure - Information related to a report issued by a private research firm.

The following item was reported in the Form 8-K filed July 26, 2002:

Item 5. Other Events and Regulation FD Disclosure - News release announcing second quarter 2002 operating results.

The following item was reported in the Form 8-K filed August 13, 2002:

Item 5. Other Events and Regulation FD Disclosure - Restated portions of 2001 Form 10-K to reflect the Company's wireless operations as discontinued operations.

The following items were reported in the Form 8-K filed August 13, 2002:

Item 2. Acquisition or Disposition of Assets -

Consummation of the sale of the Company's wireless operations to Alltel

Item 7. Financial Statements and Exhibits - Historical

financial statements of Verizon properties acquired or to be acquired and pro forma financial information.

The following items were reported in the Form 8-K filed August 14, 2002:

Items 7 & 9. Financial Statements and Exhibits and Regulation FD Disclosure- Statements of Oath and Certification of Financial Statements by Registrant's Chief Executive Officer and Chief Financial Officer.

The following item was reported in the Form 8-K filed August 22, 2002:

Item 5. Other Events and Regulation FD Disclosure -

Information concerning Registrant's upcoming commitments and commencement of private placements of an aggregate of \$650 million of debt securities.

SIGNATURE

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

CenturyTel, Inc.

Date: November 14, 2002

/s/ Neil A. Sweasy

Neil A. Sweasy
Vice President and Controller
(Principal Accounting Officer)

CERTIFICATIONS

I, Glen F. Post, III, Chairman of the Board and Chief Executive Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CenturyTel, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods present in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee or registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 14, 2002

/s/ Glen F. Post, III

Glen F. Post, III
Chairman of the Board and
Chief Executive Officer

CERTIFICATIONS

I, R. Stewart Ewing, Jr., Executive Vice President and Chief Financial Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CenturyTel, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods present in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee or registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 14, 2002

/s/ R. Stewart Ewing, Jr.

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

CENTURYTEL, INC.
2002 DIRECTORS STOCK OPTION PLAN

1. Purpose of the Plan.

The purpose of the CenturyTel, Inc. 2002 Directors Stock Option Plan is to promote the interests of the Company and its shareholders by strengthening the Company's ability to attract, motivate and retain Directors of experience and ability, and to encourage the highest level of Directors performance by providing Directors with a proprietary interest in the Company's financial success and growth.

2. Definitions.

2.1 "Board" means the Board of Directors of the Company.

2.2 "Committee" means the Compensation Committee of the Board or a subcommittee thereof. 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 promulgated under the Securities Exchange Act of 1934 (the "1934 Act"), or any successor rule, and (b) qualify as an "outside director" under Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations promulgated thereunder (collectively, "Section 162(m)").

2.3 "Common Stock" means the common stock, \$1.00 par value per share, of the Company.

2.4 "Company" or "CenturyTel" means CenturyTel, Inc., a Louisiana corporation.

2.5 "Director" means a member of the Board who is not employed by the Company or any of its subsidiaries.

2.6 "Fair Market Value" means (i) if the Common Stock or other security is listed on an established stock exchange or any automated quotation system that provides sale quotations, the closing sale price for a share thereof on such exchange or quotation system on the applicable date, and if shares are not traded on such day, on the next preceding trading date, (ii) if the Common Stock or other security is not listed on any exchange or quotation system, but bid and asked prices are quoted and published, the mean between the quoted bid and asked prices on the applicable date, and if bid and asked prices are not available on such day, on the next preceding day on which such prices were available, and (iii) if the Common Stock or other security is not regularly quoted, the fair market value of a share thereof on the applicable date as established by the Committee in good faith. 2.7 "Participant" means each Director (as defined in Section 2.5).

2.8 "Option" means a stock option that does not satisfy the requirements of Section 422 of the Code.

2.9 "Plan" means the CenturyTel, Inc. 2002 Directors Stock Option Plan as set forth herein and as amended, restated, supplemented or otherwise modified from time to time.

3. Shares of Common Stock Subject to the Plan.

3.1 The Company may issue up to 400,000 shares of Common Stock, subject to the adjustment provisions of Section 7, pursuant to the exercise of Options granted hereunder. Such shares may be either authorized but unissued shares or shares issued and thereafter acquired by the Company.

3.2 To the extent any shares of Common Stock subject to an Option are not issued because the Option is forfeited or cancelled, such shares shall again be available for grant pursuant to Options granted under the Plan. If the exercise price of any Option granted under this Plan is satisfied by tendering shares of Common Stock to the Company (by either actual delivery or by attestation), only the number of shares of Common Stock issued net of the shares of Common Stock tendered shall be deemed delivered for purposes of determining the maximum number of shares of Common Stock available for delivery under the Plan.

4. Administration of the Plan.

4.1 The Plan shall be administered by the Committee, which shall have the power to interpret the Plan and, subject to its provisions, to prescribe, amend and rescind Plan rules and to make all other determinations necessary for the Plan's administration.

4.2 All action taken by the Committee in the administration and interpretation of the Plan shall be final and binding upon all parties. No member of the Committee will be liable for any action or determination made in good faith by the Committee with respect to the Plan or any Option.

4.3 The Committee does not have the authority to make discretionary grants of stock options under the Plan. Grants may be made only as provided in

Section 5 hereof.

5. Grant of Options.

5.1 Beginning with the 2002 annual meeting of shareholders and for as long as the Plan remains in effect and shares of Common Stock remain available for issuance hereunder, each Participant shall be automatically granted an Option to acquire up to 6,000 shares of Common Stock on the day following each annual meeting of shareholders. The Committee shall determine the size of the Option grants to be made to the Participants each year, within the limitations provided herein.

5.2 While the Plan remains in effect and shares of Common Stock remain available for issuance hereunder, any person who becomes a Director other than by election at an annual meeting of shareholders shall be granted an Option to acquire a pro rata number of shares of Common Stock calculated as follows:

Number of shares subject to
Options granted to each Director
on the day following the
preceding annual meeting

X

Number of full calendar months
between the date the person becomes a
Director and the next annual meeting

12

6. Terms and Conditions of Options.

6.1 Unless exercisability is accelerated as provided in Sections 6.4 or 8.2 hereof, the Options shall become exercisable beginning one year following the date of grant.

6.2 Unless terminated earlier as provided in Section 6.5 or 8.3, the Options shall expire ten years following the date of grant.

6.3 The exercise price of the Options granted to Directors shall be equal to the Fair Market Value, as defined herein, of a share of Common Stock on the date of grant.

6.4 The Committee may accelerate the exercisability of any Option at any time in its discretion.

6.5 In the event a Director ceases to serve on the Board because such Director is ineligible to stand for re-election to the Board under the CenturyTel Directors Retirement Policy (or any comparable successor retirement policy), the exercisable Options granted hereunder and held by such Director shall continue to be outstanding and exercisable for the remaining terms of such Options, subject to the rights of the Committee under Section 8.3 hereof. In the event a Director ceases to serve on the Board for any other reason, the Options granted hereunder must be exercised, to the extent otherwise exercisable at the time of termination of Board service, within two years from the date of termination of Board service. Subject to Section 6.4 hereof, Options that are not exercisable at the time of termination of Board service shall be forfeited.

6.6 An Option may be exercised, in whole or in part, by giving written notice to the Company, specifying the number of shares of Common Stock to be purchased. The exercise notice shall be accompanied by tender of the full purchase price for such shares, which may be paid or satisfied by (a) cash; (b) check; (c) delivery of shares of Common Stock, which shares shall be valued for this purpose at the Fair Market Value on the business day immediately preceding the date such option is exercised and, unless otherwise determined by the Committee, shall have been held by the optionee for at least six months; (d) delivery of irrevocable written instructions to a broker approved by the Company (with a copy to the Company) to immediately sell a portion of the shares issuable under the Option and to deliver promptly to the Company the amount of sale proceeds (or loan proceeds if the broker lends funds to the participant for delivery to the Company) to pay the exercise price; or (e) in such other manner as may be authorized from time to time by the Committee, provided that all such payments shall be made or denominated in United States dollars. In the case of delivery of an uncertified check, no shares shall be issued until the check has been paid in full. Prior to the issuance of shares of Common Stock upon the exercise of an Option, a Participant shall have no rights as a shareholder.

6.7 Except for adjustments pursuant to Section 7 or actions permitted to be taken by the Committee under Section 8.3 in the event of a Change of Control, unless approved by the shareholders of the Company, (a) the exercise price for any outstanding Option granted under this Plan may not be decreased after the date of grant and (b) an outstanding Option that has been granted under this Plan may not, as of any date that such Option has a per share exercise price that is less than the then current Fair Market Value of a share of Common Stock, be surrendered to the Company as consideration for the grant of a new Option with a lower exercise price or any payment of cash or Common Stock.

6.8 Upon approval of the Committee, the Company may repurchase all or a portion of a previously granted Option from a Participant by mutual agreement before such option has been exercised by payment to the Participant of cash or Common Stock or a combination thereof with a value equal to the amount per share by which: (a) the Fair Market Value of the Common Stock subject to the Option on the business day immediately preceding the date of purchase exceeds (b) the exercise price.

7. Adjustment Provisions.

In the event of any recapitalization, reclassification, stock dividend, stock split, combination of shares or other change in the Common Stock,

all limitations on numbers of shares of Common Stock provided in this Plan, and the number of shares subject to outstanding Options, shall be equitably adjusted in proportion to the change in outstanding shares of Common Stock. In addition, in the event of any such change in the Common Stock, the Committee shall make any other adjustment that it determines to be equitable, including without limitation adjustments to the exercise price of any Option in order to provide Participants with the same relative rights before and after such adjustment.

8. Change of Control.

8.1 A Change of Control shall mean:

(a) the acquisition by any person of beneficial ownership of 30% or more of the outstanding shares of the Common Stock or 30% or more of the combined voting power of CenturyTel's then outstanding securities entitled to vote generally in the election of directors; provided, however, that for purposes of this subsection (a), the following acquisitions shall not constitute a Change of Control:

(i) any acquisition (other than a Business Combination (as defined below) which constitutes a Change of Control under Section 8.1(c) hereof) of Common Stock directly from the Company,

(ii) any acquisition of Common Stock by the Company,

(iii) any acquisition of Common Stock by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, or

(iv) any acquisition of Common Stock by any corporation pursuant to a Business Combination that does not constitute a Change of Control under Section 8.1(c) hereof; or

(b) individuals who, as of January 1, 2002, constituted the Board of Directors of CenturyTel (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board of Directors; provided, however, that any individual becoming a director subsequent to such date whose election, or nomination for election by CenturyTel's shareholders, was approved by a vote of at least two-thirds of the directors then comprising the Incumbent Board shall be considered a member of the Incumbent Board, unless such individual's initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Incumbent Board; or

(c) consummation of a reorganization, share exchange, merger or consolidation (including any such transaction involving any direct or indirect subsidiary of CenturyTel) or sale or other disposition of all or substantially all of the assets of the Company (a "Business Combination"); provided, however, that in no such case shall any such transaction constitute a Change of Control if immediately following such Business Combination:

(i) the individuals and entities who were the beneficial owners of CenturyTel's outstanding Common Stock and CenturyTel's voting securities entitled to vote generally in the election of directors immediately prior to such Business Combination have direct or indirect beneficial ownership, respectively, of more than 50% of the then outstanding shares of Common Stock, and more than 50% of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors of the surviving or successor corporation, or, if applicable, the ultimate parent company thereof (the "Post-Transaction Corporation"), and

(ii) except to the extent that such ownership existed prior to the Business Combination, no person (excluding the Post-Transaction Corporation and any employee benefit plan or related trust of either CenturyTel, the Post-Transaction Corporation or any subsidiary of either corporation) beneficially owns, directly or indirectly, 20% or more of the then outstanding shares of Common Stock of the corporation resulting from such Business Combination or 20% or more of the combined voting power of the then outstanding voting securities of such corporation, and

(iii) at least a majority of the members of the board of directors of the Post-Transaction Corporation were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board of Directors, providing for such Business Combination; or

(d) approval by the shareholders of CenturyTel of a complete liquidation or dissolution of CenturyTel.

For purposes of this Section 8, the term "person" shall mean a natural person or entity, and shall also mean the group or syndicate created when two or more persons act as a syndicate or other group (including, without limitation, a partnership or limited partnership) for the purpose of acquiring, holding, or disposing of a security, except that "person" shall not include an underwriter temporarily holding a security pursuant to an offering of the security.

8.2 Upon a Change of Control of the type described in clause 8.1(a) or 8.1(b) or upon the approval by the Board of Directors of CenturyTel of any Change of Control of the type described in clause 8.1(c) or 8.1(d), all outstanding Options granted pursuant to this Plan shall automatically become fully vested and exercisable.

8.3 No later than 30 days after a Change of Control of the type described in subsections 8.1(a) or 8.1(b) and no later than 30 days after the approval by the Board of a Change of Control of the type described in subsections 8.1(c) or 8.1(d), the Committee, acting in its sole discretion

without the consent or approval of any Participant (and notwithstanding any removal or attempted removal of some or all of the members thereof as Directors or Committee members), may act to effect one or more of the alternatives listed below, which may vary among individual Participants and which may vary among Options held by any individual Participant:

- (a) require that all outstanding Options be exercised on or before a specified date (before or after such Change of Control) fixed by the Committee, after which specified date all unexercised Options and all rights of Participants thereunder shall terminate,
- (b) make such equitable adjustments to Options then outstanding as the Committee deems appropriate to reflect such Change of Control (provided, however, that the Committee may determine in its sole discretion that no adjustment is necessary),
- (c) provide for mandatory conversion or exchange of some or all of the outstanding Options held by some or all Participants as of a date, before or after such Change of Control, specified by the Committee, in which event such Options shall be deemed automatically cancelled and the Company shall pay, or cause to be paid, to each such Participant an amount of cash per share equal to the excess, if any, of the Change of Control Value of the shares subject to such Option, as defined and calculated below, over the per share exercise price of such Options or, in lieu of such cash payment, the issuance of Common Stock or securities of an acquiring entity having a Fair Market Value equal to such excess, or
- (d) provide that thereafter, upon any exercise of an Option that entitles the holder to receive Common Stock, the holder shall be entitled to purchase or receive under such Option, in lieu of the number of shares of Common Stock then covered by such Option, the number and class of shares of stock or other securities or property (including, without limitation, cash) to which the holder would have been entitled pursuant to the terms of the agreement providing for the reorganization, share exchange, merger, consolidation or asset sale, if, immediately prior to such Change of Control, the holder had been the record owner of the number of shares of Common Stock then covered by such Option.

8.4 For the purposes of any conversions or exchanges under paragraph

(c) of Section 8.3, the "Change of Control Value" shall equal the amount determined by whichever of the following items is applicable:

- (a) the per share price to be paid to holders of Common Stock in any such merger, consolidation or other reorganization,
- (b) the price per share offered to holders of Common Stock in any tender offer or exchange offer whereby a Change of Control takes place, or
- (c) in all other events, the Fair Market Value of a share of Common Stock, as determined by the Committee as of the date determined by the Committee to be the date of conversion or exchange.

8.5 in the event that the consideration offered to shareholders of CenturyTel in any transaction described in this Section 8 consists of anything other than cash, the Committee shall determine the fair cash equivalent of the portion of the consideration offered that is other than cash.

9. General Provisions.

9.1 Nothing in the Plan or in any instrument executed pursuant to the Plan will confer upon any Participant any right to continue as a Director or affect the right of the Company to terminate the services of any Participant.

9.2 No shares of Common Stock will be issued or transferred pursuant to an Option unless and until all then-applicable requirements imposed by federal and state securities and other laws, rules and regulations and by any regulatory agencies having jurisdiction, and by any stock exchanges upon which the Common Stock may be listed, have been fully met. As a condition precedent to the issuance of shares pursuant to the exercise of an Option, the Company may require the Participant to take any reasonable action to meet such requirements.

9.3 No Participant and no beneficiary or other person claiming under or through such Participant will have any right, title or interest in or to any shares of Common Stock allocated or reserved under the Plan or subject to any Option except as to such shares of Common Stock, if any, that have been issued or transferred to such Participant.

9.4 No Options granted hereunder may be transferred, pledged, assigned or otherwise encumbered by an optionee except:

- (a) by will;
- (b) by the laws of descent and distribution; or
- (c) if permitted by the Committee and so provided in the stock option agreement or an amendment thereto, (i) pursuant to a domestic relations order, as defined in the Code, (ii) to Immediate Family Members (as defined below), (iii) to a partnership in which the Participant and/or the Participant's Immediate Family Members, or entities in which the Participant and/or the Participant's Immediate Family Members are the owners, members or beneficiaries, as appropriate, are the sole partners, (iv) to a limited liability company in which the Participant and/or the Participant's Immediate Family Members, or entities in which the Participant and/or the Participant's Immediate Family Members are the sole owners, members or beneficiaries, as appropriate, are the sole members, or (v) to a trust for the benefit solely of the Participant and/or the Participant's Immediate Family Members. "Immediate Family Members" means the spouses and natural or adopted children or grandchildren of the Participants and their spouses.

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

9.5 Each Option shall be evidenced by a written stock option agreement or notice, including terms and conditions consistent with the Plan, as the Committee may determine.

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

10. Amendment, Discontinuance or Termination of the Plan.

10.1 The Board may amend or discontinue the Plan at any time; provided, however, that no such amendment may

(a) without the approval of the shareholders, (i) increase, subject to adjustments permitted herein, the maximum number of shares of Common Stock that may be issued through the Plan, (ii) materially increase the benefits accruing to Participants under the Plan, (iii) materially expand the classes of persons eligible to participate in the Plan, or (iv) amend Section 6.7 to permit repricing of Options, or

(b) materially impair, without the consent of the recipient, an Option previously granted, except that the Company retains all rights under Section 8 hereof.

10.2 The Plan shall automatically terminate at such time as no shares of Common Stock remain available for issuance through the Plan.

11. Effective Date of Plan.

The Plan shall become effective upon adoption by the Board, subject to approval by the holders of a majority of the shares of Common Stock represented in person or by proxy and entitled to vote on the subject at the 2002 annual meeting of shareholders of the Company.

* * * * *

IN WITNESS WHEREOF, the undersigned Secretary of CenturyTel, Inc. hereby certifies that the foregoing CenturyTel 2002 Directors Stock Option Plan was (i) recommended to the Board of Directors of CenturyTel, Inc. (the "Board") by its Compensation Committee at a meeting of the Compensation Committee duly held on February 25, 2002, (ii) approved by the Board at a meeting duly held on February 26, 2002, and (iii) approved by the affirmative vote of the holders of a majority of the voting power present at the 2002 Annual Meeting of Shareholders of the Company held on May 9, 2002.

Dated May 9, 2002

/s/ Harvey P. Perry

Harvey P. Perry
Secretary

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

June 10, 2002

**FORM OF
STOCK OPTION AGREEMENT
UNDER THE CENTURYTEL, INC.
2002 DIRECTORS STOCK OPTION PLAN**

[Name and Address of Recipient]

Re: Option to purchase 4,000 shares of Common Stock of CenturyTel, Inc. at \$29.06 per share granted on May 10, 2002.

Dear _____:

In consideration of your agreement to serve on the Board of Directors of CenturyTel, Inc. (the "Company"), on May 10, 2002 you were granted an option (the "Option") to purchase of 4,000 shares of common stock of the Company, \$1.00 par value per share (the "Common Stock"), under the CenturyTel, Inc. 2002 Directors Stock Option Plan (the "Plan"), subject to all of the terms and conditions set forth in the Plan. You hereby acknowledge that the Company has furnished you with a copy of the Plan and the Memorandum/ Prospectus for the Plan.

The Option exercise price is \$29.06 per share (the Fair Market Value of a share of Common Stock on the date of grant) payable in full at the time of exercise, either in the form of cash, check, Common Stock held for six months (unless otherwise permitted by the Compensation Committee) or through a broker-assisted exercise, as described in the Plan. Under the terms of the Plan, your Option becomes exercisable beginning on May 10, 2003 and expires on May 10, 2012 unless it terminates earlier under the circumstances described in Sections 6.5 and 8.3 of the Plan. Appropriate adjustments will be made to the number and class of shares of Common Stock subject to the Option and to the exercise price in certain situations described in Section 7 of the Plan. When you wish to exercise an Option, in whole or in part, please refer to the provisions of the Plan dealing with the procedures for exercise.

Upon exercise of your Option you will receive one preference share purchase right for each share of Common Stock issued. These rights are described in more detail in the Memorandum/Prospectus for the Plan.

The Options granted hereby are non-qualified stock options and shall not be treated as Incentive Stock Options under Section 422 of the Internal Revenue Code of 1986, as amended.

In the event any provision of this agreement conflicts with the provisions of the Plan, the Plan shall control.

Please indicate your acceptance of this Option and your agreement to comply with the provisions of the Plan and Memorandum/Prospectus for the Plan by signing and returning the enclosed copy of this agreement to the Company.

[Signature blocks intentionally omitted]

Exhibit 10.3
CENTURYTEL, INC.

2002 MANAGEMENT INCENTIVE COMPENSATION PLAN

1. Purpose. The purpose of the 2002 Management Incentive Compensation Plan (this "Plan") of CenturyTel, Inc. ("CenturyTel") is to increase shareholder value and to advance the interests of CenturyTel and its subsidiaries (collectively, the "Company") by furnishing a variety of equity incentives (the "Incentives") designed to attract, retain and motivate officers, key employees, consultants and advisors and to strengthen the mutuality of interests between such persons and CenturyTel's shareholders. Incentives may consist of options to purchase shares of CenturyTel's common stock, \$1.00 par value per share (the "Common Stock"), shares of restricted stock or other stock-based awards the value of which is based upon the value of the Common Stock, all on terms determined under this Plan. As used in this Plan, the term "subsidiary" means any corporation, limited liability company or other entity of which CenturyTel owns (directly or indirectly) within the meaning of Section 425(f) of the Internal Revenue Code of 1986, as amended (the "Code"), 50% or more of the total combined voting power of all classes of stock, membership interests or other equity interests issued thereby.

2. Administration.

2.1 Composition. This Plan shall be administered by the compensation committee of the Board of Directors of CenturyTel, or by a subcommittee of the compensation committee. The committee or subcommittee that administers this 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"), or any successor rule, and (b) qualify as an "outside director" under Section 162(m) of the Code and the regulations thereunder (collectively, "Section 162(m)").

2.2 Authority. The Committee shall have authority to award Incentives under this Plan, to interpret this Plan, to establish any rules or regulations relating to this Plan that it determines to be appropriate, to enter into agreements with or provide notices to participants as to the terms of the Incentives (the "Incentive Agreements") and to make any other determination that it believes necessary or advisable for the proper administration of this Plan. Its decisions concerning matters relating to this Plan shall be final, conclusive and binding on the Company and participants. The Committee may delegate its authority hereunder to the extent provided in Section 3 hereof. The Committee shall not have authority to award Incentives under this Plan to directors in their capacities as such.

3. Eligible Participants. Key employees and officers of the Company (including officers who also serve as directors of the Company) and consultants and advisors to the Company shall become eligible to receive Incentives under this Plan when designated by the Committee. Employees may be designated individually or by groups or categories, as the Committee deems appropriate. With respect to participants not subject to Section 16 of the 1934 Act or Section 162(m), the Committee may delegate to appropriate personnel of the Company its authority to designate participants, to determine the size, type and terms of the Incentives to be received by those participants and to determine any performance objectives for those participants; provided, however that the exercise price of any stock options granted pursuant to such delegation of authority shall be, unless otherwise determined by the Committee, equal to the Fair Market Value of a share of Common Stock on the later of the date of grant or the date the participant's employment with the Company commences. Any such delegation by the Committee shall not include the authority to change or modify in any way the terms of a previously granted Incentive or to take any other action authorized herein to be taken by the Committee and not specifically permitted to be delegated in this Section 3.

4. Shares Subject to this Plan. The shares of Common Stock with respect to which Incentives may be granted under this Plan shall be subject to the following:

4.1 Type of Common Stock. The shares of Common Stock with respect to which Incentives may be granted under this Plan may be currently authorized but unissued shares or shares currently held or subsequently acquired by the Company as treasury shares, including shares purchased in the open market or in private transactions.

4.2 Maximum Number of Shares. Subject to the other provisions of this Section 4, the maximum number of shares of Common Stock that may be delivered to participants and their beneficiaries under this Plan shall be 4,500,000 shares of Common Stock.

4.3 Share Counting. To the extent any shares of Common Stock covered by an Incentive are not delivered to a participant or beneficiary because the Incentive is forfeited or canceled, or the shares of Common Stock are not delivered because the Incentive is paid or settled in cash or used to satisfy the applicable tax withholding obligation, such shares shall not be deemed to have been delivered for purposes of determining the maximum number of shares of Common Stock available for delivery under this Plan. In the event that shares of Common Stock are issued as Incentives and thereafter are forfeited or reacquired by the Company pursuant to rights reserved upon issuance thereof, such forfeited and reacquired Shares may again be issued under this Plan. If the exercise price of any stock option granted under this Plan or the applicable withholding taxes are satisfied by tendering shares of Common Stock to the Company (by either actual delivery or by attestation), only the number of shares of Common Stock issued net of the shares of Common Stock tendered shall be deemed delivered for purposes of determining the maximum number of shares of Common Stock available for delivery under this Plan.

4.4 Limitations on Number of Shares. Subject to Section 4.5, the following additional limitations are imposed under this Plan:

(a) The maximum number of shares of Common Stock that may be issued upon exercise of stock options intended to qualify as incentive stock options under Section 422 of the Code shall be 4,500,000 shares. Notwithstanding any other provision herein to the contrary, (i) all shares issuable under incentive stock options shall be counted against this limit and (ii) shares that are issued and are later forfeited, cancelled or reacquired by the Company, shares withheld to satisfy withholding tax obligations and shares delivered in payment of the Incentive price or applicable withholding taxes shall have no effect on this limitation.

(b) The maximum number of shares of Common Stock that may be covered by Incentives granted under this Plan to any one individual during any one calendar-year period shall be 600,000.

(c) The maximum number of shares of Common Stock that may be issued as restricted stock or Other Stock-Based Awards (as defined below) shall be 500,000 shares.

(d) If, after shares have been earned under an Incentive, the delivery is deferred, any additional shares attributable to dividends paid during the deferral period shall be disregarded for purposes of the limitations of this Section 4.

4.5 Adjustment. In the event of any recapitalization, reclassification, stock dividend, stock split, combination of shares or other change in the Common Stock, all limitations on numbers of shares of Common Stock provided in this Section 4 and the number of shares of Common Stock subject to outstanding Incentives shall be equitably adjusted in proportion to the change in outstanding shares of Common Stock. In addition, in the event of any such change in the Common Stock, the Committee shall make any other adjustment that it determines to be equitable, including without limitation adjustments to the exercise price of any option and any per share performance objectives of any Incentive in order to provide participants with the same relative rights before and after such adjustment.

5. Stock Options. The Committee may grant incentive stock options (as such term is defined in Section 422 of the Code) or non-qualified stock options. Any option that is designated as a non-qualified stock option shall not be treated as an incentive stock option. Each stock option granted by the Committee under this Plan shall be subject to the following terms and conditions:

5.1 Price. The exercise price per share shall be determined by the Committee, subject to adjustment under Section 4.5; provided that in no event shall the exercise price be less than the Fair Market Value (as defined below) of a share of Common Stock on the date of grant, except in the case of a stock option granted in assumption of or in substitution for an outstanding award of a company acquired by the Company or with which the Company combines.

5.2 Number. The number of shares of Common Stock subject to the option shall be determined by the Committee, subject to the limitations and adjustments provided in Section 4 hereof.

5.3 Duration and Time for Exercise. Subject to earlier termination as provided in Section 9.4 and 9.13, the term of each stock option shall be determined by the Committee, but may not exceed ten years. 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.

5.4 Repurchase. Upon approval of the Committee, the Company may repurchase all or a portion of a previously granted stock option from a participant by mutual agreement before such option has been exercised by payment to the participant of cash or Common Stock or a combination thereof with a value equal to the amount per share by which: (a) the Fair Market Value of the Common Stock subject to the option on the business day immediately preceding the date of purchase exceeds (b) the exercise price.

5.5 Manner of Exercise. A stock option may be exercised, in whole or in part, by giving written notice to the Company, specifying the number of shares of Common Stock to be purchased. The exercise notice shall be accompanied by tender of the full purchase price for such shares, which may be paid or satisfied by (a) cash; (b) check; (c) delivery of shares of Common Stock, which shares shall be valued for this purpose at the Fair Market Value on the business day immediately preceding the date such option is exercised and, unless otherwise determined by the Committee, shall have been held by the optionee for at least six months; (d) delivery of irrevocable written instructions to a broker approved by the Company (with a copy to the Company) to immediately sell a portion of the shares issuable under the option and to deliver promptly to the Company the amount of sale proceeds (or loan proceeds if the broker lends funds to the participant for delivery to the Company) to pay the exercise price; or

(e) in such other manner as may be authorized from time to time by the Committee, provided that all such payments shall be made or denominated in United States dollars. In the case of delivery of an uncertified check, no shares shall be issued until the check has been paid in full. Prior to the issuance of shares of Common Stock upon the exercise of a stock option, a participant shall have no rights as a shareholder.

5.6 Repricing. Except for adjustments pursuant to Section 4.5 or actions permitted to be taken by the Committee under Section 9.13(c) in the event of a Change of Control, unless approved by the shareholders of the Company, (a) the exercise price for any outstanding option granted under this Plan may not be decreased after the date of grant and (b) an outstanding option that has been granted under this Plan may not, as of any date that such option has a per share exercise price that is less than the then current Fair Market Value of a share of Common Stock, be surrendered to the Company as consideration for the grant of a new option with a lower exercise price, shares of restricted stock, an Other Stock-Based Award (as defined in Section 7.1), a cash payment or Common Stock.

5.7 Incentive Stock Options. Notwithstanding anything in this Plan to the contrary, the following additional provisions shall apply to the grant of stock options that are intended to qualify as incentive stock options.

(a) Any incentive stock option authorized under this Plan shall contain such other provisions as the Committee shall deem advisable, but shall in all events be consistent with and contain or be deemed to contain all provisions required in order to qualify the options as incentive stock options;

(b) All incentive stock options must be granted within ten years from the date on which this Plan was adopted by the Board of Directors;

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

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

5.8 Equity Maintenance. If a participant exercises an option during the term of his employment with the Company, and pays the exercise price (or any portion thereof) through the surrender of shares of outstanding Common Stock owned by the participant, the Committee may, in its discretion, grant to such participant an additional option to purchase the number of shares of Common Stock equal to the shares of Common Stock so surrendered by such participant. Any such additional options granted by the Committee shall be exercisable at the Fair Market Value of the Common Stock determined as of the business day immediately preceding the respective dates such additional options may be granted. The grant of such additional options under this Section 5.8 shall be made upon such other terms and conditions as the Committee may from time to time determine.

6. Restricted Stock.

6.1 Grant of Restricted Stock. An award of restricted stock may be subject to the attainment of specified performance goals or targets, restrictions on transfer, forfeitability provisions and such other terms and conditions as the Committee may determine, subject to the provisions of this Plan. To the extent restricted stock is intended to qualify as performance based compensation under Section 162(m), it must be granted subject to the attainment of performance goals as described in Section 8 and meet the additional requirements by imposed by Section 162(m).

6.2 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, the Restricted Period may be one year or more. Incremental periodic vesting of portions of the award during the Restricted Period is permitted. Unless otherwise provided in the Incentive Agreement, the Committee may in its discretion declare the Restricted Period terminated upon a participant's death, disability, retirement or other termination by the Company and permit the sale or transfer of the restricted stock. The expiration of the Restricted Period shall also occur as provided under Section 9.13 upon a Change of Control of the Company.

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

The transferability of this certificate and the shares of Common Stock represented by it is subject to the terms and conditions (including conditions of forfeiture) contained in the CenturyTel, Inc. 2002 Management Incentive Compensation Plan (the "Plan") and an agreement entered into between the registered owner and CenturyTel, Inc. thereunder. Copies of this Plan and the agreement are on file and available for inspection at the principal office of the Company.

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

6.5 Forfeiture. In the event of the forfeiture of any shares of restricted stock under the terms provided in the Incentive Agreement (including any additional shares of restricted stock that may result from the reinvestment of cash and stock dividends, if so provided in the Incentive Agreement), such forfeited shares shall be surrendered and the certificates cancelled. The participants shall have the same rights and privileges, and be subject to the same forfeiture provisions, with respect to any additional shares received pursuant to Section 4.5 due to a recapitalization, stock split or other change in capitalization.

6.6 Expiration of Restricted Period. Upon the expiration or termination of the Restricted Period and the satisfaction of any other conditions prescribed by the Committee or at such earlier time as provided for in Section 6.2 and in the Incentive Agreement or an amendment thereto, the restrictions applicable to the restricted stock shall lapse and a stock certificate for the number of shares of restricted stock with respect to which the restrictions have lapsed shall be delivered, free of all such restrictions and legends other than those required by law, to the participant or the participant's estate, as the case may be.

6.7 Rights as a Shareholder. Subject to the restrictions imposed under the terms and conditions of this Plan and subject to any other restrictions

that may be imposed in the Incentive Agreement, each participant receiving restricted stock shall have all the rights of a shareholder with respect to shares of Common Stock during any period in which such shares are subject to forfeiture and restrictions on transfer, including without limitation, the right to vote such shares.

7. Other Stock-Based Awards.

7.1 Grant of Other Stock-Based Awards. Subject to the limitations described in Section 7.2 hereof, the Committee may grant to eligible participants "Other Stock-Based Awards," which shall consist of awards, other than options or restricted stock provided for in Sections 5 and 6, the value of which is based in whole or in part on the value of shares of Common Stock. Other Stock-Based Awards may be awards of shares of Common Stock or may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, shares of, or appreciation in the value of, Common Stock (including, without limitation, securities convertible or exchangeable into or exercisable for shares of Common Stock), as deemed by the Committee consistent with the purposes of this Plan. The Committee shall determine the terms and conditions of any Other Stock-Based Award (including which rights of a shareholder, if any, the recipient shall have with respect to Common Stock associated with any such award) and may provide that such award is payable in whole or in part in cash. An Other Stock-Based Award may be subject to the attainment of such specified performance goals or targets as the Committee may determine, subject to the provisions of this Plan. To the extent that an Other Stock-Based Award is intended to qualify as "performance-based compensation" under Section 162(m), it must be granted subject to the attainment of performance goals as described in Section 8 and meet the additional requirements imposed by Section 162(m).

7.2 Limitations. Other Stock-Based Awards granted under this Section 7 shall be subject to a vesting period of at least three years, except that if vesting of the award is subject to the attainment of specified performance goals, a minimum vesting period of one year is allowed. Incremental periodic vesting of portions of the award over the required vesting period is permitted. Notwithstanding the minimum vesting periods described in this Section 7.2, the Committee may make special grants of Other Stock-Based Awards with respect to an aggregate of no more than 225,000 shares of Common Stock, as adjusted under Section 4.5, which special awards shall not be subject to any minimum vesting requirements.

8. Section 162(m) Awards. To the extent that shares of restricted stock or Other Stock-Based Awards granted under the Plan are intended to qualify as "performance-based compensation" under Section 162(m), the vesting, grant or payment of such awards shall be conditioned on the achievement of one or more performance goals and must satisfy the other requirements of Section 162(m). The performance goals pursuant to which such awards shall vest, be granted or be paid out shall be any or a combination of the following performance measures applied to the Company, a subsidiary or a division: earnings per share, return on assets, an economic value added measure, stockholder return, earnings, return on equity, return on investment, cash provided by operating activities, increase in cash flow, increase in revenues or operating revenues, or customer growth. The performance goals may be subject to such adjustments as are specified in advance by the Committee. For any performance period, the performance objectives may be measured on an absolute basis or relative to a group of peer companies selected by the Committee, relative to internal goals or relative to levels attained in prior years.

9. General.

9.1 Duration. Subject to Section 9.10, this Plan shall remain in effect until all Incentives granted under this Plan have either been satisfied by the issuance of shares of Common Stock or the payment of cash or been terminated under the terms of this Plan or the applicable Incentive Agreement and all restrictions imposed on shares of Common Stock in connection with their issuance under this Plan have lapsed.

9.2 Transferability of Incentives. No Incentive 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;

(c) pursuant to a domestic relations order, as defined in the Code; or

(d) in the case of stock options only, if permitted by the Committee and so provided in the Incentive Agreement or an amendment thereto, (i) to Immediate Family Members (as defined below), (ii) to a partnership in which the participant and/or Immediate Family Members, or entities in which the participant and/or Immediate Family Members are the sole owners, members or beneficiaries, as appropriate, are the sole partners, (iii) to a limited liability company in which the participant and/or Immediate Family Members, or entities in which the participant and/or Immediate Family Members are the sole owners, members or beneficiaries, as appropriate, are the sole members, or (iv) to a trust for the sole benefit of the participant and/or Immediate Family Members. "Immediate Family Members" means the spouse and natural or adopted children or grandchildren of the participant and their respective spouses. To the extent that an incentive stock option is permitted to be transferred during the lifetime of the participant, it shall be treated thereafter as a non-qualified stock option.

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

9.3 Dividend Equivalents. In the sole and complete discretion of the Committee, an Incentive may provide the holder thereof with dividends or

dividend equivalents, payable in cash, shares, other securities or other property on a current or deferred basis.

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

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

9.6 Incentive Agreements. An Incentive under this Plan shall be subject to such terms and conditions, not inconsistent with this Plan, as the Committee may, in its sole discretion, prescribe and set forth in the Incentive Agreement. Such terms and conditions may provide for the forfeiture of an Incentive or the gain associated with an Incentive under certain circumstances to be set forth in the Incentive Agreement, including if the participant competes with the Company or engages in other activities that are harmful to the Company. All terms and conditions of any Incentive shall be reflected in such form of Incentive Agreement as is determined by the Committee. A copy of such document shall be provided to the participant, and the Committee may, but need not, require that the participant duly execute and deliver to the Company a copy of such document as a condition precedent to the effectiveness of the grant of the Incentive. Such document is referred to in this Plan as an "Incentive Agreement" regardless of whether a participant's signature is required.

9.7 Withholding.

(a) The Company shall have the right to withhold from any payments or stock issuances under this Plan, or to collect as a condition of payment, any taxes required by law to be withheld.

(b) Any participant may, but is not required to, satisfy his or her withholding tax obligation in whole or in part by electing (the "Election") to deliver currently owned shares of Common Stock or to have the Company withhold from the shares the participant otherwise would receive shares of Common Stock having a value equal to the minimum amount required to be withheld. The value of the shares to be delivered or withheld shall be based on the Fair Market Value of the Common Stock on the date that the amount of tax to be withheld shall be determined (the "Tax Date"). Each Election must be made prior to the Tax Date. The Committee may disapprove of any Election, may suspend or terminate the right to make Elections, or may provide with respect to any Incentive that the right to make Elections shall not apply to such Incentive.

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

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

9.10 Amendment or Discontinuance of this Plan. The Board may amend or discontinue this Plan at any time; provided, however, that no such amendment may:

(a) without the approval of the shareholders, (i) increase, subject to adjustments permitted herein, the maximum number of shares of Common Stock that may be issued through this Plan, (ii) materially increase the benefits accruing to participants under this Plan, (iii) materially expand the classes of persons eligible to participate in this Plan, or (iv) amend Section 5.6 to permit repricing of options, or

(b) materially impair, without the consent of the recipient, an Incentive previously granted, except that the Company retains all rights under Section 9.13 hereof.

9.11 Definition of Fair Market Value. Whenever the "Fair Market Value" of Common Stock or some other specified security must be determined for purposes of this Plan, it shall be determined as follows: (i) if the Common Stock or other security is listed on an established stock exchange or any automated quotation system that provides sale quotations, the closing sale price for a share thereof on such exchange or quotation system on the applicable date and if shares are not traded on such day, on the next preceding trading date, (ii) if the Common Stock or other security is not listed on any exchange or quotation system, but bid and asked prices are quoted and published, the mean between the quoted bid and asked prices on the applicable date and if bid and asked prices are not available on such day, on the next preceding day on

which such prices were available; and (iii) if the Common Stock or other security is not regularly quoted, the fair market value of a share thereof on the applicable date as established by the Committee in good faith.

9.12 Loans. In order to assist a participant in acquiring shares of Common Stock pursuant to an Incentive granted under this Plan, the Committee may authorize, at either the time of the grant of the Incentive, at the time of the acquisition of Common Stock pursuant to the Incentive, or at the time of the lapse of restrictions on shares of restricted stock granted under this Plan, the extension of a loan to the participant by the Company. The terms of any loans, including the interest rate, collateral and terms of repayment, will be subject to the discretion of the Committee. The maximum credit available hereunder shall be equal to the aggregate purchase price of the shares of Common Stock to be acquired pursuant to the Incentive plus the maximum tax liability that may be incurred in connection with the Incentive.

9.13 Change of Control

(a) A Change of Control shall mean:

(i) the acquisition by any person of beneficial ownership of 30% or more of the outstanding shares of the Common Stock or 30% or more of the combined voting power of CenturyTel's then outstanding securities entitled to vote generally in the election of directors; provided, however, that for purposes of this subsection (i), the following acquisitions shall not constitute a Change of Control:

(A) any acquisition (other than a Business Combination) constitutes a Change of Control under Section 9.13(a)(iii) hereof of Common Stock directly from the Company,

(B) any acquisition of Common Stock by the Company,

(C) any acquisition of Common Stock by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, or

(D) any acquisition of Common Stock by any corporation pursuant to a Business Combination that does not constitute a Change of Control under Section 9.13(a)(iii) hereof; or

(ii) individuals who, as of January 1, 2002, constituted the Board of Directors of CenturyTel (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board of Directors; provided, however, that any individual becoming a director subsequent to such date whose election, or nomination for election by CenturyTel's shareholders, was approved by a vote of at least two-thirds of the directors then comprising the Incumbent Board shall be considered a member of the Incumbent Board, unless such individual's initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Incumbent Board; or

(iii) consummation of a reorganization, share exchange, merger or consolidation (including any such transaction involving any direct or indirect subsidiary of CenturyTel) or sale or other disposition of all or substantially all of the assets of the Company (a "Business Combination"); provided, however, that in no such case shall any such transaction constitute a Change of Control if immediately following such Business Combination:

(A) the individuals and entities who were the beneficial owners of CenturyTel's outstanding Common Stock and CenturyTel's voting securities entitled to vote generally in the election of directors immediately prior to such Business Combination have direct or indirect beneficial ownership, respectively, of more than 50% of the then outstanding shares of common stock, and more than 50% of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors of the surviving or successor corporation, or, if applicable, the ultimate parent company thereof (the "Post-Transaction Corporation"), and

(B) except to the extent that such ownership existed prior to the Business Combination, no person (excluding the Post-Transaction Corporation and any employee benefit plan or related trust of either CenturyTel, the Post-Transaction Corporation or any subsidiary of either corporation) beneficially owns, directly or indirectly, 20% or more of the then outstanding shares of common stock of the corporation resulting from such Business Combination or 20% or more of the combined voting power of the then outstanding voting securities of such corporation, and

(C) at least a majority of the members of the board of directors of the Post-Transaction Corporation were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board of Directors, providing for such Business Combination; or

(iv) approval by the shareholders of CenturyTel of a complete liquidation or dissolution of CenturyTel.

For purposes of this Section 9.13, the term "person" shall mean a natural person or entity, and shall also mean the group or syndicate created when two or more persons act as a syndicate or other group (including, without limitation, a partnership or limited partnership) for the purpose of acquiring, holding, or disposing of a security, except that "person" shall not include an underwriter temporarily holding a security pursuant to an offering of the security.

(b) Upon a Change of Control of the type described in clause

(a)(i) or (a)(ii) of this Section 9.13 or upon the approval by the Board of Directors of CenturyTel of any Change of Control of the type described in clause

(a)(iii) or (a)(iv) of this Section 9.13, all outstanding Incentives granted pursuant to this Plan shall automatically become fully vested and exercisable, all restrictions or limitations on any Incentives shall automatically lapse and, unless otherwise provided in the applicable Incentive Agreement, all performance criteria and other conditions relating to the payment of Incentives shall be deemed to be achieved or waived by CenturyTel without the necessity of action by any person.

(c) No later than 30 days after a Change of Control of the type described in subsections (a)(i) or (a)(ii) of this Section 9.13 and no later than 30 days after the approval by the Board of a Change of Control of the type described in subsections (a)(iii) or (a)(iv) of this Section 9.13, the Committee, acting in its sole discretion without the consent or approval of any participant (and notwithstanding any removal or attempted removal of some or all of the members thereof as directors or Committee members), may act to effect one or more of the alternatives listed below, which may vary among individual participants and which may vary among Incentives held by any individual participant:

(i) require that all outstanding options or Other Stock-Based Awards be exercised on or before a specified date (before or after such Change of Control) fixed by the Committee, after which specified date all unexercised options and Other Stock-Based Awards and all rights of participants thereunder shall terminate,

(ii) make such equitable adjustments to Incentives then outstanding as the Committee deems appropriate to reflect such Change of Control (provided, however, that the Committee may determine in its sole discretion that no adjustment is necessary),

(iii) provide for mandatory conversion or exchange of some or all of the outstanding options or Other Stock-Based Awards held by some or all participants as of a date, before or after such Change of Control, specified by the Committee, in which event such options and Other Stock-Based Awards shall be deemed automatically cancelled and the Company shall pay, or cause to be paid, to each such participant an amount of cash per share equal to the excess, if any, of the Change of Control Value of the shares subject to such option or Other Stock-Based Award, as defined and calculated below, over the per share exercise price of such options or the per share exercise or base price of such Other Stock-Based Awards or, in lieu of such cash payment, the issuance of Common Stock or securities of an acquiring entity having a Fair Market Value equal to such excess, or

(iv) provide that thereafter, upon any exercise of an option or Other Stock-Based Award that entitles the holder to receive Common Stock, the holder shall be entitled to purchase or receive under such option or Other Stock-Based Award, in lieu of the number of shares of Common Stock then covered by such option or Other Stock-Based Award, the number and class of shares of stock or other securities or property (including, without limitation, cash) to which the holder would have been entitled pursuant to the terms of the agreement providing for the reorganization, share exchange, merger, consolidation or asset sale, if, immediately prior to such Change of Control, the holder had been the record owner of the number of shares of Common Stock then covered by such option or Other Stock-Based Award.

(d) For the purposes of conversions or exchanges under paragraph

(iii) of Section 9.13(c), the "Change of Control Value" shall equal the amount determined by whichever of the following items is applicable:

(i) the per share price to be paid to holders of Common Stock in any such merger, consolidation or other reorganization,

(ii) the price per share offered to holders of Common Stock in any tender offer or exchange offer whereby a Change of Control takes place, or

(iii) in all other events, the fair market value of a share of Common Stock, as determined by the Committee as of the date determined by the Committee to be the date of conversion or exchange.

(e) In the event that the consideration offered to shareholders of CenturyTel in any transaction described in this Section 9.13 consists of anything other than cash, the Committee shall determine the fair cash equivalent of the portion of the consideration offered that is other than cash.

* * * * *

IN WITNESS WHEREOF, the undersigned Secretary of CenturyTel, Inc. hereby certifies that the foregoing CenturyTel 2002 Management Incentive Compensation Plan was (i) recommended to the Board of Directors of CenturyTel, Inc. (the "Board") by its Compensation Committee at a meeting of the Compensation Committee duly held on February 25, 2002, (ii) approved by the Board at a meeting duly held on February 26, 2002, and (iii) approved by the affirmative vote of the holders of a majority of the voting power present at the 2002 Annual Meeting of Shareholders of the Company held on May 9, 2002.

Dated May 9, 2002

/s/ Harvey P. Perry

Harvey P. Perry
Secretary

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

June 12, 2002

**FORM OF
NON-QUALIFIED STOCK OPTION AGREEMENT
UNDER THE CENTURYTEL, INC.**

2002 MANAGEMENT INCENTIVE COMPENSATION PLAN

THIS AGREEMENT is entered into as of ____, 200_ by and between CenturyTel, Inc., a Louisiana corporation ("CenturyTel"), and ____ ("Optionee").

WHEREAS Optionee is a key employee of CenturyTel or one of its subsidiaries (collectively, the "Company") and CenturyTel considers it desirable and in its best interest that Optionee be given an incentive to advance the interests of CenturyTel by possessing an option to purchase shares of the common stock, \$1.00 par value per share, of CenturyTel (the "Common Stock") under the CenturyTel, Inc. 2002 Management Incentive Compensation Plan (the "Plan"), which was approved by the Board of Directors of CenturyTel on February 26, 2002, and approved by the shareholders at CenturyTel's 2002 Annual Meeting of Shareholders on May 9, 2002;

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

**1.
Grant of Option**

1.01 In consideration of the future services of Optionee to the Company and subject to Optionee's execution and delivery to the Company of this Agreement, CenturyTel hereby grants to Optionee, effective ____, 200_ (the "Date of Grant"), the right, privilege and option to purchase ____ shares of Common Stock (the "Option") at an exercise price of \$____ per share.

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

2.

Time of Exercise

2.01 Subject to the provisions of the Plan and the other provisions of this Agreement, Optionee shall be entitled to exercise the Option as follows:

With respect to 1/3 of the shares
covered by the Option..... beginning ____, 200_

With respect to 2/3 of the shares
covered by the Option, less any
shares previously issued..... beginning ____, 200_

With respect to all of the shares
covered by the Option, less any
shares previously issued..... beginning ____, 200_.

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

2.02 Notwithstanding the foregoing, the Option shall accelerate and become immediately exercisable in full (a) if Optionee dies while he is employed by the Company, (b) if Optionee becomes disabled within the meaning of Section 22(e)(3) of the Code ("Disability") while he is employed by the Company, (c) if Optionee retires from employment with the Company on or after attaining the age of 55 ("Retirement"), (d) pursuant to the provisions of the Plan that expressly provide for the treatment of the Option in the event of a Change of Control of the Company (as defined in the Plan) or (e) in the discretion of the Compensation Committee of the Board of Directors of the Company (the "Committee"). 3.

Conditions for Exercise of Option

During Optionee's lifetime, the Option may be exercised only by him or by his legal representative. The Option must be exercised while

Optionee is employed by the Company, or, to the extent exercisable at the time of termination of employment, within 190 days of the date on which he ceases to be an employee, except that (a) if he ceases to be an employee because of Retirement, the Option may be exercised within three years from the date on which he ceases to be an employee, (b) if an Optionee's employment is terminated for cause, the unexercised portion of the Option is immediately terminated, and

(c) in the event of Optionee's Disability or death, the Option may be exercised by the Optionee or, in the case of death, by his estate or by the person to whom such right devolves, within two years after the date of his Disability or death; provided, however, that the Option and all option gain, as defined in Section 4.01, shall at all times be subject to the forfeiture provisions of Section 4 hereof; and provided further that no Option may be exercised later than ten years after the Date of Grant.

4.

Forfeiture of Option and Option Gain

4.01. If, at any time during Optionee's employment by the Company or within 18 months after termination of employment, Optionee engages in any activity in competition with any activity of the Company, or inimical, contrary or harmful to the interests of the Company, including, but not limited to: (a) conduct relating to Optionee's employment for which either criminal or civil penalties against Optionee may be sought, (b) conduct or activity that results in termination of Optionee's employment for cause, (c) violation of Company policies, including, without limitation, the Company's insider trading policy and corporate compliance policy, (d) accepting employment with, acquiring a 5% or more equity or participation interest in, serving as a consultant, advisor, director or agent of, directly or indirectly soliciting or recruiting any employee of the Company who was employed at any time during Optionee's tenure with the Company, or otherwise assisting in any other capacity or manner any company or enterprise that is directly or indirectly in competition with or acting against the interests of the Company or any of its lines of business (a "competitor"), except for (A) any isolated, sporadic accommodation or assistance provided to a competitor, at its request, by Optionee during Optionee's tenure with the Company, but only if provided in the good faith and reasonable belief that such action would benefit the Company by promoting good business relations with the competitor and would not harm the Company's interests in any material respect or (B) any other service or assistance that is provided at the request or with the written permission of the Company, (e) disclosing or misusing any confidential information or material concerning the Company, (f) engaging in, promoting, assisting or otherwise participating in a hostile takeover attempt of the Company or any other transaction or proxy contest that could reasonably be expected to result in a Change of Control (as defined in the Plan) not approved by the Company's Board of Directors or (g) making any statement or disclosing any information to any customers, suppliers, lessors, licensees, regulators, employees or others with whom the Company engages in business that is defamatory or derogatory with respect to the business, operations, technology, management, or other employees of the Company, or taking any other action that could reasonably be expected to injure the Company in its business relationships with any of the foregoing parties or result in any other detrimental effect on the Company, then (i) the Option shall terminate effective the date on which Optionee engages in such activity, unless terminated sooner by operation of another term or condition of this Agreement or the Plan, and (ii) Optionee shall pay in cash to the Company, without interest, any option gain realized by Optionee from exercising all or a portion of the Option during the period beginning one year prior to termination of employment (or one year prior to the date Optionee first engages in such activity if no termination occurs) and ending on the date on which the Option terminates (the "forfeiture period"). For purposes hereof, "option gain" shall mean, with respect to each exercise of the Option during the forfeiture period, the difference between the closing market price of the Common Stock on the date of exercise minus the exercise price, multiplied by the number of shares purchased.

4.02. If Optionee owes any amount to the Company under Section 4.01 above, Optionee acknowledges that the Company may deduct such amount from any amounts the Company owes Optionee from time to time for any reason (including without limitation amounts owed to Optionee as wages or other compensation, fringe benefits, or vacation pay). Whether or not the Company elects to make any such set-off in whole or in part, if the Company does not recover by means of set-off the full amount Optionee owes it, Optionee hereby agrees to pay immediately the unpaid balance to the Company.

4.03. Optionee may be released from Optionee's obligations under Sections 4.01 and 4.02 above only if the Committee determines in its sole discretion that such action is in the best interests of the Company.

5.

Preference Share Purchase Rights

Upon exercise of an Option at a time when preference share purchase rights to purchase shares of Series BB Participating Cumulative Preference Stock or other securities or property of the Company (the "Rights" and each a "Right") remain outstanding pursuant to that certain Rights Agreement dated as of August 27, 1996 between CenturyTel and the Rights Agent named therein, as amended through the date hereof, and as may be further amended hereinafter (the "Rights Agreement"), or any successor rights agreement, then Optionee shall receive Rights in conjunction with Optionee's receipt of shares of Common Stock on the terms and conditions of the Rights Agreement.

6.

Additional Conditions

Anything in this Agreement to the contrary notwithstanding, if at any time CenturyTel further determines, in its sole discretion, that the listing,

registration or qualification (or any updating of any such document) of the shares of Common Stock issuable pursuant to the exercise of an Option is necessary on any securities exchange or under any federal or state securities or blue sky law, or that the consent or approval of any governmental regulatory body is necessary or desirable as a condition of, or in connection with the issuance of shares of Common Stock pursuant thereto, or the removal of any restrictions imposed on such shares, such shares of Common Stock shall not be issued, in whole or in part, unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to CenturyTel. CenturyTel agrees to promptly take any and all actions necessary or desirable in order that all shares of Common Stock issuable hereunder shall be issued as provided herein.

7.

Attorneys' Fees and Expenses

Should any party hereto retain counsel for the purpose of enforcing, or preventing the breach of, any provision hereof, including, but not limited to, the institution of any action or proceeding in court to enforce any provision hereof, to enjoin a breach of any provision of this Agreement, to obtain specific performance of any provision of this Agreement, to obtain monetary or liquidated damages for failure to perform any provision of this Agreement, or for a declaration of such parties' rights or obligations hereunder, or for any other judicial remedy, then the prevailing party shall be entitled to be reimbursed by the losing party for all costs and expenses incurred thereby, including, but not limited to, attorneys' fees (including costs of appeal).

8.

No Contract of Employment Intended

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

9.

Taxes

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

10.

Binding Effect

Upon due execution and delivery of this Agreement by CenturyTel and Optionee, this Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, legal representatives and successors. Without limiting the generality of the foregoing, whenever the word "Optionee" is used in any provision of this Agreement under circumstances where the provision appropriately applies to the heirs, executors, administrators or legal representatives to whom this Option may be transferred by will or by the laws of descent and distribution, the word "Optionee" shall be deemed to include such person or persons.

11.

Inconsistent Provisions

Optionee agrees that the Option granted hereby is subject to the provisions of the Plan as fully as if all such provisions were set forth in their entirety in this Agreement. If any provision of this Agreement conflicts with a provision of the Plan, the Plan provision shall control. Optionee acknowledges that a copy of the Memorandum/Prospectus for the Plan (with a copy of the Plan attached) was distributed to Optionee and that Optionee was advised to review such documents prior to entering into this Agreement. Optionee waives the right to claim that the provisions of the Plan are not binding upon Optionee and Optionee's heirs, executors, representatives and administrators.

12.

Adjustments to Options

Appropriate adjustments shall be made to the number and class of shares of Common Stock subject to the Option and to the exercise price in certain situations described in Section 4.5 of the Plan.

13.

Termination of Option

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

14.

Severability

If any term or provision of this Agreement, or the application thereof to any person or circumstance, shall at any time or to any extent be invalid, illegal or unenforceable in any respect as written, Optionee and CenturyTel intend for any court construing this Agreement to modify or limit such provision so as to render it valid and enforceable to the fullest extent allowed by law. Any such provision that is not susceptible of such reformation shall be ignored so as to not affect any other term or provision hereof, and the remainder of this Agreement, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid, illegal or unenforceable, shall not be affected thereby and each term and provision of this Agreement shall be valid and enforced to the fullest extent permitted by law.

15.

Entire Agreement; Modification

The Plan and this Agreement contain the entire agreement between the parties with respect to the subject matter contained herein and may not be modified, except as provided in the Plan, as it may be amended from time to time in the manner provided therein, or in this Agreement, as it may be amended from time to time by a written document signed by each of the parties hereto. Any oral or written agreements, representations, warranties, written inducements, or other communications made prior to the execution of the Agreement shall be void and ineffective for all purposes.

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

[Signature blocks intentionally omitted]

CenturyTel, Inc.

COMPUTATIONS OF EARNINGS PER SHARE
(UNAUDITED)

	Three months ended September 30,		Nine months ended September 30,	
	2002	2001	2002	2001
(Dollars, except per share amounts, and shares in thousands)				
Income (Numerator):				
Income from continuing operations	\$ 63,619	59,570	146,684	107,489
Discontinued operations, net of tax	544,130	32,735	610,595	185,779
Net income	607,749	92,305	757,279	293,268
Dividends applicable to preferred stock	(100)	(100)	(299)	(299)
Net income applicable to common stock	607,649	92,205	756,980	292,969
Dividends applicable to preferred stock	100	100	299	299
Net income as adjusted for purposes of computing diluted earnings per share	\$ 607,749	92,305	757,279	293,268
Net income applicable to common stock, as adjusted for goodwill amortization	\$ 607,649	106,195	756,980	335,177
Net income as adjusted for purposes of computing diluted earnings per share, as adjusted *	\$ 607,749	106,295	757,279	335,476
Shares (Denominator):				
Weighted average number of shares:				
Outstanding during period	141,872	141,046	141,522	140,985
Employee Stock Ownership Plan shares not committed to be released	(180)	(274)	(198)	(292)
Number of shares for computing basic earnings per share	141,692	140,772	141,324	140,693
Incremental common shares attributable to dilutive securities:				
Conversion of convertible securities	435	435	435	435
Shares issuable under stock option plan	643	1,053	951	1,139
Number of shares as adjusted for purposes of computing diluted earnings per share	142,770	142,260	142,710	142,267

EXHIBIT 11
(Continued)

CenturyTel, Inc.
COMPUTATIONS OF EARNINGS PER SHARE
(UNAUDITED)

(Continued)

		Three months ended September 30,		Nine months ended September 30,	
		2002	2001	2002	2001
<hr/>					
Basic earnings per share					
From continuing operations	\$	.45	.42	1.04	.76
From continuing operations, as adjusted*	\$	.45	.50	1.04	1.01
From discontinued operations	\$	3.84	.23	4.32	1.32
From discontinued operations, as adjusted*	\$	3.84	.25	4.32	1.37
Basic earnings per share	\$	4.29	.65	5.36	2.08
Basic earnings per share, as adjusted*	\$	4.29	.75	5.36	2.38
Diluted earnings per share					
From continuing operations	\$	.45	.42	1.03	.76
From continuing operations, as adjusted*	\$	.45	.50	1.03	1.00
From discontinued operations	\$	3.81	.23	4.28	1.31
From discontinued operations, as adjusted*	\$	3.81	.25	4.28	1.36
Diluted earnings per share	\$	4.26	.65	5.31	2.06
Diluted earnings per share, as adjusted*	\$	4.26	.75	5.31	2.36

* As adjusted to reflect the after-tax effect of eliminating goodwill amortization in accordance with SFAS 142.

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