

CENTURYTEL INC

FORM 10-K (Annual Report)

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Address	P O BOX 4065 100 CENTURYTEL DR MONROE, Louisiana 71203
Telephone	318-388-9000
CIK	0000018926
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Sector	Services
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2001

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
(IRS Employer
Identification No.)

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

71203
(Zip Code)

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

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

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

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

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

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

As of February 28, 2002, the aggregate market value of voting stock held by non-affiliates (affiliates being for these purposes only directors, executive officers and holders of more than five percent of the Company's outstanding voting securities) was \$4.7 billion. As of February 28, 2002, there were 141,299,473 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the Registrant's Proxy Statement prepared in connection with the 2002 annual meeting of shareholders are incorporated in Part III of this Report.

PART I

Item 1. Business

General. CenturyTel, Inc. ("CenturyTel") is a regional integrated communications company engaged primarily in providing local exchange telephone services and wireless communications services. For the year ended December 31, 2001, local exchange telephone operations and wireless operations provided 71% and 21%, respectively, of the consolidated revenues of CenturyTel and its subsidiaries (the "Company"). All of the Company's operations are conducted within the continental United States.

At December 31, 2001, the Company's local exchange telephone subsidiaries operated approximately 1.8 million telephone access lines, primarily in rural, suburban and small urban areas in 21 states, with the largest customer bases located in Wisconsin, Arkansas, Washington, Missouri, Michigan, Louisiana and Colorado. According to published sources, the Company is the eighth largest local exchange telephone company in the United States based on the number of access lines served. For more information, see "Telephone Operations."

At December 31, 2001, the Company's majority-owned and operated cellular systems (i) served approximately 797,000 customers in 19 Metropolitan Statistical Areas ("MSAs") and 22 Rural Service Areas ("RSAs") in Michigan, Louisiana, Arkansas, Mississippi, Wisconsin and Texas and (ii) had access to approximately 7.8 million cellular pops (the estimated population of licensed cellular telephone markets multiplied by the Company's proportionate equity interest in the licensed operators thereof). At December 31, 2001, the Company also owned minority equity interests in 10 MSAs and 22 RSAs, representing approximately 2.0 million cellular pops. According to data derived from published sources, the Company is the eighth largest cellular telephone company in the United States based on the Company's 9.8 million aggregate pops. In August 2001, the Company announced that it is exploring the separation of its wireless business from its other operations. For more information, see "Wireless Operations."

The Company also provides long distance, Internet access, competitive local exchange carrier, broadband data, security monitoring, and other communications and business information services in certain local and regional markets. For more information, see "Other Operations."

Recent acquisitions and dispositions. On July 31, 2000 and September 29, 2000, affiliates of the Company acquired over 490,000 telephone access lines and related assets from Verizon Communications, Inc. ("Verizon") in four separate transactions for approximately \$1.5 billion in cash. Under these transactions:

- o On July 31, 2000, the Company purchased approximately 231,000 telephone access lines and related local exchange assets comprising 106 exchanges throughout Arkansas for approximately \$842 million in cash.

- o On July 31, 2000, Spectra Communications Group, LLC ("Spectra") purchased approximately 127,000 telephone access lines and related local exchange assets comprising 107 exchanges throughout Missouri for approximately \$297 million cash. As of December 31, 2001, the Company owns 75.7% of Spectra, which was organized to acquire and operate these Missouri properties. At closing, the Company made a preferred equity investment in Spectra of approximately \$55 million (which represented a 57.1% interest) and financed substantially all of the remainder of the purchase price. In the first quarter of 2001, the Company purchased an additional 18.6% interest in Spectra for \$47.1 million.

- o On September 29, 2000, the Company purchased approximately 70,500 telephone access lines and related local exchange assets comprising 42 exchanges throughout Wisconsin for approximately \$197 million in cash.

- o On September 29, 2000, Telephone USA of Wisconsin, LLC ("TelUSA") purchased approximately 62,900 telephone access lines and related local exchange assets comprising 35 exchanges throughout Wisconsin for approximately \$172 million in cash. The Company owns 89% of TelUSA, which was organized to acquire and operate these Wisconsin properties. At closing, the Company made an equity investment in TelUSA of approximately \$37.8 million and financed substantially all of the remainder of the purchase price.

In August 2000, the Company acquired the assets of CSW Net, Inc., a regional Internet service provider that offers dial-up and dedicated Internet access, and web site and domain hosting to more than 14,000 customers in 28 communities in Arkansas.

In November 1999, the Company acquired the assets of DigiSys, Inc., an Internet service provider in Kalispell, Montana. DigiSys provides Internet services to more than 8,600 customers in Montana and operates MontanaWeb, one of the largest online business directories in the state.

In October 1999, the Company acquired the non-wireline cellular license to serve Mississippi RSA #5, which covers 160,000 pops. Mississippi RSA #5 encompasses the Vicksburg and Greenville markets as well as portions of Interstate Highway 20 between Jackson, Mississippi and Monroe, Louisiana.

In June 1999, the Company sold all of the operations of its Brownsville and McAllen, Texas, cellular systems to Western Wireless Corporation for approximately \$96 million cash. The Company received a proportionate share of the sale proceeds of approximately \$45 million after-tax.

In May 1999, the Company sold substantially all of its Alaska telephone and wireless operations for approximately \$300 million after-tax. In February 2000, the Company sold its interest in Alaska RSA #1 which completed the Company's divestiture of its Alaska operations.

In the second quarter of 2001, the Company sold to Leap Wireless International, Inc. 30 PCS (Personal Communications Service) operating licenses for an aggregate of \$205 million. The Company received approximately \$118 million of the purchase price in cash at closing and collected the remainder in installments through the fourth quarter of 2001.

The Company continually evaluates the possibility of acquiring additional telecommunications assets in exchange for cash, securities or both, and at any given time may be engaged in discussions or negotiations regarding additional acquisitions. The Company generally does not announce its acquisitions until it has entered into a preliminary or definitive agreement. Over the past few years, the number and size of communications properties on the market has increased substantially. Although the Company's primary focus will continue to be on acquiring interests that are proximate to its properties or that serve a customer base large enough for the Company to operate efficiently, other communications interests may also be acquired and these acquisitions could have a material impact upon the Company.

Pending acquisitions. On October 22, 2001, the Company entered into definitive agreements to purchase from affiliates of Verizon assets comprising all of Verizon's local telephone operations in Missouri and Alabama. In exchange, the Company has agreed to pay approximately \$2.159 billion in cash, subject to certain adjustments described below.

The assets to be purchased will include (i) all telephone access lines (which numbered approximately 372,000 as of December 31, 2001) and related property and equipment comprising Verizon's local exchange operations in 98 exchanges in predominantly rural and suburban markets throughout Missouri, several of which are adjacent to properties currently owned and operated by the Company, (ii) all telephone access lines (which numbered approximately 304,000 as of December 31, 2001) and related property and equipment comprising Verizon's local exchange operations in 90 exchanges in predominantly rural markets throughout Alabama, (iii) Verizon's assets used to provide digital subscriber line ("DSL") and other high speed data services within the purchased exchanges in both states and (iv) approximately 2,800 route miles of fiber optic cable within the purchased exchanges in both states. The acquired assets will not include Verizon's cellular, 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 those associated with contracts, employees, facilities and certain other assets transferred in connection with the purchases. The purchase price will be adjusted to, among other things, (i) reimburse Verizon for certain pre-closing costs and (ii) compensate the Company if Verizon fails to attain certain specified pre-closing capital expenditure targets. The aggregate effect of these adjustments is not expected to be material.

The Company's purchase of the Alabama properties has been approved by the Alabama Public Service Commission. The Company's purchase of the Missouri properties is subject to the approval of the Missouri Public Service Commission. Consummation of each transaction is also subject to, among other things, (i) the approval of the Federal Communications Commission, (ii) compliance with the notification and waiting period requirements under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, (iii) the receipt of various third party consents, including releases from Verizon bondholders terminating liens on the transferred assets, and (iv) various other customary closing conditions. Neither purchase is conditioned upon the completion of the other purchase. Under each definitive agreement, the Company has agreed to pay Verizon 10% of the transaction consideration if the purchase is not consummated under certain specified conditions, including the Company's incapacity to finance the transaction.

The properties to be acquired are currently subject to price-cap regulation for interstate purposes, and the Company has no plans to change this. Because most of the Company's other telephone properties are subject to rate-of-return regulation, the Company's plans to retain price-cap regulation for the acquired properties will require it to seek a waiver of the FCC's "all or nothing" regulation that generally requires a rate-of-return company acquiring a price-cap company to convert all of its operations to price-cap regulation. Although the FCC has granted similar waivers to other carriers over the past couple of years, no assurances can be provided that the FCC will grant a waiver to the Company. The Company's failure to obtain this waiver would adversely impact the financial benefits that the Company anticipates receiving in connection with its purchases of the Verizon properties.

On February 28, 2002, the Company purchased the fiber network and customer base of KMC Telecom's operations in Monroe and Shreveport, Louisiana which will allow the Company to offer broadband services to customers in these markets.

Other. As of December 31, 2001, the Company had approximately 6,900 employees, approximately 1,280 of whom were members of 17 different bargaining units represented by the International Brotherhood of Electrical Workers, the Communications Workers of America, or the NTS Employee Committee. Relations with employees continue to be generally good.

CenturyTel was incorporated under Louisiana law in 1968 to serve as a holding company for several telephone companies acquired over the previous 15 to 20 years. CenturyTel's principal executive offices are located at 100 CenturyTel Drive, Monroe, Louisiana 71203 and its telephone number is (318) 388-9000.

TELEPHONE OPERATIONS

According to published sources, the Company is the eighth largest local exchange telephone company in the United States, based on the approximately 1.8 million access lines it served at December 31, 2001. All of the Company's access lines are digitally switched. Through its operating telephone subsidiaries, the Company provides services to predominately rural, suburban and small urban markets in 21 states. The table below sets forth certain information with respect to the Company's access lines as of December 31, 2001 and 2000.

December 31, 2001

December 31, 2000

State	Number of access lines	Percent of access lines	Number of access lines	Percent of access lines
Wisconsin	498,331 (1)	28%	498,234 (1)	28%
Arkansas	271,617	15	278,155	15
Washington	189,868	11	189,341	11
Missouri	130,651 (2)	7	129,944 (2)	7
Michigan	114,643	6	114,325	6
Louisiana	104,043	6	103,091	6
Colorado	97,571	6	95,509	5
Ohio	84,636	5	85,308	5
Oregon	78,592	4	79,663	5
Montana	65,974	4	65,966	4
Texas	51,451	3	51,387	3
Minnesota	31,110	2	30,910	2
Tennessee	27,660	2	27,781	2
Mississippi	23,579	1	23,435	1
New Mexico	6,396	-	6,295	-
Idaho	6,119	-	6,197	-
Indiana	5,490	-	5,425	-
Wyoming	5,408	-	5,108	-
Iowa	2,072	-	2,048	-
Arizona	1,937	-	1,920	-
Nevada	495	-	523	-
	1,797,643	100%	1,800,565	100%

(1) Approximately 61,990 (as of December 31, 2001) of these lines are owned and operated by CenturyTel's 89%-owned affiliate.

(2) These lines are owned and operated by CenturyTel's 75.7%-owned affiliate.

As indicated in the following table, the Company has generally experienced growth in its telephone operations over the past several years, a substantial portion of which was attributable to the July and September 2000 acquisitions of telephone properties from Verizon, the December 1997 acquisition of PTI, the acquisitions of other telephone properties and the expansion of services. A portion of the Company's access line growth was offset by the May 1999 sale of the Company's Alaska telephone operations.

	Year ended or as of December 31,				
	2001	2000	1999	1998	1997
(Dollars in thousands)					
Access lines	1,797,643	1,800,565	1,272,867	1,346,567	1,203,650
% Residential	76%	76	75	74	74
% Business	24%	24	25	26	26
Operating revenues	\$ 1,505,733	1,253,969	1,126,112	1,077,343	526,428
Capital expenditures	\$ 351,010	275,523	233,512	223,190	115,854

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

Services

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

	2001	2000	1999
Local service	32.6%	32.6	31.4
Network access	58.1	58.0	58.1
Other	9.3	9.4	10.5
	100.0%	100.0	100.0

Local service. Local service revenues are derived from the provision of local exchange telephone services in the Company's service areas. Access lines declined 0.2% in 2001. Internal access line growth during 2000 and 1999 was 2.8% and 4.8%, respectively. The decline in internal access line growth during 2001 was substantially due to the slowing growth in the Company's service areas due to general economic conditions and disconnecting service to customers for non-payment.

The installation of digital switches, high-speed data circuits and related software has been an important component of the Company's growth strategy because it allows the Company to offer enhanced voice services (such as call forwarding, conference calling, caller identification, selective call ringing and call waiting) and data services and to thereby increase utilization of existing access lines. In 2001 the Company continued to expand its list of premium services (such as voice mail) offered in certain service areas and aggressively marketed these services.

Network access. Network access revenues primarily relate to services provided by the Company to long distance carriers, wireless carriers and other customers in connection with the use of the Company's facilities to originate and terminate interstate and intrastate long distance telephone calls. Certain of the Company's interstate network access revenues are based on tariffed access charges prescribed by the Federal Communications Commission ("FCC"); the remainder of such revenues are derived under revenue sharing arrangements with other local exchange carriers ("LECs") administered by the National Exchange Carrier Association ("NECA"), a quasi-governmental non-profit organization formed by the FCC in 1983 for such purposes.

Certain of the Company's intrastate network access revenues are derived through access charges billed by the Company to intrastate long distance carriers and other LEC customers. Such intrastate network access charges are based on tariffed access charges, which are subject to state regulatory commission approval. Additionally, certain of the Company's intrastate network access revenues, along with intrastate and intra-LATA (Local Access and Transport Areas) long distance revenues, are derived through revenue sharing arrangements with other LECs.

The Company is installing fiber optic cable in certain of its high traffic routes and provides alternative routing of telephone service over fiber optic cable networks in several strategic operating areas. At December 31, 2001, the Company's telephone subsidiaries had over 10,900 miles of fiber optic cable in use.

Other. Other revenues include revenues related to (i) leasing, selling, installing, maintaining and repairing customer premise telecommunications equipment and wiring, (ii) providing billing and collection services for long distance companies and (iii) participating in the publication of local directories.

Certain large communications companies for which the Company currently provides billing and collection services continue to indicate their desire to reduce their billing and collection expenses, which has resulted and may continue to result in future reductions of the Company's billing and collection revenues.

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

Federal Financing Programs

Certain of the Company's telephone subsidiaries receive long-term financing from the Rural Utilities Service ("RUS") or the Rural Telephone Bank ("RTB"). The RUS has made long-term loans to telephone companies since 1949 for the purpose of improving telephone service in rural areas. The RUS continues to make new loans at interest rates that range from 5% to 7% based on borrower qualifications and the cost of funds to the United States government. The RTB, established in 1971, makes long-term loans at interest rates based on its average cost of funds as determined by statutory formula (which ranged from 5.0% to 6.0% for the RTB's fiscal year ended September 30, 2001), and in some cases makes loans concurrently with RUS loans. Much of the Company's telephone plant is pledged or mortgaged to secure obligations of the Company's telephone subsidiaries to the RUS and RTB. The Company's telephone subsidiaries that have borrowed from government agencies generally may not loan or advance any funds to CenturyTel, but may pay dividends if certain financial covenants are met.

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

Regulation and Competition

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

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

In recent years, state legislatures and regulatory commissions in most of the states in which the Company has substantial operations have either reduced the regulation of LECs or have announced their intention to do so, and it is expected that this trend will continue. Wisconsin, Louisiana, Arkansas and several other states have implemented laws or rulings which require or permit LECs to opt out of rate of return regulation in exchange for agreeing to alternative forms of regulation which typically permit the LEC greater freedom to establish local service rates in exchange for agreeing not to charge rates in excess of specified caps. As discussed further below, most of the Company's Wisconsin telephone subsidiaries, with the exception of the properties acquired in mid-2000, have agreed to be governed by alternative regulation plans, and the Company continues to explore its options for similar treatment in other states. Other states have imposed new regulatory models that do not rely on "rate of return" regulation. The Company believes that reduced regulatory oversight of certain of the Company's telephone operations may allow the Company to offer new and competitive services faster than under the traditional regulatory process. For a discussion of legislative, regulatory and technological changes that have introduced competition into the local exchange industry, see "-Developments Affecting Competition."

A portion of the Company's telephone operations in Wisconsin have been regulated under an alternative regulation plan since June 1996. In late 1999 and early 2000, most of the Company's remaining Wisconsin telephone subsidiaries agreed to be subject to alternative regulation plans. The Company's Wisconsin access lines acquired in mid-2000 continue to be regulated under "rate of return" regulation. Each of these alternative regulation plans has a five-year term and permits the Company to adjust local rates within specified parameters if certain quality-of-service and infrastructure-development commitments are met. These plans also include initiatives designed to promote competition. Although the Company believes that these plans will be favorable in the future as additional revenue streams are added and cost efficiencies are obtained, there can be no assurance that current or future alternative regulation plans will not reduce revenue growth in the future.

Since 1997 all of the Company's LECs operating in Louisiana have been regulated under a Consumer Price Protection Plan (the "Louisiana Plan"). This form of regulation focuses on price and quality of service. Under the Louisiana Plan, the Company's Louisiana LECs' local rates and access rates have remained unchanged since 1997, but may currently be increased within certain parameters. The Company's Louisiana LECs have the option to propose a new plan at any time if the Louisiana Public Service Commission ("LPSC") determines that (i) effective competition exists or (ii) unforeseen events threaten the LEC's ability to provide adequate service or impair its financial health.

The Company's Arkansas LECs, excluding the recently-acquired Verizon properties, are regulated under an alternative regulation plan adopted in 1997, which initially froze access rates for three years, after which time such rates can be adjusted based on an inflation-based factor. Local service rates can be adjusted without commission approval; however, such rates are subject to commission review if certain petition criteria are met. In addition, since 1995 the Company's Michigan LECs have been subject to a regulatory structure that focuses on price and quality of service as opposed to traditional rate of return regulation, and which relies more on existing federal and state law regarding antitrust consumer

protection and fair trade to provide safeguards for competition and consumers.

Notwithstanding the movement towards deregulation, LECs operating approximately 61% of the Company's total access lines continue to be subject to "rate of return" regulation. These LECs remain subject to the powers of state regulatory commissions to conduct earnings reviews and adjust service rates, either of which could lead to revenue reductions.

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

Effective January 1, 1991, the FCC adopted price-cap regulation relating to interstate access rates for the Regional Bell Operating Companies. All other LECs may elect to be subject to 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. In May 1993 the FCC adopted an optional incentive regulatory plan for LECs not subject to price-cap regulation. A LEC electing the optional incentive regulatory plan would, among other things, file tariffs based primarily on historical costs and not be allowed to participate in the relevant NECA pooling arrangements. The Company has not elected price-cap regulation or the optional incentive regulatory plan for its incumbent operations (but does propose to operate the access lines that it has agreed to purchase from Verizon under price-cap regulation). Subject to certain exceptions, if the Company were to elect price-cap regulation or the optional incentive regulatory plan for its incumbent operations, either election would have to be applicable to all of the Company's telephone subsidiaries based on current regulations.

On October 11, 2001, the FCC modified its interstate access charge rules and universal service support system for rate of return local exchange carriers. This order, among other things, (i) increases the caps on the subscriber line charges ("SLC") to the levels paid by most subscribers nationwide; (ii) allows limited SLC deaveraging, which will enhance the competitiveness of rate of return carriers by giving them pricing flexibility; (iii) lowers per minute rates collected for federal access charges; (iv) creates a new explicit universal service support mechanism that will replace other implicit support mechanisms in a manner designed to ensure that rate structure changes do not affect the overall recovery of interstate access costs by rate of return carriers serving high cost areas and (v) terminates the proceeding on the represetation of the authorized rate of return for rate of return LECs, which will remain at 11.25%. The Company expects the order to be implemented on a revenue neutral basis for interstate purposes. Other proposals submitted to the FCC by the Multi-Association Group representing rural carriers were rejected or deferred for additional comment.

The FCC is seeking comment on a Further Notice of Proposed Rulemaking regarding developing an appropriate federal incentive plan for rate of return LECs. The Company is actively monitoring this proceeding and will provide comments to the FCC on major policy issues.

High-cost support funds, revenue sharing arrangements and related matters. A significant number of the Company's telephone subsidiaries recover a portion of their costs under federal and state cost recovery mechanisms that traditionally have allowed LECs serving small communities and rural areas to provide communications services reasonably comparable to those available in urban areas and at reasonably comparable prices.

As mandated by the 1996 Act, in May 2001 the FCC modified its existing universal service support mechanism for rural telephone companies. The FCC adopted an interim mechanism for a five-year period, effective July 1, 2001, based on embedded, or historical, costs that will provide predictable levels of support to rural local exchange carriers, including substantially all of the Company's local exchange carriers. The Company estimates (based on current operations, the current nationwide average cost per loop and other factors) that such ruling may increase the Company's level of universal service support receipts by approximately \$7 million on an annualized basis compared to previous levels. During 2001 and 2000 the Company's telephone subsidiaries received \$168.7 million and \$146.4 million, respectively (which included \$21.6 million and \$8.3 million, respectively, related to the Company's Verizon operations acquired in 2000) from the federal Universal Service Fund, representing 8.0% and 7.9%, respectively, of the Company's consolidated revenues for 2001 and 2000. In addition, the Company's telephone subsidiaries received \$31.5 million and \$30.7 million in 2001 and 2000, respectively, from intrastate support funds.

In 1997, the FCC also established new programs to provide discounted telecommunications services annually to schools, libraries and rural health care providers. All communications carriers providing interstate telecommunications services, including the Company's LECs and its cellular and long distance operations, are required to contribute to these programs. Prior to May 2001, the Company's LECs recovered their funding contributions in their rates for interstate services. Subsequent to May 2001, in accordance with a 2001 FCC order, such contributions are not recovered through access charges but instead are charged as an explicit item on customer's bills. The Company's contribution by its cellular and long distance operations, which is passed on to its customers, was approximately \$5.0 million in 2001 and \$3.7 million in 2000.

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

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

Certain long distance carriers continue to request that certain of the Company's LECs reduce intrastate access tariffed rates. Long distance carriers have also aggressively pursued regulatory or legislative changes that would reduce access rates. Although such changes have not materially affected access revenues to date, there is no assurance that these requests or initiatives will not result in decreased access revenues in the future.

Developments affecting competition. The communications industry continues to undergo fundamental changes which are likely to significantly impact the future operations and financial performance of all communications companies. Primarily as a result of legislative and regulatory initiatives and technological changes, competition has been introduced and encouraged in each sector of the telephone industry, including, most recently, the local exchange sector. As a result, the number of companies offering competitive services has increased substantially.

As indicated above, in February 1996 Congress enacted the 1996 Act, which obligates primarily the Regional Bell Operating Companies to permit competitors to interconnect their facilities to the LEC's network and to take various other steps that are designed to promote competition. The 1996 Act imposes several duties on a LEC if it receives a specific request from another entity which seeks to connect with or provide services using the LEC's network. In addition, each incumbent LEC is obligated to (i) negotiate interconnection agreements in good faith, (ii) provide "unbundled" access to all aspects of the LEC's network, (iii) offer resale of its telecommunications services at wholesale rates and (iv) permit competitors to collocate their physical plant on the LEC's property, or provide virtual collocation if physical collocation is not practicable.

Under the 1996 Act's rural telephone company exemption, most of the Company's telephone subsidiaries (except for the access lines most recently acquired from Ameritech in 1998 and Verizon in 2000) are exempt from certain of these interconnection requirements unless and until the appropriate state regulatory commission overrides the exemption upon receipt from a competitor of a bona fide request meeting certain criteria. In mid-2000, a federal appellate court overturned portions of the FCC's 1996 interconnection order that sought to place the burden of defending this exemption on rural LECs and ruled that competitors had the burden of proof in removing the rural exemption. States are permitted to adopt laws or regulations that provide for greater competition than is mandated under the 1996 Act. Although portions of the FCC's August 1996 interconnection order have survived judicial challenge, the FCC has not completed its interconnection rulemaking and certain litigation continues in the area of pricing unbundled network elements. Management believes that competition in its telephone service areas has increased and will continue to increase as a result of the 1996 Act and additional FCC interpretations related to interconnection and the portability of universal service support. While competition through use of the Company's network is still limited in most of its markets, the Company will continue to witness competition from a variety of facilities-based service providers, including wireless and cable companies.

In addition to these changes in federal regulation, all of the 21 states in which the Company provides telephone services have taken legislative or regulatory steps to further introduce competition into the LEC business.

As a result of these regulatory developments, incumbent LECs ("ILECs") increasingly face competition from competitive local exchange carriers ("CLECs"), particularly in high population areas. CLECs provide competing services through reselling the ILECs' local services, through use of the ILECs' unbundled network elements or through their own facilities. The number of companies which have requested authorization to provide local exchange service in the Company's service areas has increased substantially in recent years, especially in the Company's Verizon markets acquired in 2000, and it is anticipated that similar action may be taken by others in the future.

In addition to facing direct competition from CLECs, ILECs increasingly face competition from alternate communication systems constructed by long distance carriers, large customers or alternative access vendors. These systems, which have become more prevalent as a result of the 1996 Act, are capable of originating or terminating calls without use of the ILECs' networks. Customers may also use wireless or Internet voice service to bypass ILECs' switching services. In addition, technological and regulatory developments have increased the feasibility of competing services offered by cable television companies, several of whom are pursuing these opportunities. Other potential sources of competition include noncarrier systems that are capable of bypassing ILECs' local networks, either partially or completely, through substitution of special access for switched access or through concentration of telecommunications traffic on a few of the ILECs' access lines. The Company anticipates that all these trends will continue and lead to increased competition with the Company's LECs.

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

Historically, ILECs earned all or substantially all of the toll revenues associated with intra-LATA long distance calls. Principally as a result of recent state regulatory changes, companies offering competing toll services have emerged in the Company's local exchange markets.

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

The Company anticipates that the traditional operations of LECs will continue to be impacted by continued technological developments as well

as legislative and regulatory initiatives affecting the ability of LECs to provide new services and the capability of long distance companies, CLECs, wireless companies, cable television companies and others to provide competitive LEC services. Competition relating to services traditionally provided solely by LECs has thus far affected large urban areas to a greater extent than rural, suburban and small urban areas such as those in which the Company operates. The Company intends to actively monitor these developments, to observe the effect of emerging competitive trends in initial competitive markets and to continue to evaluate new business opportunities that may arise out of future technological, legislative and regulatory developments.

The Company anticipates that regulatory changes and competitive pressures may result in future revenue reductions in its telephone operations. However, the Company anticipates that such reductions may be minimized by increases in revenues attributable to the continued demand for enhanced services and new product offerings. While the Company expects its telephone revenues to continue to grow, its internal telephone revenue growth rate has slowed in recent years and may continue to slow during upcoming periods.

WIRELESS OPERATIONS

At December 31, 2001, the Company had access to approximately 9.8 million cellular pops, of which 65% were applicable to MSAs and 35% were RSA pops. According to data derived from published sources, the Company is the eighth largest cellular telephone company in the United States based on the Company's 9.8 million pops.

Cellular Industry

The cellular telephone industry has been in existence for over 17 years in the United States. The industry has grown significantly during this period and cellular service is now available in substantially all areas of the United States. According to the Cellular Telecommunications Industry Association, at June 30, 2001 there were estimated to be over 118 million wireless customers across the United States.

Initially, all radio transmissions of cellular systems were conducted on an analog basis. Technological developments involving the application of digital radio technology offer certain advantages over analog technologies, including expanding the capacity of mobile communications systems, improving voice clarity, permitting the introduction of new services, and making such systems more secure. Digital service is now available in 100% of the Company's MSA markets and approximately 65% of its RSA markets. Approximately 33% of the Company's cellular customers currently subscribe to digital services. As discussed further below, several large wireless carriers have taken initial steps to develop "next generation" technologies capable of providing enhanced digital wireless services. For additional information, see "-Regulation and Competition-Developments Affecting Wireless Competition."

Construction and Maintenance

The construction and maintenance of cellular systems is capital intensive. Although the Company's MSA and RSA systems have been operational for many years, the Company has continued to add cell sites to increase coverage, provide additional capacity, and improve the quality of these systems. In 2001 the Company completed construction of 72 cell sites in its majority-owned markets. At December 31, 2001, the Company operated 739 cell sites in its majority-owned markets.

Over the past several years the Company has upgraded most of its wireless systems to be capable of providing digital service under the Time Division Multiple Access ("TDMA") standard, which is one of the four primary digital cellular standards currently used worldwide. The Company intends to continue installing digital voice transmission facilities in other markets in 2002. See "-Regulation and Competition-Developments Affecting Wireless Competition." Capital expenditures related to majority-owned and operated wireless systems totaled approximately \$71.2 million in 2001. Such capital expenditures for 2002 are anticipated to be approximately \$65 million.

Strategy

The Company's business development strategy for its wireless operations is to secure operating control of service areas that are geographically clustered. Clustered systems aid the Company's marketing efforts and provide various operating and service advantages. Approximately 47% of the Company's customers are in a single, contiguous cluster of eight MSAs and nine RSAs in Michigan; another 25% are in a cluster of five MSAs and seven RSAs in northern and central Louisiana, southern Arkansas and eastern Texas. See "-The Company's Cellular Interests."

The Company has also traditionally targeted roaming service revenues, which are derived from calls made in one of the Company's service areas by customers of other cellular carriers from other service areas. In exchange for providing roaming service to customers of other carriers, the Company has traditionally charged premium rates to most of these other carriers, who then frequently pass on some or all of these premium rates to their own customers. The Company's Michigan, Louisiana and Mississippi cellular properties provide service to various interstate highway corridors. As indicated elsewhere in Items 1 and 7 of this Report, the Company has increasingly received pressure from other cellular operators to reduce substantially its roaming rates. See "-Services, Customers and System Usage."

Marketing

The Company markets its wireless services through several distribution channels, including its direct sales force, retail outlets owned by the Company and independent agents. All sales employees and certain independent agents solicit customers exclusively for the Company. Company sales employees are compensated by salary and commission and independent sales agents are paid commissions. The Company

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

The sales and marketing costs of obtaining new subscribers include advertising and a direct expense applicable to most new subscribers, either in the form of a commission payment to an agent or an incentive payment to a direct sales employee. In addition, the Company discounts the cost of cellular telephone equipment sold to its customers, and periodically runs promotions which waive certain fees or provide some amount of free service to new subscribers. The average cost of acquiring each new customer (\$276 in 2001) remains one of the larger expenses in conducting the Company's wireless operations. In recent years, the Company has sought to lower this average cost by focusing more on its direct distribution channels. The Company opened its first retail outlet in 1994, and currently operates 130 such outlets. During 2001, approximately 54% of new cellular customers were added through direct distribution channels, up from 37% during 1996.

Because most of the Company's cellular markets are located in rural, suburban or small urban areas, the Company believes that many of its customers typically require only local or regional services. The Company lacks the facilities and national brand name necessary to compete effectively for business customers requiring nationwide services, and the Company does not target these customers in its marketing campaigns. See "- Regulation and Competition."

Services, Customers and System Usage

There are a number of different types of cellular telephones, all of which are currently compatible with cellular systems nationwide. The Company offers a full range of vehicle-mounted, transportable, and portable cellular telephones. The Company typically purchases cellular phones in bulk, and typically resells them at a loss to meet competition or to stimulate sales by reducing the cost of becoming a cellular customer.

The Company charges its subscribers for access to its systems, for minutes of use and for enhanced services, such as voice mail. A subscriber may purchase certain of these services separately or may purchase rate plans which bundle these services in different ways and are designed to fit different customer requirements. While the Company historically has typically charged its customers separately for custom-calling features, air time in excess of the packaged amount, and toll calls, it currently offers plans which include features such as unlimited toll calls and unlimited nights and weekend calling in certain calling areas. Custom-calling features provided by the Company include call-forwarding, call-waiting, caller ID, three-way calling and no-answer transfer. The Company also offers voice message service in certain markets and short text messaging in markets with digital service.

Cellular customers come from a wide range of occupations and typically include a large proportion of individuals who work outside of their office. In recent years, the individual consumer market has generated a majority of new customer additions. The Company's average monthly revenue (excluding equipment sales) per customer declined to \$46 in 2001 from \$49 in 2000 and \$53 in 1999. Such average revenue per customer is expected to further decline (i) as competitive pressures (including those causing further reductions in service rates) from current and future wireless communications providers intensify and (ii) as the Company continues to receive pressure from other cellular operators to reduce roaming rates. See "-Regulation and Competition."

The Company has entered into "roaming agreements" nationwide with operators of other cellular systems that permit each company's respective customers to place or receive calls outside of their home market area. The charge to a non-Company customer for this service has traditionally been at premium rates, and is billed by the Company to the customer's service provider, which then bills the customer. In most instances, based on competitive factors and financial considerations, the Company charges an amount to its customers that is equal to or lower than the amount actually charged by the cellular carrier providing the roaming service. Within the past few years, several large nationwide cellular providers have introduced rate plans that offer roaming coverage (provided through other carriers) at the same rate as service within the customer's home market area. To defray the cost of these plans, these providers have exerted substantial pressure on other cellular providers, including the Company, to reduce their roaming fees. The Company anticipates that competitive factors and industry consolidation will continue to place further pressure on charging premium roaming rates. For additional information on roaming revenue, see "-Strategy."

Churn rate (the average percentage of cellular customers that terminate service each month) is an industry-wide concern. A significant portion of the churn in the Company's markets is due to the Company disconnecting service to cellular customers for nonpayment of their bills. In addition, the Company faces substantial competition from other wireless providers, including PCS providers. The Company's average monthly churn rate, excluding prepaid customers, in its majority-owned and operated markets was 2.33% in 2001 and 1.95% in 2000. The Company is attempting to lower its churn rate by increasing its proactive customer service efforts and implementing additional customer retention programs.

Except for 2001, the Company's cellular subsidiaries have traditionally experienced strong subscriber growth in the fourth quarter, primarily due to holiday season sales.

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

	Year ended or at December 31,		
	2001	2000	1999
Majority-owned and operated MSA and RSA systems (Note 1):			
Cellular systems operated	41	41	42
Cell sites	739	743	711
Population of systems operated (Note 2)	8,435,303	8,219,411	8,267,140
Customers (Note 3):			
At beginning of period	751,200	707,486	624,290
Gross units added internally	316,353	339,247	240,084
Disconnects	270,213	284,880	146,325
Net units added internally	46,140	54,367	93,759
Effect of property dispositions	-	(10,653)	(10,563)
At end of period	797,340	751,200	707,486
Market penetration at end of period (Note 4)	9.5%	9.1	8.6
Churn rate (Note 5)	2.33%	1.95	2.02
Average monthly revenue per customer (excluding equipment sales)	\$ 46	49	53
Construction expenditures (in thousands)	\$ 71,212	58,468	58,760

For additional information, see "- The Company's Wireless Interests."

Notes:

1. Represents the number of systems in which the Company owned at least a 50% interest. The revenues and expenses of these markets, all of which are operated by the Company, are included in the Company's consolidated operating revenues and operating expenses.
2. Based on independent third-party population estimates for each respective year.
3. Represents the approximate number of revenue-generating cellular telephones served by the cellular systems referred to in note 1.
4. Computed by dividing the number of customers at the end of the period by the total population of systems referred to in note 1.
5. Represents the average percentage of customers, excluding prepaid customers, that were disconnected per month.

The Company's Wireless Interests

Cellular interests. The Company obtained the right to provide cellular service through (i) the FCC's licensing process described below, under which it received interests in wireline licenses, and (ii) its acquisition program, under which it has acquired interests in both wireline and non-wireline licenses. The table below sets forth certain information with respect to the interests in cellular systems that the Company owned as of December 31, 2001:

	2001 population (Note 1)	Ownership percentage	The Company's pops at 12/31/01

Majority-owned and operated MSAs			
Pine Bluff, AR	84,238	100.00%	84,238
Texarkana, AR/TX	144,094	89.00	128,244
Alexandria, LA	146,435	100.00	146,435
Monroe, LA	147,664	87.00	128,468
Shreveport, LA	393,621	87.00	342,450
Battle Creek, MI	195,425	97.00	189,562
Benton Harbor, MI	162,564	97.00	157,687
Grand Rapids, MI	821,985	97.00	797,325
Jackson, MI	159,831	97.00	155,036
Kalamazoo, MI	317,578	97.00	308,051
Lansing-E. Lansing, MI	510,828	97.00	495,503
Muskegon, MI	198,258	97.00	192,310
Saginaw-Bay City- Midland, MI	403,446	91.70	369,960
Biloxi-Gulfport, MS (Note 4)	249,177	96.45	240,334
Jackson, MS (Note 4)	444,847	90.22	401,333
Pascagoula, MS (Note 4)	132,646	89.20	118,324
Appleton-Oshkosh- Neenah, WI	525,133	98.85	519,082
Eau Claire, WI	149,160	55.50	82,784
LaCrosse, WI	107,813	95.00	102,422
	-----		-----
	5,294,743		4,959,548
	-----		-----
Minority-owned MSAs (Note 2)			
Little Rock, AR	589,276	36.00%	212,139
Lafayette, LA	274,869	49.00	134,686
Detroit, MI	4,797,951	3.20	153,438
Flint, MI	508,544	3.20	16,263
Rochester, MN	125,624	2.81	3,530
Austin, TX	1,188,290	35.00	415,902
Dallas-Ft. Worth, TX	5,209,993	0.50	26,050
Sherman-Denison, TX	111,766	0.50	559
Madison, WI	743,317	9.78	72,689
Milwaukee, WI	2,046,433	17.96	367,601
	-----		-----
	15,596,063		1,402,857
	-----		-----
Total MSAs	20,890,806		6,362,405
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	2001 population (Note 1)	Ownership percentage	The Company's pops at 12/31/01

Operated RSAs			
Arkansas 2	92,157	82.00	75,569
Arkansas 3	106,308	82.00	87,173
Arkansas 11	67,763	89.00	60,309
Arkansas 12	189,169	80.00	151,335
Louisiana 1	113,463	87.00	98,713
Louisiana 2	115,297	87.00	100,308
Louisiana 3 B2	97,933	87.00	85,202
Louisiana 4	73,009	100.00	73,009
Michigan 1	203,027	100.00	203,027
Michigan 2	115,455	100.00	115,455
Michigan 3	177,294	48.63	86,217
Michigan 4	142,573	100.00	142,573
Michigan 5	171,415	48.63	83,358
Michigan 6	150,589	98.00	147,577
Michigan 7	258,248	56.07	144,801
Michigan 8	106,803	97.00	103,599
Michigan 9	306,229	43.38	132,842
Mississippi 2 (Note 3)	260,887	100.00	260,887
Mississippi 5 (Note 3)	160,771	100.00	160,771
Mississippi 6 (Note 3)	189,816	100.00	189,816
Mississippi 7 (Note 3)	189,640	100.00	189,640
Texas 7 B6	57,827	89.00	51,466
Wisconsin 1	119,161	42.21	50,295
Wisconsin 2	86,462	99.00	85,597
Wisconsin 6	121,350	57.14	69,343
Wisconsin 7	297,526	22.70	67,544
Wisconsin 8	242,013	84.00	203,291
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	4,212,185		3,219,717
	-----		-----
	2001 population (Note 1)	Ownership percentage	The Company's pops at 12/31/01

Non-operated RSAs (Note 2)			
Iowa 6	158,681	2.81	4,459
Iowa 13	66,055	2.81	1,856
Iowa 14	105,808	2.81	2,973
Iowa 15	84,042	2.81	2,362
Iowa 16	103,444	2.81	2,907
Michigan 10	139,533	26.00	36,279
Minnesota 7	174,808	2.81	4,912
Minnesota 8	67,698	2.81	1,902
Minnesota 9	133,478	2.81	3,751
Minnesota 10	241,116	2.81	6,775
Minnesota 11	213,810	2.81	6,008
Washington 5	65,020	8.47	5,508
Washington 8	139,467	7.36	10,259
Wisconsin 3	144,095	42.86	61,755
Wisconsin 4	125,177	25.00	31,294
Wisconsin 5	98,314	2.81	2,763
Wisconsin 10	131,491	22.50	29,586
	-----		-----
	2,192,037		215,349
	-----		-----
Total RSAs	6,404,222		3,435,066
	-----		-----
	27,295,028		9,797,471
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Notes:

1. Based on 2001 independent third-party population estimates.
2. Markets not operated by the Company.
3. Represents a non-wireline interest. See "Regulation and Competition - Cellular licensing and regulation."

Competitors. The number of competitors in each of the Company's operated MSA and RSA markets range from one to eight. Such competitors

include, but are not limited to, Cingular, AT&T, Verizon, Centennial, Sprint, Nextel, Voicestream and U. S. Cellular.

Other wireless interests. The Company owned at December 31, 2001 (i) licenses to provide personal communications services ("PCS") representing approximately 3.0 million pops and (ii) 36 local multi-point distribution system ("LMDS") licenses representing approximately 12.6 million pops. The Company intends to use a portion of its LMDS licenses in connection with its new competitive local exchange business described below under "Other Operations." The Company is currently evaluating its options with respect to the remainder of these licenses, some of which will lapse if not used by the Company by certain specified dates.

Operations

A substantial number of the cellular systems in MSAs operated by the Company are owned by limited partnerships in which the Company is a general partner ("MSA Partnerships"). Most of these partnerships are governed by partnership agreements with similar terms, including, among other things, customary provisions concerning capital contributions, sharing of profits and losses, and dissolution and termination of the partnership. Most of these partnership agreements vest complete operational control of the partnership with the general partner. The general partner typically has the power to manage, supervise and conduct the affairs of the partnership, make all decisions appropriate in connection with the business purposes of the partnership, and incur obligations and execute agreements on behalf of the partnership. The general partner also may make decisions regarding the time and amount of cash contributions and distributions, and the nature, timing and extent of construction, without the consent of the other partners. The Company owns more than 50% of all of the MSA Partnerships that it operates.

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

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

Revenue

The following table reflects the major revenue categories for the Company's wireless operations as a percentage of wireless operating revenues in 2001, 2000 and 1999. Virtually all of these revenues were derived from cellular operations.

	2001	2000	1999
Access fees and toll revenues	76.9%	74.2	72.2
Roaming	20.6	22.5	25.2
Equipment sales	2.5	3.3	2.6
	100.0%	100.0	100.0

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

Regulation and Competition

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

Competition between providers of wireless communications services in each market is conducted principally on the basis of price, services and enhancements offered, the technical quality and coverage of the system, and the quality and responsiveness of customer service. As discussed below, competition has intensified in recent years in a substantial number of the Company's markets. Under applicable law, the Company is required to permit the reselling of its services. In certain larger markets and in certain market segments, competition from resellers may be significant. There is also substantial competition for sales agents. Certain of the Company's competitors have substantially greater assets and resources than the Company.

Cellular licensing and regulation. The term "MSA" means a Metropolitan Statistical Area for which the FCC has granted a cellular operating license. The term "RSA" means a Rural Service Area for which the FCC has granted a cellular operating license. During the 1980's and early 1990's, the FCC awarded two 10-year licenses to provide cellular service in each MSA and RSA market. Initially, one license was reserved for companies offering local telephone service in the market (the wireline carrier) and one license was available for firms unaffiliated with the local telephone company (the non-wireline carrier). Since mid-1986, the FCC has permitted telephone companies or their affiliates to acquire control of non-wireline licenses in markets in which they do not hold interests in the wireline license. The FCC has issued a decision that grants a renewal expectancy during the license renewal period to incumbent licensees that substantially comply with the terms and conditions of their cellular authorizations and the FCC's regulations. The licenses for the MSA markets operated by the Company were initially granted between 1984 and 1987, and licenses for operated RSAs were initially granted between 1989 and 1991. Thus far, the Company has received 10-year extensions of all of its licenses that have become subject to renewal since their original grant dates.

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

In recent years, the FCC has also taken steps to (i) require certain cellular towers and antennas to comply with radio frequency radiation guidelines, (ii) require cellular carriers to work with public safety or law enforcement officials to process 911 calls and conduct electronic surveillance, (iii) enable cellular subscribers to retain, subject to certain limitations, their existing telephone numbers when they change service providers and (iv) implement portions of the 1996 Act. These initiatives have increased the cost of providing cellular services.

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

Cellular operators are also subject to state and local regulation in some instances. Although the FCC has pre-empted the states from exercising jurisdiction in the areas of licensing, technical standards and market structure, certain states require cellular operators to be certified. In addition, some state authorities regulate certain aspects of a cellular operator's business, including certain aspects of pricing, the resale of long distance service to its customers, the technical arrangements and charges for interconnection with the local wireline network, and the transfer of interests in cellular systems. The siting and construction of the cellular facilities may also be subject to state or local zoning, land use and other local regulations, as well as the increasing possibility of local community opposition to new towers.

Media and other reports have from time to time suggested that radio frequency emissions from wireless handsets and base stations can cause various health problems, and may interfere with electronic medical devices. These concerns received increased scrutiny following (i) the June 2000 announcement that the U.S. Food and Drug Administration had agreed to oversee a \$1 million industry-funded long-term study of handset emissions and had recommended that users of handsets limit the length of their calls pending completion of the study and (ii) the July 2000 adoption of a policy by the leading industry trade group requiring handset manufacturers to disclose emission levels. Although some preliminary research has been undertaken regarding the effects of handset emissions, no clear conclusion has emerged to date. No assurance can be given that future research and studies will not demonstrate a link between the radio frequency emissions of wireless handset and base stations and health problems. If such a link is demonstrated, the Company cannot provide assurances that government authorities will not increase regulation of wireless handsets and base stations or that wireless companies will not be held liable for cost or damages associated with these concerns. Moreover, these concerns could materially reduce demand for wireless services, including those offered by the Company.

The state of New York and several other local communities nationwide have enacted laws restricting or prohibiting the use of wireless phones while driving motor vehicles, and it is likely that more state and local jurisdictions will adopt similar laws. In addition, some studies have indicated that using wireless phones while driving may impair drivers' attention. Laws prohibiting or restricting the use of wireless phones while driving could reduce subscriber usage. Additionally, concerns over the use of wireless phones while driving could lead to potential litigation against wireless carriers.

Developments affecting wireless competition. Competition in the wireless communications industry has increased substantially in recent years due to continued and rapid advances in technology, the emergence of several nationwide service providers and legislative and regulatory changes.

Several FCC initiatives over the past decade have resulted in the allocation of additional radio spectrum or the issuance of licenses for emerging mobile communications technologies that are competitive with the Company's cellular and telephone operations, including PCS. Although there is no universally recognized definition of PCS, the term is generally used to refer to wireless services to be provided by licensees operating in the 1850 MHz to 1990 MHz radio frequency band using microcells and high-capacity digital technology. In 1996 and early 1997 the FCC auctioned up to six PCS licenses per market. Two 30MHz frequency blocks were awarded for each of the 51 Rand McNally Major Trading Areas ("MTAs"), while one 30MHz and three 10MHz frequency blocks were awarded for each of the 493 Rand McNally Basic Trading Areas ("BTAs"). Additional future auctions of radio spectrum will further intensify competition.

PCS technology permits PCS operators to offer wireless voice, data, image and multimedia services. The largest PCS providers commenced initial operations in late 1996 and since then have aggressively expanded their operations. These providers have initially focused on larger markets, and have generally marketed PCS as being a competitive service to cellular. Many of these companies have aggressively competed for customers on the basis of price, which has placed downward pressure on cellular prices. There is at least one PCS competitor in each of the Company's operated MSAs and some of its operated RSAs.

In addition to PCS, current and prospective users of cellular systems may find their communication needs satisfied by other current and developing technologies. Several years ago the FCC authorized the licensees of certain specialized mobile radio service ("SMR") systems (which historically have generally been used by taxicabs and tow truck operators) to configure their systems into digital networks that operate in a manner similar to cellular systems. Such systems are commonly referred to as enhanced specialized mobile radio service ("ESMR") systems. FCC regulations allow up to two ESMR carriers per market. The Company believes that ESMR systems are operating in a few of its cellular markets. One well-established ESMR provider has constructed a nationwide digital mobile communications system to compete with cellular systems. Other similar communication services that have the technical capability to handle wireless telephone calls may provide competition in certain markets, although these services currently lack the subscriber capacity of cellular systems. Paging or beeper services that feature text message and data display as well as tones may be adequate for potential subscribers who do not need to converse directly with the caller. Mobile satellite systems, in which transmissions are between mobile units and satellites, may ultimately be successful in obtaining market share from cellular systems that communicate directly to land-based stations. Other future technological advances or regulatory changes (including additional spectrum auctions) may result in other alternatives to cellular service, thereby creating additional sources of competition.

Several large wireless carriers have recently taken one or more of the following steps that could impact the Company's competitive position:

- o First, several large wireless carriers have merged with other companies or formed marketing alliances or joint ventures in order to enhance their ability to provide nationwide cellular or PCS service under a single brand name. Although the Company believes that many of the customers in its smaller markets require only local or regional services, the Company believes its wireless operations have been negatively impacted by these competitors marketing their nationwide services in the Company's markets.

- o Second, several large wireless carriers have taken steps to provide wireless data, short messaging and other enhanced "next generation" digital wireless services. In connection therewith, several large domestic carriers that currently use the TDMA standard have either announced their intention to abandon the TDMA standard or have begun to overlay their TDMA systems with additional network elements permitting packet data transmissions. The Company is evaluating whether the opportunity to derive additional revenues from these enhanced services justify the capital costs necessary to provide these services. If the Company elects to continue to use the TDMA standard or to forego implementation of "next generation" technology or services, there can be no assurance that the Company will be able to receive support from vendors or to compete effectively against companies using different technologies or offering more services.

Although it is uncertain how competing services and emerging "next generation" technologies will ultimately affect the Company, the Company anticipates that it will continue to face increased competition in its wireless markets.

In August 2001, the Company announced that it is exploring the separation of its wireless business from its other operations and has been in discussions with a number of parties who have expressed interest in these operations.

OTHER OPERATIONS

The Company provides long distance, Internet access, competitive local exchange services, broadband data, security monitoring, and other communications and business information services in certain local and regional markets. The results of these operations, which accounted for 8.2% and 4.0%, respectively, of the Company's consolidated revenues and operating income during 2001, are reflected for financial reporting purposes in the "Other operations" section.

Long distance. In 1996 the Company began marketing long distance service in all of its equal access telephone operating areas. At December 31, 2001, the Company provided long distance services to approximately 465,000 customers. Approximately 76% of the Company's long distance revenues are derived from service provided to residential customers. Although the Company owns and operates switches in LaCrosse, Wisconsin, Shreveport, Louisiana and Grand Rapids, Michigan which are utilized to provide long distance services, it anticipates that most of its future long distance service revenues will be provided by reselling service purchased from other facilities-based long distance providers. The Company intends to continue to expand its long distance business, principally through reselling arrangements.

Internet access. The Company began offering traditional Internet access services to its telephone customers in 1995. In late 1999, the Company began offering in select markets digital subscriber line ("DSL") Internet access services, a high-speed premium-priced data service. At December 31, 2001, the Company provided Internet access services to a total of approximately 144,800 customers, 121,500 of which receive traditional dial-up Internet service in select markets in 16 states (which markets represent 87% of the access lines served by the Company's LECs), and 23,300 of which receive retail DSL services in markets that cover approximately 61% of the access lines served by the Company's LECs.

Competitive local exchange services. In late 2000, the Company began offering competitive local exchange telephone services, coupled with long distance, wireless, Internet access and other Company services, to small to medium-sized businesses in Monroe and Shreveport, Louisiana. In late 2001, the Company began offering similar services in Grand Rapids and Lansing, Michigan. On February 28, 2002, the Company purchased the fiber network and customer base of KMC Telecom's operations in Monroe and Shreveport, Louisiana, which will allow the Company to offer broadband services to customers in these markets.

Broadband data. In connection with its long-range plans to sell capacity to other carriers in or near certain of its select markets, the Company began providing service in the second quarter of 2001 to customers over a recently constructed 700-mile fiber optic ring connecting several communities in southern and central Michigan.

Security monitoring. The Company offers 24-hour burglary and fire monitoring services to approximately 7,950 customers in select markets in Louisiana, Arkansas, Mississippi, Texas and Ohio.

Other. The Company also provides audiotext services; printing, database management and direct mail services; and cable television services. The Company is also in the process of developing an integrated billing and customer care system which will enable the Company to offer customers value packaging and produce a single bill for multiple services such as local telephone, wireless, Internet access and long distance. From time to time the Company also makes investments in other domestic or foreign communications companies.

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

FORWARD-LOOKING STATEMENTS

This report on Form 10-K and other documents filed by the Company under the federal securities laws include, and future oral or written statements or press releases of the Company and its management may include, certain forward-looking statements, including without limitation statements with respect to the Company's anticipated future operating and financial performance (including the impact of pending acquisitions), financial position and liquidity, growth opportunities and growth rates, business prospects, regulatory and competitive outlook, investment and expenditure plans, investment results, financing opportunities and sources (including the impact of financings on the Company's financial position, financial performance or credit ratings), pricing plans, strategic alternatives, business strategies, and other similar statements of expectations or objectives that are highlighted by words such as "expects," "anticipates," "intends," "plans," "believes," "projects," "seeks," "estimates," "hopes," "should," and "may," and variations thereof and similar expressions. Such forward-looking statements are inherently speculative and are based upon several assumptions concerning future events, many of which are outside of the Company's control. The Company's forward-looking statements, and the assumptions upon which such statements are based, are subject to uncertainties that could cause the Company's actual results to differ materially from such statements. These uncertainties include but are not limited to those set forth below:

o the Company's ability to timely consummate its pending acquisitions and effectively manage its growth, including without limitation the Company's ability to (i) obtain financing and regulatory approvals of its pending acquisitions on terms acceptable to the Company, (ii) integrate newly-acquired operations into the Company's operations, (iii) attract and retain technological, managerial and other key personnel to work at

the Company's Monroe, Louisiana headquarters or regional offices, (iv) achieve projected economies of scale and cost savings, (v) achieve projected growth and revenue targets developed by management in valuing newly-acquired businesses, (vi) upgrade its billing and other information systems and (vii) otherwise monitor its operations, costs, regulatory compliance, and service quality and maintain other necessary internal controls.

o the result of the Company's efforts to separate its wireless operations from its other operations.

o the risks inherent in rapid technological change, including without limitation (i) the lack of assurance that the Company's ongoing wireless network improvements will be sufficient to meet or exceed the capabilities and quality of competing networks, (ii) technological developments that could make the Company's analog and digital wireless networks uncompetitive or obsolete, such as the risk that the TDMA digital technology used by the Company will be uncompetitive with existing or future "next generation" technologies, and (iii) the risk that technologies will not be developed or embraced by the Company on a timely or cost-effective basis or perform according to expectations.

o the effects of ongoing changes in the regulation of the communications industry, including without limitation (i) changes as a result of the 1996 Act and other similar federal and state legislation and federal and state regulations enacted thereunder, (ii) greater than anticipated interconnection requests or competition in the Company's predominately rural local exchange telephone markets resulting therefrom, (iii) greater than anticipated reductions in revenues received from the Universal Service Fund or other current or future federal and state support funds designed to compensate LECs that provide services in high-cost markets, (iv) the final outcome of regulatory and judicial proceedings with respect to interconnection agreements, (v) future judicial or regulatory actions taken in response to the 1996 Act and (vi) future legislation or regulations addressing potential concerns about radio frequency emissions from wireless handsets and base stations, or the potential hazards of using wireless phones while driving motor vehicles.

o the effects of greater than anticipated competition, including (i) competition from competitive local exchange companies or wireless carriers in the Company's local exchange markets and (ii) the inability of the Company's wireless operations to compete against larger nationwide wireless carriers on the basis of price, service coverage area, or product offerings, or due to other factors, including technological obsolescence or the lack of marketing or other resources.

o possible changes in the demand for the Company's products and services, including without limitation (i) lower than anticipated demand for traditional or premium telephone services or for additional access lines per household, (ii) lower than anticipated demand for wireless telephone services, whether caused by changes in economic conditions, technology, competition, health concerns or otherwise, (iii) lower than anticipated demand for the Company's DSL Internet access services, CLEC services or broadband services and (iv) reduced demand for the Company's access or billing and collection services.

o the Company's ability to successfully introduce new offerings on a timely and cost-effective basis, including without limitation the Company's ability to (i) expand successfully its long distance and Internet offerings to new markets (including those to be acquired in connection with future acquisitions), (ii) offer bundled service packages on terms attractive to its customers and (iii) successfully initiate competitive local exchange and data services in its targeted markets.

o regulatory limits on the Company's ability to change its prices for telephone services in response to competitive pressures.

o any difficulties in the Company's ability to expand through attractively priced acquisitions, whether caused by financing constraints, a decrease in the pool of attractive target companies, or competition for acquisitions from other interested buyers.

o the possibility of the need to make abrupt and potentially disruptive changes in the Company's business strategies due to changes in competition, regulation, technology, product acceptance or other factors.

o higher than anticipated wireless operating costs due to churn or to fraudulent uses of the Company's networks, or lower than anticipated wireless revenues due to reduced roaming fees.

o the lack of assurance that the Company can compete effectively against better-capitalized competitors.

o the future applicability of SFAS 71 to the Company's telephone subsidiaries.

o the effects of more general factors, including without limitation:

+ changes in general industry and market conditions and growth rates

+ changes in interest rates or other general national, regional or local economic conditions

+ changes in legislation, regulation or public policy, including changes in federal rural financing programs

+ unanticipated increases in capital, operating or administrative costs, or the impact of new business opportunities requiring significant up-front investments

- + the continued availability of financing in amounts, and on terms and conditions, necessary to support the Company's operations
- + changes in the Company's relationships with vendors, or the failure of these vendors to provide competitive products on a timely basis
- + changes in the Company's senior debt ratings
- + unfavorable outcomes of regulatory or legal proceedings, including rate proceedings and environmental proceedings
- + losses or unfavorable returns on the Company's investments in other communications companies
- + delays in the construction of the Company's networks
- + changes in accounting policies or practices adopted voluntarily or as required by generally accepted accounting principles.

For additional information, see the description of the Company's business included above, as well as Item 7 of this report. Due to these uncertainties, you are cautioned not to place undue reliance upon the Company's forward-looking statements, which speak only as of the date made. The Company undertakes no obligation to update or revise any of its forward-looking statements for any reason.

OTHER MATTERS

The Company has certain obligations based on federal, state and local laws relating to the protection of the environment. Costs of compliance through 2001 have not been material and the Company currently has no reason to believe that such costs will become material.

For additional information concerning the business and properties of the Company, see notes 2, 5, 6, 12, and 18 of Notes to Consolidated Financial Statements set forth in Item 8 elsewhere herein.

Item 2. Properties.

The Company's properties consist principally of (i) telephone lines, central office equipment, and land and buildings related to telephone operations, and (ii) switching and cell site equipment related to cellular telephone operations. As of December 31, 2001 and 2000, the Company's gross property, plant and equipment of approximately \$6.3 billion and \$5.9 billion, respectively, consisted of the following:

	December 31,	
	2001	2000
Telephone operations		
Cable and wire	47.7%	47.7
Central office	29.0	28.0
General support	5.4	5.5
Information origination/termination	.7	.9
Construction in progress	1.0	2.3
Other	.1	.1
	83.9	84.5
Wireless operations		
Cell site	6.7	6.2
General support	1.7	1.8
Construction in progress	.6	.9
	9.0	8.9
Other	7.1	6.6
	100.0%	100.0

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

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

Item 3. Legal Proceedings.

Following the Company's rejection of an acquisition proposal publicly disclosed by Alltel Corporation ("Alltel") on August 15, 2001, the Company, in CenturyTel, Inc. v. Alltel Corporation, filed August 17, 2001 in the United States District Court for the Western District of Louisiana, brought an action against Alltel, asserting various claims under the federal securities laws and pendent claims under Louisiana law and seeking injunctive and other relief. The Company and its directors have been named defendants in Hannahs v. CenturyTel, Inc., et al., filed August 20, 2001 in the Fourth Judicial District Court, State of Louisiana, which asserts breach of fiduciary duty and related claims and seeks injunctive relief pertaining to the Company's rejection of Alltel's acquisition proposal, as well as unspecified monetary damages. Two other similar shareholder suits have been either voluntarily dismissed or stayed and administratively closed. The Company believes that these shareholder suits are without merit.

On March 13, 2002, the Arkansas Court of Appeals vacated two orders issued by the Arkansas Public Utility Commission ("APUC") in connection with the Company's acquisition of its Arkansas' LECs from Verizon in July 2000, and remanded the case back to the APUC 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. The Company intends to move for a rehearing of the Court's decision, and is currently evaluating the legal and financial implications of the Court's decision.

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

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

Not applicable.

Executive Officers of the Registrant

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

PART II

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

Stockholder Matters.

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

	Sale prices		Dividend per common share
	High	Low	
2001:			
First quarter	\$ 39.88	25.45	.0500
Second quarter	\$ 30.42	26.90	.0500
Third quarter	\$ 36.50	28.30	.0500
Fourth quarter	\$ 35.79	30.25	.0500
2000:			
First quarter	\$ 47.31	32.31	.0475
Second quarter	\$ 40.38	24.44	.0475
Third quarter	\$ 32.38	25.25	.0475
Fourth quarter	\$ 38.50	26.81	.0475

Common stock dividends during 2001 and 2000 were paid each quarter. As of February 28, 2002, there were approximately 5,300 stockholders of record of CenturyTel's common stock.

Item 6. Selected Financial Data.

The following table presents certain selected consolidated financial data as of and for each of the years ended in the five-year period ended December 31, 2001:

Selected Income Statement Data

	Year ended December 31,				
	2001	2000	1999	1998	1997
(\$Dollars, except per share amounts, and shares expressed in thousands)					
Operating revenues					
Telephone	\$ 1,505,733	1,253,969	1,126,112	1,077,343	526,428
Wireless	437,965	443,569	422,269	407,827	307,742
Other	173,771	148,388	128,288	91,915	67,351
Total operating revenues	\$ 2,117,469	1,845,926	1,676,669	1,577,085	901,521
Operating income					
Telephone	\$ 423,420	376,290	351,559	334,604	177,782
Wireless	112,401	117,865	133,930	129,124	87,772
Other	22,098	31,258	22,580	16,083	2,216
Total operating income	\$ 557,919	525,413	508,069	479,811	267,770
Nonrecurring gains and losses (pre-tax)	\$ 199,971	20,593	62,808	49,859	169,640
Net income	\$ 343,031	231,474	239,769	228,757	255,978
Basic earnings per share	\$ 2.43	1.65	1.72	1.67	1.89
Diluted earnings per share	\$ 2.41	1.63	1.70	1.64	1.87
Dividends per common share	\$.200	.190	.180	.173	.164
Average basic shares outstanding	140,743	140,069	138,848	137,010	134,984

Average diluted shares
outstanding

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142,307	141,864	141,432	140,105	137,412
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Selected Balance Sheet Data

	December 31,				
	2001	2000	1999	1998	1997
	(Dollars in thousands)				
Net property, plant and equipment	\$ 2,999,563	2,959,293	2,256,458	2,351,453	2,258,563
Excess cost of net assets acquired, net	\$ 2,471,484	2,509,033	1,644,884	1,956,701	1,767,352
Total assets	\$ 6,318,684	6,393,290	4,705,407	4,935,455	4,709,401
Long-term debt	\$ 2,087,500	3,050,292	2,078,311	2,558,000	2,609,541
Stockholders' equity	\$ 2,337,380	2,032,079	1,847,992	1,531,482	1,300,272

The following table presents certain selected consolidated operating data as of the end of each of the years in the five-year period ended December 31, 2001:

	Year ended December 31,				
	2001	2000	1999	1998	1997
Telephone access lines	1,797,643	1,800,565	1,272,867	1,346,567	1,203,650
Wireless units in service in majority-owned markets	797,340	751,200	707,486	624,290	569,983
Long distance customers	465,872	363,307	303,722	226,730	171,962

See Items 1 and 2 in Part I, Item 7 in Part II and notes 1, 2 and 6 of Notes to Consolidated Financial Statements set forth in Item 8 elsewhere herein for additional information.

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

Results of Operations

Overview

CenturyTel, Inc. and its subsidiaries (the "Company") is a regional integrated communications company engaged primarily in providing local exchange, wireless, long distance, Internet access and data services to customers in 21 states.

On July 31, 2000 and September 29, 2000, affiliates of the Company acquired over 490,000 telephone access lines and related local exchange assets in Arkansas, Missouri and Wisconsin from affiliates of Verizon Communications Inc. ("Verizon") for an aggregate of approximately \$1.5 billion cash. The operations of these acquired properties are included in the Company's results of operations beginning on the respective dates of acquisition. See Acquisitions and Note 2 of Notes to Consolidated Financial Statements for additional information.

On May 14, 1999, the Company sold substantially all of its Alaska-based operations serving approximately 134,900 telephone access lines and 3,000 cellular subscribers. On June 1, 1999, the Company sold the assets of its Brownsville and McAllen, Texas cellular operations serving approximately 7,500 cellular subscribers. In February 2000, the Company sold the assets of its remaining Alaska cellular operations serving approximately 10,600 cellular subscribers. The operations of these disposed properties are included in the Company's results of operations up to the respective dates of disposition.

During the three years ended December 31, 2001, the Company has acquired and sold various other operations, the impact of which has not been material to the financial position or results of operations of the Company.

The net income of the Company for 2001 was \$343.0 million, compared to \$231.5 million during 2000 and \$239.8 million during 1999. Diluted earnings per share for 2001 were \$2.41 compared to \$1.63 in 2000 and \$1.70 in 1999.

Year ended December 31,

2001

2000

1999

	(Dollars, except per share amounts, and shares in thousands)		
Operating income			
Telephone	\$ 423,420	376,290	351,559
Wireless	112,401	117,865	133,930
Other	22,098	31,258	22,580
Nonrecurring gains and losses, net	557,919	525,413	508,069
Interest expense	(225,523)	(183,302)	(150,557)
Income from unconsolidated cellular entities	27,460	26,986	27,675
Minority interest	(11,812)	(10,201)	(27,913)
Other income and expense	5,041	6,696	9,190
Income tax expense	(210,025)	(154,711)	(189,503)
Net income	\$ 343,031	231,474	239,769
Basic earnings per share	\$ 2.43	1.65	1.72
Diluted earnings per share	\$ 2.41	1.63	1.70
Average basic shares outstanding	140,743	140,069	138,848
Average diluted shares outstanding	142,307	141,864	141,432

During the three years ended December 31, 2001, the Company has recorded certain nonrecurring items. Net income (and diluted earnings per share) excluding nonrecurring items for 2001, 2000 and 1999 was \$225.7 million (\$1.59), \$228.8 million (\$1.61), and \$238.3 million (\$1.69), respectively. The following reconciliation table shows how the amounts of various line items reported under generally accepted accounting principles were impacted by these nonrecurring items.

Year ended December 31,	2001	2000	1999
	(Dollars, except per share amounts, in thousands)		
Operating income, as reported	\$ 557,919	525,413	508,069
Less: Nonrecurring operating expenses (1)	(2,000)	(504)	(2,749)
Operating income, excluding nonrecurring items	\$ 559,919	525,917	510,818
Nonrecurring gains and losses, net, as reported	\$ 199,971	20,593	62,808
Less nonrecurring items:			
Gain on sale of assets	243,656	20,593	62,808
Write down of non-operating assets	(43,685)	-	-
Nonrecurring gains and losses, net, excluding nonrecurring items	\$ -	-	-
Income from unconsolidated cellular entities, as reported	\$ 27,460	26,986	27,675
Less nonrecurring items:			
Proportionate share of nonrecurring charges recorded by entities in which the Company owns a minority interest	(10,054)	(5,330)	(6,860)
Company's share of gain on sale of assets	2,164	-	-
Income from unconsolidated cellular entities, excluding nonrecurring items	\$ 35,350	32,316	34,535
Minority interest, as reported	\$ (11,812)	(10,201)	(27,913)
Less: Minority interest effect of gain on sale of assets	(13)	-	(14,926)
Minority interest, excluding nonrecurring items	\$ (11,799)	(10,201)	(12,987)
Other income and expense, as reported	\$ 5,041	6,696	9,190
Less nonrecurring items:			
Costs associated with unsolicited takeover proposal	(6,000)	-	-
Settlement of interest rate hedge contracts	-	(7,947)	-
Other income and expense, excluding nonrecurring items	\$ 11,041	14,643	9,190
Income tax expense, as reported	\$ (210,025)	(154,711)	(189,503)
Less: Tax effect of nonrecurring items	(66,698)	(4,166)	(36,821)

Income tax expense, excluding nonrecurring items	\$ (143,327)	(150,545)	(152,682)
Net income, as reported	\$ 343,031	231,474	239,769
Less: Effect of nonrecurring items	117,370	2,646	1,452
Net income, excluding nonrecurring items	\$ 225,661	228,828	238,317
Basic earnings per share, as reported	\$ 2.43	1.65	1.72
Less: Effect of nonrecurring items	.83	.02	.01
Basic earnings per share, excluding nonrecurring items	\$ 1.60	1.63	1.71
Diluted earnings per share, as reported	\$ 2.41	1.63	1.70
Less: Effect of nonrecurring items	.82	.02	.01
Diluted earnings per share, excluding nonrecurring items	\$ 1.59	1.61	1.69

(1) Nonrecurring operating expenses for 2001 relate to expenses incurred as the result of an ice storm.

For additional information concerning the nonrecurring items described in the above table, see "Nonrecurring Gains and Losses, Net", "Income from Unconsolidated Cellular Entities", "Minority Interest", and "Other Income and Expense".

Contributions to operating revenues and operating income by the Company's telephone, wireless and other operations for each of the years in the three-year period ended December 31, 2001 were as follows:

Year ended December 31,	2001	2000	1999
Operating revenues			
Telephone operations	71.1%	67.9	67.2
Wireless operations	20.7%	24.0	25.2
Other operations	8.2%	8.1	7.6
Operating income			
Telephone operations	75.9%	71.6	69.2
Wireless operations	20.1%	22.4	26.4
Other operations	4.0%	6.0	4.4

In August 2001, the Company announced that it is exploring the potential separation of its wireless business from its other operations.

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, successfully financing and timely consummating pending acquisitions, hiring adequate numbers of qualified staff and successfully upgrading its billing and other information systems; the results of the Company's effort to separate its wireless operations; the risks inherent in rapid technological change; the effects of ongoing changes in the regulation of the telecommunications 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; and the effects of more general factors such as changes in interest rates, in general market or economic conditions or in legislation, regulation or public policy. These and other uncertainties related to the business are described in greater detail in Item 1 to the Company's Annual Report on Form 10-K for the year ended December 31, 2001. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this report. The Company undertakes no obligation to update any of its forward-looking statements for any reason.

Telephone Operations

The Company conducts its telephone operations in rural, suburban and small urban communities in 21 states. As of December 31, 2001, approximately 87% of the Company's 1.8 million access lines were in Wisconsin, Arkansas, Washington, Missouri, Michigan, Louisiana, Colorado, Ohio, and Oregon. The operating revenues, expenses and income of the Company's telephone operations for 2001, 2000 and 1999 are summarized below.

Year ended December 31,	2001	2000	1999
(Dollars in thousands)			
Operating revenues			
Local service	\$ 491,529	408,538	353,534
Network access	874,458	727,797	654,003
Other	139,746	117,634	118,575
	1,505,733	1,253,969	1,126,112
Operating expenses			
Plant operations	380,466	290,062	251,704
Customer operations	117,080	105,950	88,552
Corporate and other	186,483	163,761	160,631
Depreciation and amortization	398,284	317,906	273,666
	1,082,313	877,679	774,553
Operating income	\$ 423,420	376,290	351,559

Local service revenues. Local service revenues are derived from the monthly provision of local exchange telephone services in the Company's service areas. Of the \$83.0 million (20.3%) increase in local service revenues in 2001, \$73.7 million was due to the acquisition of the Verizon properties in 2000. The remaining \$9.3 million increase was due to a \$6.9 million increase due to increased rates in certain jurisdictions and an increase in the average number of customer access lines in incumbent markets and a \$3.9 million increase due to the increased provision of custom calling features. Of the \$55.0 million (15.6%) increase in local service revenues in 2000, \$46.5 million was due to the acquisition of the Verizon properties, which was partially offset by a \$14.4 million decrease attributable to the sale of the Company's Alaska-based operations in the second quarter of 1999. The remaining \$22.9 million increase was due to a \$16.4 million increase in the average number of customer access lines in incumbent markets and a \$5.4 million increase due to the increased provision of custom calling features. Access lines declined 0.2% during 2001. Internal access line growth during 2000 and 1999 was 2.8% and 4.8%, respectively. The decline in internal access line growth during 2001 is substantially due to the slowing growth in the Company's service areas due to general economic conditions and disconnecting customers for nonpayment.

Network access revenues. Network access revenues are primarily derived from charges to long distance companies and other customers for access to the Company's local exchange carrier ("LEC") networks in connection with the completion of interstate or intrastate long distance telephone calls. Certain of the Company's interstate network access revenues are based on tariffed access charges filed directly with the Federal Communications Commission ("FCC"); the remainder of such revenues are derived under revenue sharing arrangements with other LECs administered by the National Exchange Carrier Association. Intrastate network access revenues are based on tariffed access charges filed with state regulatory agencies or are derived under revenue sharing arrangements with other LECs.

Network access revenues increased \$146.7 million (20.2%) in 2001 and \$73.8 million (11.3%) in 2000 due to the following factors:

	2001 increase (decrease)	2000 increase (decrease)
(Dollars in thousands)		
Acquisitions of Verizon properties in third quarter 2000	\$ 139,866	75,938
Increased recovery from the federal Universal Service Fund ("USF")	8,507	15,753
Disposition of Alaska properties	-	(23,348)
Partial recovery of increased operating costs through revenue sharing arrangements with other telephone companies, increased minutes of use, increased recovery from state support funds and return on rate base	13,204	3,637
Revision of prior year revenue settlement agreements	(16,876)	4,228
Other, net	1,960	(2,414)
	\$ 146,661	73,794

Other revenues. Other revenues include revenues related to (i) leasing, selling, installing, maintaining and repairing customer premise

telecommunications equipment and wiring ("CPE services"), (ii) providing billing and collection services for long distance carriers and (iii) participating in the publication of local directories. Other revenues increased \$22.1 million in 2001, primarily due to a \$20.5 million increase attributable to revenues contributed by the Verizon properties. The remainder of the increase in 2001 was due primarily to a \$7.0 million increase in revenues from CPE services (primarily due to an increase in rates) which was partially offset by a \$5.0 million decrease in billing and collection revenues. Other revenues decreased \$941,000 in 2000, primarily due to a \$6.3 million decrease due to the sale of the Alaska properties and a \$5.4 million decrease from the provision of CPE services, which benefited in 1999 from sales to customers readying their equipment for the Year 2000. Such decreases were substantially offset by a \$10.8 million increase attributable to revenues contributed by the Verizon properties.

Operating expenses. Plant operations expenses during 2001 and 2000 increased \$90.4 million (31.2%) and \$38.4 million (15.2%), respectively. Of the \$90.4 million increase in 2001, \$87.3 million was attributable to the properties acquired from Verizon. The remaining \$3.1 million increase was primarily due to a \$6.1 million increase in salaries and benefits, a \$2.7 million increase in network operations expenses and a \$2.6 million increase in digital subscriber line ("DSL") expenses. Such increases were substantially offset by a \$9.9 million decrease in engineering expenses. Of the \$38.4 million increase in 2000, \$44.8 million was attributable to the properties acquired from Verizon, which was partially offset by a \$13.0 million decrease due to the sale of the Alaska properties. The remaining \$6.6 million increase was primarily due to a \$4.7 million increase in salaries and benefits and a \$2.4 million increase in network operations and engineering expenses.

Customer operations, corporate and other expenses increased \$33.9 million (12.6%) in 2001 and \$20.5 million (8.2%) in 2000. Of the \$33.9 million increase in 2001, \$42.5 million related to the Verizon properties. The remaining \$8.6 million decrease in 2001 was primarily due to a \$4.3 million decrease in the provision for doubtful accounts and a \$3.1 million decrease in operating taxes. Of the \$20.5 million increase in 2000, \$34.0 million related to the Verizon properties, which was partially offset by an \$11.4 million decrease due to the sale of the Alaska properties in 1999. The remaining \$2.1 million decrease in 2000 was primarily due to a \$5.6 million decrease in contract labor expenses primarily associated with nonrecurring costs incurred in 1999 attributable to readying the Company's system to be Year 2000 compliant and an \$8.2 million decrease in operating taxes. Such decreases were partially offset by a \$7.7 million increase in the provision for doubtful accounts and a \$2.4 million increase in information technology expenses.

Depreciation and amortization increased \$80.4 million (25.3%) and \$44.2 million (16.2%) in 2001 and 2000, respectively. Of the \$80.4 million increase in 2001, \$65.2 million was attributable to the properties acquired from Verizon (which included \$14.7 million of amortization of goodwill) and the remainder was primarily due to higher levels of plant in service. Of the \$44.2 million increase in 2000, \$44.6 million was attributable to the properties acquired from Verizon (which included \$8.5 million of amortization of goodwill) and \$11.8 million was primarily due to higher levels of plant in service. Such increases were partially offset by a \$10.6 million reduction resulting from the sale of the Company's Alaska properties. Exclusive of acquisitions, depreciation expense included nonrecurring additional depreciation charges approved by regulators in certain jurisdictions which aggregated \$4.1 million in 2000. The composite depreciation rate for the Company's regulated telephone properties, including the additional depreciation charges, was 6.8% for 2001, 7.2% for 2000 and 7.0% for 1999.

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

Wireless Operations and Income from Unconsolidated Cellular Entities

Year ended December 31,	2001	2000	1999
(Dollars in thousands)			
Operating income - wireless operations	\$ 112,401	117,865	133,930
Minority interest - wireless operations, exclusive of the effect of asset sales in 1999	(11,510)	(11,598)	(12,911)
Income from unconsolidated cellular entities	27,460	26,986	27,675
	\$ 128,351	133,253	148,694

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

Wireless Operations

All of the Company's wireless operations are located in Michigan, Louisiana, Wisconsin, Mississippi, Texas and Arkansas. The operating revenues, expenses and income of the Company's wireless operations for 2001, 2000 and 1999 are summarized below.

Year ended December 31,	2001	2000	1999
(Dollars in thousands)			
Operating revenues			
Service	\$ 336,850	328,956	305,006
Roaming	90,192	99,791	106,486
Equipment sales	10,923	14,822	10,777
	437,965	443,569	422,269
Operating expenses			
Cost of equipment sold	23,453	30,064	21,408
System operations	75,628	69,641	56,866
General, administrative and customer service	85,467	78,087	79,569
Sales and marketing	74,670	82,673	61,903
Depreciation and amortization	66,346	65,239	68,593
	325,564	325,704	288,339
Operating income	\$ 112,401	117,865	133,930

Operating revenues. Service revenues include monthly service fees for providing access and airtime to customers and toll revenue. Roaming revenues include service fees for providing airtime to other carriers' customers roaming through the Company's service areas.

The \$7.9 million increase in service revenues in 2001 was due primarily to an increase in the number of customers and increased minutes of use per customer, both of which were partially offset by reduced rates. The \$9.6 million decrease in roaming revenues in 2001 was due to a reduction in roaming rates (which was partially offset by an increase in roaming minutes of use), a downward trend in rates that the Company anticipates will continue in the near future. Of the \$24.0 million increase in service revenues in 2000, \$31.6 million was due to growth in the number of customers and increased minutes of use per customer, both of which were partially offset by reduced rates. Such increase was partially offset by an \$8.0 million decrease due to the sale of the Texas and Alaska cellular properties. Of the \$6.7 million decrease in roaming revenues in 2000, \$3.2 million was due to a reduction in roaming rates (which was partially offset by an increase in roaming minutes of use). The remainder of the decrease in roaming revenues in 2000 was due to the sale of the Texas and Alaska cellular properties in mid-1999.

The following table illustrates the growth in the Company's wireless customer base in its majority-owned markets:

Year ended December 31,	2001	2000	1999
Customers at beginning of period	751,200	707,486	624,290
Gross units added internally	316,353	339,247	240,084
Disconnects	270,213	284,880	146,325
Net units added internally	46,140	54,367	93,759
Effect of property dispositions	-	(10,653)	(10,563)
Customers at end of period	797,340	751,200	707,486
Average monthly churn rate (excluding prepaid customers)	2.33%	1.95%	2.02%

The average monthly revenue (excluding equipment sales) per customer declined to \$46 during 2001 from \$49 in 2000 and \$53 in 1999 primarily due to reductions in service rates charged to the Company's customers and reductions in roaming rates charged to other cellular operators. The average monthly revenue per customer is expected to further decline (i) as competitive pressures (including those causing further reductions in service rates) from current and future wireless communications providers intensify and (ii) as the Company continues to receive pressure from other cellular operators to reduce roaming rates. The Company is responding to such competitive pressures by, among other things, modifying certain of its price plans and implementing certain other plans and promotions, some of which are likely to result in lower average revenue per customer.

During 2001 the Company added approximately 47,700 net contract customers while the prepaid customer base declined by 1,560 customers. The Company will continue to focus on adding contract customers while decreasing its focus on prepaid plans for future customer growth. At December 31, 2001, over 90% of the Company's wireless customers were contract customers.

Operating expenses. Cost of equipment sold decreased \$6.6 million (22.0%) in 2001 primarily due to a decrease in the number of phones sold and a decrease in the average cost per unit. Cost of equipment sold increased \$8.7 million (40.4%) in 2000 primarily due to an increase in the number of phones sold and an increase in average cost per unit primarily due to a higher percentage of digital phones sold.

System operations expenses increased \$6.0 million (8.6%) in 2001 primarily due to a \$6.5 million increase in network costs and cell site expenses associated with operating a greater number of cell sites and a \$3.3 million increase in the net amounts paid to other carriers for service provided to the Company's customers who roam in the other carriers' service areas. Such increases were partially offset by a \$2.2 million decrease in toll costs. System operations expenses increased \$12.8 million (22.5%) in 2000 primarily due to a \$5.9 million increase associated with operating a greater number of cell sites and a \$4.5 million increase in the net amounts paid to other carriers for service provided to the Company's customers who roam in the other carriers' service areas.

Exclusive of cell sites in its PCS markets, the Company operated 739 cell sites at December 31, 2001 in entities in which it had a majority interest, compared to 667 at December 31, 2000 and 639 at December 31, 1999.

General, administrative and customer service expenses increased \$7.4 million (9.5%) in 2001, of which \$3.7 million was due to an increase in customer service and retention costs and \$2.0 million was attributable to an increase in the provision for doubtful accounts. General, administrative and customer service expenses decreased \$1.5 million (1.9%) in 2000, of which \$3.3 million was attributable to a decrease in operating taxes and \$1.5 million was due to the sale of the Alaska and Texas properties. Such decreases were partially offset by a \$2.2 million increase in the provision for doubtful accounts.

Sales and marketing expenses decreased \$8.0 million (9.7%) in 2001 due primarily to a \$2.8 million decrease in advertising and sales promotion expenses; a \$2.1 million decrease in sales commissions paid to agents due to a decrease in the number of units sold; and a \$1.1 million decrease in costs associated with operating a fewer number of retail locations. Sales and marketing expenses increased \$20.8 million (33.6%) in 2000 due primarily to an \$8.6 million increase in advertising and sales promotion expenses; a \$5.2 million increase in sales commissions paid to agents due to an increase in the number of units sold; and a \$4.2 million increase in costs incurred in selling products and services in retail locations primarily due to an increase in the number of retail locations.

Depreciation and amortization increased \$1.1 million in 2001 primarily due to a higher level of plant in service. Depreciation and amortization decreased \$3.4 million (4.9%) in 2000, primarily due to the sale of the Alaska and Texas properties.

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

Other Operations

Other operations includes the results of operations of subsidiaries of the Company which are not included in the telephone or wireless segments including, but not limited to, the Company's non-regulated long distance operations, Internet operations, call center operations (which ceased operations in the third quarter of 2000), competitive local exchange carrier ("CLEC") operations, fiber network business and security monitoring operations. The operating revenues, expenses and income of the Company's other operations for 2001, 2000 and 1999 are summarized below.

Year ended December 31,	2001	2000	1999
(Dollars in thousands)			
Operating revenues			
Long distance	\$ 117,363	104,435	83,087
Internet	39,057	23,491	16,818
Other	17,351	20,462	28,383
	173,771	148,388	128,288
Operating expenses			
Cost of sales and operating expenses	142,919	112,219	99,151

Depreciation and amortization	8,754	4,911	6,557
	151,673	117,130	105,708
Operating income	\$ 22,098	31,258	22,580

Long distance revenues increased \$12.9 million (12.4%) and \$21.3 million (25.7%) in 2001 and 2000, respectively, due primarily to the growth in the number of customers and increased minutes of use, primarily due to penetration of the Verizon markets acquired in 2000. The number of long distance customers as of December 31, 2001, 2000, and 1999 was 465,870, 363,300, and 303,700, respectively. Internet revenues increased \$15.6 million (66.3%) in 2001 primarily due to a \$12.6 million increase due to growth in the number of customers (including growth in the Company's DSL product offering) and a \$1.8 million increase due to Internet operations acquired in mid-2000. Internet revenues increased \$6.7 million (39.7%) in 2000 primarily due to a \$6.9 million increase due to growth in the number of customers and a \$1.4 million increase due to Internet operations acquired in late 1999 and mid-2000. Such increases were partially offset by a \$2.3 million decrease due to the sale of the Company's Alaska Internet operations in mid-1999. Other revenues declined \$3.1 million and \$7.9 million in 2001 and 2000, respectively, primarily due to the planned phase-out of the Company's third party call center operations during 2000.

Cost of sales and operating expenses increased \$30.7 million (27.4%) in 2001 primarily due to (i) a \$23.5 million increase in expenses related to the provision of Internet access primarily due to the expansion of the Company's DSL product offering, (ii) an increase of \$9.3 million in expenses of the Company's long distance operations primarily due to an increase in the number of customers and an increase in marketing expenses, and (iii) an \$8.3 million increase due to the expansion of the Company's CLEC business. Such increases were partially offset by a \$6.5 million reduction in expenses due to the winding down of the Company's third party call center operations during 2000.

Cost of sales and operating expenses during 2000 increased \$13.1 million (13.2%) primarily due to an increase of \$12.3 million in expenses of the Company's long distance operations primarily due to increased minutes of use due to an increase in the number of customers which was partially offset by reduced rates; a \$9.8 million increase in expenses associated with expanding the Company's Internet operations and a \$3.4 million increase in expenses primarily due to start-up costs of the Company's CLEC business. Such increases were partially offset by a \$9.0 million reduction in expenses due to winding down the Company's third party call center operations during 2000 and a \$2.4 million decrease due to the 1999 sale of the Company's Alaska Internet operations.

Depreciation and amortization increased \$3.8 million in 2001 primarily due to increased depreciation expense in the Company's Internet and fiber network businesses. Depreciation and amortization decreased \$1.6 million in 2000 primarily due to the write down of assets of the call center operations to estimated net realizable value in 1999.

The Company incurred combined operating losses in 2001 of \$16.5 million in its CLEC and fiber network businesses and expects to incur a combined operating loss ranging from \$15 to \$20 million in 2002 related to these operations.

Certain of the Company's service subsidiaries provide managerial, operational, technical, accounting and administrative services, along with materials and supplies, to the Company's telephone subsidiaries. In accordance with regulatory accounting, intercompany profit on transactions with regulated affiliates has not been eliminated in connection with consolidating the results of operations of the Company. When the regulated operations of the Company no longer qualify for the application of Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation" ("SFAS 71"), such intercompany profit will be eliminated in subsequent financial statements, the primary result of which will be a decrease in operating expenses applicable to the Company's telephone operations and an increase in operating expenses applicable to the Company's other operations. The amount of intercompany profit with regulated affiliates which was not eliminated was approximately \$22.0 million, \$17.1 million and \$14.0 million in 2001, 2000 and 1999, respectively. For additional information applicable to SFAS 71, see Regulation and Competition -- Other Matters and Note 14 of Notes to Consolidated Financial Statements.

NONRECURRING GAINS AND LOSSES, NET

In 2001, the Company's aggregate favorable nonrecurring gains and losses were \$200.0 million. The Company recorded a pre-tax gain of approximately \$185.1 million (\$117.7 million after-tax; \$.83 per diluted share) due to the sale of 30 PCS licenses to Leap Wireless International, Inc. ("Leap"). In conjunction with the sale of licenses to Leap, the Company also recorded a pre-tax charge of \$18.2 million (\$11.6 million after-tax; \$.08 per share) due to the write-down in the value of certain non-operating assets. Also during 2001, the Company recorded a pre-tax gain on the sale of its remaining shares of Illuminet Holdings, Inc. ("Illuminet") common stock aggregating \$54.6 million (\$35.5 million after-tax; \$.25 per diluted share) and a pre-tax gain of \$4.0 million (\$2.6 million after-tax; \$.02 per diluted share) on the sale of certain other assets.

Additionally in 2001, the Company recorded pre-tax charges of \$25.5 million (\$16.6 million after-tax; \$.12 per diluted share) due to the write-down in the value of certain non-operating investments in which the Company owns a minority interest.

In 2000, the Company recorded pre-tax gains aggregating \$20.6 million. Approximately \$9.9 million (\$5.2 million after tax; \$.04 per diluted share) was due to the sale of the assets of the Company's remaining Alaska cellular operations and approximately \$10.7 million (\$6.4 million after tax; \$.05 per diluted share) was due to the sale of the Company's minority interest in a non-strategic cellular partnership.

In 1999, the Company recorded pre-tax gains aggregating \$62.8 million. Approximately \$39.6 million of the pre-tax gains (\$7.8 million after-tax loss; \$.05 per diluted share) was due to the sale of the Company's Brownsville and McAllen, Texas cellular properties. Approximately \$10.4 million of the pre-tax gains (\$6.7 million after tax; \$.04 per diluted share) was due to the sale of the Company's remaining common shares of MCIWorldCom, Inc. The remainder of the gains in 1999 was primarily due to an \$11.6 million pre-tax gain (\$7.6 million after tax; \$.05 per diluted share) due to the sale of the Company's shares of common stock of Telephone and Data Systems, Inc.

Certain other nonrecurring items for the three year period ended December 31, 2001 are reflected in other line items of the Company's consolidated financial statements. See Income from Unconsolidated Cellular Entities, Minority Interest and Other Income and Expense.

INTEREST EXPENSE

Interest expense increased \$42.2 million in 2001 compared to 2000 primarily due to an increase in interest expense related to outstanding indebtedness incurred to acquire the Verizon operations.

Interest expense increased \$32.7 million in 2000 primarily due to \$41.5 million in interest expense related to the Verizon acquisition indebtedness and a \$6.8 million increase caused by higher interest rates. Such increases were partially offset by interest expense reductions primarily due to a decrease in outstanding indebtedness exclusive of debt associated with the Verizon acquisitions.

INCOME FROM UNCONSOLIDATED CELLULAR ENTITIES

Earnings from unconsolidated cellular entities, net of the amortization of associated goodwill, increased \$474,000 (1.8%) in 2001 and decreased \$689,000 (2.5%) in 2000. The \$474,000 increase in 2001 was primarily due to (i) the Company's proportionate share (\$5.3 million) of non-cash charges recorded in the first quarter of 2000 by two cellular entities in which the Company owns a minority interest, (ii) a \$2.2 million favorable adjustment related to the gain on the sale of PCS licenses to Leap by a cellular entity in which the Company owns a minority interest, and (iii) a \$3.1 million increase due to increased earnings of certain cellular entities in which the Company owns a minority interest. Such increases were offset by a \$10.1 million unfavorable non-cash, nonrecurring charge that was recorded in 2001 by a cellular entity in which the Company owns a minority interest.

The \$689,000 decrease in 2000 was primarily due to (i) the Company's proportionate share (\$5.3 million) of non-cash, nonrecurring charges that were recorded in 2000 by cellular entities in which the Company owns a minority interest and (ii) a \$2.3 million decrease due to decreased earnings of certain cellular entities in which the Company owns a minority interest. Such decreases were offset by a \$6.9 million non-cash charge recorded in 1999 by cellular entities in which the Company owns a minority interest.

MINORITY INTEREST

Minority interest is the expense recorded by the Company to reflect the minority interest owners' share of the earnings of the Company's majority-owned subsidiaries. Minority interest increased \$1.6 million in 2001 compared to 2000 due primarily to increased profitability of certain of the Company's majority-owned and operated entities.

Minority interest decreased \$17.7 million during 2000 compared to 1999 primarily due to the minority partners' share of the gain on sale of assets of the Brownsville and McAllen, Texas cellular properties recorded in 1999. Excluding the effect of this gain, minority interest decreased \$2.8 million primarily due to the decreased profitability of the Company's majority-owned and operated cellular entities (\$1.3 million) and due to the minority partners' share of the loss incurred by certain of the operations acquired from Verizon by CenturyTel's majority-owned affiliates (\$1.6 million).

OTHER INCOME AND EXPENSE

Other income and expense decreased \$1.7 million in 2001 compared to 2000 primarily due to \$6.0 million of costs incurred in 2001 associated with responding to an unsolicited takeover proposal and to other expense increases. These 2001 expense increases were partially offset by a favorable comparison to expenses in 2000, when the Company recorded a \$7.9 million charge related to the settlement of certain interest rate hedge contracts entered into in connection with financing the Verizon acquisitions.

Other income and expense decreased \$2.5 million in 2000 compared to 1999 primarily due to the \$7.9 million charge related to the settlement of certain interest rate hedge contracts entered into in connection with financing the Verizon acquisitions. Such decrease was partially offset by a \$4.1 million increase in interest income.

INCOME TAX EXPENSE

The Company's effective income tax rate was 38.0%, 40.1% and 44.1% in 2001, 2000 and 1999, respectively. Exclusive of the effect of income tax expense on asset sales, the effective income tax rate was 39.0%, 39.9% and 39.0% in 2001, 2000 and 1999, respectively.

ACQUISITIONS

On July 31, 2000 and September 29, 2000, affiliates of the Company acquired over 490,000 telephone access lines and related assets from Verizon in four separate transactions for approximately \$1.5 billion in cash. Under these transactions:

- o On July 31, 2000, the Company purchased approximately 231,000 telephone access lines and related local exchange assets comprising 106 exchanges throughout Arkansas for approximately \$842 million in cash.

- o On July 31, 2000, Spectra Communications Group, LLC ("Spectra") purchased approximately 127,000 telephone access lines and related local exchange assets comprising 107 exchanges throughout Missouri for approximately \$297 million cash. As of December 31, 2001, the Company owns 75.7% of Spectra, which was organized to acquire and operate these Missouri properties. At closing, the Company made a preferred equity investment in Spectra of approximately \$55 million (which represented a 57.1% interest) and financed substantially all of the remainder of the purchase price. In the first quarter of 2001, the Company purchased an additional 18.6% interest in Spectra for \$47.1 million.

- o On September 29, 2000, the Company purchased approximately 70,500 telephone access lines and related local exchange assets comprising 42 exchanges throughout Wisconsin for approximately \$197 million in cash.

- o On September 29, 2000, Telephone USA of Wisconsin, LLC ("TelUSA") purchased approximately 62,900 telephone access lines and related local exchange assets comprising 35 exchanges throughout Wisconsin for approximately \$172 million in cash. The Company owns 89% of TelUSA, which was organized to acquire and own these Wisconsin properties. At closing, the Company made an equity investment in TelUSA of approximately \$37.8 million and financed substantially all of the remainder of the purchase price.

To finance these acquisitions on a short-term basis, the Company borrowed \$1.157 billion on a floating-rate basis under its \$1.5 billion credit facility with Bank of America, N.A. and Citibank, N.A. and borrowed \$300 million on a floating-rate basis under its 1997 credit facility with Bank of America, N.A.

On October 19, 2000, the Company issued \$500 million of 8.375% Senior Notes, Series H, due 2010, and \$400 million of 7.75% Remarketable Senior Notes, Series I, due 2012 (with a remarketing date of October 15, 2002) under its \$2.0 billion shelf registration statement filed in May 2000. The net proceeds of approximately \$908 million (excluding the Company's payments of approximately \$12.3 million associated with related interest rate hedging) were used to repay a portion of the \$1.457 billion of aggregate indebtedness the Company incurred under its credit facilities in connection with the Verizon acquisitions.

In October 2001, the Company entered into definitive agreements to purchase from affiliates of Verizon assets comprising all of Verizon's operations in Missouri and Alabama for \$2.159 billion cash. For additional information related to these acquisitions, see Liquidity and Capital Resources - Financing Activities.

CRITICAL ACCOUNTING POLICIES

Revenue recognition. Certain of the Company's telephone subsidiaries participate in revenue sharing arrangements with other telephone companies for interstate revenue and for certain intrastate revenue. Under such sharing arrangements, which are typically administered by quasi-governmental agencies, participating telephone companies contribute toll revenue or access charges within state jurisdictions and access charges in the interstate market. These revenues are pooled by the administrative agencies and used to reimburse exchange carriers for their costs. Typically, participating companies have 24 months to update or correct data previously submitted. As a result, revenues earned through the various sharing arrangements are initially recorded based on the Company's estimates. Historically, revisions of previous revenue estimates as a percentage of consolidated revenues have not been material.

Accounting for the Effects of Regulation. The Company's regulated telephone operations are subject to the provisions of SFAS 71. Property, plant and equipment of the Company's regulated telephone operations has been depreciated using the straight line method over lives approved by regulators; such lives have generally exceeded the depreciable lives used by nonregulated entities. In addition, in accordance with SFAS 71,

retirements of regulated telephone property have been charged to accumulated depreciation, along with the costs of removal, less salvage, with no gain or loss recognized. These policies have resulted in accumulated depreciation being significantly less than if the Company's telephone operations had not been regulated.

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

The Company is monitoring the ongoing applicability of SFAS 71 to its regulated telephone operations by, among other things, assessing the extent of its interstate and intrastate operations that are subject to various forms of alternative regulation instead of traditional rate of return regulation. It is possible that changes in regulation, legislation or competition or in the demand for regulated services or products could result in the Company's telephone operations no longer being subject to SFAS 71 in the near future. When the regulated operations of the Company no longer qualify for the application of SFAS 71, the net adjustments required may result in a material, noncash charge against earnings which would be reported as an extraordinary item. For regulatory purposes, the accounting and reporting of the Company's telephone subsidiaries will not be affected by the discontinued application of SFAS 71.

The properties to be acquired from Verizon in 2002 are not expected to be accounted for under the provisions of SFAS 71.

Long-lived assets. Through December 31, 2001, in accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-lived Assets and for Long-lived Assets to be Disposed of," ("SFAS 121") the carrying value of long-lived assets, including property, plant and equipment and allocated goodwill, was reviewed for impairment at least annually, or whenever events or changes in circumstances indicated that such carrying value was not recoverable, by assessing the recoverability of such carrying value through estimated undiscounted future net cash flows expected to be generated by the assets or the acquired business. Effective January 1, 2002, the Company will be required to test for impairment under two new accounting standards, Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"), and Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144").

SFAS 142 requires goodwill recorded in business combinations to be reviewed for impairment and requires write-downs only in periods in which the recorded amount of goodwill exceeds the fair value. Under SFAS 142, impairment of goodwill will be tested by comparing the fair value of the reporting unit to its carrying value (including goodwill). Estimates of the fair value of the reporting unit will be based on valuation models using techniques such as multiples of earnings. If the fair value of the reporting unit is less than the carrying value, a second calculation is required in which the implied fair value of goodwill is compared to its carrying value. If the implied fair value of goodwill is less than its carrying value, goodwill must be written down to its implied fair value. The Company is in the process of determining the impact, if any, of the transitional goodwill impairment rules of SFAS 142.

Under SFAS 144, the carrying value of long-lived assets other than goodwill is reviewed for impairment by assessing the recoverability of the carrying value through estimated undiscounted net cash flows expected to be generated by the assets. If the undiscounted net cash flows are less than the carrying value, an impairment loss would be measured as the excess of the carrying value of a long-lived asset over its fair value.

For additional information on the Company's critical accounting policies, see Accounting Pronouncements and Regulation and Competition - Other Matters, and the footnotes to the Company's consolidated financial statements.

ACCOUNTING PRONOUNCEMENTS

Effective January 1, 2001, the Company adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). SFAS 133 established accounting and reporting standards for derivative instruments and for hedging activities by requiring that entities recognize all derivatives as either assets or liabilities at fair value on the balance sheet. The Company had no derivative instruments outstanding at January 1, 2001 and thus no transition adjustment was recorded upon adoption of SFAS 133.

As of December 31, 2001, the Company had outstanding an interest rate swap relating to \$199.1 million of floating rate debt designed to eliminate the variability of cash flows in the payment of interest related to such debt. Under SFAS 133, the Company does not expect fluctuations in the fair value of the swap to be recorded in its statements of income. In addition, the Company has from time to time entered into interest rate hedge contracts in anticipation of certain debt issuances to manage interest rate exposure. The Company does not utilize derivative financial instruments for trading or other speculative purposes.

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. SFAS 142 requires goodwill recorded in a

business combination to be reviewed for impairment and would be written down only in periods in which the recorded amount of goodwill exceeds its fair value. Effective January 1, 2002, systematic amortization of goodwill is no longer required. The Company's amortization of goodwill for the year ended December 31, 2001 totaled approximately \$69.2 million. The application of the transitional goodwill impairment rules of SFAS 142 is not expected to have a material effect on the results of operations of the Company.

In October 2001, the Financial Accounting Standards Board issued SFAS 144, which replaces SFAS 121, and supersedes the accounting and reporting provisions related to discontinued operations under Accounting Principles Board Opinion No.

30. 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 adoption of SFAS 144 is not expected to have a material effect on the results of operations of the Company.

INFLATION

The effects of increased costs historically have been mitigated by the Company's ability to recover certain costs applicable to its regulated telephone operations through the rate-making process. While the rate-making process does not permit the Company to immediately recover the costs of replacing its physical plant, the Company has historically been able to recapture these costs over time. Possible future regulatory changes may alter the Company's ability to recover increased costs in its regulated operations. For additional information regarding the current regulatory environment, see Regulation and Competition. As operating expenses in the Company's non-regulated lines of business increase as a result of inflation, the Company, to the extent permitted by competition, recovers the costs by increasing prices for its services and equipment.

MARKET RISK

Approximately 90% of the Company's long-term debt obligations are fixed rate. At December 31, 2001, the fair value of the Company's long-term debt was estimated to be \$3.0 billion based on the overall weighted average rate of the Company's long-term debt of 6.7% and an overall weighted maturity of 10 years compared to terms and rates currently available in long-term financing markets. For purposes hereof, market risk is estimated as the potential decrease in fair value of the Company's long-term debt resulting from a hypothetical increase of 67 basis points in interest rates (which represents ten percent of the Company's overall weighted average borrowing rate). Such an increase in interest rates would result in approximately a \$96.4 million decrease in fair value of the Company's long-term debt. As of December 31, 2001, the Company owed \$353.0 million of debt on a floating-rate basis.

As of December 31, 2001, the Company had outstanding an interest rate swap relating to \$191.1 million of its floating rate debt designed to eliminate the variability of cash flows in the payment of interest related to such debt. Under this swap, which expires in August 2002, the Company realizes a fixed effective rate of 4.845% and receives or makes settlement payments based upon the 3-month London InterBank Offered Rate, with settlement and rate reset dates at three-month intervals through the expiration date.

OTHER

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 \$139.5 million at December 31, 2001. Such costs are expected to aggregate approximately \$200 million upon completion (which is expected to occur in early 2003) and are expected to be amortized over a twenty-year period.

LIQUIDITY AND CAPITAL RESOURCES

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

Operating activities. Net cash provided by operating activities was \$665.4 million, \$562.5 million and \$408.7 million in 2001, 2000 and 1999, respectively. The Company's accompanying consolidated statements of cash flows identify major differences between net income and net cash provided by operating activities for each of those years. For additional information relating to the telephone operations, wireless operations and other operations of the Company, see Results of Operations.

Investing activities. Net cash provided by (used in) investing activities was \$(275.7) million, \$(1.914) billion and \$69.8 million in 2001, 2000 and 1999, respectively. Cash used for acquisitions was \$47.1 million in 2001, \$1.541 billion in 2000 (substantially all of which relates to the Verizon acquisitions) and \$21.0 million in 1999. Proceeds from the sales of assets were \$166.2 million in 2001 compared to \$29.5 million in 2000 and \$484.5 million in 1999. Capital expenditures for 2001 were \$351.0 million for telephone operations, \$71.2 million for wireless operations and \$84.5 million for other operations. Capital expenditures during 2000 and 1999 were \$449.5 million and \$390.0 million, respectively. In connection with the sale of PCS licenses to Leap in 2001, the Company received an \$86.5 million promissory note, all of which was subsequently collected during 2001.

Financing activities. Net cash provided by (used in) financing activities was \$(395.4) million in 2001, \$1.314 billion in 2000 and \$(427.6)

million in 1999. Net payments of debt in 2001 were \$375.6 million, which reflects utilization of cash received from asset sales. Net proceeds from the issuance of debt was \$1.340 billion during 2000 primarily due to an increase in borrowings due to the purchase of assets from Verizon. Net payments of debt were \$422.9 million in 1999.

On July 31, 2000 and September 29, 2000, affiliates of the Company acquired over 490,000 telephone access lines and related assets from Verizon in four separate transactions for approximately \$1.5 billion in cash. See Acquisitions and Note 2 of Notes to Consolidated Financial Statements for additional information. To finance these acquisitions on a short-term basis, the Company borrowed \$1.157 billion on a floating-rate basis under its \$1.5 billion credit facility with Bank of America, N.A. and Citibank, N.A., and borrowed \$300 million on a floating-rate basis under its 1997 credit facility with Bank of America, N.A.

On October 19, 2000, the Company issued \$500 million of 8.375% Senior Notes, Series H, due 2010, and \$400 million of 7.75% Remarketable Senior Notes, Series I, due 2012 (with a remarketing date of October 15, 2002) under its \$2.0 billion shelf registration statement filed in May 2000. The net proceeds of approximately \$908 million (excluding the Company's payments of approximately \$12.3 million associated with related interest rate hedging) were used to repay a portion of the \$1.457 billion of aggregate indebtedness the Company incurred under its credit facilities in connection with the Verizon acquisitions.

In second quarter 2001, the Company completed the sale of 30 PCS (Personal Communications Service) operating licenses for an aggregate of \$195 million to Leap. The Company received approximately \$108 million of the purchase price in cash at closing and the remainder was collected in installments through the fourth quarter of 2001 under the terms of a promissory note. In third quarter 2001, the Company sold its remaining shares of its investment in Illuminet common stock for an aggregate of approximately \$58.2 million. Proceeds from these sales were used to repay indebtedness.

On October 22, 2001, the Company entered into definitive agreements to purchase from affiliates of Verizon assets comprising all of Verizon's local telephone operations in Missouri and Alabama. In exchange, the Company has agreed to pay approximately \$2.159 billion in cash, subject to certain adjustments which are not expected to be material. Under each definitive agreement, the Company has agreed to pay Verizon 10% of the transaction consideration if the purchase is not consummated under certain specified conditions, including the Company's incapacity to finance the transaction. The acquisitions are subject to the receipt of various state and federal regulatory approvals and other closing conditions. The Company's financing plans are not yet complete and will be dependent upon the Company's review of its alternatives and market conditions.

The properties to be acquired are currently subject to price-cap regulation for interstate purposes, and the Company has no plans to change this. Because most of the Company's other telephone properties are subject to rate-of-return regulation, the Company's plans to retain price-cap regulation for the acquired properties will require it to seek a waiver of the FCC's "all or nothing" regulation that generally requires a rate-of-return company acquiring a price-cap company to convert all of its operations to price-cap regulation. Although the FCC has granted similar waivers to other carriers over the past couple of years, no assurances can be provided that the FCC will grant a waiver to the Company. The Company's failure to obtain this waiver would adversely impact the financial benefits that the Company anticipates receiving in connection with its purchases of the Verizon properties.

For additional information on these pending Verizon acquisitions, see Item 1 of the Company's Annual Report on Form 10-K for the year ended December 31, 2001.

Other. Budgeted capital expenditures for 2002 total \$315 million for telephone operations, \$65 million for wireless operations and \$45 million for other operations. The Company anticipates that capital expenditures in its telephone operations will continue to include the installation of fiber optic cable and the upgrading of its plant and equipment, including its digital switches, to provide enhanced services, particularly in its newly acquired markets. Capital expenditures in the wireless operations are expected to continue to focus on constructing additional cell sites (which will provide additional capacity and expanded areas where cellular phones may be used) and providing digital service.

The Company continually evaluates the possibility of acquiring additional telecommunications operations and expects to continue its long-term strategy of pursuing the acquisition of attractive communications properties in exchange for cash, securities or both. The Company generally does not announce its acquisitions until it has entered into a preliminary or definitive agreement. Over the past few years, the amount and size of communications properties available to be purchased by the Company has increased substantially. The Company may require additional financing in connection with any such acquisitions, the consummation of which could have a material impact on the Company's financial condition or operations. Approximately 4.6 million shares of CenturyTel common stock and 200,000 shares of CenturyTel preferred stock remain available for future issuance in connection with acquisitions under CenturyTel's acquisition shelf registration statement.

The following table contains certain information concerning the Company's material contractual obligations as of December 31, 2001.

Total contractual obligations	Payments due by period				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
(Dollars in thousands)					
Long-term debt, including current maturities	\$3,043,334	955,834	141,546	360,399	1,585,555
Verizon purchase price obligation	\$2,159,000	2,159,000	-	-	-

As of December 31, 2001, the Company has an aggregate of \$499.1 million of debt outstanding under a credit facility and a note that expires or becomes due in August 2002 and has an additional \$400 million in bonds that must be mandatorily redeemed by the Company in October 2002 if the remarketing dealer for these bonds does not purchase and remarket the bonds in accordance with a remarketing agreement. The Company intends to refinance such debt on a long-term basis.

As of December 31, 2001, the Company had available \$470.1 million of undrawn committed bank lines of credit and the Company's telephone subsidiaries had available for use \$123.0 million of commitments for long-term financing from the Rural Utilities Service and Rural Telephone Bank. In addition, in October 2000 the Company implemented a commercial paper program that authorizes the Company to have outstanding up to \$1.5 billion in commercial paper at any one time. As of December 31, 2001, the Company had outstanding \$23.0 million under such program. The Company also has access to debt and equity capital markets, including its shelf registration statements.

Moody's Investors Service ("Moody's") rates CenturyTel's long-term debt rating Baa2 (with a stable outlook) and Standard & Poor's ("S&P") rates CenturyTel's long-term debt BBB+ (with a negative outlook). The Company's commercial paper program is rated P2 by Moody's and A2 by S&P.

The following table reflects the Company's debt to total capitalization percentage and ratio of earnings to fixed charges and preferred stock dividends as of and for the years ended December 31:

	2001	2000	1999
Debt to total capitalization	57.0%	63.1	53.7
Ratio of earnings to fixed charges and preferred stock dividends	3.40	3.07	3.75
Ratio of earnings, excluding nonrecurring items, to fixed charges and preferred stock dividends	2.57	3.01	3.45

REGULATION AND COMPETITION

The communications industry continues to undergo various fundamental regulatory, legislative, competitive and technological changes. These changes may have a significant impact on the future financial performance of all communications companies.

Events affecting the communications industry. In 1996, the United States Congress enacted the Telecommunications Act of 1996 (the "1996 Act"), which obligates LECs to permit competitors to interconnect their facilities to the LEC's network and to take various other steps that are designed to promote competition. The 1996 Act provides certain exemptions for rural LECs such as those operated by the Company. Under the FCC's August 1996 order implementing most of the 1996 Act's interconnection provisions, rural LECs have the burden of proving the availability of these exemptions.

Prior to and since the enactment of the 1996 Act, the FCC and a number of state legislative and regulatory bodies have also taken steps to foster local exchange competition. Coincident with this recent movement toward increased competition has been the gradual reduction of regulatory oversight of LECs. These cumulative changes have led to the continued growth of various companies providing services that compete with LECs' services. Wireless services entities are also expected to increasingly compete with LECs.

As mandated by the 1996 Act, in May 2001 the FCC modified its existing universal service support mechanism for rural telephone companies. The FCC adopted an interim mechanism for a five-year period, effective July 1, 2001, based on embedded, or historical, costs that will provide predictable levels of support to rural local exchange carriers, including substantially all of the Company's local exchange carriers. The Company estimates (based on current operations, the current nationwide average cost per loop and other factors) that such ruling will increase the Company's level of universal service support receipts by approximately \$7 million on an annualized basis compared to previous levels. During 2001 the Company's revenues from the federal universal service fund totaled approximately \$168.7 million (which includes \$21.6 million from the Verizon properties acquired in 2000). During 2000, such revenues totaled \$146.4 million (which includes \$8.3 million from the Verizon properties.)

On October 11, 2001, the FCC modified its interstate access charge rules and universal service support system for rate of return local exchange carriers, which includes all of the Company's local exchange carriers. This order, among other things, (i) increases the caps on the subscriber line charges ("SLC") to the levels paid by most subscribers nationwide; (ii) allows limited SLC deaveraging, which is expected to enhance the competitiveness of rate of return carriers by giving them pricing flexibility; (iii) lowers per minute rates collected for federal access charges, which might increase competition with CenturyTel's long distance operations to the extent other carriers seek to take advantage of this change; (iv) creates a new explicit universal service support mechanism that will replace other implicit support mechanisms in a manner designed to ensure that rate structure changes do not affect the overall recovery of interstate access costs by rate of return carriers serving high cost areas and (v) terminates the FCC's proceeding on the rescription of the authorized rate of return for rate of return LECs, which will remain at 11.25%. The Company expects the order to be implemented on a revenue neutral basis for interstate purposes, although there can be no assurance to this effect. Other proposals submitted to the FCC by the Multi-Association Group representing rural carriers were rejected or deferred for additional comment.

Recent events affecting the Company. During the last few years, several states in which the Company has substantial operations took legislative or regulatory steps to further introduce competition into the LEC business. The number of companies which have requested authorization to provide local exchange service in the Company's service areas has increased in recent years, especially in the newly-acquired Verizon markets, and it is anticipated that similar action may be taken by others in the future.

State alternative regulation plans recently adopted by certain of the Company's LECs have also affected revenue growth recently. Although the Company believes that these plans may be favorable in the future as additional revenue streams are added and cost efficiencies are obtained, there can be no assurance that current or future alternative regulation plans will not reduce future revenue growth.

Certain long distance carriers continue to request that the Company reduce intrastate access tariffed rates for certain of its LECs. There is no assurance that these requests will not result in reduced intrastate access revenues in the future. In addition, the Company continues to receive pressure from other cellular operators to reduce roaming rates in the Company's cellular markets. In response, the Company anticipates that it will continue to enter into agreements that will reduce its roaming rates from current levels. The Company further anticipates that the adverse impact of reduced roaming rates may be partially offset by increased roaming traffic.

In August 2001, the Company was awarded an interim access rate increase by the WPSC for the former Verizon properties in Wisconsin in an amount of approximately \$7.9 million annually. Such rates are subject to refund pending an order establishing permanent rates.

On October 31, 2001, the WPSC approved a permanent rate increase of \$8.3 million annually for the local exchange properties that the Company acquired from Ameritech in December 1998. The WPSC ordered the Company to refund a portion (\$1.5 million) of the previously approved interim rates. Such refund had the effect of a one-time reduction in revenue of approximately \$300,000 as the Company was not recognizing 100% of the interim rates as revenue. Separately, the WPSC ordered the Company to refund \$14.7 million related to access charges collected from interexchange carriers on the former Ameritech properties from December 1998 through 2000. Such ruling was upheld upon appeal in Wisconsin State Court. The Company is currently appealing this ruling to the State of Wisconsin Court of Appeals. If this appeal is unsuccessful, the Company will have to record a one-time charge of \$.03 per share.

In August 2001, the Arkansas Public Utility Commission ("APUC") approved tariff amendments that limit the number of minutes included for a flat rate in certain optional calling plans in certain of the acquired Verizon markets. Once fully implemented in January 2002, the Company

anticipates that these tariff revisions will reduce the level of its operating expenses by approximately \$20 million annually.

On March 13, 2002, the Arkansas Court of Appeals vacated two orders issued by the APUC in connection with the Company's acquisition of its Arkansas' LECs from Verizon in July 2000, and remanded the case back to the APUC 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. The Company intends to move for a rehearing of the Court's decision, and is currently evaluating the legal and financial implications of the Court's decision.

Competition to provide traditional telephone services has thus far affected large urban areas to a greater extent than rural, suburban and small urban areas such as those in which the Company's telephone operations are located. Although the Company does not believe that the increased competition it has thus far experienced is likely to materially affect it in the near term, the Company anticipates that regulatory changes and competitive pressures may result in future revenue reductions. While the Company expects its telephone revenues to continue to grow, its internal telephone revenue growth rate has started to slow in recent years and may continue to slow during upcoming periods.

The Company's wireless operations are subject to increased competition from large wireless carriers offering nationwide calling plans. The Company does not offer a nationwide calling plan at this time and may be hindered in its ability to compete for customers seeking these plans. Additionally, several wireless carriers have taken initial steps to abandon the TDMA standard used by the Company and to provide enhanced "next generation" wireless services utilizing different technologies. If the Company elects to continue to use the TDMA standard or to forego implementation of enhanced wireless services, there can be no assurance that the Company will be able to receive support from vendors or to compete effectively against competitors using different technologies or offering more services. For these and other reasons, in August 2001, the Company announced that it is exploring the potential separation of its wireless business from its other operations.

Other matters. The Company's regulated telephone operations are subject to the provisions of SFAS 71, under which the Company is required to account for the economic effects of the rate-making process, including the recognition of depreciation of plant and equipment over lives approved by regulators. The ongoing applicability of SFAS 71 to the Company's regulated telephone operations is being monitored due to the changing regulatory, competitive and legislative environments. When the regulated operations of the Company no longer qualify for the application of SFAS 71, the net adjustments required may result in a material, extraordinary, noncash charge against earnings. The properties to be acquired from Verizon in 2002 are not expected to be accounted for under the provisions of SFAS 71. See Note 14 of Notes to Consolidated Financial Statements for additional information.

The Company has certain obligations based on federal, state and local laws relating to the protection of the environment. Costs of compliance through 2001 have not been material, and the Company currently has no reason to believe that such costs will become material.

Item 7a. Quantitative and Qualitative Disclosure About Market Risk

Approximately 90% of the Company's long-term debt obligations are fixed rate. At December 31, 2001, the fair value of the Company's long-term debt was estimated to be \$3.0 billion based on the overall weighted average rate of the Company's long-term debt of 6.7% and an overall weighted maturity of 10 years compared to terms and rates currently available in long-term financing markets. For purposes hereof, market risk is estimated as the potential decrease in fair value of the Company's long-term debt resulting from a hypothetical increase of 67 basis points in interest rates (which represents ten percent of the Company's overall weighted average borrowing rate). Such an increase in interest rates would result in approximately a \$96.4 million decrease in fair value of the Company's long-term debt. As of December 31, 2001, the Company owed \$353.0 million of debt on a floating-rate basis.

As of December 31, 2001, the Company had outstanding an interest rate swap relating to \$191.1 million of its floating rate debt designed to eliminate the variability of cash flows in the payment of interest related to such debt. Under this swap, which expires in August 2002, the Company realizes a fixed effective rate of 4.845% and receives or makes settlement payments based upon the three-month London InterBank Offered Rate, with settlement and rate reset dates at three-month intervals through the expiration date.

Item 8. Financial Statements and Supplementary Data

Report of Management

The Shareholders
CenturyTel, Inc.:

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

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

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

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

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

Independent Auditors' Report

The Board of Directors
CenturyTel, Inc.:

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

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CenturyTel, Inc. and subsidiaries as of December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

*/s/ KPMG LLP
KPMG LLP*

*Shreveport, Louisiana
January 30, 2002*

CENTURYTEL, INC.
Consolidated Statements of Income

		Year ended December 31,		
		2001	2000	1999
		(Dollars, except per share amounts, and shares in thousands)		
OPERATING REVENUES				
Telephone	\$	1,505,733	1,253,969	1,126,112
Wireless		437,965	443,569	422,269
Other		173,771	148,388	128,288
Total operating revenues		2,117,469	1,845,926	1,676,669
OPERATING EXPENSES				
Cost of sales and operating expenses		1,086,166	932,457	819,784
Depreciation and amortization		473,384	388,056	348,816
Total operating expenses		1,559,550	1,320,513	1,168,600
OPERATING INCOME		557,919	525,413	508,069
OTHER INCOME (EXPENSE)				
Nonrecurring gains and losses, net		199,971	20,593	62,808
Interest expense		(225,523)	(183,302)	(150,557)
Income from unconsolidated cellular entities		27,460	26,986	27,675
Minority interest		(11,812)	(10,201)	(27,913)
Other income and expense		5,041	6,696	9,190
Total other income (expense)		(4,863)	(139,228)	(78,797)
INCOME BEFORE INCOME TAX EXPENSE		553,056	386,185	429,272
Income tax expense		210,025	154,711	189,503
NET INCOME		\$ 343,031	231,474	239,769
=====				
BASIC EARNINGS PER SHARE	\$	2.43	1.65	1.72
=====				
DILUTED EARNINGS PER SHARE	\$	2.41	1.63	1.70
=====				
DIVIDENDS PER COMMON SHARE	\$.20	.19	.18
=====				
AVERAGE BASIC SHARES OUTSTANDING		140,743	140,069	138,848
=====				
AVERAGE DILUTED SHARES OUTSTANDING		142,307	141,864	141,432
=====				

See accompanying notes to consolidated financial statements.

CENTURYTEL, INC.
Consolidated Statements of Comprehensive Income

	Year ended December 31,		
	2001	2000	1999
	(Dollars in thousands)		
NET INCOME	\$ 343,031	231,474	239,769
OTHER COMPREHENSIVE INCOME, NET OF TAXES			
Unrealized holding gains (losses) arising during period, net of \$5,385, (\$20,941) and \$38,473 taxes	9,999	(38,891)	71,449
Less: reclassification adjustment for gains included in net income, net of \$19,100 and \$7,702 taxes	(35,470)	-	(14,304)
Other comprehensive income, net of (\$13,715), (\$20,941) and \$30,771 taxes	(25,471)	(38,891)	57,145
COMPREHENSIVE INCOME	\$ 317,560	192,583	296,914

See accompanying notes to consolidated financial statements.

CENTURYTEL, INC.
Consolidated Balance Sheets

December 31,

2001 2000

(Dollars in thousands)

ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 13,362	19,039
Accounts receivable		
Customers, less allowance of \$16,359 and \$12,857	147,259	182,454
Other	106,835	124,711
Materials and supplies, at average cost	20,239	38,532
Other	12,578	11,768
Total current assets	300,273	376,504
NET PROPERTY, PLANT AND EQUIPMENT	2,999,563	2,959,293
INVESTMENTS AND OTHER ASSETS		
Excess cost of net assets acquired, less accumulated amortization of \$288,760 and \$219,809	2,471,484	2,509,033
Other	547,364	548,460
Total investments and other assets	3,018,848	3,057,493
TOTAL ASSETS	\$ 6,318,684	6,393,290
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 955,834	149,962
Short-term debt	53,000	276,000
Accounts payable	87,439	127,287
Accrued expenses and other current liabilities		
Salaries and benefits	47,129	33,859
Taxes	42,711	40,023
Interest	49,358	52,011
Other	18,771	23,349
Advance billings and customer deposits	39,714	40,879
Total current liabilities	1,293,956	743,370
LONG-TERM DEBT	2,087,500	3,050,292
DEFERRED CREDITS AND OTHER LIABILITIES	599,848	567,549
STOCKHOLDERS' EQUITY		
Common stock, \$1.00 par value, authorized 350,000,000 shares, issued and outstanding 141,232,806 and 140,667,251 shares	141,233	140,667
Paid-in capital	524,668	509,840
Unrealized holding gain on investments, net of taxes	-	25,471
Retained earnings	1,666,004	1,351,626
Unearned ESOP shares	(2,500)	(3,500)
Preferred stock - non-redeemable	7,975	7,975
Total stockholders' equity	2,337,380	2,032,079
TOTAL LIABILITIES AND EQUITY	\$ 6,318,684	6,393,290

See accompanying notes to consolidated financial statements.

CENTURYTEL, INC.
Consolidated Statements of Cash Flows

	Year ended December 31,		
	2001	2000	1999
	(Dollars in thousands)		
OPERATING ACTIVITIES			
Net income	\$ 343,031	231,474	239,769
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	473,384	388,056	348,816
Income from unconsolidated cellular entities	(27,460)	(26,986)	(27,675)
Minority interest	11,812	10,201	27,913
Deferred income taxes	56,645	41,820	(17,139)
Nonrecurring gains and losses, net	(199,971)	(20,593)	(62,808)
Changes in current assets and current liabilities			
Accounts receivable	53,071	(82,252)	(15,181)
Accounts payable	(39,848)	48,653	(11,469)
Accrued taxes	2,688	(967)	(59,571)
Other current assets and other current liabilities, net	20,916	3,605	(1,354)
Increase in noncurrent assets	(65,698)	(46,026)	(30,375)
Increase (decrease) in other noncurrent liabilities	6,656	4,087	(5,311)
Other, net	30,136	11,394	23,087
Net cash provided by operating activities	665,362	562,466	408,702
INVESTING ACTIVITIES			
Acquisitions, net of cash acquired	(47,131)	(1,540,856)	(20,972)
Payments for property, plant and equipment	(506,727)	(449,537)	(389,980)
Proceeds from sale of assets	166,245	29,495	484,467
Collection of note receivable	86,502	-	-
Distributions from unconsolidated cellular entities	30,856	35,842	22,219
Contribution from minority investor	-	20,000	-
Purchase of life insurance investment, net	(1,086)	(5,753)	(2,545)
Other, net	(4,325)	(3,267)	(23,416)
Net cash provided by (used in) investing activities	(275,666)	(1,914,076)	69,773
FINANCING ACTIVITIES			
Proceeds from issuance of debt	3,896	2,715,852	15,533
Payments of debt	(379,516)	(1,375,895)	(438,399)
Payment of deferred hedge contracts	-	(4,345)	-
Proceeds from issuance of common stock	7,351	7,996	19,182
Payment of debt issuance costs	-	(4,274)	-
Cash dividends	(28,653)	(26,815)	(25,413)
Other, net	1,549	1,490	1,520
Net cash provided by (used in) financing activities	(395,373)	1,314,009	(427,577)
Net increase (decrease) in cash and cash equivalents	(5,677)	(37,601)	50,898
Cash and cash equivalents at beginning of year	19,039	56,640	5,742
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 13,362	19,039	56,640

See accompanying notes to consolidated financial statements.

CENTURYTEL, INC.
Consolidated Statements of Stockholders' Equity

	Year ended December 31,		
	2001	2000	1999
(Dollars and shares in thousands)			
COMMON STOCK			
Balance at beginning of year	\$ 140,667	139,946	138,083
Conversion of convertible securities into common stock	254	254	330
Issuance of common stock through dividend reinvestment, incentive and benefit plans	312	467	1,533
Balance at end of year	141,233	140,667	139,946
PAID-IN CAPITAL			
Balance at beginning of year	509,840	493,432	451,535
Conversion of convertible securities into common stock	3,046	3,046	3,101
Issuance of common stock through dividend reinvestment, incentive and benefit plans	7,039	7,529	17,649
Amortization of unearned compensation and other	4,743	5,833	21,147
Balance at end of year	524,668	509,840	493,432
UNREALIZED HOLDING GAIN ON INVESTMENTS, NET OF TAXES			
Balance at beginning of year	25,471	64,362	7,217
Change in unrealized holding gain on investments, net of taxes	(25,471)	(38,891)	57,145
Balance at end of year	-	25,471	64,362
RETAINED EARNINGS			
Balance at beginning of year	1,351,626	1,146,967	932,611
Net income	343,031	231,474	239,769
Cash dividends declared			
Common stock - \$.20, \$.19 and \$.18 per share	(28,254)	(26,416)	(25,010)
Preferred stock	(399)	(399)	(403)
Balance at end of year	1,666,004	1,351,626	1,146,967
UNEARNED ESOP SHARES			
Balance at beginning of year	(3,500)	(4,690)	(6,070)
Release of ESOP shares	1,000	1,190	1,380
Balance at end of year	(2,500)	(3,500)	(4,690)
PREFERRED STOCK - NON-REDEEMABLE			
Balance at beginning of year	7,975	7,975	8,106
Conversion of preferred stock into common stock	-	-	(131)
Balance at end of year	7,975	7,975	7,975
TOTAL STOCKHOLDERS' EQUITY	\$ 2,337,380	2,032,079	1,847,992
COMMON SHARES OUTSTANDING			
Balance at beginning of year	140,667	139,946	138,083
Conversion of convertible securities into common stock	254	254	330
Issuance of common stock through dividend reinvestment, incentive and benefit plans	312	467	1,533
Balance at end of year	141,233	140,667	139,946

See accompanying notes to consolidated financial statements.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation - 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. The Company's regulated telephone operations are subject to the provisions of Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation." Investments in cellular entities where the Company does not own a majority interest are accounted for using the equity method of accounting.

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

Revenue recognition - Revenues are generally recognized and earned when evidence of an arrangement exists, service has been rendered, the selling price is determinable and collectibility is reasonably assured. Certain of the Company's telephone subsidiaries participate in revenue sharing arrangements with other telephone companies for interstate revenue and for certain intrastate revenue. Such sharing arrangements are funded by toll revenue and/or access charges within state jurisdictions and by access charges in the interstate market. Revenues earned through the various sharing arrangements are initially recorded based on the Company's estimates.

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

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

Long-lived assets - Through December 31, 2001, in accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-lived Assets and for Long-lived Assets to be Disposed of" ("SFAS 121"), the carrying value of long-lived assets, including property, plant and equipment and allocated goodwill, was reviewed for impairment at least annually, or whenever events or changes in circumstances indicated that such carrying value was not recoverable, by assessing the recoverability of such carrying value through estimated undiscounted future net cash flows expected to be generated by the assets or the acquired business. Through December 31, 2001, substantially all of the Company's goodwill was being amortized over 40 years. In accordance with Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"), effective January 1, 2002, goodwill will no longer be subject to amortization but instead will be tested for impairment at least annually. Effective January 1, 2002, Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-lived Assets" ("SFAS 144"), addresses financial accounting and reporting for the impairment or disposal of long-lived assets, excluding goodwill. SFAS 144 retains the fundamental recognition and measurement provisions of SFAS 121.

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

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

Derivative financial instruments - Effective January 1, 2001, the Company adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). SFAS 133 requires all derivative instruments be recognized as either assets or liabilities at fair value on the balance sheet. The Company had no derivative instruments outstanding at January 1, 2001 and thus no transition adjustment was recorded upon adoption of SFAS 133. As of December 31, 2001, the Company had outstanding an interest rate swap relating to \$191.1 million of its floating rate debt designed to eliminate the variability of cash flows in the payment of interest related to such debt. The swap expires in August 2002. The Company realizes a fixed effective rate of 4.845% and receives or makes settlement payments based upon the three-month London InterBank Offered Rate, with settlement and rate reset dates at three-month intervals through the

expiration date. The Company does not utilize derivative financial instruments for trading or other speculative purposes.

Earnings per share - Basic earnings per share amounts are determined on the basis of the weighted average number of common shares outstanding during the year. Diluted earnings per share gives effect to all potential dilutive common shares that were outstanding during the period.

Stock compensation - The Company accounts for employee stock compensation plans using the intrinsic value method in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," as allowed by Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation."

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

Reclassifications - Certain amounts previously reported for prior years have been reclassified to conform with the 2001 presentation.

(2) ACQUISITIONS

On July 31, 2000 and September 29, 2000, affiliates of the Company acquired over 490,000 telephone access lines and related assets from Verizon Communications, Inc. ("Verizon") in four separate transactions for approximately \$1.5 billion in cash. Under these transactions:

- o On July 31, 2000, the Company purchased approximately 231,000 telephone access lines and related local exchange assets comprising 106 exchanges throughout Arkansas for approximately \$842 million in cash.

- o On July 31, 2000, Spectra Communications Group, LLC ("Spectra") purchased approximately 127,000 telephone access lines and related local exchange assets comprising 107 exchanges throughout Missouri for approximately \$297 million cash. As of December 31, 2001, the Company owns 75.7% of Spectra, which was organized to acquire and operate these Missouri properties. At closing, the Company made a preferred equity investment in Spectra of approximately \$55 million (which represented a 57.1% interest) and financed substantially all of the remainder of the purchase price. In the first quarter of 2001, the Company purchased an additional 18.6% interest in Spectra for \$47.1 million.

- o On September 29, 2000, the Company purchased approximately 70,500 telephone access lines and related local exchange assets comprising 42 exchanges throughout Wisconsin for approximately \$197 million in cash.

- o On September 29, 2000, Telephone USA of Wisconsin, LLC ("TelUSA") purchased approximately 62,900 telephone access lines and related local exchange assets comprising 35 exchanges throughout Wisconsin for approximately \$172 million in cash. The Company owns 89% of TelUSA, which was organized to acquire and operate these Wisconsin properties. At closing, the Company made an equity investment in TelUSA of approximately \$37.8 million and financed substantially all of the remainder of the purchase price.

To finance these acquisitions on a short-term basis, the Company borrowed \$1.157 billion on a floating-rate basis under its \$1.5 billion credit facility with Bank of America, N.A. and Citibank, N.A., and borrowed \$300 million on a floating-rate basis under its 1997 credit facility with Bank of America, N.A.

On October 19, 2000, the Company issued \$500 million of 8.375% Senior Notes, Series H, due 2010, and \$400 million of 7.75% Remarketable Senior Notes, Series I, due 2012 (with a remarketing date of October 15, 2002). The net proceeds of approximately \$908 million (excluding the Company's payments of approximately \$12.3 million associated with related interest rate hedging) were used to repay a portion of the \$1.457 billion of aggregate indebtedness the Company incurred under its credit facilities in connection with the Verizon acquisitions.

The following pro forma information represents the consolidated results of operations of the Company as if the above-described Verizon acquisitions had been consummated as of January 1, 2000 and 1999.

Year ended December 31,	2000	1999
	(Dollars, except per share amounts, in thousands) (unaudited)	
Operating revenues	\$ 2,054,198	2,015,992
Net income	\$ 210,336	198,659
Basic earnings per share	\$ 1.50	1.43
Diluted earnings per share	\$ 1.48	1.41

The pro forma information above 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 subsequent or future operating results. The pro forma information does not give effect to any potential revenue enhancements or cost synergies or other operating efficiencies that have resulted or could result from the acquisitions. The actual results of operations of the Verizon properties are included in the Company's

consolidated financial statements only from the date of acquisition.

(3) INVESTMENTS IN UNCONSOLIDATED CELLULAR ENTITIES

The Company's share of earnings from cellular entities in which it does not own a majority interest (which is included in "Income from unconsolidated cellular entities" in the Company's Consolidated Statements of Income) was \$28.6 million, \$28.1 million and \$28.8 million in 2001, 2000 and 1999, respectively, and is net of amortization of goodwill attributable to such investments which totaled \$1.1 million for all three periods. Over 71% of the 2001 income from unconsolidated cellular entities was attributable to the following investments.

	Ownership interest
GTE Mobilnet of Austin Limited Partnership	35%
Alltel Cellular Associates of Arkansas Limited Partnership	36%
Detroit SMSA Limited Partnership	3%
Michigan RSA #9 Limited Partnership	43%
Cellular North Michigan Network General Partnership	49%
Lafayette MSA Limited Partnership	49%
Wisconsin RSA #1 Limited Partnership	42%
Wisconsin RSA #7 Limited Partnership	23%

Based primarily on data furnished to the Company by third parties, the following summarizes the unaudited combined assets, liabilities and equity, and the unaudited combined results of operations, of the cellular entities in which the Company's investments (as of December 31, 2001 and 2000) were accounted for by the equity method.

December 31,	2001	2000
	(Dollars in thousands) (unaudited)	
Assets		
Current assets	\$ 243,536	305,366
Property and other noncurrent assets	1,058,410	996,702
	\$ 1,301,946	1,302,068
Liabilities and equity		
Current liabilities	\$ 85,860	153,797
Noncurrent liabilities	235,926	138,642
Equity	980,160	1,009,629
	\$ 1,301,946	1,302,068
Year ended December 31,	2001	2000
	(Dollars in thousands) (unaudited)	
Results of operations		
Revenues	\$ 1,719,370	1,539,459
Operating income	\$ 439,687	495,971
Net income	\$ 434,495	481,923

(4) INVESTMENTS AND OTHER ASSETS

Investments and other assets at December 31, 2001 and 2000 were composed of the following:

December 31,	2001	2000
	(Dollars in thousands)	
Excess cost of net assets acquired, less accumulated amortization	\$ 2,471,484	2,509,033
Billing system development costs	139,503	73,805
Investments in unconsolidated cellular entities	102,056	117,942
Cash surrender value of life insurance contracts	99,835	96,065
Marketable equity securities	-	42,801
Other	205,970	217,847
	\$ 3,018,848	3,057,493

Amortization of goodwill and other intangibles of \$74.9 million, \$60.1 million and \$52.0 million for 2001, 2000 and 1999, respectively, is included in "Depreciation and amortization" in the Company's Consolidated Statements of Income. In accordance with SFAS 142, effective January 1, 2002, goodwill will no longer be subject to amortization but instead will be tested for impairment at least annually.

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 \$139.5 million and \$73.8 million at December 31, 2001 and 2000, respectively. Such costs are expected to be amortized over a twenty-year period once the system is fully operational (which is expected to occur in early 2003).

(5) PROPERTY, PLANT AND EQUIPMENT

Net property, plant and equipment at December 31, 2001 and 2000 was composed of the following:

December 31,	2001	2000
(Dollars in thousands)		
Telephone, at original cost		
Cable and wire	\$ 3,009,720	2,817,797
Central office	1,829,945	1,656,898
General support	340,416	327,766
Information origination/termination	42,038	53,344
Construction in progress	64,560	136,755
Other	5,576	7,248
	5,292,255	4,999,808
Accumulated depreciation	(2,839,268)	(2,552,648)
	2,452,987	2,447,160
Wireless, at cost		
Cell site	420,943	366,855
General support	108,670	105,951
Construction in progress	38,881	49,799
Other	341	79
	568,835	522,684
Accumulated depreciation	(305,414)	(261,401)
	263,421	261,283
Other, at cost		
General support	309,500	272,286
Fiber network	72,410	60,649
Other	65,010	59,089
	446,920	392,024
Accumulated depreciation	(163,765)	(141,174)
	283,155	250,850
Net property, plant and equipment	\$ 2,999,563	2,959,293

Depreciation expense was \$398.5 million, \$328.0 million and \$296.8 million in 2001, 2000 and 1999, respectively. The composite depreciation rate for telephone properties was 6.8% for 2001, 7.2% for 2000 and 7.0% for 1999.

(6) LONG-TERM AND SHORT-TERM DEBT

The Company's long-term debt as of December 31, 2001 and 2000 was as follows:

December 31,	2001	2000
	(Dollars in thousands)	
CenturyTel		
2.21%* senior credit facility, due through 2002	\$ 300,000	300,000
4.85% note, due through 2002	199,125	250,625
Senior notes and debentures:		
7.75% Series A, due 2004	50,000	50,000
8.25% Series B, due 2024	100,000	100,000
6.55% Series C, due 2005	50,000	50,000
7.20% Series D, due 2025	100,000	100,000
6.15% Series E, due 2005	100,000	100,000
6.30% Series F, due 2008	240,000	240,000
6.875% Series G, due 2028	425,000	425,000
8.375% Series H, due 2010	500,000	500,000
7.75% Series I, remarketable 2002	400,000	400,000
9.38% notes, due through 2003	7,975	12,000
6.86%** Employee Stock Ownership		
Plan commitment, due in installments through 2004	2,500	3,500
Net unamortized premium and discounts	11,036	12,012
Other	175	201
Total CenturyTel	2,485,811	2,543,338
Subsidiaries		
First mortgage debt		
5.91%** notes, payable to agencies of the U. S. government and cooperative lending associations, due in installments through 2025	265,240	278,079
7.98% notes, due through 2002	5,419	5,582
Other debt		
7.03%** unsecured medium-term notes, due through 2008	271,135	333,158
6.88%** notes, due in installments through 2020	6,725	23,365
6.50% note	-	3,300
7.51%** capital lease obligations, due through 2008	9,004	13,432
Total subsidiaries	557,523	656,916
Total long-term debt	3,043,334	3,200,254
Less current maturities	955,834	149,962
Long-term debt, excluding current maturities	\$ 2,087,500	3,050,292

*variable interest rate at December 31, 2001 ** weighted average interest rate at December 31, 2001

The approximate annual debt maturities for the five years subsequent to December 31, 2001 are as follows: 2002 - \$955.8 million (assuming the Company's Series I notes are redeemed by the Company in 2002); 2003 - \$69.5 million; 2004 - \$72.0 million; 2005 - \$246.0 million; and 2006 - \$114.4 million.

Certain of the loan agreements of CenturyTel and its subsidiaries contain various restrictions, among which are limitations regarding issuance of additional debt, payment of cash dividends, reacquisition of capital stock and other matters. In addition, the transfer of funds from certain consolidated subsidiaries to CenturyTel is restricted by various loan agreements. Subsidiaries which have loans from government agencies and cooperative lending associations, or have issued first mortgage bonds, generally may not loan or advance any funds to CenturyTel, but may pay dividends if certain financial ratios are met. At December 31, 2001, restricted net assets of subsidiaries were \$588.4 million and subsidiaries' retained earnings in excess of amounts restricted by debt covenants totaled \$1.8 billion. At December 31, 2001, all of the consolidated retained earnings reflected on the balance sheet was available under CenturyTel's loan agreements for the declaration of dividends.

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

During 2000, the Company borrowed \$1.157 billion on a floating-rate basis under its 364-day, \$1.5 billion credit facility with Bank of America, N.A. and Citibank, N.A., and borrowed \$300 million on a floating-rate basis under its 1997 \$300 million credit facility with Bank of America, N.A. The proceeds were utilized to finance a substantial portion of the Verizon acquisition on a short-term basis. See Note 2 for additional information.

On October 19, 2000, the Company issued \$500 million of 8.375% Senior Notes, Series H, due 2010, and \$400 million of 7.75% Remarketable Senior Notes, Series I, due 2012 (with a remarketing date of October 15, 2002) under its \$2.0 billion shelf registration statement filed in May 2000. The Series I notes will bear interest at the rate of 7.75% per year through October 15, 2002 (which is the first remarketing date), and then

at a fixed or floating rate. On the remarketing date, the Series I notes will be purchased and remarketed by the Company's remarketing dealer or mandatorily redeemed by the Company. The net proceeds from the sale of the Series H and I notes of approximately \$908 million (including the payment made to the Company for the remarketing option granted to the remarketing dealer, but excluding the Company's payments associated with related interest rate hedging) were used to repay a portion of the \$1.457 billion of aggregate indebtedness the Company incurred under its credit facilities in connection with the Verizon acquisition.

Subsequent to the issuance of permanent financing, the committed amount under the Company's 364-day, \$1.5 billion credit facility was reduced to \$500 million in accordance with its terms. The Company also has outstanding indebtedness under other short-term revolving credit facilities and through its commercial paper program. The total amount outstanding under these short-term facilities aggregated \$53.0 million at December 31, 2001 and \$276.0 million at December 31, 2000. The weighted average interest rate of the Company's short-term debt was 2.6% and 7.3% at December 31, 2001 and 2000, respectively.

As of December 31, 2001, the Company had outstanding an interest rate swap relating to \$191.1 million of its floating rate debt designed to eliminate the variability of cash flows in the payment of interest related to such debt. Under this swap, which expires in August 2002, the Company realizes a fixed effective rate of 4.845% and receives or makes settlement payments based upon the 3-month London InterBank Offered Rate, with settlement and rate reset dates at three-month intervals through the expiration date.

At December 31, 2001, the Company had available \$470.1 million of undrawn committed bank lines of credit and the Company's telephone subsidiaries had available for use \$123.0 million of commitments for long-term financing from the Rural Utilities Service and Rural Telephone Bank.

(7) DEFERRED CREDITS AND OTHER LIABILITIES

Deferred credits and other liabilities at December 31, 2001 and 2000 were composed of the following:

December 31,	2001	2000

(Dollars in thousands)		
Deferred federal and state income taxes	\$ 345,772	298,451
Accrued postretirement benefit costs	128,419	118,614
Minority interest	66,747	88,295
Regulatory liability - income taxes	5,657	8,528
Deferred investment tax credits	530	1,053
Other	52,723	52,608

	\$ 599,848	567,549
=====		

(8) STOCKHOLDERS' EQUITY

Common stock - Unissued shares of CenturyTel common stock were reserved as follows:

December 31,	2001

(In thousands)	
Incentive compensation programs	8,388
Acquisitions	4,572
Employee stock purchase plan	4,956
Dividend reinvestment plan	557
Conversion of convertible preferred stock	435
Other employee benefit plans	2,218

	21,126
=====	

Under CenturyTel's Articles of Incorporation each share of common stock beneficially owned continuously by the same person since May 30, 1987 generally entitles the holder thereof to ten votes per share. All other shares entitle the holder to one vote per share. At December 31, 2001, the holders of 10.1 million shares of common stock were entitled to ten votes per share.

Preferred stock - As of December 31, 2001, CenturyTel had 2.0 million shares of authorized convertible preferred stock, \$25 par value per share. At December 31, 2001 and 2000, there were 319,000 shares of outstanding preferred stock. Holders of outstanding CenturyTel preferred stock are entitled to receive cumulative dividends, receive preferential distributions equal to \$25 per share plus unpaid dividends upon CenturyTel's liquidation and vote as a single class with the holders of common stock.

Shareholders' Rights Plan - In 1996 the Board of Directors declared a dividend of one preference share purchase right for each common share outstanding. Such rights become exercisable if and when a potential acquiror takes certain steps to acquire 15% or more of CenturyTel's common stock. Upon the occurrence of such an acquisition, each right held by shareholders other than the acquiror may be exercised to receive

that number of shares of common stock or other securities of CenturyTel (or, in certain situations, the acquiring company) which at the time of such transaction will have a market value of two times the exercise price of the right.

(9) POSTRETIREMENT BENEFITS

The Company sponsors health care plans that provide postretirement benefits to all qualified retired employees.

The following is a reconciliation of the beginning and ending balances for the benefit obligation and the plan assets.

December 31,	2001	2000	1999
(Dollars in thousands)			
Change in benefit obligation			
Benefit obligation at beginning of year	\$ 165,266	156,724	172,323
Service cost	6,373	4,727	4,850
Interest cost	14,512	10,907	10,089
Plan amendments	-	-	(2,492)
Participant contributions	548	677	419
Actuarial (gain) loss	40,005	957	(23,855)
Benefits paid	(10,832)	(8,726)	(4,610)
Benefit obligation at end of year	\$ 215,872	165,266	156,724
Change in plan assets (primarily listed stocks and bonds)			
Fair value of plan assets at beginning of year	\$ 39,873	41,781	35,799
Return on assets	(1,379)	(270)	2,961
Employer contributions	8,345	6,411	7,212
Participant contributions	548	677	419
Benefits paid	(10,832)	(8,726)	(4,610)
Fair value of plan assets at end of year	\$ 36,555	39,873	41,781

Net periodic postretirement benefit cost for 2001, 2000 and 1999 included the following components:

Year ended December 31,	2001	2000	1999
(Dollars in thousands)			
Service cost	\$ 6,373	4,727	4,850
Interest cost	14,512	10,907	10,089
Expected return on plan assets	(3,987)	(4,178)	(3,580)
Amortization of unrecognized actuarial loss	1,337	26	54
Amortization of unrecognized prior service cost	(129)	(129)	(129)
Net periodic postretirement benefit cost	\$ 18,106	11,353	11,284

The following table sets forth the amounts recognized as liabilities for postretirement benefits at December 31, 2001, 2000 and 1999.

December 31,	2001	2000	1999
(Dollars in thousands)			
Benefit obligation	\$ (215,872)	(165,266)	(156,724)
Fair value of plan assets	36,555	39,873	41,781
Unamortized prior service cost	(1,046)	(1,175)	(1,303)
Unrecognized net actuarial loss	49,655	6,109	707
Accrued benefit cost	\$ (130,708)	(120,459)	(115,539)

Assumptions used in accounting for postretirement benefits as of December 31, 2001 and 2000 were:

	2001	2000
Weighted average assumptions		
Discount rate	7.0%	7.25
Expected return on plan assets	10.0%	10.0

For measurement purposes, a 6.5% annual rate in the per capita cost of covered health care benefits was assumed for 2002 and beyond. A one-percentage-point change in assumed health care cost rates would have the following effects:

	1-Percentage Point Increase	1-Percentage Point Decrease
	(Dollars in thousands)	
Effect on total of service and interest cost components	\$ 1,455	(1,459)
Effect on postretirement benefit obligation	\$ 11,117	(10,393)

(10) RETIREMENT AND SAVINGS PLANS

CenturyTel and certain subsidiaries sponsor defined benefit pension plans for substantially all employees. CenturyTel also sponsors an Outside Directors' Retirement Plan and a Supplemental Executive Retirement Plan to provide directors and officers, respectively, with supplemental retirement, death and disability benefits.

The following is a reconciliation of the beginning and ending balances for the aggregate benefit obligation and the plan assets for the Company's retirement and savings plans.

December 31,	2001	2000	1999
(Dollars in thousands)			
Change in benefit obligation			
Benefit obligation at beginning of year	\$ 249,835	205,455	217,747
Service cost	7,760	5,928	5,226
Interest cost	17,829	15,381	13,817
Plan amendments	1,205	3,387	-
Acquisition	-	35,824	-
Actuarial (gain) loss	9,065	(3,726)	(19,844)
Benefits paid	(14,204)	(12,414)	(11,491)
Benefit obligation at end of year	\$ 271,490	249,835	205,455
Change in plan assets (primarily listed stocks and bonds)			
Fair value of plan assets at beginning of year	\$ 329,459	319,901	278,678
Return on plan assets	(33,184)	(14,991)	52,183
Employer contributions	1,377	572	531
Acquisition	-	36,391	-
Benefits paid	(14,204)	(12,414)	(11,491)
Fair value of plan assets at end of year	\$ 283,448	329,459	319,901

Net periodic pension benefit for 2001, 2000 and 1999 included the following components:

Year ended December 31,	2001	2000	1999
(Dollars in thousands)			
Service cost	\$ 7,760	5,928	5,226
Interest cost	17,829	15,381	13,817
Expected return on plan assets	(31,901)	(31,586)	(26,824)
Recognized net gains	(2,325)	(7,107)	(3,176)
Net amortization and deferral	301	(602)	(235)
Net periodic pension benefit	\$ (8,336)	(17,986)	(11,192)

The following table sets forth the combined plans' funded status and amounts recognized in the Company's consolidated balance sheet at December 31, 2001, 2000 and 1999.

December 31,	2001	2000	1999
(Dollars in thousands)			
Benefit obligation	\$ (271,490)	(249,835)	(205,455)
Fair value of plan assets	283,448	329,459	319,901
Unrecognized transition asset	(1,404)	(1,648)	(1,892)
Unamortized prior service cost	5,017	4,126	1,031
Unrecognized net actuarial (gain) loss	26,782	(49,336)	(100,052)
Prepaid benefit cost	\$ 42,353	32,766	13,533

Assumptions used in accounting for the pension plans as of December 2001 and 2000 were:

	2001	2000
Discount rates	7.0%	7.25
Expected long-term rate of return on assets	8.0-10.0%	8.0-10.0

CenturyTel sponsors an Employee Stock Ownership Plan ("ESOP") which covers most employees with one year of service with the Company and is funded by Company contributions determined annually by the Board of Directors. The Company's expense related to the ESOP during 2001, 2000 and 1999 was \$7.5 million, \$9.5 million, and \$9.6 million, respectively. At December 31, 2001, the ESOP owned an aggregate of 8.2 million shares of CenturyTel common stock.

CenturyTel and certain subsidiaries also sponsor qualified profit sharing plans pursuant to Section 401(k) of the Internal Revenue Code (the "401(k) Plans") which are available to substantially all employees of the Company. The Company's matching contributions to the 401(k) Plans were \$6.6 million in 2001, \$6.1 million in 2000 and \$6.1 million in 1999.

(11) INCOME TAXES

The tax effects of temporary differences that gave rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2001 and 2000 were as follows:

December 31,	2001	2000

	(Dollars in thousands)	
Deferred tax assets		
Postretirement benefit costs	\$ 31,766	30,834
Regulatory support	12,163	13,504
Net operating loss carryforwards	21,991	8,302
Regulatory liability	2,175	3,191
Long-term debt	6,606	7,765
Other employee benefits	8,452	7,335
Other	10,291	11,055

Gross deferred tax assets	93,444	81,986
Less valuation allowance	(21,991)	(8,302)

Net deferred tax assets	71,453	73,684

Deferred tax liabilities		
Property, plant and equipment, primarily due to depreciation differences	(170,225)	(122,459)
Excess cost of net assets acquired	(234,591)	(216,368)
Deferred debt costs	(2,582)	(2,764)
Customer base	(3,617)	(5,742)
Marketable equity securities	-	(13,715)
Intercompany profits	(3,283)	(3,283)
Other	(2,927)	(7,804)

Gross deferred tax liabilities	(417,225)	(372,135)

Net deferred tax liability	\$ (345,772)	(298,451)
=====		

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

Year ended December 31,	2001	2000	1999
(Percentage of pre-tax income)			
Statutory federal income tax rate	35.0%	35.0	35.0
State income taxes, net of federal income tax benefit	1.3	2.8	2.5
Amortization of nondeductible excess cost of net assets acquired	2.0	2.9	2.7
Basis difference of assets sold	-	.3	3.9
Amortization of investment tax credits	(.1)	(.2)	(.4)
Amortization of regulatory liability	(.3)	(.4)	(.4)
Other, net	.1	(.3)	.8
Effective income tax rate	38.0%	40.1	44.1

Income tax expense included in the Consolidated Statements of Income for the years ended December 31, 2001, 2000 and 1999 was as follows:

Year ended December 31,	2001	2000	1999
(Dollars in thousands)			
Federal			
Current	\$ 137,138	98,271	184,872
Deferred	61,455	39,651	(11,600)
State			
Current	16,242	14,620	21,770
Deferred	(4,810)	2,169	(5,539)
	\$ 210,025	154,711	189,503

Income tax expense was allocated as follows:

Year ended December 31,	2001	2000	1999
(Dollars in thousands)			
Net tax expense in the consolidated statements of income	\$ 210,025	154,711	189,503
Stockholders' equity			
Compensation expense for tax purposes			
in excess of amounts recognized for			
financial reporting purposes	(1,051)	(2,702)	(16,836)
Tax effect of the change in unrealized holding			
gain on investments	(13,715)	(20,941)	30,771
	\$ 195,259	131,068	203,438

(12) SALE OF ASSETS

In the second quarter of 2001, the Company recorded a pre-tax gain of approximately \$185.1 million (\$117.7 million after-tax; \$.83 per diluted share) due to the sale of 30 PCS licenses to Leap Wireless International, Inc. ("Leap"). In conjunction with the sale of the licenses to Leap, the Company also recorded a pre-tax charge of \$18.2 million (\$11.6 million after-tax; \$.08 per share) due to the write down in the value of certain non-operating assets.

In the third quarter of 2001, the Company recorded a pre-tax gain on the sale of its remaining common shares of Illuminet Holdings, Inc. aggregating \$54.6 million (\$35.5 million after-tax; \$.25 per diluted share). The Company also recorded a pre-tax gain of \$4.0 million (\$2.6 million after-tax; \$.02 per diluted share) on the sale of certain other assets.

In the first quarter of 2000 the Company recorded a pre-tax gain aggregating \$9.9 million (\$5.2 million after tax) due to the sale of its remaining Alaska cellular operations.

In the third quarter of 2000 the Company recorded a pre-tax gain aggregating \$10.7 million (\$6.4 million after tax) due to the sale of its minority interest in a non-strategic cellular partnership.

In the first quarter of 1999 the Company recorded a pre-tax gain aggregating \$10.4 million (\$6.7 million after tax) due to the sale of its remaining common shares of MCIWorldCom, Inc.

In May 1999, the Company sold substantially all of its Alaska-based operations that were acquired in the acquisition of Pacific Telecom, Inc.

on December 1, 1997. The Company received approximately \$300 million in after-tax cash as a result of the transaction. In accordance with purchase accounting, no gain or loss was recorded upon the disposition of these properties.

In June 1999, the Company sold the assets of its cellular operations in Brownsville and McAllen, Texas for approximately \$96 million cash. In connection therewith, the Company recorded a pre-tax gain of approximately \$39.6 million, and an after-tax loss of approximately \$7.8 million.

In the fourth quarter of 1999 the Company recorded a pre-tax gain aggregating \$11.6 million (\$7.6 million after tax) due to the sale of its Telephone and Data Systems, Inc. common stock.

(13) EARNINGS PER SHARE

The following is a reconciliation of the numerators and denominators of the basic and diluted earnings per share computations:

Year ended December 31,	2001	2000	1999
(Dollars, except per share amounts, and shares in thousands)			
Income (Numerator):			
Net income	\$ 343,031	231,474	239,769
Dividends applicable to preferred stock	(399)	(399)	(403)
Net income applicable to common stock for computing basic earnings per share	342,632	231,075	239,366
Dividends applicable to preferred stock	399	399	403
Interest on convertible securities, net of taxes	-	132	252
Net income as adjusted for purposes of computing diluted earnings per share	\$ 343,031	231,606	240,021
Shares (Denominator):			
Weighted average number of shares outstanding during period	141,021	140,440	139,313
Employee Stock Ownership Plan shares not committed to be released	(278)	(371)	(465)
Weighted average number of shares outstanding during period for computing basic earnings per share	140,743	140,069	138,848
Incremental common shares attributable to dilutive securities:			
Conversion of convertible securities	435	707	981
Shares issuable under outstanding stock options	1,129	1,088	1,603
Number of shares as adjusted for purposes of computing diluted earnings per share	142,307	141,864	141,432
Basic earnings per share	\$ 2.43	1.65	1.72
Diluted earnings per share	\$ 2.41	1.63	1.70

The weighted average number of options to purchase shares of common stock that were excluded from the computation of diluted earnings per share because the exercise price of the option was greater than the average market price of the common stock was 1,346,000 for 2001, 969,000 for 2000 and 20,000 for 1999.

(14) ACCOUNTING FOR THE EFFECTS OF REGULATION

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

The Company's consolidated balance sheet as of December 31, 2001 included regulatory assets of approximately \$769.8 million and regulatory liabilities of approximately \$2.9 million. The \$769.8 million of regulatory assets included amounts related to accumulated depreciation (\$766.3 million), income taxes (\$235,000), deferred costs associated with regulatory proceedings (\$356,000) and deferred financing costs (\$2.9 million). The \$2.9 million of regulatory liabilities was established in connection with the adoption of Statement of Financial Accounting Standards No. 109, "Accounting For Income Taxes." Net deferred income tax liabilities related to the regulatory assets and liabilities quantified above were \$300.2 million.

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

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

temporary differences for property, plant and equipment and accumulated depreciation.

The Company is monitoring the ongoing applicability of SFAS 71 to its regulated telephone operations due to the changing regulatory, competitive and legislative environments, and it is possible that changes in regulation, legislation or competition or in the demand for regulated services or products could result in the Company's telephone operations no longer being subject to SFAS 71 in the near future. When the regulated operations of the Company no longer qualify for the application of SFAS 71, the net adjustments required may result in a material, noncash charge against earnings which would be reported as an extraordinary item. For regulatory purposes, the accounting and reporting of the Company's telephone subsidiaries will not be affected by the discontinued application of SFAS 71.

The properties to be acquired from Verizon in 2002 are not expected to be accounted for under the provisions of SFAS 71.

(15) STOCK OPTION PROGRAM

CenturyTel has a 2000 incentive compensation program which allows the Board of Directors, through the Compensation Committee, to grant incentives to certain employees in any one or a combination of several forms, including incentive and non-qualified stock options; stock appreciation rights; restricted stock; and performance shares. As of December 31, 2001, CenturyTel had reserved 8.4 million shares of common stock which may be issued under CenturyTel's current incentive compensation program.

Under the Company's programs, options have been granted to employees at a price either equal to or exceeding the then-current market price. All of the options expire ten years after the date of grant and the vesting period ranges from immediate to three years.

During 2001 the Company granted 1,971,750 options (the "2001 Options") at market price. The weighted average fair value of each of the 2001 Options was estimated as of the date of grant to be \$11.16 using an option-pricing model with the following assumptions: dividend yield - .6%; expected volatility - 30%; risk-free interest rate - 4.8%; and expected option life - seven years.

During 2000 the Company granted 1,565,750 options (the "2000 Options") at market price. The weighted average fair value of each of the 2000 Options was estimated as of the date of grant to be \$12.46 using an option-pricing model with the following assumptions: dividend yield - .5%; expected volatility - 25%; risk-free interest rate - 5.3%; and expected option life - seven years.

During 1999 the Company granted 83,743 options (the "1999 Options") at market price. The weighted average fair value of each of the 1999 Options was estimated as of the date of grant to be \$15.90 using an option-pricing model with the following assumptions: dividend yield - .4%; expected volatility - 20%; risk-free interest rate - 6.6%; and expected option life - seven years.

Stock option transactions during 2001, 2000 and 1999 were as follows:

	Number of options	Average price
-----	-----	-----
Outstanding December 31, 1998	4,780,613	\$ 13.35
Exercised	(1,369,459)	10.90
Granted	83,743	40.88
Forfeited	(9,055)	37.07
-----	-----	-----
Outstanding December 31, 1999	3,485,842	14.92
Exercised	(369,308)	12.46
Granted	1,565,750	33.00
Forfeited	(1,125)	13.33
-----	-----	-----
Outstanding December 31, 2000	4,681,159	21.16
Exercised	(149,806)	15.91
Granted	1,971,750	28.14
Forfeited	(135,583)	18.42
-----	-----	-----
Outstanding December 31, 2001	6,367,520	23.51
=====	=====	=====
Exercisable December 31, 2000	3,113,496	15.21
=====	=====	=====
Exercisable December 31, 2001	3,342,216	17.81
=====	=====	=====

The following tables summarize certain information about CenturyTel's stock options at December 31, 2001.

Options outstanding			

Range of exercise prices	Weighted average Number of options	remaining contractual life outstanding	Weighted average exercise price

\$ 11.67-12.30	760,966	1.7	\$ 12.29
13.33-17.64	1,934,420	4.2	14.95
24.50-26.31	381,650	7.8	25.29
26.98-31.54	1,932,136	8.6	28.15
31.75-38.50	1,313,517	9.3	34.62
39.00-46.19	44,831	7.4	42.51

11.67-46.19	6,367,520	7.8	23.51
	=====		
Options exercisable			

Range of exercise prices	Number of options exercisable		Weighted average exercise price

\$ 11.67-12.30	760,966		\$ 12.29
13.33-17.64	1,934,420		14.95
24.50-26.31	120,824		25.21
26.98-31.54	62,953		28.84
31.75-38.50	418,222		34.62
39.00-46.19	44,831		42.51

11.67-46.19	3,342,216		17.81
	=====		

The Company applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," in accounting for its program. Accordingly, the Company has not recognized compensation cost in connection with issuing stock options. If compensation cost for CenturyTel's options had been determined consistent with Statement of Financial Accounting Standards No. 123 "Accounting for Stock-Based Compensation", the Company's net income and earnings per share on a pro forma basis for 2001, 2000 and 1999 would have been as follows:

Year ended December 31,	2001	2000	1999

	(Dollars in thousands, except per share amounts)		
Net income			
As reported	\$ 343,031	231,474	239,769
Pro forma	\$ 334,060	225,164	239,033
Basic earnings per share			
As reported	\$ 2.43	1.65	1.72

Pro forma	\$	2.37	1.60	1.72
Diluted earnings per share				
As reported	\$	2.41	1.63	1.70
Pro forma	\$	2.35	1.59	1.69

(16) SUPPLEMENTAL CASH FLOW DISCLOSURES

The Company paid interest, net of amounts capitalized of \$3.5 million, \$4.5 million and \$2.0 million during 2001, 2000 and 1999, respectively, of \$224.7 million, \$164.0 million and \$148.3 million during 2001, 2000 and 1999, respectively. Income taxes paid were \$128.3 million in 2001, \$142.3 million in 2000 and \$270.9 million in 1999.

CenturyTel has consummated the acquisitions of various telephone and wireless operations, along with certain other assets, during the three years ended December 31, 2001. In connection with these acquisitions, the following assets were acquired and liabilities assumed:

Year ended December 31,	2001	2000	1999

	(Dollars in thousands)		
Property, plant and equipment, net	\$ -	607,415	830
Excess cost of net assets acquired	33,183	917,468	20,194
Other investments	-	7,145	-
Long-term debt	-	(378)	-
Deferred credits and other liabilities	13,948	(44,465)	-
Other assets and liabilities, excluding cash and cash equivalents	-	53,671	(52)

Decrease in cash due to acquisitions	\$ 47,131	1,540,856	20,972
=====			

CenturyTel has disposed of various telephone and wireless operations, along with certain other assets, during the three years ended December 31, 2001. In connection with these dispositions, the following assets were sold, liabilities eliminated, assets received and gain recognized:

Year ended December 31,	2001	2000	1999
(Dollars in thousands)			
Property, plant and equipment, net	\$ (20,653)	(4,062)	(165,286)
Excess cost of net assets acquired, net	-	(4,071)	(296,605)
Marketable equity securities	(3,614)	-	(18,363)
Other assets and liabilities, excluding cash and cash equivalents	51,593	(769)	58,595
Gain on sale of assets	(199,971)	(20,593)	(62,808)
Increase in cash due to dispositions	\$ (172,645)	(29,495)	(484,467)

In connection with the sale of PCS licenses to Leap in the second quarter of 2001, the Company received approximately \$86.5 million in the form of a promissory note. Such note was subsequently collected in installments through the fourth quarter of 2001.

(17) FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table presents the carrying amounts and estimated fair values of certain of the Company's financial instruments at December 31, 2001 and 2000.

	Carrying Amount	Fair value	
(Dollars in thousands)			
December 31, 2001			
Financial assets	\$ 30,248	30,248	(3)
Financial liabilities			
Long-term debt (including current maturities)	\$ 3,043,334	3,040,242	(2)
Other	\$ 39,714	39,714	(3)
December 31, 2000			
Financial assets			
Investments			
Marketable equity securities	\$ 42,801	42,801	(1)
Other	\$ 36,514	36,514	(3)
Financial liabilities			
Long-term debt (including current maturities)	\$ 3,200,254	3,107,899	(2)
Other	\$ 40,879	40,879	(3)

(1) Fair value was based on quoted market prices.

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

(3) Fair value was estimated by the Company to approximate carrying value.

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

(18) BUSINESS SEGMENTS

The Company has two reportable segments: telephone and wireless. The Company's reportable segments are strategic business units that offer different products and services. The operating income of these segments is reviewed by the chief operating decision maker to assess performance and make business decisions. Other operations include, but are not limited to, the Company's non-regulated long distance operations, Internet operations, competitive local exchange carrier operations, fiber network business and security monitoring operations. In August 2001, the Company announced that it is exploring the potential separation of its wireless business from its other operations.

The Company's telephone operations are conducted in rural, suburban and small urban communities in 21 states. Approximately 87% of the Company's telephone access lines are in Wisconsin, Arkansas, Washington, Missouri, Michigan, Louisiana, Colorado, Ohio and Oregon. The Company's wireless customers are located in Michigan, Louisiana, Wisconsin, Mississippi, Texas, and Arkansas.

Operating	Depreciation and	Operating
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	revenues	amortization	income
<hr/>			
	(Dollars in thousands)		
Year ended December 31, 2001			
Telephone	\$ 1,505,733	398,284	423,420
Wireless	437,965	66,346	112,401
Other operations	173,771	8,754	22,098
<hr/>			
Total	\$ 2,117,469	473,384	557,919

Year ended December 31, 2000			
Telephone	\$ 1,253,969	317,906	376,290
Wireless	443,569	65,239	117,865
Other operations	148,388	4,911	31,258
Total	\$ 1,845,926	388,056	525,413

Year ended December 31, 1999			
Telephone	\$ 1,126,112	273,666	351,559
Wireless	422,269	68,593	133,930
Other operations	128,288	6,557	22,580
Total	\$ 1,676,669	348,816	508,069

Year ended December 31,	2001	2000	1999
	(Dollars in thousands)		
Operating income	\$ 557,919	525,413	508,069
Nonrecurring gains and losses, net	199,971	20,593	62,808
Interest expense	(225,523)	(183,302)	(150,557)
Income from unconsolidated cellular entities	27,460	26,986	27,675
Minority interest	(11,812)	(10,201)	(27,913)
Other income and expense	5,041	6,696	9,190
Income before income tax expense	\$ 553,056	386,185	429,272

Year ended December 31,	2001	2000	1999
	(Dollars in thousands)		
Capital expenditures			
Telephone	\$ 351,010	275,523	233,512
Wireless	71,212	58,468	58,760
Other operations	84,505	115,546	97,708
Total	\$ 506,727	449,537	389,980

December 31,	2001	2000	1999
	(Dollars in thousands)		
Total assets			
Telephone	\$ 4,629,224	4,741,284	3,207,690
Wireless	877,222	930,406	1,023,936
Other operations	812,238	721,600	473,781
Total assets	\$ 6,318,684	6,393,290	4,705,407

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

(19) COMMITMENTS AND CONTINGENCIES

Construction expenditures and investments in vehicles, buildings and equipment during 2002 are estimated to be \$315 million for telephone operations, \$65 million for wireless operations and \$45 million for other operations.

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.

(20) PENDING ACQUISITIONS

In October 2001, the Company entered into definitive asset purchase agreements to purchase from affiliates of Verizon telephone access lines (which numbered approximately 676,000 at December 31, 2001) and related local exchange assets in Missouri and Alabama for approximately \$2.159 billion in cash, subject to adjustments which are not expected to be material in the aggregate. Under each definitive agreement, the Company has agreed to pay Verizon 10% of the transaction consideration if the purchase is not consummated under specified conditions, including the Company's incapacity to finance the transaction. These transactions are anticipated to close in the second half of 2002, subject to regulatory approvals and certain other closing conditions. The Company's financing plans are not yet complete and will be dependent upon the Company's review of its alternatives and market conditions.

CENTURYTEL, INC. Consolidated Quarterly Income Statement Information (Unaudited)

	First quarter	Second quarter	Third quarter	Fourth quarter
<hr/>				
2001	(Dollars in thousands, except per share amounts) (unaudited)			
<hr/>				
Operating revenues	\$ 516,008	518,936	539,377	543,148
Operating income	\$ 134,208	135,205	143,811	144,695
Net income	\$ 46,722	154,241	92,305	49,763
Basic earnings per share	\$.33	1.10	.66	.35
Diluted earnings per share	\$.33	1.09	.65	.35
<hr/>				
2000				
<hr/>				
Operating revenues	\$ 412,956	423,156	482,634	527,180
Operating income	\$ 111,422	124,892	147,059	142,040
Net income	\$ 49,284	57,845	67,224	57,121
Basic earnings per share	\$.35	.41	.48	.41
Diluted earnings per share	\$.35	.41	.47	.40
<hr/>				

Diluted earnings per share for the second and third quarters of 2001 included \$.75 and \$.27 per share, respectively, of net gains on sales of assets. See Note 12 for additional information.

Diluted earnings per share for the first and third quarters of 2000 included \$.04 and \$.05 per share, respectively, of gain on sale of assets. See Note 12 for additional information. On July 31, 2000 and September 29, 2000, affiliates of the Company acquired over 490,000 telephone access lines and related assets from Verizon. See Note 2 for additional information.

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

None.

PART III

Item 10. Directors and Executive Officers of the Registrant.

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

Name	Age	Office(s) held with CenturyTel
Clarke M. Williams	80	Chairman of the Board of Directors
Glen F. Post, III	49	Vice Chairman of the Board of Directors, President and Chief Executive Officer
Karen A. Puckett	41	Executive Vice President and Chief Operating Officer
R. Stewart Ewing, Jr.	50	Executive Vice President and Chief Financial Officer
Harvey P. Perry	57	Executive Vice President, Chief Administrative Officer, General Counsel and Secretary
David D. Cole	44	Senior Vice President - Operations Support
Michael Maslowski	54	Senior Vice President and Chief Information Officer

Each of the Registrant's executive officers, except for Ms. Puckett and Mr. Maslowski, has served as an officer of the Registrant and one or more of its subsidiaries in varying capacities for more than the past five years. Mr. Cole has served as Senior Vice President - Operations Support since November 1998 and as President - Wireless Group from October 1996 to October 1998. Mr. Maslowski has served as Senior Vice President and Chief Information Officer since March 1999 and as Senior Information Systems Executive for Lucent Technologies and for a joint venture between Lucent Technologies and Phillips Consumer Communications from 1996 to early 1999. Ms. Puckett has served as Executive Vice President and Chief Operating Officer since July 2000, as Sales and Marketing Senior Officer of BroadStream Communications from July 1999 through July 2000 and as Texas Region President for GTE Wireless from 1996 to mid-1999.

Commco Technology LLC (formerly BroadStream Communications) filed for bankruptcy on December 18, 2000 in the United States Bankruptcy Court, District of Connecticut (Bridgeport). Ms. Puckett was an officer and employee of BroadStream Communications from July 1999 through July 2000.

The balance of the information required by Item 10 is incorporated by reference to the Registrant's definitive proxy statement relating to its 2002 annual meeting of stockholders (the "Proxy Statement"), which Proxy Statement will be filed pursuant to Regulation 14A within 120 days after the end of the last fiscal year.

Item 11. Executive Compensation.

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

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

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

Item 13. Certain Relationships and Related Transactions.

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

PART IV

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

a. Financial Statements

(i) Consolidated Financial Statements:

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

Consolidated Statements of Income for the years ended December 31, 2001, 2000 and 1999

Consolidated Statements of Comprehensive Income for the years ended December 31, 2001, 2000 and 1999

Consolidated Balance Sheets - December 31, 2001 and 2000

Consolidated Statements of Cash Flows for the years
ended December 31, 2001, 2000 and 1999

Consolidated Statements of Stockholders' Equity for the
years ended December 31, 2001, 2000 and 1999

Notes to Consolidated Financial Statements

Consolidated Quarterly Income Statement Information (unaudited)

(ii) Schedules:*

I Condensed Financial Information of Registrant

II Valuation and Qualifying Accounts

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

b. Reports on Form 8-K.

The following items were reported in a Form 8-K filed October 25, 2001:

Item 5. Other events - (i) News release announcing the pending acquisition of 675,000 access lines from Verizon and
(ii) news release announcing third quarter earnings expectations.

The following item was reported in a Form 8-K filed November 2, 2001:

Item 5. Other events - News release announcing third quarter results of operations and fourth quarter 2001 earnings expectations.

The following item was reported in a Form 8-K filed December 10, 2001:

Item 5. Other events - To correct inaccurate press reports about CenturyTel's reference to its guidance at the Lehman Brothers Telecom Conference.

c. Exhibits:

- 3(i) Amended and Restated Articles of Incorporation of Registrant, dated as of May 6, 1999, (incorporated by reference to Exhibit 3(i) to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999).
- 3(ii) Registrant's Bylaws, as amended through November 18, 1999 (incorporated by reference to Exhibit 3(ii) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1999).
- 4.1 Note Purchase Agreement, dated September 1, 1989, between Registrant, Teachers Insurance and Annuity Association of America and the Lincoln National Life Insurance Company (incorporated by reference to Exhibit 4.23 to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1989).
- 4.2 Rights Agreement, dated as of August 27, 1996, between Registrant and Society National Bank, as Rights Agent, including the form of Rights Certificate (incorporated by reference to Exhibit 1 of Registrant's Current Report on Form 8-K filed August 30, 1996) and Amendment No.1 thereto, dated May 25, 1999 (incorporated by reference to Exhibit 4.2(ii) to Registrant's Report on Form 8-K dated May 25, 1999) and Amendment No. 2 thereto, dated and effective as of June 30, 2000, by and between the Registrant and Computershare Investor Services, LLC, as rights agent (incorporated by reference to Exhibit 4.1 of Registrant's Quarterly report on 10-Q for the quarter ended September 30, 2000).
- 4.3 Form of common stock certificate of the Registrant (incorporated by reference to Exhibit 4.3 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2000).
- 4.4 Instruments relating to the Company's public senior debt
 - (a) Indenture dated as of March 31, 1994 between the Company and Regions Bank (formerly First American Bank & Trust of Louisiana), as Trustee (incorporated by reference to Exhibit 4.1 of the Company's Registration Statement on Form S-3, Registration No. 33-52915).
 - (b) Resolutions designating the terms and conditions of the Company's 7-3/4% Senior Notes, Series A, due 2004 and 8-1/4% Senior Notes, Series B, due 2024 (incorporated by reference to Exhibit 4.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1994).
 - (c) Resolutions designating the terms and conditions of the Company's 6.55% Senior Notes, Series C, due 2005 and 7.2% Senior Notes, Series D, due 2025 (incorporated by reference to Exhibit 4.27 to Registrant's Annual Report on Form 10-K for the year ended December 31, 1995).
 - (d) Resolutions designating the terms and

conditions of the Company's 6.15% Senior Notes, Series E, due 2005; 6.30% Senior Notes, Series F, due 2008; and 6.875% Debentures, Series G, due 2028, (incorporated by reference to Exhibit 4.9 to Registrant's Annual Report on Form 10-K for the year ended December 31, 1997).

- (e) Form of Registrant's 8.375% Senior Notes, Series H, Due 2010, issued October 19, 2000 (incorporated by reference to Exhibit 4.2 of Registrant's Quarterly Report on Form 10-Q for the Quarter ended September 30, 2000).
- (f) Form of the Registrant's 7.750% Remarketable Senior Notes, Series I, due 2012, issued October 19, 2000 (the "Remarketable Notes") (incorporated by reference to Exhibit 4.3 of Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000).
- (g) Remarketing Agreement, dated as of October 19, 2000, between the Registrant and Banc of America Securities LLC, as remarketing agent for the Remarketable Notes (incorporated by reference to Exhibit 4.4 of Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000).

4.5 Competitive Advance and Revolving Credit Facility Agreement, dated as of August 28, 1997, among Registrant, the lenders named therein, and NationsBank of Texas, N.A. (incorporated by reference to Exhibit 4.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1997).

4.6 Revolving Credit Facility Agreement, dated July 31, 2001, among Registrant, Bank of America, N.A., Citibank, N.A., Banc of America Securities LLC and Salomon Smith Barney, Inc., included elsewhere herein.

4.7 First Supplemental Indenture, dated as of November 2, 1998, to Indenture between CenturyTel of the Northwest, Inc. and The First National Bank of Chicago (incorporated by reference to Exhibit 10.2 to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998).

10.1 Qualified Employee Benefit Plans (excluding several narrow-based qualified plans that cover union employees or other limited groups of Company employees)

- (a) Registrant's Employee Stock Ownership Plan and Trust, as amended and restated September 17, 2001 (incorporated by reference to Exhibit 10(a) to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001).
- (b) Registrant's Dollars & Sense Plan and Trust, as amended and restated, effective January 1, 1998 and amendment thereto dated December 29, 1998 (incorporated by reference to Exhibit 10.1 (c) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1998).
- (c) Registrant's Amended and Restated Retirement Plan, effective as of January 1, 1999 (incorporated by reference to Exhibit 10.1 (z) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1998) and amendment thereto dated April 17, 2000, included elsewhere herein.

- (d) Merger Agreement, dated September 18, 2001, between Registrant and Regions Bank of Louisiana, pursuant to which Registrant's Stock Bonus Plan and PAYSOP were merged into Registrant's Employee Stock Ownership Plan (incorporated by reference to Exhibit 10(b) of Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001).

10.2

Stock-based Incentive Plans

- (a) Registrant's 1983 Restricted Stock Plan, dated February 21, 1984, as amended and restated as of November 16, 1995 (incorporated by reference to Exhibit 10.1(e) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1995) and amendment thereto dated November 21, 1996, (incorporated by reference to Exhibit 10.1(e) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1996), and amendment thereto dated February 25, 1997 (incorporated by reference to Exhibit 10.3 to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997), and amendment thereto dated April 25, 2001 (incorporated by reference to Exhibit 10.1 of Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2001), and amendment thereto dated April 17, 2000, included elsewhere herein.
- (b) Registrant's 1988 Incentive Compensation Program as amended and restated August 22, 1989 (incorporated by reference to Exhibit 19.8 to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1989) and amendment thereto dated November 21, 1996 (incorporated by reference to Exhibit 10.1(g) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1996).
- (c) Registrant's 1990 Incentive Compensation Program, dated March 15, 1990 (incorporated by reference to Exhibit 19.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1990) and amendment thereto dated November 21, 1996 (incorporated by reference to Exhibit 10.1(i) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1996).
- (d) Registrant's 1995 Incentive Compensation Plan approved by Registrant's shareholders on May 11, 1995 (incorporated by reference to Exhibit 4.4 to Registration No. 33-60061) and amendment thereto dated November 21, 1996 (incorporated by Reference to Exhibit 10.1 (l) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1996), and amendment thereto dated February 25, 1997 (incorporated by reference to Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997).
 - (i) Form of Stock Option Agreement, pursuant to 1995 Incentive Compensation Plan and dated as of May 22, 1995, entered into by Registrant and its officers (incorporated by reference to Exhibit 10.5 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1995).
 - (ii) Form of Stock Option Agreement, pursuant to 1995 Incentive Compensation Plan and dated as of June 23, 1995, entered into by Registrant and certain key

employees (incorporated by reference to Exhibit 10.6 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1995).

(iii) Form of Stock Option Agreement, pursuant to 1995 Incentive Compensation Plan and dated as of February 24, 1997, entered into by Registrant and its officers (incorporated by reference to Exhibit 10.4 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997).

(iv) Form of Stock Option Agreement, pursuant to 1995 Incentive Compensation Plan and dated as of February 21, 2000, entered into by Registrant and its officers (incorporated by reference to Exhibit 10.1 (t) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1999).

(v) Form of Amended and Restated Restricted Stock and Performance Share Agreement dated as of March 16, 1998, relating to equity incentive awards granted in 1997 pursuant to Registrant's 1995 Incentive Compensation Plan (incorporated by reference to Exhibit 10.2 to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998).

(vi) Form of Restricted Stock and Performance Share Agreement, dated as of March 16, 1998, relating to equity incentive awards granted in 1998 pursuant to Registrant's 1995 Incentive Compensation Plan (incorporated by reference to Exhibit 10.3 to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998).

(vii) Form of Restricted Stock and Performance Share Agreement, dated as of February 22, 1999, relating to equity incentive awards granted in 1999 pursuant to the Registrant's 1995 Incentive Compensation Plan (incorporated by reference to Exhibit 10.1(x) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1999).

(e) Amended and Restated Registrant's 2000 Incentive Compensation Plan, as amended through May 23, 2000 (incorporated by reference to Exhibit 10.2 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2000).

(i) Form of Stock Option Agreement, pursuant to the 2000 Incentive Compensation Plan and dated as of May 21, 2001, entered into by Registrant and its officers, included elsewhere herein.

10.3

Other Non-Qualified Employee Benefit Plans

(a) Registrant's Key Employee Incentive Compensation Plan, dated January 1, 1984, as amended and restated as of November 16, 1995 (incorporated by reference to Exhibit 10.1(f) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1995) and amendment thereto dated November 21, 1996 (incorporated by reference to Exhibit 10.1 (f) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1996), amendment thereto dated February 25, 1997 (incorporated by reference to Exhibit 10.2 to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997), amendment

thereto dated April 25, 2001 (incorporated by reference to Exhibit 10.2 of Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2001) and amendment thereto dated April 17, 2000, included elsewhere herein.

- (b) Registrant's Restated Supplemental Executive Retirement Plan, dated April 3, 2000 (incorporated by reference to Exhibit 10.1(d) to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2000).
- (c) Registrant's Restated Supplemental Defined Contribution Plan, restated as of July 17, 2001, (incorporated by reference to Exhibit 10.1 of Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2001).
- (d) Registrant's Amended and Restated Supplemental Dollars & Sense Plan, effective as of January 1, 1999 (incorporated by reference to Exhibit 10.1 (g) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1998).
- (e) Registrant's Supplemental Defined Benefit Plan, effective as of January 1, 1999 (incorporated by reference to Exhibit 10.1 (y) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1998), and amendment thereto dated February 28, 2002, included elsewhere herein.
- (f) Registrant's Amended and Restated Salary Continuation (Disability) Plan for Officers, dated November 26, 1991 (incorporated by reference to Exhibit 10.16 of Registrant's Annual Report on Form 10-K for the year ended December 31, 1991).
- (g) Registrant's Restated Outside Directors' Retirement Plan, dated as of November 16, 1995 (incorporated by reference to Exhibit 10.1(t) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1995) and amendment thereto dated April 17, 2000, included elsewhere herein.
- (h) Registrant's Restated Deferred Compensation Plan for Outside Directors, dated as of November 16, 1995 (incorporated by reference to Exhibit 10.1(u) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1995) and amendment thereto dated April 17, 2000, included elsewhere herein.
- (i) Registrant's Chairman/Chief Executive Officer Short-Term Incentive Program (incorporated by reference to Exhibit 10.6 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997).
- (j) Registrant's 2001 Employee Stock Purchase Plan (incorporated by reference to Registrant's 2001 Proxy Statement).

10.4

Employment, Severance and Related Agreements

- (a) Employment Agreement, originally dated May 24, 1993, as amended and restated through February 22, 2000, by and between Clarke M. Williams and Registrant (incorporated by reference to Exhibit 10.1(a) to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2000).
- (b) Agreement, dated December 31, 1994, by and between Jim D. Reppond and Registrant

(incorporated by reference to Exhibit 10.24 to Registrant's Annual Report on Form 10-K for the year ended December 31, 1994).

- (c) Consulting Agreement, dated as of July 2, 1996, by and between Registrant and Jim D. Reppond (incorporated by reference to Exhibit 10 to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1996).
- (d) Change of Control Agreement, dated February 22, 2000 by and between Glen F. Post, III and Registrant (incorporated by reference to Exhibit 10.1(b) to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2000).
- (e) Form of Change of Control Agreement, dated February 22, 2000, by and between Registrant and David D. Cole, R. Stewart Ewing, Michael E. Maslowski and Harvey P. Perry (incorporated by reference exhibit 10.1(c) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2000).
- (f) Form of Change of Control Agreement dated July 24, 2000, by and between the Registrant and Karen A. Puckett (incorporated by reference to Exhibit 10.1(c) of Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2000).

10.5

Other Agreements

- (a) Asset Purchase Agreement, dated as of October 22, 2001, between GTE Midwest Incorporated (d/b/a Verizon Midwest) and CenturyTel of Missouri, LLC (incorporated by reference to Exhibit 2(a) of Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001).
- (b) Asset Purchase Agreement, dated as of October 22, 2001, between Verizon South, Inc., Contel of the South, Inc. (d/b/a Verizon Mid-States) and CenturyTel of Alabama, LLC (incorporated by reference to Exhibit 2(b) of Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001).

21 Subsidiaries of the Registrant, included elsewhere herein.

23 Independent Auditors' Consent, included elsewhere herein.

SIGNATURES

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

CenturyTel, Inc.,

Date: March 14, 2002

By: /s/ Clarke M. Williams

Clarke M. Williams
Chairman of the Board

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

/s/ Clarke M. Williams ----- Clarke M. Williams	Chairman of the Board of Directors	March 14, 2002
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Vice Chairman of the

/s/ Glen F. Post, III ----- Glen F. Post, III	Board of Directors, President, and Chief Executive Officer	March 14, 2002
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/s/ R. Stewart Ewing, Jr. ----- R. Stewart Ewing, Jr.	Executive Vice President and Chief Financial Officer	March 14, 2002
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/s/ Harvey P. Perry ----- Harvey P. Perry	Executive Vice President, Chief Administrative Officer and Director	March 14, 2002
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/s/ Neil A. Sweasy ----- Neil A. Sweasy	Vice President and Controller (Principal Accounting Officer)	March 14, 2002
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/s/ William R. Boles, Jr. ----- William R. Boles, Jr.	Director	March 14, 2002
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/s/ Virginia Boulet ----- Virginia Boulet	Director	March 14, 2002
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/s/ Ernest Butler, Jr. ----- Ernest Butler, Jr.	Director	March 14, 2002
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/s/ Calvin Czeschin ----- Calvin Czeschin	Director	March 14, 2002
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/s/ James B. Gardner ----- James B. Gardner	Director	March 14, 2002
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/s/ W. Bruce Hanks

W. Bruce Hanks

Director

March 14, 2002

/s/ R. L. Hargrove, Jr.

R. L. Hargrove, Jr.

Director

March 14, 2002

/s/ Johnny Hebert

Johnny Hebert

Director

March 14, 2002

/s/ F. Earl Hogan

F. Earl Hogan

Director

March 14, 2002

/s/ C. G. Melville, Jr.

C. G. Melville, Jr.

Director

March 14, 2002

/s/ Jim D. Reppond

Jim D. Reppond

Director

March 14, 2002

SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT
CENTURYTEL, INC.
(Parent Company)

STATEMENTS OF INCOME

	Year ended December 31,		
	2001	2000	1999
	(Dollars in thousands)		
REVENUES	\$ 14,962	13,007	15,542
EXPENSES			
Operating expenses	12,712	11,604	12,057
Depreciation and amortization	10,530	7,470	7,153
Total expenses	23,242	19,074	19,210
OPERATING LOSS	(8,280)	(6,067)	(3,668)
OTHER INCOME (EXPENSE)			
Nonrecurring gains and losses, net	(25,480)	-	1,931
Interest expense	(253,018)	(214,140)	(117,760)
Interest income	120,136	84,307	48,078
Other expense	(6,149)	(7,741)	(697)
Total other income (expense)	(164,511)	(137,574)	(68,448)
LOSS BEFORE INCOME TAXES AND EQUITY IN SUBSIDIARIES' EARNINGS	(172,791)	(143,641)	(72,116)
Income tax benefit	66,324	52,259	33,179
LOSS BEFORE EQUITY IN SUBSIDIARIES' EARNINGS	(106,467)	(91,382)	(38,937)
Equity in subsidiaries' earnings	449,498	322,856	278,706
NET INCOME	\$ 343,031	231,474	239,769

See accompanying notes to condensed financial information of registrant.

SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT

(continued)

CENTURYTEL, INC.

(Parent Company)

BALANCE SHEETS

	December 31,	
	2001	2000
	(Dollars in thousands)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 24,269	4,600
Receivables from subsidiaries	1,249,664	641,794
Other receivables	655	35,890
Prepayments and other	397	527
Total current assets	1,274,985	682,811
PROPERTY, PLANT AND EQUIPMENT		
Property and equipment	675	1,005
Accumulated depreciation	(459)	(742)
Net property, plant and equipment	216	263
INVESTMENTS AND OTHER ASSETS		
Investments in subsidiaries (at equity)	5,041,830	4,825,386
Receivables from subsidiaries	230,780	224,753
Other investments	43,216	50,322
Deferred charges	59,683	85,253
Total investments and other assets	5,375,509	5,185,714
TOTAL ASSETS	\$ 6,650,710	5,868,788
=====		
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 906,305	57,527
Short-term debt	53,000	276,000
Payables to subsidiaries	1,210,181	886,249
Accrued interest	41,535	41,786
Other accrued liabilities	92,798	66,073
Total current liabilities	2,303,819	1,327,635
LONG-TERM DEBT	1,579,506	2,485,811
PAYABLES TO SUBSIDIARIES	404,037	-
DEFERRED CREDITS AND OTHER LIABILITIES	25,968	23,263
STOCKHOLDERS' EQUITY		
Common stock, \$1.00 par value, authorized 350,000,000 shares, issued and outstanding 141,232,806 and 140,667,251 shares	141,233	140,667
Paid-in capital	524,668	509,840
Unrealized holding gain on investments, net of taxes	-	25,471
Retained earnings	1,666,004	1,351,626
Unearned ESOP shares	(2,500)	(3,500)
Preferred stock - non-redeemable	7,975	7,975
Total stockholders' equity	2,337,380	2,032,079
TOTAL LIABILITIES AND EQUITY	\$ 6,650,710	5,868,788
=====		

See accompanying notes to condensed financial information of registrant.

SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT

(Continued)

CENTURYTEL, INC.

(Parent Company)

STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2001	2000	1999
	(Dollars in thousands)		
OPERATING ACTIVITIES			
Net income	\$ 343,031	231,474	239,769
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	10,530	7,470	7,153
Deferred income taxes	(18,905)	(6,999)	(10,357)
Equity in subsidiaries' earnings	(449,498)	(322,856)	(278,706)
Nonrecurring gains and losses, net	25,480	-	(1,931)
Changes in current assets and current liabilities:			
Other receivables	35,235	(35,377)	23,393
Other accrued liabilities	26,725	56,037	(83,749)
Other current assets and liabilities, net	(122)	14,528	(435)
Other, net	26,355	14,770	6,060
Net cash used in operating activities	(1,169)	(40,953)	(98,803)
INVESTING ACTIVITIES			
Acquisitions	-	(22,952)	-
Capital contributions to subsidiaries	-	(1,302,568)	-
Dividends received from subsidiaries	266,783	174,637	162,149
Receivables from subsidiaries	(610,597)	(180,878)	(22,607)
Payables to subsidiaries	658,048	44,256	380,505
Proceeds from sales of assets	-	-	3,444
Other, net	8,289	(6,680)	2,569
Net cash provided by (used in) investing activities	322,523	(1,294,185)	526,060
FINANCING ACTIVITIES			
Proceeds from issuance of debt	-	2,654,375	-
Payments of debt	(279,527)	(1,299,599)	(415,166)
Payment of hedge contracts	-	(4,345)	-
Proceeds from issuance of common stock	7,351	7,996	19,182
Payment of debt issuance costs	-	(4,274)	-
Cash dividends paid	(28,653)	(26,815)	(25,413)
Other, net	(856)	-	-
Net cash provided by (used in) financing activities	(301,685)	1,327,338	(421,397)
Net increase (decrease) in cash and cash equivalents	19,669	(7,800)	5,860
Cash and cash equivalents at beginning of year	4,600	12,400	6,540
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 24,269	4,600	12,400

See accompanying notes to condensed financial information of registrant.

SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT
(continued)

CENTURYTEL, INC.
(Parent Company)

NOTES TO CONDENSED FINANCIAL INFORMATION OF REGISTRANT

(A) LONG-TERM DEBT

The approximate annual debt maturities for the five years subsequent to December 31, 2001 are as follows:

2002	-	\$ 906.3 million
2003	-	\$ 4.8 million
2004	-	\$ 51.5 million
2005	-	\$ 151.0 million
2006	-	\$ 1.0 million

(B) GUARANTEES

As of December 31, 2001, CenturyTel has guaranteed debt of subsidiaries totaling \$266.8 million.

(C) DIVIDENDS FROM SUBSIDIARIES

Dividends paid to CenturyTel by consolidated subsidiaries were \$266.8 million, \$174.6 million and \$162.1 million during 2001, 2000 and 1999, respectively.

(D) INCOME TAXES AND INTEREST PAID

Income taxes paid by CenturyTel (including amounts reimbursed from subsidiaries) were \$120.4 million, \$131.8 million and \$220.1 million during 2001, 2000 and 1999, respectively.

Interest paid by CenturyTel was \$253.3 million, \$199.3 million and \$118.5 million during 2001, 2000 and 1999, respectively.

(E) AFFILIATED TRANSACTIONS

CenturyTel provides and bills management services to subsidiaries and in certain instances makes interest bearing advances to finance construction of plant and purchases of equipment. CenturyTel recorded intercompany interest income of \$119.7 million, \$83.0 million and \$47.8 million in 2001, 2000 and 1999, respectively.

CenturyTel recorded intercompany interest expense of \$66.6 million, \$74.5 million and \$13.4 million in 2001, 2000 and 1999, respectively.

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
CENTURYTEL, INC.

For the years ended December 31, 2001, 2000 and 1999

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

(Dollars in thousands)					
Year ended December 31, 2001					
Allowance for doubtful accounts	\$ 12,857	26,322	(22,820)	-	16,359
Valuation allowance for deferred tax assets	\$ 8,302	13,689	-	-	21,991
Year ended December 31, 2000					
Allowance for doubtful accounts	\$ 4,150	17,904	(13,036)	3,839 (2)	12,857
Valuation allowance for deferred tax assets	\$ 2,593	6,211	-	(502) (3)	8,302
Year ended December 31, 1999					
Allowance for doubtful accounts	\$ 4,155	7,680	(7,494)	(191) (2)	4,150
Valuation allowance for deferred tax assets	\$ 6,716	-	-	(4,123) (3)	2,593

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

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

(3) Adjust excess cost of net assets acquired upon utilization of net operating loss carryforwards of acquired subsidiary.

364-DAY REVOLVING CREDIT AGREEMENT

Dated as of

July 30, 2001

among

CENTURYTEL, INC.,

THE LENDERS NAMED HEREIN,

and

BANK OF AMERICA, N.A.,

as Administrative Agent,

CITIBANK, N.A.,

as Syndication Agent,

FLEET NATIONAL BANK,

JPMORGAN, A DIVISION OF CHASE SECURITIES INC.,

and

SUNTRUST BANK,

as Co-Documentation Agents,

and

BANC OF AMERICA SECURITIES LLC

and

SALOMON SMITH BARNEY INC.,

as Joint Lead Arrangers and Joint Book Managers

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364-DAY REVOLVING CREDIT AGREEMENT

THIS 364-DAY REVOLVING CREDIT AGREEMENT (this "Agreement"), dated as of July 30, 2001, among CENTURYTEL, INC., a Louisiana corporation (the "Borrower"), the lenders listed on the signature pages hereof (the "Lenders"), BANK OF AMERICA, N.A., a national banking association, as administrative agent for the Lenders (in such capacity, the "Administrative Agent"), CITIBANK, N.A., a national banking association, as syndication agent (in such capacity, the "Syndication Agent"), FLEET NATIONAL BANK, a national banking association, JPMORGAN, A DIVISION OF CHASE SECURITIES INC. and SUNTRUST BANK, as co-documentation agents (in such capacity, the "Co-Documentation Agents"), and BANC OF AMERICA SECURITIES LLC and SALOMON SMITH BARNEY INC. as Joint Lead Arrangers and Joint Book Managers (in such capacity, collectively the "Arrangers").

WITNESSETH:

WHEREAS, the Borrower is party to the \$1,500,000,000 Revolving Credit Facility Agreement dated as of July 31, 2000, as amended, among the Borrower, the lenders party thereto, Bank of America, N.A., as administrative agent for such lenders and Citibank, N.A., as syndication agent for such lenders, as amended (the "Existing Credit Agreement").

WHEREAS, the Borrower desires to replace the Existing Credit Agreement with this Agreement upon the terms, and subject to the conditions, hereinafter set forth.

NOW, THEREFORE, IN CONSIDERATION of the premises and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

SECTION 1

DEFINITIONS.

1.1 Certain Defined Terms.

As used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Acquisitions" means the acquisition by the Borrower or its subsidiaries of at least a majority of the capital stock or all or substantially all of the Property of another Person, division of another Person or other business unit of another Person, whether or not involving a merger or consolidation of such Person, provided that such Person or Property is used or useful in the same or a similar line of business as set forth on Schedule 3.17 hereto (or any reasonable extensions or expansions thereof).

"Adjusted Consolidated Net Worth" means, as of the date of determination, Consolidated Net Worth minus (i) deferred assets other than prepaid insurance, prepaid taxes, prepaid interest, extraordinary retirements, and deferred charges where such deferred charges are considered by Tribunals when setting rates, (ii) patents, copyrights, trademarks, trade names, franchises, experimental expense, goodwill (other than goodwill arising from the purchase of capital stock or assets of a Person engaged in the telephone or cellular mobile communications business) and similar intangible or intellectual property, and (iii) unamortized debt discount and expense (other than debt discount and expense of the Companies located in jurisdictions where such items are considered by Tribunals when setting rates).

"Administrative Agent" is defined in the introduction to this Agreement.

"Affiliate" of any Person means any other individual or entity that directly or indirectly controls, or is controlled by, or is under common control with, such Person, and, for purposes of this definition only, "control," "controlled by," and "under common control with" mean possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person (whether through ownership of Voting Stock, by contract, or otherwise).

"Agents" means the Administrative Agent, the Syndication Agent, the Co-Documentation Agents, and the Arrangers.

"Agreement" means this 364-Day Revolving Credit Agreement, as the same may be amended, supplemented, modified or restated from time to time.

"Alternate Base Rate" means, for any day, the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) equal to the greater of (a) the Federal Funds Rate for such day plus one-half of one percent (0.5%) and (b) the Prime Rate for such day. Any change in the Alternate Base Rate due to a change in the Prime Rate or the Federal Funds Rate shall be effective on the effective date of such change in the Prime Rate or Federal Funds Rate.

"Applicable Lending Office" means, with respect to each Lender, and for each Type of Loan, the "Lending Office" of such Lender (or of an Affiliate of such Lender) designated for such Type of Loan on the signature pages hereof or such other office of such Lender (or an Affiliate of such Lender) as such Lender may from time to time specify to the Administrative Agent and the Borrower by written notice in accordance with

the terms hereof as the office by which its Loans of such Type are to be made and maintained.

"Applicable Margin" means, at the time of any determination thereof, for purposes of all Loans, the margin of interest over the Alternate Base Rate or the Eurodollar Rate, as the case may be, which is applicable at the time of any determination of interest rates under this Agreement, which Applicable Margin shall be adjusted based on the Senior Unsecured Long-Term Debt Rating (as hereinafter defined), as determined as of the last day of the immediately preceding fiscal quarter of the Borrower, as follows:

Senior Unsecured Long-Term Debt Rating	Eurodollar Loan Margin	Base Rate Loan Margin
A or A2 or better	30.0 basis points	0 basis points
A- or A3	37.5 basis points	0 basis points
BBB+ or Baal	50.0 basis points	0 basis points
BBB or Baa2	62.5 basis points	0 basis points
below BBB or Baa2	75.0 basis points	0 basis points

"Arrangers" is defined in the introduction to this Agreement.

"Bank of America" means Bank of America, N.A., a national banking association.

"Base Rate Loan" means any Loan with respect to which the Borrower shall have selected an interest rate based on the Alternate Base Rate in accordance with the provisions of Section 2.

"Board" means the Board of Governors of the Federal Reserve System of the United States.

"Borrower" is defined in the introduction to this Agreement.

"Borrowing" means a borrowing consisting of simultaneous Loans from each of the Lenders distributed ratably among the Lenders in accordance with their respective Commitments.

"Borrowing Date" means the Business Day upon which the proceeds of any Borrowing are to be made available to the Borrower.

"Business Day" means a day when the Administrative Agent and each Lender's Applicable Lending Office are open for business, other than a Saturday or Sunday, and if the applicable Business Day relates to any Eurodollar Loan, a day on which dealings in dollar deposits are carried on in the London interbank market and commercial banks are open for domestic or international business in London, England, in New York, New York, and in Dallas, Texas.

"Cash Equivalents" means, as at any date, (a) securities issued or directly and fully guaranteed or insured by the United States or any agency or instrumentality thereof (provided that the full faith and credit of the United States is pledged in support thereof) having maturities of not more than twelve months from the date of acquisition, (b) dollar denominated time deposits and certificates of deposit of (i) any Lender, (ii) any domestic commercial bank of recognized standing having capital and surplus in excess of \$500,000,000 or (iii) any bank whose short-term commercial paper rating from S&P is at least A-1 or the equivalent thereof or from Moody's is at least P-1 or the equivalent thereof (any such bank being an "Approved Bank"), in each case with maturities of not more than 270 days from the date of acquisition, (c) commercial paper and variable or fixed rate notes issued by any Approved Bank (or by the parent company thereof) or any variable rate notes issued by, or guaranteed by, any domestic corporation rated A-1 (or the equivalent thereof) or better by S&P or P-1 (or the equivalent thereof) or better by Moody's and maturing within six months of the date of acquisition, (d) repurchase agreements entered into by any Person with a bank or trust company (including any of the Lenders) or recognized securities dealer having capital and surplus in excess of \$500,000,000 for direct obligations issued by or fully guaranteed by the United States in which such Person shall have a perfected first priority security interest (subject to no other Liens) and having, on the date of purchase thereof, a fair market value of at least 100% of the amount of the repurchase obligations and (e) Investments, classified in accordance with GAAP as current assets, in money market investment programs registered under the Investment Company Act of 1940, as amended, which are administered by reputable financial institutions having capital of at least \$500,000,000 and the portfolios of which are limited to Investments of the character described in the foregoing subdivisions (a) through (d).

"Co-Documentation Agents" is defined in the introduction to this Agreement.

"Code" means the Internal Revenue Code of 1986, as amended, together with rules and regulations promulgated thereunder.

"Commitment" means, with respect to any Lender, the commitment of such Lender to make Loans hereunder, as such commitment may be reduced from time to time pursuant to Section 2.5(a) or reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 9.20. The initial amount of each Lender's Commitment is set forth on Schedule 1, or in the Assignment and Acceptance pursuant to which such Lender shall have assumed its Commitment, as applicable.

"Commitment Fee" is defined in Section 2.4(a).

"Commitment Fee Percentage" is defined in Section 2.4(a).

"Commitment Utilization Percentage" means on any day the percentage equivalent of a fraction (a) the numerator of which is the sum of the aggregate outstanding principal amount of Loans (the "Used Commitment") and (b) the denominator of which is the aggregate amount of the Total Commitment (or, on any day after termination of the Commitments, the aggregate amount of the Total Commitment in effect immediately preceding such termination).

"Companies" means, collectively, Borrower and its Subsidiaries and "Company" means any of the same.

"Consolidated Net Worth" means, as of the date of determination, the amount of stated capital plus (or minus, in the case of a deficit) the capital surplus and earned surplus of the Companies, as calculated in accordance with GAAP (but treating Minority Interests in Subsidiaries as liabilities and excluding the contra-equity account resulting from the Borrower's obligations under its employee stock ownership plan commitments). For purposes of this Agreement, Consolidated Net Worth shall exclude the effect of Statements No.101 and 106 of the Financial Accounting Standards Board.

"Current Date" means any date after July 20, 2001.

"Current Financials" means the consolidated Financial Statements of the Companies for the fiscal year ended December 31, 2000, and the fiscal quarter ended March 31, 2001.

"Debt" means (without duplication), for any Person, all obligations, contingent or otherwise (including, without limitation, contingent obligations in connection with letters of credit), which in accordance with GAAP should be classified upon such Person's balance sheet as liabilities, but in any event including, without limitation, whether or not such obligations in accordance with GAAP should be classified as liabilities, (a) liabilities secured (or for which the holder of such Debt has an existing Right, contingent or otherwise, to be so secured) by any Lien existing on property owned or acquired by such Person or a Subsidiary thereof (whether or not the liability secured thereby shall have been assumed), (b) obligations which have been or under GAAP should be capitalized for financial reporting purposes, (c) all guaranties, endorsements, and other contingent obligations with respect to Debt of others, including, but not limited to, any obligations to purchase, sell, or furnish property or services intended by a Company primarily for the purpose of enabling such other Person to make payment of any of such Person's Debt, or to otherwise assure the holder of any of such Debt against loss with respect thereto, and (d) liabilities under any interest rate swap, collar, floor, cap or similar contract.

"Debt Rating" means the public debt rating by S&P and Moody's for that class of non-credit enhanced, senior unsecured debt with an original term of longer than one year issued by the Borrower which has the lowest rating of all classes of non-credit enhanced, senior unsecured debt with an original term of longer than one year issued by the Borrower.

"Debtor Relief Laws" means the Bankruptcy Code of the United States of America and all other applicable liquidation, conservatorship, bankruptcy, moratorium, rearrangement, receivership, insolvency, reorganization, fraudulent transfer or conveyance, suspension of payments, or similar Laws from time to time in effect affecting the Rights of creditors generally.

"Default" means the occurrence of any event which with the giving of notice or the passage of time or both would become an Event of Default.

"Default Rate" means an annual interest rate equal to the lesser of (a) 2% plus the greater of (i) the Alternate Base Rate and (ii) the Eurodollar Rate and (b) the Highest Lawful Rate.

"EBIT" means, for any period, net income before income Tax expense and interest expense and excluding the effects of nonrecurring and/or unusual non-cash transactions that reduce net income and items that do not reduce the cash flow of the Companies (e.g., write-off of intangibles, write-down of assets, effect of new accounting pronouncements, etc.).

"EBITDA" means, for any period, the sum of (a) EBIT, plus (b) depreciation and amortization.

"Eligible Assignee" means (a) any Lender and any Affiliate of any Lender so long as such Affiliate directly or through one or more of its Subsidiaries engages in commercial financing transactions in the ordinary course of its business, and (b) any other commercial bank, savings

and loan association, savings bank, finance company, insurance company, mutual fund or other financial institution, fund or investor which has been approved in writing by the Borrower and the Administrative Agent as an Eligible Assignee for purposes of this Agreement, provided that in each such case such approval shall not be unreasonably withheld.

"Eligible Reinvestment" means (i) any acquisition (whether or not constituting a capital expenditure, but not constituting an Acquisition) of assets or any business (or any substantial part thereof) used or useful in the same or a similar line of business as set forth on Schedule 3.17 hereto (or any reasonable extensions or expansions thereof) and (ii) any Acquisition.

"Environmental Law" means any Law that relates to the environment or handling or control of Hazardous Substances.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated thereunder.

"ERISA Affiliate" means any company or trade or business (whether or not incorporated) which, for purposes of Title IV of ERISA, is a member of a group of which Borrower is a member and which is under common control with Borrower within the meaning of section 414 of the Code.

"Eurocurrency Liabilities" is defined in Regulation D.

"Eurodollar Loan" means any Loan with respect to which the Borrower shall have selected an interest rate based on the Eurodollar Rate in accordance with the provisions of Section 2.

"Eurodollar Rate" means, for any Interest Period for any Eurodollar Loan, an interest rate per annum (rounded upward to the nearest whole multiple of 0.01% per annum) obtained by dividing (a) the rate per annum appearing on the Dow Jones Telerate Page 3750 (or any successor page) as the London interbank offered rate for deposits in dollars at approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period for a term comparable to such Interest Period by (b) a percentage equal to 100% minus the Eurodollar Rate Reserve Percentage for such Interest Period.

If for any reason the rate specified in subsection (a) above is not available, the applicable rate for purposes of subsection (a) shall be the rate per annum appearing on Reuters Screen LIBO Page as the London interbank offered rate for deposits in dollars at approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period for a term comparable to such Interest Period; provided, however, if more than one rate is specified on Reuters Screen LIBO Page, the applicable rate shall be the arithmetic mean of all such rates (rounded upwards, if necessary, to the nearest 1/100 of 1%).

"Eurodollar Rate Reserve Percentage" for any Interest Period for any Eurodollar Loan means the reserve percentage applicable two Business Days before the first day of such Interest Period under regulations issued from time to time by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including, without limitation, any emergency, supplemental or other marginal reserve requirement) for a member bank of the Federal Reserve System in New York City with respect to liabilities or assets consisting of or including Eurocurrency Liabilities (or with respect to any other category of liabilities that includes deposits by reference to which the interest rate on Eurodollar Loans is determined) having a term equal to such Interest Period.

"Event of Default" means any of the events described in Section 6, provided there has been satisfied any requirement in connection therewith for the giving of notice, lapse of time, or happening of any further condition, event, or act.

"Excess Utilization Day" means each day on which the Commitment Utilization Percentage equals or exceeds 33%.

"Existing Credit Agreement" means that certain \$1,500,000,000 Revolving Credit Facility Agreement dated as of July 31, 2000, as amended, among the Borrower, the lenders party thereto, Bank of America, N.A., as administrative agent for such lenders and Citibank, N.A., as syndication agent for such lenders, as amended, restated, supplemented or modified from time to time.

"Federal Funds Rate" means, for any day, the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate charged to the Administrative Agent (in its individual capacity) on such day on such transactions as determined by the Administrative Agent.

"Financial Officer" means the chief financial officer, treasurer or controller of the Borrower.

"Financial Report Certificate" means a certificate substantially in the form of Exhibit D.

"Financial Statements" means balance sheets, income statements, statements of stockholders' equity, and statements of cash flow prepared in

comparative form to the corresponding period of the preceding fiscal year.

"Funded Debt" shall mean and include, as of any date as of which the amount thereof is to be determined, (i) all funded indebtedness of the Companies, (ii) all funded indebtedness of any Subsidiary (other than funded indebtedness of such Subsidiary owing to the Borrower or another Subsidiary), and (iii) all indebtedness for borrowed money, but not (iv) indebtedness secured by or borrowed against the cash surrender value of life insurance policies up to the amount of such cash surrender value.

"GAAP" means generally accepted accounting principles of the Accounting Principles Board of the American Institute of Certified Public Accountants and the Financial Accounting Standards Board which are applicable as of the date of the Financial Statements in question.

"Guaranty" means by any particular Person, all obligations of such Person guaranteeing or in effect guaranteeing any Debt, dividend or other obligation of any other Person (the "primary obligor") in any manner whether directly or indirectly, including, without limitation of the generality of the foregoing, obligations incurred through an agreement, contingent or otherwise, by such particular Person (i) to purchase such Debt or obligation or any property or assets constituting security therefor, (ii) to advance or supply funds (x) for the purchase or payment of such Debt or obligation or (y) to maintain working capital or equity capital or otherwise to advance or make available funds for the purchase or payment of such Debt or obligation, (iii) to purchase property, securities or services primarily for the purpose of assuring the owner of such Debt or obligation of the ability of the primary obligor to make payment of the Debt or obligation or (iv) otherwise to assure the owner of the Debt or obligation of the primary obligor against loss in respect thereof.

"Hazardous Substance" means any hazardous or toxic waste, pollutant, contaminant, or substance.

"Highest Lawful Rate" means at the particular time in question the maximum rate of interest which, under applicable Laws, the Lenders are then permitted to charge the Borrower on the Obligation. If the maximum rate of interest which, under applicable Laws, the Lenders are permitted to charge the Borrower on the Obligation shall change after the date hereof, the Highest Lawful Rate shall be automatically increased or decreased, as the case may be, as of the effective time of such change without notice to the Borrower.

"Indemnified Parties" is defined in Section 9.23.

"Interest Payment Date" means (i) with respect to any Base Rate Loan, each Quarterly Payment Date, or if earlier the Termination Date, or the date of prepayment of such Loan or conversion of such Loan to a Eurodollar Loan, and (ii) with respect to any Eurodollar Loan, the last day of the Interest Period applicable thereto and, in addition in the case of a Eurodollar Loan with an Interest Period longer than three months, each day that would have been the Interest Payment Date for such Loan had an Interest Period of three months been applicable to such Loan.

"Interest Period" means, with respect to each Loan, the duration of such Loan and as to any Eurodollar Loan, the period commencing on the date of such Loan and ending on the numerically corresponding day (or if there is no corresponding day, the last day) in the calendar month that is one, two, three, or six months thereafter, as the Borrower may elect; provided, however, (i) if any Interest Period would end on a day which shall not be a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day, and (ii) no Interest Period may be selected that ends later than the Termination Date. Interest shall accrue from and including the first day of an Interest Period to but excluding the last day of such Interest Period.

"Laws" means all applicable statutes, laws, treaties, ordinances, rules, regulations, orders, writs, injunctions, decrees, judgments, or opinions of any Tribunal.

"Lenders" means those lenders signatory hereto and other financial institutions which from time to time become party hereto pursuant to the provisions of this Agreement.

"Lien" means any lien, mortgage, security interest, pledge, assignment, charge, title retention agreement, or encumbrance of any kind, and any other Right of or arrangement with any creditor to have his claim satisfied out of any property or assets, or the proceeds therefrom, prior to the general creditors of the owner thereof.

"Litigation" means any action conducted, pending, or threatened by or before any Tribunal.

"Loan" means the loans made by the Lenders to the Borrower pursuant to Section 2.1 of this Agreement, which may be in the form of a Eurodollar Loan or a Base Rate Loan.

"Loan Papers" means (i) this Agreement, certificates delivered pursuant to this Agreement, and exhibits and schedules hereto, (ii) any notes, security documents, guaranties, and other agreements in favor of the Agents and the Lenders, or any or some of them, ever delivered in connection with this Agreement, and (iii) all renewals, extensions, or restatements of, or amendments or supplements to, any of the foregoing.

"Majority Lenders" means at any time the Lenders holding at least 51% of the then aggregate unpaid principal amount of the Loans or, if no Loans are outstanding, the Lenders having at least 51% of the available Commitments.

"Margin Stock" means "margin stock" within the meaning of Regulations T, U, or X of the Board.

"Material Adverse Effect" means any set of one or more circumstances or events which, individually or collectively, will result in any of the following:

(a) a material and adverse effect upon the validity or enforceability of any Loan Paper, (b) a material and adverse effect on the consolidated financial condition of the Companies represented in the later of the Current Financials or the most recent audited consolidated Financial Statements, (c) a Default or (d) the issuance of an accountant's report on the Companies' consolidated Financial Statements containing an explanatory paragraph about the entity's ability to continue as a going concern (as defined in accordance with Generally Accepted Auditing Standards).

"Material Agreement" of any Person means any material written or oral agreement, contract, commitment, or understanding to which such Person is a party, by which such Person is directly or indirectly bound, or to which any assets of such Person may be subject, and which is not cancelable by such Person upon 30 days or less notice without liability for further payment other than nominal penalty, and which requires such Person to pay more than 1 percent of Consolidated Net Worth during any 12-month period.

"Minority Interest" means, with respect to any Subsidiary, an amount determined by valuing preferred stock held by Persons other than the Borrower and its wholly-owned Subsidiaries at the voluntary or involuntary liquidating value of such preferred stock, whichever is greater, and by valuing common stock or partnership interests held by Persons other than the Borrower and its wholly-owned Subsidiaries at the book value of capital and surplus applicable thereto on the books of such Subsidiary adjusted, if necessary, to reflect any changes from the book value of common stock required by the foregoing method of valuing Minority Interest attributable to preferred stock.

"Moody's" means Moody's Investors Service, Inc.

"Multiemployer Plan" means a multiemployer plan as defined in sections 3(37) or 4001(a)(3) of ERISA or section 414 of the Code to which any Company or any ERISA Affiliate is making, or has made, or is accruing, or has accrued, an obligation to make contributions.

"Net Cash Proceeds" means the aggregate cash or Cash Equivalents proceeds received by the Company in respect of any disposition of assets as contemplated by Section 5.16(e)(ii), net of (a) direct costs (including, without limitation, legal, accounting and investment banking fees, and sales commissions), (b) taxes paid or payable as a result thereof and (c) the amount necessary to retire any Debt secured by a Permitted Lien on the related Property; it being understood that "Net Cash Proceeds" shall include, without limitation, any cash or Cash Equivalents received upon the sale or other disposition of any non-cash consideration received by any such Company in any disposition of assets.

"Note" means a promissory note of the Borrower payable to the order of each Lender, in substantially the form of Exhibit B hereto, with the blanks appropriately completed, evidencing the aggregate indebtedness of the Borrower to such Lender resulting from the Loans made by such Lender to the Borrower, together with all modifications, extensions, renewals, and rearrangements thereof.

"Notice of Borrowing" is defined in Section 2.2.

"Obligation" means all present and future indebtedness, obligations, and liabilities, and all renewals, extensions, and modifications thereof, owed to the Agents and the Lenders, or any or some of them, by the Borrower, arising pursuant to any Loan Paper, together with all interest thereon and costs, expenses, and attorneys' fees incurred in the enforcement or collection thereof.

"Participant" is defined in Section 9.20(b).

"PBGC" means the Pension Benefit Guaranty Corporation, or any successor thereof, established pursuant to ERISA.

"Permitted Liens" means the Liens described on Schedule 2.

"Person" means and includes an individual, partnership, joint venture, corporation, trust, limited liability company, limited liability partnership, or other entity, Tribunal, unincorporated organization, or government, or any department, agency, or political subdivision thereof.

"Plan" means any plan defined in Section 4021(a) of ERISA in respect of which the Borrower is an "employer" or a "substantial employer" as such terms are defined in ERISA.

"Property" means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

"Prime Rate" means the per annum rate of interest established from time to time by Bank of America as its prime rate, which rate may not be the lowest rate of interest charged by Bank of America to its customers.

"Purchaser" is defined in Section 9.20(c).

"Quarterly Payment Date" means the last Business Day of each March, June, September and December of each year, the first of which shall be the first such day after the date of this Agreement.

"Regulation D" means Regulation D of the Board, as the same is from time to time in effect, and all official rulings and interpretations thereunder or thereof.

"Regulatory Change" means, with respect to any Lender, (a) any adoption or change after the date hereof of or in United States federal, state or foreign Laws (including Regulation D) or guidelines applying to a class of banks including such Lender, (b) the adoption or making after the date hereof of any interpretations, directives or requests applying to a class of banks including such Lender of or under any United States federal, state or foreign Laws or guidelines (whether or not having the force of law) by any Tribunal, monetary authority, central bank, or comparable agency charged with the interpretation or administration thereof, or (c) any change in the interpretation or administration of any United States federal, state or foreign Laws or guidelines applying to a class of banks including such Lender by any Tribunal, monetary authority, central bank, or comparable agency charged with the interpretation or administration thereof.

"Restricted Payment" means

(a) the declaration or payment of dividends by the Borrower, or distribution (in cash, property, obligations or other securities or any combination thereof) on account of any shares of any class of capital stock of the Borrower, or

(b) other payments or distributions by the Borrower whether by reduction of capital or otherwise on account of any shares of any class of capital stock of the Borrower, or

(c) the setting apart of money for a sinking or other analogous fund by the Borrower for the purchase, redemption, retirement or other acquisition of any shares of any class of capital stock of the Borrower, or any warrant, option or other right to acquire any capital stock of the Borrower;

but in each case in (a), (b) and (c) above, excluding dividends or other distributions payable solely in common stock of the Borrower.

"Rights" means rights, remedies, powers, and privileges.

"S&P" means Standard and Poor's Ratings Services, Inc., a division of The McGraw Hill Companies, Inc.

"Senior Unsecured Long-Term Debt Rating" means, as of any date, the Debt Rating that has been most recently announced by S&P and Moody's. In connection with any determination of the Senior Unsecured Long-Term Debt Rating pursuant to the immediately preceding sentence:

(i) for purposes of determining the Applicable Margin or the Commitment Fee Percentage, (a) if only one of S&P and Moody's shall have in effect a public debt rating, the Applicable Margin and the Commitment Fee Percentage (as set forth in Section 2.4(a)) shall be determined by reference to the available rating; (b) if the ratings established by S&P and Moody's shall fall within different levels, the Applicable Margin and the Commitment Fee Percentage shall be based upon the higher rating, except that if the difference is two or more levels, the Applicable Margin and the Commitment Fee Percentage shall be based on the rating that is one level below the higher rating; (c) if any rating established by S&P or Moody's shall be changed, such change shall be effective as of the date on which such change is first announced publicly by the rating agency making such change; (d) if S&P or Moody's shall change the basis on which ratings are established, each reference to the public debt rating announced by S&P or Moody's, as the case may be, shall refer to the then equivalent rating by S&P or Moody's, as the case may be; (e) if neither S&P nor Moody's shall have in effect a public debt rating but at least one of S&P and Moody's has in effect a rating for any class of senior secured debt with an original term of longer than one year issued by the Borrower, the Applicable Margin and Commitment Fee Percentage shall be determined by reference to a rating that is one level lower than the rating that has been most recently announced by S&P and Moody's for such class of debt; and (f) if neither S&P nor Moody's shall have in effect either a public debt rating or a rating for any class of senior secured debt with an original term of longer than one year issued by the Borrower, the Applicable Margin and Commitment Fee Percentage shall be set in accordance with the lowest level rating and highest percentage rate set forth in the respective tables relating to "Applicable Margin" and "Commitment Fee Percentage", as the case may be, and

(ii) for purposes of Section 5.16(e), (a) if only one of S&P and Moody's shall have in effect a public debt rating, the Senior Unsecured Long-Term Debt Rating shall be determined by reference to the available rating; (b) if the ratings established by S&P and Moody's shall fall within different levels, the Senior Unsecured Long-Term Debt Rating shall be based upon the lower rating; (c) if any rating established by S&P or Moody's shall be changed, such change shall be effective as of the date on which such change is first announced publicly by the rating agency making such change; (d) if S&P or Moody's shall change the basis on which ratings are established, each reference to the public debt rating announced by S&P or Moody's, as the case may be, shall refer to the then equivalent rating by S&P or Moody's, as the case may be; (e) if neither S&P nor Moody's shall have in effect a public debt rating but at least one of S&P and Moody's has in effect a rating for any class of senior secured debt with an original term of longer than one year issued by the Borrower, the Senior Unsecured Long-Term Debt Rating shall be deemed to be the rating that is one level lower than the rating that has been most recently announced by S&P and Moody's for such class of debt; and (f) if neither S&P nor Moody's shall have in effect either a public debt rating or a rating for any class of senior secured debt with an original term of longer than one year issued by the Borrower, the Debt Rating by S&P shall be deemed to be less than BBB+ and the Debt Rating by Moody's shall be deemed to be less than Baa2.

"Significant Subsidiary" means a Subsidiary of the Borrower (i) the assets of which equal or exceed 5% of all assets of the Borrower and its Subsidiaries as shown on a consolidated balance sheet of the Borrower and its Subsidiaries, (ii) the operating revenue of which, for the most

recently ended period of twelve consecutive months, equals or exceeds 5% of the operating revenues of the Borrower and its Subsidiaries for such period, or (iii) the net income of which, for the most recently ended period of twelve consecutive months, equals or exceeds 5% of the net income of the Borrower and its Subsidiaries for such period.

"Solvent" means, as to any Person at the time of determination, that

(a) the aggregate fair value of such Person's assets exceeds the present value of its liabilities (whether contingent, subordinated, unmatured, unliquidated, or otherwise), and (b) such Person has sufficient cash flow to enable it to pay its Debts as they mature.

"Subsidiary" means any Person with respect to which Borrower or any one or more Subsidiaries owns directly or indirectly 50% or more of the issued and outstanding voting stock (or equivalent interests).

"Syndication Agent" is defined in the introduction to this Agreement.

"Taxes" means all taxes, assessments, fees, or other charges at any time imposed by any Laws or Tribunal.

"Termination Date" means July 29, 2002, subject, however, to termination in whole of the Total Commitment pursuant to Section 2.5.

"Total Commitment" means, at any time the aggregate amount of the Lenders' Commitments, as in effect at such time.

"Tribunal" means any municipal, state, commonwealth, federal, foreign, territorial, or other court, governmental body, subdivision, agency, department, commission, board, bureau, or instrumentality.

"Type" shall mean any type of Loan (i.e., a Base Rate Loan or Eurodollar Loan).

"United States" and "U.S." each means United States of America.

"Used Commitment" has the meaning set forth in the definition of "Commitment Utilization Percentage" in Section 1.1.

"Utilization Fee" is defined in Section 2.4(b).

"Voting Stock" shall mean securities (as such term is defined in Section 2(1) of the Securities Act of 1933, as amended) of any class or classes, the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the corporate directors (or Persons performing similar functions).

1.2 Number and Gender of Words.

Whenever in any Loan Paper the singular number is used, the same shall include the plural where appropriate and vice versa, and words of any gender shall include each other gender where appropriate.

1.3 Accounting Principles.

All accounting and financial terms used in the Loan Papers and the compliance with each financial covenant therein shall be determined in accordance with GAAP as in effect on the date of this Agreement, and all accounting principles shall be applied on a consistent basis so that the accounting principles in a current period are comparable in all material respects to those applied in the consolidated Financial Statements for the Companies for the twelve months ended December 31, 2000.

SECTION 2

FACILITIES.

2.1 Commitments.

Subject to the terms and conditions and relying upon the representations and warranties herein set forth, each Lender, severally and not jointly, agrees to make revolving credit loans ("Loans") to the Borrower, at any time and from time to time on and after the date hereof and until the Termination Date. Notwithstanding the foregoing, the aggregate principal amount of all Loans of a Lender shall not exceed at any time outstanding such Lender's Commitment. Within the foregoing limits, the Borrower may borrow, repay, prepay, and reborrow hereunder, on and after the date hereof and prior to the Termination Date, subject to the terms, provisions, and limitations set forth herein.

2.2 Borrowing Procedure.

In order to effect a Borrowing, the Borrower shall hand deliver or telecopy to the Administrative Agent a duly completed request for

Borrowing, substantially in the form of Exhibit A hereto (a "Notice of Borrowing"), (i) in the case of Eurodollar Loans, not later than 12:00 Noon, Dallas, Texas time, three Business Days before the Borrowing Date specified for a proposed Borrowing, and (ii) in the case of Base Rate Loans, not later than 12:00 Noon, Dallas, Texas time, on the Business Day which is the Borrowing Date specified for a proposed Borrowing. Such notice shall be irrevocable and shall in each case refer to this Agreement and specify (x) whether the Loans then being requested are to be Eurodollar Loans or Base Rate Loans, (y) the Borrowing Date of such Loans (which shall be a Business Day) and the aggregate amount thereof (which shall not be less than \$5,000,000 and shall be an integral multiple of \$1,000,000), and (z) in the case of a Eurodollar Loan, the Interest Period with respect thereto (which shall not end later than the Termination Date). If no Interest Period with respect to any Eurodollar Loan is specified in any such Notice of Borrowing, then the Borrower shall be deemed to have selected an Interest Period of one month's duration. Promptly, and in any event on the same day the Administrative Agent receives a Notice of Borrowing pursuant to this Section 2.2, if such notice is received by 11:00 a.m., Dallas, Texas time on a Business Day and otherwise on the next succeeding Business Day, the Administrative Agent shall advise the other Lenders of such Notice of Borrowing and of each Lender's portion of the requested Borrowing by telecopier. Each Borrowing shall consist of Loans of the same Type made on the same day and having the same Interest Period.

2.3 Conversions.

Subject to the conditions and limitations set forth in this Agreement, the Borrower shall have the right from time to time to convert all or part of one Type of Loan into another Type of Loan or to continue all or a part of any Loan that is a Eurodollar Loan from one Interest Period to another Interest Period by giving the Administrative Agent written notice (by means of a Notice of Borrowing) (i) in the case of Eurodollar Loans, not later than 11:00 a.m., Dallas, Texas time, three Business Days before the date specified for such proposed conversion or continuation, and (ii) in the case of Base Rate Loans, not later than 11:00 a.m., Dallas, Texas time, on the Business Day which is the date specified for such proposed conversion or continuation. Such notice shall specify (A) the proposed date for conversion or continuation, (B) the amount of the Loan to be converted or continued, (C) in the case of conversions, the Type of Loan to be converted into, and (D) in the case of a continuation of or conversion into a Eurodollar Loan, the duration of the Interest Period applicable thereto; provided that (1) Eurodollar Loans may be converted only on the last day of the applicable Interest Period, (2) except for conversions to Base Rate Loans, no conversion shall be made while a Default or Event of Default has occurred and is continuing and no continuations of any Eurodollar Loan from one Interest Period to another Interest Period shall be made while a Default or Event of Default has occurred and is continuing, unless such conversion or continuation has been approved by Majority Lenders, and (3) each such conversion or continuation shall be in an amount not less than \$5,000,000 and shall be an integral multiple of \$1,000,000. All notices given under this Section shall be irrevocable. If the Borrower shall fail to give the Administrative Agent the notice as specified above for continuation or conversion of a Eurodollar Loan prior to the end of the Interest Period with respect thereto, such Eurodollar Loan shall automatically be converted into a Base Rate Loan on the last day of the Interest Period for such Eurodollar Loan.

2.4 Fees.

(a) Commitment Fees. The Borrower agrees to pay to each Lender, through the Administrative Agent, on each Quarterly Payment Date and on the Termination Date, in immediately available funds, a commitment fee (a "Commitment Fee") calculated on the unused Commitment by multiplying the applicable percentage (the "Commitment Fee Percentage") set forth below by the average daily unused portion of the Commitment of such Lender, as applicable, during the preceding quarter (or shorter period commencing with the date hereof and/or ending with the Date or the Termination Date):

Senior Unsecured Long-Term Debt Rating	Commitment Fee Percentage
A or A2 or better	.065 percent per annum
A- or A3	.08 percent per annum
BBB+ or Baa1	.10 percent per annum
BBB or Baa2	.125 percent per annum
below BBB or Baa2	.15 percent per annum

All Commitment Fees shall be computed by the Administrative Agent on the basis of the actual number of days elapsed in a year of 365 days, and shall be conclusive and binding for all purposes, absent manifest error. The Commitment Fee due to each Lender shall commence to accrue on the date hereof and shall cease to accrue on the earlier of the Termination Date and the termination of the Commitment of such Lender as provided herein. Notwithstanding the foregoing, in no event shall any Lender be permitted to receive any compensation hereunder constituting interest in excess of the Highest Lawful Rate.

(b) Utilization Fees. The Borrower agrees to pay to each Lender, through the Administrative Agent, on each Quarterly Payment Date and on the Termination Date, in immediately available funds, a utilization fee (a "Utilization Fee") equal to (i) 12.5 basis points (.125%) per annum for each day on which the Commitment Utilization Percentage is less than 66%, but greater than or equal to 33% and (ii) 25 basis points (.25%)

per annum for each day on which the Commitment Utilization Percentage equals or exceeds 66%, which fee shall accrue on the daily amount of the Used Commitment of such Lender for each Excess Utilization Day during the period from and including the Closing Date to but excluding the date on which such Lender's Commitment terminates; provided that, if such Lender continues to have any outstanding Loans after its Commitment terminates, then such utilization fee shall continue to accrue on the daily aggregate principal amount of such Lender's Loans for each Excess Utilization Day from and including the date on which its Commitment terminates to but excluding the date on which such Lender ceases to have any outstanding Loans.

All Utilization Fees shall be computed by the Administrative Agent on the basis of the actual number of days elapsed (including the first day but excluding the last day) in a year of 365 days, and shall be conclusive and binding for all purposes, absent manifest error. Fees paid shall not be refundable under any circumstances. Notwithstanding the foregoing, in no event shall any Lender be permitted to receive any compensation hereunder constituting interest in excess of the Highest Lawful Rate.

2.5 Optional Termination and Reduction of Commitments.

(a) Subject to Section 2.11(b), the Borrower may permanently terminate, or from time to time in part permanently reduce, the Total Commitment upon at least two Business Days prior written notice to the Administrative Agent (who shall promptly forward a copy thereof to each Lender). Such notice shall specify the date and the amount of the termination or reduction of the Total Commitment. Each such partial reduction of the Total Commitment shall be in a minimum aggregate principal amount of \$5,000,000 and in an integral multiple of \$1,000,000.

(b) On the Termination Date the Total Commitment shall be zero.

(c) Each reduction in the Total Commitment pursuant to this paragraph shall be made ratably among the Lenders in accordance with their respective Commitments.

(d) Simultaneously with any termination or reduction of the Commitments pursuant to this paragraph, the Borrower shall pay to the Administrative Agent for the accounts of the Lenders the Commitment Fees on the amount of the Total Commitment, so terminated or reduced, accrued through the date of such termination or reduction.

2.6 Loans.

(a) Each Borrowing made by the Borrower on any date shall be in an integral multiple of \$1,000,000 and in a minimum aggregate principal amount of \$5,000,000. Loans shall be made by the Lenders ratably in accordance with their respective Commitments on the Borrowing Date of the Borrowing; provided, however, that the failure of any Lender to make any Loan shall not in itself relieve any other Lender of its obligation to lend hereunder.

(b) Each Loan shall be a Eurodollar Loan or a Base Rate Loan, as the Borrower may request subject to and in accordance with Section 2.2. Each Lender may at its option make any Eurodollar Loan by causing a foreign branch of such Lender to make such Loan; provided, however, that any exercise of such option shall not affect the obligation of the Borrower to repay such Loan in accordance with the terms of the applicable Note and this Agreement. Loans of more than one interest rate option may be outstanding at the same time; provided, however, that the Borrower shall not be entitled to request any Loan which, if made, would result in an aggregate of more than 10 separate Borrowings being outstanding hereunder at any one time. For purposes of the foregoing, Loans having different Interest Periods, regardless of whether they commence on the same date, shall be considered separate Loans and all Base Rate Loans, regardless of whether they commence on different dates, shall be considered a single Borrowing.

(c) Subject to Section 2.3, each Lender shall make its portion of each Borrowing on the proposed Borrowing Date thereof by paying the amount required to the Administrative Agent in Dallas, Texas in immediately available funds not later than 12:00 noon, Dallas, Texas time, and the Administrative Agent shall by 2:00 p.m., Dallas, Texas time, credit the amounts so received to the general deposit account of the Borrower with the Administrative Agent or, if Loans are not made on such date because any condition precedent to a Borrowing herein specified shall not have been met, return the amounts so received to the respective Lenders as soon as practicable; provided, however, if and to the extent the Administrative Agent fails to return any such amounts to a Lender on the Borrowing Date for such Borrowing, the Administrative Agent shall pay interest on such unreturned amounts, for each day from such Borrowing Date to the date such amounts are returned to such Lender, at the Federal Funds Rate.

(d) The outstanding principal amount of each Loan which is a Eurodollar Loan shall be due and payable on the last day of the Interest Period applicable to such Loan, as the case may be, and the outstanding principal balance of each Loan which is a Base Rate Loan shall be due and payable on the Termination Date.

2.7 Notes.

The Loans made by each Lender shall be evidenced by a single Note, payable to the order of such Lender in a principal amount equal to the Commitment of such Lender. Each Note shall bear interest from the date thereof on the outstanding principal balance thereof as set forth in Section 2.8 and

Section 2.9. Each Lender shall, and is hereby authorized by the Borrower to, make in its records relating to such Note an appropriate notation evidencing the date and amount of each Loan of such Lender, and each payment or prepayment of principal of any Loan. The aggregate unpaid

principal amount so recorded shall be presumptive evidence of the principal amount owing by the Borrower to a Lender and unpaid under the Note of such Lender. The failure of any Lender to make such a notation or any error therein shall not in any manner affect the obligation of the Borrower to repay the Loans made by such Lender in accordance with the terms of the relevant Note.

2.8 Interest on Loans.

(a) Subject to the provisions of Section 2.9, each Eurodollar Loan shall bear interest at a rate per annum (computed on the basis of the actual number of days elapsed over a year of 360 days) equal to the lesser of (i) the Highest Lawful Rate and (ii) the Eurodollar Rate for the Interest Period in effect for such Loan, plus the Applicable Margin. Interest on each Eurodollar Loan shall be payable on each Interest Payment Date applicable thereto. The applicable Eurodollar Rate for each Interest Period shall be determined by the Administrative Agent, and such determination shall be conclusive absent manifest error.

(b) Subject to the provisions of Section 2.9, each Base Rate Loan shall bear interest at the rate per annum (computed on the basis of the actual number of days elapsed over a year of (x) 365 or 366 days, as the case may be if the Alternate Base Rate is based on the Prime Rate or (y) 360 days if the Alternate Base Rate is based on the Federal Funds Rate) equal to the lesser of (i) the Highest Lawful Rate and (ii) the Alternate Base Rate plus the Applicable Margin. Interest on each Base Rate Loan shall be payable on each Quarterly Payment Date applicable thereto. The applicable Alternate Base Rate shall be determined by the Administrative Agent, and such determination shall be conclusive absent manifest error.

2.9 Interest on Overdue Amounts.

If the Borrower shall default in the payment of the principal of or interest on any Loan or any other amount becoming due hereunder, the Borrower shall on demand from time to time pay interest, to the extent permitted by Law, on such defaulted amount up to (but not including) the date of actual payment (after as well as before judgment) at a rate per annum equal to the lesser of (i) the Highest Lawful Rate and (ii) the Default Rate.

2.10 Alternate Rate of Interest for Eurodollar Loans.

In the event, and on each occasion, that on the day two Business Days prior to the commencement of any Interest Period for a Eurodollar Loan, the Administrative Agent shall have determined that dollar deposits in the amount of the requested principal amount of such Eurodollar Loan are not generally available in the London interbank market, or that dollar deposits are not generally available in the London interbank market for the requested Interest Period, or that the rate at which such dollar deposits are being offered will not adequately and fairly reflect the cost to any Lender of making or maintaining such Eurodollar Loan during such Interest Period, or that reasonable means do not exist for ascertaining the Eurodollar Rate, the Administrative Agent shall, as soon as practicable thereafter, give telecopy notice of such determination, stating the specific reasons therefor, to the Borrower and the Lenders. In the event of any such determination, any request by the Borrower for a Eurodollar Loan shall, until the circumstances giving rise to such notice no longer exist, be deemed to be a request for a Base Rate Loan. Each determination by the Administrative Agent hereunder shall be conclusive absent manifest error.

2.11 Mandatory and Optional Prepayment of Loans.

(a) Prior to the Termination Date, the Borrower shall have the right at any time to prepay any Borrowing, in whole or in part, subject to the requirements of Section 2.14 and Section 2.15 but otherwise without premium or penalty, but prepayment of Eurodollar Loans shall require at least two Business Days prior written notice to the Administrative Agent; provided, however, that each such partial prepayment shall be in an integral multiple of \$1,000,000 and in a minimum aggregate principal amount of \$2,000,000. Each notice of prepayment shall specify the prepayment date and the aggregate principal amount of each Borrowing to be prepaid, shall be irrevocable and shall commit the Borrower to prepay such Borrowing by the amount stated therein.

(b) On the date of any termination or reduction of the Total Commitment pursuant to Section 2.5(a), the Borrower shall pay or prepay so much of the Loans as shall be necessary in order that the aggregate principal amount of the Loans outstanding will not exceed the Total Commitment following such termination or reduction. Subject to the foregoing and the requirements of Section 2.5, any such payment or prepayment shall be applied to such Borrowing or Borrowings as the Borrower shall select. All prepayments under this paragraph shall be subject to Section 2.14 and Section 2.15.

(c) All Loans, together with accrued and unpaid interest thereon, shall be due and payable in full on the Termination Date.

(d) All prepayments under this Section 2.11 shall be accompanied by accrued interest on the principal amount being prepaid to the date of prepayment.

2.12 Reserve Requirements; Change in Circumstances.

(a) Notwithstanding any other provision herein, if after the date of this Agreement any Regulatory Change (i) shall change the basis of taxation of payments to any Lender of the principal of or interest on any Eurodollar Loan made by such Lender or any other fees or amounts payable hereunder (other than (x) Taxes imposed on or measured by the capital, receipts or franchises of such Lender or the overall gross or net income of such Lender by the jurisdiction in which such Lender has its principal office or by any political subdivision or taxing authority therein (or

any Tax which is enacted or adopted by such jurisdiction, political subdivision, or taxing authority as a direct substitute for any such Taxes) or (y) any Tax, assessment, or other governmental charge that would not have been imposed but for the failure of any Lender to comply with any certification, information, documentation, or other reporting requirement), (ii) shall impose, modify, or deem applicable any reserve, special deposit, or similar requirement with respect to any Eurodollar Loan, against assets of, deposits with or for the account of, or credit extended by, such Lender under this Agreement, or (iii) with respect to any Eurodollar Loan, shall impose on such Lender or the London interbank market any other condition affecting this Agreement or any Eurodollar Loan made by such Lender, and the result of any of the foregoing shall be to increase the cost to such Lender of maintaining its Commitment or of making or maintaining any Eurodollar Loan or to reduce the amount of any sum received or receivable by such Lender hereunder (whether of principal, interest, or otherwise) in respect thereof by an amount deemed in good faith by such Lender to be material, then the Borrower shall pay to the Administrative Agent for the account of such Lender such additional amount or amounts as will compensate such Lender for such increase or reduction to such Lender, to the extent such amounts have not been included in the calculation of the Eurodollar Rate, upon demand by such Lender (through the Administrative Agent). Notwithstanding the foregoing, in no event shall any Lender be permitted to receive any compensation hereunder constituting interest in excess of the Highest Lawful Rate.

(b) If any Lender shall have determined in good faith that any Regulatory Change regarding capital adequacy or compliance by any Lender (or its parent or any lending office of such Lender) with any request or directive regarding capital adequacy (whether or not having the force of Law) of any Tribunal, monetary authority, central bank, or comparable agency, has or would have the effect of reducing the rate of return on such Lender's (or its parent's) capital as a consequence of its obligations hereunder to a level below that which such Lender (or its parent) could have achieved but for such Regulatory Change, or compliance (taking into consideration such Lender's policies with respect to capital adequacy) by an amount deemed in good faith by such Lender to be material, then from time to time, the Borrower shall pay to the Administrative Agent for the account of such Lender such additional amount or amounts as will compensate such Lender for such reduction upon demand by such Lender (through the Administrative Agent). Notwithstanding the foregoing, in no event shall any Lender be permitted to receive any compensation hereunder constituting interest in excess of the Highest Lawful Rate.

(c) A certificate of a Lender setting forth in reasonable detail (i) the Regulatory Change or other event giving rise to such costs, (ii) such amount or amounts as shall be necessary to compensate such Lender as specified in paragraph (a) or (b) above, as the case may be, and (ii) the calculation of such amount or amounts under clause

(a)(i), shall be delivered to the Borrower (with a copy to the Administrative Agent) promptly after such Lender determines it is entitled to compensation under this Section 2.12, and shall be conclusive and binding absent manifest error. The Borrower shall pay to the Administrative Agent for the account of such Lender the amount shown as due on any such certificate within 15 days after its receipt of the same. In preparing such certificate, such Lender may employ such assumptions and allocations of costs and expenses as it shall in good faith deem reasonable and may use any reasonable averaging and attribution method.

(d) Failure on the part of any Lender to demand compensation for any increased costs or reduction in amounts received or receivable or reduction in return on capital with respect to any Interest Period shall not constitute a waiver of such Lender's rights to demand compensation for any increased costs or reduction in amounts received or receivable or reduction in return on capital with respect to such Interest Period or any other Interest Period. The protection of this

Section 2.12 shall be available to each Lender regardless of any possible contention of invalidity or inapplicability of the law, regulation, or condition which shall have been imposed.

(e) In the event any Lender shall seek compensation pursuant to this Section 2.12, the Borrower may, provided no Event of Default has occurred and is continuing, give notice to such Lender (with copies to the Agents) that it wishes to seek one or more Eligible Assignees to assume the Commitment of such Lender and to purchase its outstanding Loans and Notes (if any). Each Lender requesting compensation pursuant to this Section 2.12 agrees to sell its Commitment, Loans, Notes, and interest in this Agreement and the other Loan Papers to any such Eligible Assignee for an amount equal to the sum of the outstanding unpaid principal of and accrued interest on such Loans and Notes plus all other fees and amounts (including, without limitation, any compensation claimed by such Lender under this Section 2.12 and as to which such Lender has delivered the certificate required by Section 2.12(c) on or before the date such Commitment, Loans, and Notes are purchased) due such Lender hereunder calculated, in each case, to the date such Commitment, Loans, Notes (if any), and interest are purchased, whereupon such Lender shall have no further Commitment or other obligation to the Borrower hereunder or under any other Loan Paper.

(f) If the Borrower is required to pay additional amounts to or for the account of any Lender pursuant to this Section 2.12, then such Lender will agree to use reasonable efforts to change the jurisdiction of its Applicable Lending Office so as to eliminate or reduce any such additional payment which may thereafter accrue if such change, in the judgment of such Lender, is not otherwise disadvantageous to such Lender.

(g) Without prejudice to the survival of any other obligations of the Borrower hereunder, the obligations of the Borrower under this Section 2.12 shall survive for one year after the termination of this Agreement and/or the payment or assignment of any of the Loans or Notes.

2.13 Change in Legality.

(a) Notwithstanding anything to the contrary herein contained, if any Regulatory Change shall make it unlawful for any Lender to make or maintain any Eurodollar Loan or to give effect to its obligations as contemplated hereby, then, by written notice to the Borrower and to the Administrative Agent, such Lender may:

(i) declare that Eurodollar Loans will not thereafter be made by such Lender hereunder, whereupon the Borrower shall be prohibited from requesting Eurodollar Loans from such Lender hereunder unless such declaration is subsequently withdrawn; and

(ii) if such unlawfulness shall be effective prior to the end of any Interest Period of an outstanding Eurodollar Loan, require that all outstanding Eurodollar Loans with such Interest Periods made by it be converted to Base Rate Loans, in which event (A) all such Eurodollar Loans shall be automatically converted to Base Rate Loans as of the effective date of such notice as provided in paragraph (b) below and (B) all payments and prepayments of principal which would otherwise have been applied to repay the converted Eurodollar Loans shall instead be applied to repay the Base Rate Loans resulting from the conversion of such Eurodollar Loans.

(b) For purposes of this Section 2.13, a notice to the Borrower (with a copy to the Administrative Agent) by any Lender pursuant to paragraph (a) above shall be effective on the date of receipt thereof by the Borrower.

2.14 INDEMNITY.

THE BORROWER SHALL INDEMNIFY EACH LENDER AGAINST ANY LOSS OR REASONABLE EXPENSE WHICH SUCH LENDER MAY SUSTAIN OR INCUR AS A CONSEQUENCE OF (A) ANY FAILURE BY THE BORROWER TO FULFILL ON THE DATE OF ANY BORROWING HEREUNDER THE APPLICABLE CONDITIONS SET FORTH IN SECTION 4, (B) ANY FAILURE BY THE BORROWER TO BORROW HEREUNDER AFTER A NOTICE OF BORROWING PURSUANT TO SECTION 2 HAS BEEN GIVEN, (C) ANY PAYMENT, PREPAYMENT, OR CONVERSION OF A EURODOLLAR LOAN REQUIRED BY ANY OTHER PROVISION OF THIS AGREEMENT OR OTHERWISE MADE ON A DATE OTHER THAN THE LAST DAY OF THE APPLICABLE INTEREST PERIOD FOR ANY REASON, INCLUDING WITHOUT LIMITATION THE ACCELERATION OF OUTSTANDING LOANS AS A RESULT OF ANY EVENT OF DEFAULT, (D) ANY FAILURE BY THE BORROWER FOR ANY REASON (INCLUDING WITHOUT LIMITATION THE EXISTENCE OF A DEFAULT OR AN EVENT OF DEFAULT) TO PAY, PREPAY OR CONVERT A EURODOLLAR LOAN ON THE DATE FOR SUCH PAYMENT, PREPAYMENT OR CONVERSION, SPECIFIED IN THE RELEVANT NOTICE OF PAYMENT, PREPAYMENT OR CONVERSION UNDER THIS AGREEMENT. THE INDEMNITY OF THE BORROWER PURSUANT TO THE IMMEDIATELY PRECEDING SENTENCE SHALL INCLUDE, BUT NOT BE LIMITED TO, ANY LOSS OR REASONABLE EXPENSE SUSTAINED OR INCURRED OR TO BE SUSTAINED OR INCURRED IN LIQUIDATING OR EMPLOYING DEPOSITS FROM THIRD PARTIES ACQUIRED TO EFFECT OR MAINTAIN SUCH LOAN OR ANY PART THEREOF AS A EURODOLLAR LOAN. SUCH LOSS OR REASONABLE EXPENSE SHALL INCLUDE, WITHOUT LIMITATION, AN AMOUNT EQUAL TO THE EXCESS, IF ANY, AS REASONABLY DETERMINED BY EACH LENDER OF (I) ITS COST OF OBTAINING THE FUNDS FOR THE LOAN BEING PAID, PREPAID, OR CONVERTED OR NOT BORROWED, PAID, PREPAID OR CONVERTED (BASED ON THE EURODOLLAR RATE APPLICABLE THERETO) FOR THE PERIOD FROM THE DATE OF SUCH PAYMENT, PREPAYMENT, OR CONVERSION OR FAILURE TO BORROW, PAY, PREPAY OR CONVERT TO THE LAST DAY OF THE INTEREST PERIOD FOR SUCH LOAN (OR, IN THE CASE OF A FAILURE TO BORROW, PAY, PREPAY OR CONVERT, THE INTEREST PERIOD FOR THE LOAN WHICH WOULD HAVE COMMENCED ON THE DATE OF SUCH FAILURE TO BORROW, PAY, PREPAY OR CONVERT) OVER (II) THE AMOUNT OF INTEREST (AS REASONABLY DETERMINED BY SUCH LENDER) THAT WOULD BE REALIZED BY SUCH LENDER IN REEMPLOYING THE FUNDS SO PAID, PREPAID, OR CONVERTED OR NOT BORROWED, PAID, PREPAID OR CONVERTED FOR SUCH PERIOD OR INTEREST PERIOD, AS THE CASE MAY BE. A CERTIFICATE OF EACH LENDER SETTING FORTH ANY AMOUNT OR AMOUNTS AND, IN REASONABLE DETAIL, THE COMPUTATIONS THEREOF, WHICH SUCH LENDER IS ENTITLED TO RECEIVE PURSUANT TO THIS SECTION 2.14 SHALL BE DELIVERED TO THE BORROWER (WITH A COPY TO THE ADMINISTRATIVE AGENT) AND SHALL BE CONCLUSIVE, IF MADE IN GOOD FAITH, ABSENT MANIFEST ERROR. THE BORROWER SHALL PAY TO THE ADMINISTRATIVE AGENT FOR THE ACCOUNT OF EACH LENDER THE AMOUNT SHOWN AS DUE ON ANY CERTIFICATE WITHIN 30 DAYS AFTER ITS RECEIPT OF THE SAME. NOTWITHSTANDING THE FOREGOING, IN NO EVENT SHALL ANY LENDER BE PERMITTED TO RECEIVE ANY COMPENSATION HEREUNDER CONSTITUTING INTEREST IN EXCESS OF THE HIGHEST LAWFUL RATE. WITHOUT PREJUDICE TO THE SURVIVAL OF ANY OTHER OBLIGATIONS OF THE BORROWER HEREUNDER, THE OBLIGATIONS OF THE BORROWER UNDER THIS SECTION 2.14 SHALL SURVIVE FOR ONE YEAR AFTER THE TERMINATION OF THIS AGREEMENT AND/OR THE PAYMENT OR ASSIGNMENT OF ANY OF THE LOANS OR NOTES.

2.15 Pro Rata Treatment.

Unless otherwise specifically provided herein, each payment or prepayment of principal and each payment of interest with respect to a Borrowing shall be made pro rata among the Lenders in accordance with the respective principal amounts of the Loans extended by each Lender, if any, with respect to such Borrowing, and conversions of Loans to Loans of another Type and continuations of Loans that are Eurodollar Loans from one Interest Period, shall be made pro rata among the Lenders in accordance with their respective Commitments.

2.16 Sharing of Setoffs.

Each Lender agrees that if it shall, through the exercise of a right of banker's lien, setoff, or counterclaim against the Borrower, including, but not limited to, a secured claim under Section 506 of Title 11 of the United States Code or other security or interest arising from, or in lieu of, such secured claim, received by such Lender under any applicable Debtor Relief Law or otherwise, obtain payment (voluntary or involuntary) in respect of the Note held by it (other than pursuant to Section 2.12 or Section 2.14) as a result of which the unpaid principal portion of the Note held by it shall be proportionately less than the unpaid principal portion of the Note held by any other Lender, it shall be deemed to have simultaneously purchased from such other Lender a participation in the Note held by such other Lender, so that the aggregate unpaid principal amount of the Note and participations in Notes held by each Lender shall be in the same proportion to the aggregate unpaid principal amount of all Notes then outstanding as the principal amount of the Note held by it prior to such exercise of banker's lien, setoff, or counterclaim was to the principal amount of all Notes outstanding prior to such exercise of banker's lien, setoff, or counterclaim; provided, however, that if any such purchase or purchases or adjustments shall be made pursuant to this Section 2.16 and the payment giving rise thereto shall thereafter be recovered, such purchase or purchases or adjustments shall be rescinded to the extent of such recovery and the purchase price or prices or

adjustment restored without interest. The Borrower expressly consents to the foregoing arrangements and agrees that any Lender holding a participation in a Note deemed to have been so purchased may, upon the existence of an Event of Default, exercise any and all rights of banker's lien, setoff, or counterclaim with respect to any and all moneys owing by the Borrower to such Lender as fully as if such Lender had made a Loan directly to the Borrower in the amount of such participation.

2.17 Payments.

(a) The Borrower shall make each payment hereunder and under any instrument delivered hereunder not later than 1:00 p.m. (Dallas, Texas time) on the day when due in dollars to the Administrative Agent at its address referred to on Schedule 1 for the account of the Lenders, in immediately available funds. The Administrative Agent will promptly thereafter cause to be distributed like funds relating to the payment of principal of or interest on Loans (other than pursuant to Section 2.12 and Section 2.14) or Commitment Fees ratably to the Lenders and like funds relating to the payment of any other amount payable to any Lender to such Lender for the account of its Applicable Lending Office, in each case to be applied in accordance with the terms of this Agreement.

(b) Whenever any payment hereunder or under any Note shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in all such case be included in the computation of payment of interest or Commitment Fee, as the case may be; provided, however, if such extension would cause payment of interest on or principal of a Eurodollar Loan to be made in the next following calendar month, such payment shall be made on the next preceding Business Day.

(c) Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Lenders hereunder that the Borrower will not make such payment in full, the Administrative Agent may assume that the Borrower has made or will make such payment in full to the Administrative Agent on such date and the Administrative Agent may, in reliance upon such assumption, cause to be distributed to each Lender on such due date an amount equal to the amount then due such Lender. If and to the extent the Borrower shall not have so made such payment in full to the Administrative Agent, each Lender shall repay to the Administrative Agent forthwith on demand such amount distributed to such Lender together with interest thereon, for each day from the date such amount is distributed to such Lender until the date such Lender repays such amount to the Administrative Agent, at the Federal Funds Rate.

(d) All payments (whether of principal, interest, fees, reimbursements, or otherwise) by the Borrower under this Agreement shall be made without setoff or counterclaim and shall be made free and clear of and without deduction for any present or future Tax, levy, impost, or any other charge against the Borrower, if any, of any nature whatsoever now or hereafter imposed by any Tribunal excluding, in the case of each Lender and the Agents, taxes imposed on its income, and franchise taxes imposed on it, by the jurisdiction under the Laws of which such Lender (or its Applicable Lending Office) or such Agent (as the case may be) is organized or any political subdivision thereof. If the making of such payments by the Borrower is prohibited by Law unless such a Tax, levy, impost, or other charge is deducted or withheld therefrom, the Borrower shall pay to the Administrative Agent, on the date of each such payment, such additional amounts (without duplication of any other amounts required to be paid by the Borrower pursuant to Section 2.12) as may be necessary in order that the net amounts received by the Lenders after such deduction or withholding shall equal the amounts which would have been received if such deduction or withholding were not required. The Borrower shall confirm that all applicable Taxes, if any, imposed on this Agreement or transactions hereunder shall have been properly and legally paid by it to the appropriate taxing authorities by sending official Tax receipts or notarized copies of such receipts to the Administrative Agent within 30 days after payment of any applicable Tax.

(e) So long as no Event of Default has occurred and is continuing, payments and prepayments of the Obligation shall be applied first to accrued interest then due and payable and to the remaining Obligation in the order and manner as the Borrower may direct; provided, however, unless a Default or Event of Default has occurred and is continuing, any payments and prepayments made pursuant to Section 2.5(a) or Sections 2.11(a) through (d) shall be applied first to accrued interest then due and payable, then to principal of the Loans. At any time during which an Event of Default has occurred and is continuing or if the Borrower fails to give direction, any payment or prepayment shall be applied in the following order: (i) to expenses and fees for which the Agents and the Lenders have not been reimbursed in accordance with the Loan Papers; (ii) to accrued interest; and (iii) to the remaining Obligation in the order and manner as the Majority Lenders deem appropriate.

2.18 Calculation of Eurodollar Rate.

The provisions of this Agreement relating to calculation of the Eurodollar Rate are included only for the purpose of determining the rate of interest or other amounts to be paid hereunder that are based upon such rate, it being understood that each Lender shall be entitled to fund and maintain its funding of all or any part of a Eurodollar Loan as it sees fit. All such determinations hereunder, however, shall be made as if each Lender had actually funded and maintained funding of each Eurodollar Loan through the purchase in the London interbank market of one or more eurodollar deposits, in an amount equal to the principal amount of such Loan and having a maturity corresponding to the Interest Period for such Loan.

2.19 Booking Loans.

Any Lender may make, carry, or transfer Loans at, to, or for the account of any of its branch offices.

2.20 Quotation of Rates.

It is hereby acknowledged that the Borrower may call the Administrative Agent on or before the date on which notice of a Borrowing is to be delivered by the Borrower in order to receive an indication of the rate or rates then in effect, but that such projection shall not be binding upon the Administrative Agent or any Lender nor affect the rate of interest which thereafter is actually in effect when the election is made.

SECTION 3

REPRESENTATIONS AND WARRANTIES.

The Borrower represents and warrants to the Agents and the Lenders as follows:

3.1 Purpose of Credit Facility.

The Borrower will use Loan proceeds only to finance the working capital needs and general corporate purposes (including Acquisitions and to serve as a commercial paper liquidity back-stop) of the Companies. The proceeds loaned hereunder will not be used directly or indirectly for the purpose of purchasing or carrying, or for the purpose of extending credit to others for the purpose of purchasing or carrying, any Margin Stock, or to repay any Debt which was created for such purposes.

3.2 Corporate Existence, Good Standing, and Authority.

Each Company is, to the best of the Borrower's knowledge, duly organized, validly existing, and in good standing under the Laws of its state of incorporation (such jurisdictions being identified on Exhibit 21 of Borrower's most recent annual report filed with the Securities and Exchange Commission on Form 10-K). Except where failure would not reasonably be expected to have a Material Adverse Effect, each Company (a) is duly qualified to transact business and is in good standing as a foreign corporation in each jurisdiction where the nature and extent of its business and properties require the same, and (b) possesses all requisite authority, power, licenses, permits, and franchises to conduct its business as is now being, or is contemplated herein to be, conducted. The Borrower possesses all requisite authority, power, licenses, permits, and franchises to execute, deliver, and comply with the terms of the Loan Papers, all which have been duly authorized and approved by all necessary corporate action and, except where failure would not reasonably be expected to have a Material Adverse Effect, for which no approval or consent of any Person or Tribunal is required which has not been obtained and no filing or other notification to any Person or Tribunal is required which has not been properly completed.

3.3 Significant Subsidiaries.

Exhibit 21 of Borrower's most recent annual report filed with the Securities and Exchange Commission on Form 10-K sets forth, in all material respects, all existing Significant Subsidiaries of the Borrower and correctly lists, as to each Significant Subsidiary, (a) its name and (b) its jurisdiction of incorporation. The shares of capital stock of each Significant Subsidiary owned by the Borrower (either directly or indirectly through another Subsidiary) as set forth on Exhibit 21 of Borrower's most recent annual report filed with the Securities and Exchange Commission on Form 10-K are the duly authorized, validly issued, fully paid, and nonassessable shares of such Significant Subsidiary and are owned by the Borrower free and clear of all Liens except Permitted Liens.

3.4 Financial Statements. The Current Financials were prepared in accordance with GAAP and present fairly the consolidated financial condition and the results of operations of the Companies as of, and for the periods ended, the dates thereof. There were no material (to the Companies taken as a whole) liabilities, direct or indirect, fixed or contingent, of any Company as of the date of the Current Financials which are not reflected therein. No Company has incurred any material (to the Companies taken as a whole) liability, direct or indirect, fixed or contingent, between the dates of the Current Financials and the date hereof, except in the ordinary course of business, such as in connection with acquisitions and financing activities.

3.5 Compliance with Laws, Charter, and Agreements.

No Company is, nor will the execution, delivery, performance, or observance of the Loan Papers cause any Company to be, in violation of any Laws or any Material Agreements to which it is a party, other than such violations which would not reasonably be expected to have a Material Adverse Effect. Neither the Borrower nor any Significant Subsidiary is, nor will the execution, delivery, performance, or observance of the Loan Papers cause the Borrower or any Significant Subsidiary to be, in violation of its bylaws or charter.

3.6 Litigation.

Except as described in the Form 10-Q filed by the Borrower for the quarterly period ended March 31, 2001 with the Securities and Exchange Commission and to the knowledge of the Borrower, no Company is aware of any "Material" Litigation, and there are no Material outstanding or unpaid judgments against any Company. Material for purpose of this Section 3.6 in relation to Litigation would include any actions or proceedings pending or threatened against any Company before any court or Tribunal seeking damages, net of insurance proceeds to the Company, in excess of \$10,000,000 in any case or 1% of Consolidated Net Worth in the aggregate, or which might result in any Material Adverse Effect.

3.7 Taxes.

All Tax returns of each Company required to be filed have been filed (or extensions have been granted) except where the failure to do so could not reasonably be expected to have a Material Adverse Effect, and all Taxes imposed upon each Company which are due and payable have been paid other than Taxes for which the criteria for Permitted Liens have been satisfied.

3.8 Environmental Matters.

No Company's ownership of its assets violates any applicable Environmental Law, other than such violations which would not reasonably be expected to have a Material Adverse Effect. To the Borrower's knowledge, no investigation or review is pending or threatened by any Tribunal with respect to any alleged violation of any Environmental Law in connection with any Company's assets. None of any Company's assets have been used by such Company or, to the Borrower's knowledge, any other Person as a dump site for any Hazardous Substance except where such use would not reasonably be expected to have a Material Adverse Effect.

3.9 Employee Benefit Plans.

(a) No employee benefit plan as defined in the Code and Title IV of ERISA of any Company has incurred an accumulated funding deficiency in an amount sufficient to have a Material Adverse Effect, (b) no Company has incurred liability to the PBGC in connection with any such plan where such liability could reasonably be expected to have a Material Adverse Effect, (c) no Company has withdrawn in whole or in part from participation in a Multiemployer Plan where the withdrawal could reasonably be expected to have a Material Adverse Effect, and (d) to the best of the Borrower's knowledge, no "prohibited transaction" (as defined in section 406 of ERISA or section 4975 of the Code) or "reportable event" (as defined in section 4043 of ERISA) has occurred which could reasonably be expected to have a Material Adverse Effect.

3.10 Properties; Liens.

Each Company has good and marketable (except for Permitted Liens) title to all its property reflected on the Current Financials (except for dispositions of property in the ordinary course of business between the date or dates thereof and the date hereof). Except for Permitted Liens, there is no Lien on any property of any Company, and the execution, delivery, performance, or observance of the Loan Papers will not require or result in the creation of any Lien other than Permitted Liens.

3.11 Holding Company and Investment Company Status.

The Borrower is not (a) a "holding company," a "subsidiary company" of a "holding company," an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company," or a "public utility" within the meaning of the Public Utility Holding Company Act of 1935, as amended, (b) a "public utility" within the meaning of the Federal Power Act, as amended, (c) an "investment company" within the meaning of the Investment Company Act of 1940, as amended, (d) an "investment adviser" within the meaning of the Investment Advisers Act of 1940, as amended, or (e) directly subject to the jurisdiction of the Federal Communications Commission or any public service commission.

3.12 Transactions with Affiliates.

Except as disclosed on Schedule 3.12, no Company is a party to a material transaction with any of its Affiliates other than transactions in the ordinary course of business and upon fair and reasonable terms not materially less favorable than such Company could obtain or could become entitled to in an arm's-length transaction with a Person that was not its Affiliate. For purposes of this Section 3.12, such transactions are "material" if they, individually or in the aggregate, require any Company to pay more than 1 percent of Consolidated Net Worth over the course of such transactions.

3.13 Leases.

All material leases under which any Company is lessee or tenant are in full force and effect, and no default or potential default exists thereunder.

3.14 Labor Matters.

There are no actual or, to the Borrower's knowledge, threatened strikes, labor disputes, slow downs, walkouts, or other concerted interruptions of operations by any Company's employees, the effect of which would have a Material Adverse Effect.

3.15 Insurance.

Each Company maintains with financially sound insurance companies or associations (or, as to workers' compensation or similar insurance, with an insurance fund or by self-insurance authorized by the jurisdictions in which it operates) insurance concerning its properties and businesses against such casualties and contingencies and of such types and in such amounts (and with co-insurance and deductibles) as is customary in the case of same or similar businesses; provided, however, a program of self-insurance in such amounts and against such risks as are prudent and which is consistent with accepted business practice shall constitute compliance with this Section 3.15.

3.16 Solvency.

The Companies are, and after giving effect to the transactions contemplated under the Loan Papers will be, Solvent.

3.17 Business.

The business of the Borrower, as presently conducted and as proposed to be conducted, is set forth on Schedule 3.17.

3.18 General.

All writings exhibited or delivered to the Agents by or on behalf of any Company are and will be genuine and in all material respects what they purport and appear to be.

SECTION 4

CONDITIONS PRECEDENT.

4.1 Initial Loan.

No Lender will be obligated to fund the initial Loan unless the Administrative Agent has received all of the following in form and substance satisfactory to the Administrative Agent and its special counsel:

(a) Loan Papers. This Agreement, the Notes, a Notice of

Borrowing, and the Current Financials.

(b) Secretary's Certificates. A certificate dated as of the date hereof, executed and delivered by the Borrower, certifying that (i) attached is a true, correct, and complete copy of (A) the Borrower's charter, certified by the appropriate state official and dated a Current Date, (B) the Borrower's bylaws, and (C) resolutions of the Borrower's board of directors authorizing the execution and delivery of each Loan Paper to which the Borrower is a party and (ii) the officers whose specimen signatures appear on such certificate hold the corporate office indicated and are authorized to sign agreements, documents, and instruments on behalf of the Borrower.

(c) Good Standing, Existence, and Authority. Certificates (dated a Current Date) relating to the Borrower's existence, good standing, and authority to transact business issued by appropriate state officials.

(d) Opinions of Borrower's Counsel. The favorable opinion, dated the Closing Date and substantially in the form of Exhibit C of Jones, Walker, Waechter, Poitevent, Carrere & Denegre, L.L.P., special counsel to the Borrower.

(e) Officer's Certificate. A certificate, dated the Closing Date and signed by the President, a Vice President or a Financial Officer of the Borrower, confirming compliance, as of the Closing Date, with the conditions set forth in paragraphs (a) and (b) of Section 4.2.

(f) Fees and Expenses. Payment from the Borrower of all

fees then due the Agents or the Lenders pursuant to this Agreement
or any other agreement.

(g) Existing Credit Agreement. The commitments under the Existing Credit Agreement shall have been terminated and all amounts owing thereunder shall have been paid.

(h) Other. Such other agreements, documents, instruments, opinions, certificates, and evidences as the Administrative Agent may reasonably request.

4.2 Each Loan.

In addition, the Lenders will not be obligated to fund any Loan unless at the time of such funding (a) the representations and warranties made in the Loan Papers are true and correct in all material respects (except to the extent that (i) the representations and warranties speak to a specific date or (ii) the facts on which such representations and warranties are based have been changed by transactions contemplated or permitted by this Agreement), (b) no Default or Event of Default shall have occurred and shall be continuing, (c) the funding of such Loan is permitted by Law, and (d) if requested by the Administrative Agent or the Majority Lenders, the Borrower shall have delivered to the Administrative Agent evidence substantiating any of the matters contained in this Agreement which are necessary to enable the Borrower to qualify for such Loan.

4.3 Materiality of Conditions.

Each condition precedent herein is material to the transactions contemplated herein, and time is of the essence in respect of each thereof.

4.4 Waiver of Conditions.

Subject to the provisions of Section 9.15, the Majority Lenders may elect to fund any Loan without all conditions being satisfied, but this shall not be deemed to be a waiver of the requirement that each such condition precedent be satisfied as a prerequisite for any subsequent Loan, unless the Majority Lenders (or, if required by Section 9.15, all Lenders) specifically waive each such item in writing.

SECTION 5

COVENANTS.

So long as the Lenders are committed to make Loans under this Agreement and thereafter until the Obligation is paid and performed in full, unless the Borrower receives a prior written notice from the Majority Lenders (or, if required by Section 9.15, all Lenders) that they do not object to a deviation, the Borrower covenants and agrees with the Agents and the Lenders as follows:

5.1 Use of Proceeds.

Proceeds of Loans advanced hereunder shall be used only as represented herein.

5.2 Books and Records.

Each Company shall maintain, in accordance with GAAP, proper and complete books, records, and accounts which are necessary to prepare the financial statements required to be delivered hereunder.

5.3 Items to be Furnished.

The Borrower shall cause the following to be furnished to the Administrative Agent:

(a) Promptly after preparation, and no later than 120 days after the last day of each fiscal year of the Borrower, Financial Statements showing the consolidated financial condition and results of operations of the Companies as of, and for the year ended on, such last day, accompanied by (i) the opinion of KPMG Peat Marwick LLP (or another firm of nationally-recognized independent certified public accountants reasonably acceptable to Majority Lenders), based on an audit using generally accepted auditing standards, that such Financial Statements were prepared in accordance with GAAP and present fairly the consolidated financial condition and results of operations of the Companies (and such accountants shall indicate in a letter to the Administrative Agent, that during their audit no Default or Event of Default not already reported was discovered or, if such Default or Event of Default was discovered, the nature and period of existence thereof) and (ii) a Financial Report Certificate with respect to such Financial Statements.

(b) Promptly after preparation, and no later than 60 days after the last day of each of the first three quarters of each fiscal year of the Borrower, (i) Financial Statements showing the consolidated financial condition and results of operations of the Companies as of, and for the period from the beginning of the current fiscal year to, such last day, and (ii) a Financial Report Certificate with respect to such Financial Statements.

(c) Promptly after preparation (and no later than the later of 15 days (a) after such filing is due or (b) after timely filing, if filed with the Securities and Exchange Commission), true copies of all regular and periodic reports, statements, documents, plans, and other written communications furnished by or on behalf of any Company to stockholders or to the Securities and Exchange Commission. However, only registration statements covering more than 2 percent of the Borrower's outstanding shares of common stock shall be required to be furnished unless specifically requested by the Administrative Agent.

(d) Promptly upon receipt thereof, copies of any notices received from any Tribunal (including, without limitation, state regulatory agencies) relating to the possible violation or violation of any Law which might have a Material Adverse Effect.

(e) Notice, promptly after the Borrower knows or has reason to know of, (i) the existence of any Material Litigation as defined in Section 3.6, (ii) any material change in any material fact or circumstance represented or warranted in any Loan Paper, or (iii) a Default or Event of Default, specifying the nature thereof and what action the Borrower or any other Company has taken, is taking, or proposes to take with respect thereto.

(f) Notice, promptly after the Borrower knows or has reason to know of, a Subsidiary Encumbrance, as defined in Section 5.24(c).

(g) Promptly upon the Administrative Agent's reasonable request, such information (not otherwise required to be furnished under the Loan Papers) respecting the business affairs, assets, and liabilities of any Company, and any opinions, certifications, and documents, in addition to those mentioned herein.

5.4 Inspection.

The Borrower shall allow the Administrative Agent and each Lender, when the Administrative Agent or such Lender reasonably deems necessary, at such Lender's own expense if no Default then exists, to inspect any of its properties, to review reports, files, and other records and to make and take away copies thereof, to conduct tests or investigations, and to discuss any of its affairs, conditions, and finances with any director, officer, or employee of such Company from time to time, upon reasonable notice during reasonable business hours, or otherwise when reasonably considered necessary.

5.5 Taxes.

Each Company shall promptly pay when due any Taxes, except those which if unpaid would not cause a Material Adverse Effect and Taxes for which the criteria for Permitted Liens have been satisfied. No Company shall use any proceeds of Loans to pay the wages of employees unless a timely payment to or deposit with the United States of America of all amounts of Tax required to be deducted and withheld with respect to such wages is also made.

5.6 Payment of Obligations.

Each Company shall promptly pay (or renew and extend) all of its material obligations as the same become due, but no Company will make any voluntary prepayment of the principal of any Debt other than the Obligation, whether subordinate to the Obligation or not, if a Default or Event of Default exists under any Loan Paper.

5.7 Expenses.

The Borrower shall promptly pay (a) all reasonable and necessary out-of-pocket costs, fees, and expenses paid or incurred by the Administrative Agent incident to any Loan Paper (including, but not limited to, the reasonable fees and expenses of counsel to the Administrative Agent in connection with the negotiation, preparation, delivery, and execution of the Loan Papers and any related amendment, waiver, or consent); and (b) all out-of-pocket costs, fees and expenses paid or incurred by the Administrative Agent and any of the Lenders in connection with the enforcement of the obligations of any Company or the exercise of any Rights (including, but not limited to, reasonable attorneys' fees and court costs), all of which shall be a part of the Obligation.

5.8 Maintenance of Existence, Assets, Business, and Insurance.

Except as permitted by Section 5.13, each Company shall at all times: Maintain its corporate existence and authority to transact business and good standing in its jurisdiction of incorporation or organization and all other jurisdictions where the failure to so maintain could reasonably be expected to have a Material Adverse Effect; maintain all licenses, permits, and franchises necessary for its business, where the failure to so maintain could reasonably be expected to have a Material Adverse Effect; keep all of its assets which are necessary to its business in good working order and condition (ordinary wear and tear excepted), and make all necessary repairs and replacements thereto; and maintain either (a) insurance with such insurers, in such amounts, and covering such risks, as shall be ordinary and customary in the industry or (b) a comparable self-insurance program.

5.9 Preservation and Protection of Rights.

Each Company shall perform such acts and duly authorize, execute, acknowledge, deliver, file, and record any additional agreements, documents, instruments, and certificates as the Administrative Agent may reasonably deem necessary or appropriate in order to preserve and protect the Rights of the Agents or the Lenders under any Loan Paper.

5.10 Employee Benefit Plans.

No Company will, directly or indirectly, if it would have a Material Adverse Effect, (a) engage in any "prohibited transaction" (as defined in section 406 of ERISA or section 4975 of the Code), (b) permit the funding requirements under ERISA with respect to any employee benefit plan established or maintained by any Company to ever be less than the minimum required by ERISA, (c) permit any employee benefit plan established or maintained by any Company to ever be subject to involuntary termination proceedings, or (d) fully or partially withdraw from any Multiemployer Plan.

5.11 Liens.

No Company will create, incur, or suffer or permit to be created or incurred or to exist any Lien (other than Permitted Liens) upon any of its assets unless the Obligations then outstanding shall be secured by such Lien equally and ratably with any and all obligations and indebtedness secured by such Lien.

5.12 Restricted Payments.

The Borrower will not directly or indirectly make or declare any Restricted Payment, unless no Default has occurred and is continuing or would result from such Restricted Payment.

5.13 Mergers and Consolidations.

No Company will merge or consolidate with any Person other than any merger or consolidation whereby the Borrower (or another Company, if the Borrower is not a party thereto) is the surviving corporation and immediately after such merger or consolidation there shall not exist any Default or Event of Default.

5.14 Loans, Advances, and Investments.

Except as permitted by Section 5.13, no Company will make any loan, advance, extension of credit, or capital contribution to, make any investment in, or purchase or commit to purchase any stock or other securities or evidences of Debt of, or interests in, any other Person, other than (a) Acquisitions, (b) expense accounts for and other advances to directors, officers, and employees of such Company in the ordinary course of business not to exceed \$1,000,000 in the aggregate outstanding at any time; (c) investments in (or secured by) obligations of the United States of America and agencies thereof and obligations guaranteed by the United States of America maturing within one year from the date of acquisition; (d) certificates of deposit issued by any of the Lenders;

(e) certificates of deposit which are fully insured by the Federal Deposit Insurance Corporation or are issued by commercial banks organized under the Laws of the United States of America or any state thereof and having combined capital, surplus, and undivided profits of not less than \$100,000,000 (as shown on such Person's most recently published statement of condition), and which certificates of deposit have one of the two highest ratings from Moody's or S&P, unless Borrower has a written commitment to borrow funds from such commercial bank; (f) commercial paper rated A-1 by Moody's or P-1 by S&P (g) investments having one of the two highest ratings from Moody's or S&P (h) extensions of credit in connection with trade receivables and overpayments of trade payables, in each case resulting from transactions in the ordinary course of business; (i) loans from any Company to any other Company, investments by any Company in any other Company, and Guaranties by any Company of the Debt of any other Company;

(j) investments in the cash surrender value of life insurance policies issued by Persons with a financial rating from A.M. Best Company (as reported in Best's Insurance Reports) of at least "A+"; provided, however, that if such Person's financial rating is downgraded to less than "A+", then within 90 days following such downgrading, either (i) such cash value life insurance policies will be transferred to another insurance company with a financial rating of at least "A+", (ii) such cash value insurance policies will be collapsed and the cash value thereof will be collected by the investing Company, or (iii) such investment will become an investment subject to the limitations of subparagraph

(n) of this Section 5.14; (k) investments in the capital stock or securities of or loans to or Guaranties of the Debt of any Person engaged in business comparable to the general business of any Company (x) in which a Company possesses (or will possess, after such investment) an equity ownership interest in such Person or (y) secured by the borrower's interest in such business; (l) in the ordinary course of business, investments in the capital stock of the Rural Telephone Bank, National Bank for Cooperatives, or the National Rural Utilities Cooperative Finance Corporation, or any other lender from whom the investing Company is intending to borrow money which requires such Company to make an equity investment in such lender in order to so borrow; (m) Guaranties of the Debt of the Borrower's Employee Stock Ownership Plan; and (n) other loans, advances, Guaranties, and investments which never exceed in the aggregate at any time 25% of Adjusted Consolidated Net Worth (valued on the basis of original cost, plus subsequent cash and stock additions, less any write-down in value).

5.15 Transactions with Affiliates.

No Company will enter into any material transaction with any of its Affiliates, other than transactions in the ordinary course of business and upon fair and reasonable terms not materially less favorable than such Company could obtain or could become entitled to in an arm's-length transaction with a Person that was not its Affiliate. For purposes of this Section 5.15, such transactions are "material" if they, individually or in the aggregate, require any Company to pay more than 1 percent of Consolidated Net Worth over the course of such transactions.

5.16 Sale of Assets.

No Company will sell, lease, or otherwise dispose of all or any substantial part of its assets other than (a) sales of inventory in the ordinary course of business, (b) sales of equipment for a fair and adequate consideration, provided that if any such equipment is sold, and a replacement is necessary for the proper operation of the business of such Company, such Company will replace such equipment with adequate equipment, (c) the exchange of assets -- other than equipment -- for similar assets of equal or greater value, (d) the sale, discount, or transfer of delinquent notes or accounts receivable in the ordinary course of business for purposes of collection, and (e) other dispositions of assets (other than accounts receivable and related assets), provided that the Companies shall, within the period of 180 days following the consummation of each such transaction, apply (or cause to be applied) an amount equal to the Net Cash Proceeds of such disposition of assets to either (i) make Eligible Reinvestments or (ii) permanently reduce the Total Commitment, provided further that, notwithstanding the foregoing provisions of this clause (e), at any time that the Senior Unsecured Long-Term Debt Rating shall be lower than the Senior Unsecured Long-Term Debt Rating in effect as of the Closing Date (it being understood that the Debt Rating by S&P as of the Closing Date is BBB+ and the Debt Rating by Moody's as of the Closing Date is Baa2), the net book value of all assets disposed of pursuant to this clause (e) (net of acquisitions of similar assets) in all such transactions during any period of 12 consecutive months (commencing with the first date as of which such lower Senior Unsecured Long-Term Debt Rating shall have become effective) shall not exceed an amount equal to 10 percent of Consolidated Net Worth as set forth in the most recent Financial Statements delivered pursuant to Section 5.3 of this Agreement.

5.17 Compliance with Laws and Documents.

No Company will violate the provisions of any Laws or any Material Agreement if such violation alone, or when aggregated with all other such violations, could reasonably be expected to have a Material Adverse Effect. No Company will violate the provisions of its charter or bylaws or modify, repeal, replace, or amend any provision of its charter or bylaws if such action could reasonably be expected to have a Material Adverse

Effect. The Borrower will provide to the Administrative Agent a copy of each document that materially modifies, repeals, replaces, or amends the charter or bylaws of the Borrower.

5.18 New Businesses.

No Company will engage in any material business other than the businesses in which it is presently engaged or businesses related thereto, as described on Schedule 3.17.

5.19 Assignment.

The Borrower will not assign or transfer any of its Rights, duties, or obligations under any of the Loan Papers.

5.20 Fiscal Year and Accounting Methods.

The Borrower will not change its fiscal year or accounting methods (other than immaterial changes and changes required by changes in GAAP) without the prior written consent of the Administrative Agent (which shall not be unreasonably withheld).

5.21 Holding Company and Investment Company Status.

The Borrower will not conduct its business in such a way that it will become (a) a "holding company," a "subsidiary company" of a "holding company," an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company," or a "public utility" within the meaning of the Public Utility Holding Company Act of 1935, as amended, (b) a "public utility" within the meaning of the Federal Power Act, as amended, (c) an "investment company" within the meaning of the Investment Company Act of 1940, as amended, or (d) an "investment adviser" within the meaning of the Investment Advisers Act of 1940, as amended.

5.22 Environmental Laws.

Each Company shall conduct its business so as to comply with all applicable Environmental Laws and shall promptly take corrective action to remedy any non-compliance with any Environmental Law, except where failure to so comply or take such action would not reasonably be expected to have a Material Adverse Effect. Each Company shall maintain a system which, in its reasonable business judgment, will assure its continued compliance with Environmental Laws.

5.23 Environmental Indemnification.

Borrower shall indemnify, protect, and hold each Indemnified Party harmless from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, claims, proceedings, costs, expenses (including, without limitation, all reasonable attorneys' fees and legal expenses whether or not suit is brought), and disbursements of any kind or nature whatsoever which may at any time be imposed on, incurred by, or asserted against such Indemnified Parties, with respect to or as a direct or indirect result of the violation by any Company of any Environmental Law; or with respect to or as a direct or indirect result of any Company's generation, manufacture, production, storage, release, threatened release, discharge, disposal or presence in connection with its properties of a Hazardous Substance including, without limitation, (a) all damages of any such use, generation, manufacture, production, storage, release, threatened release, discharge, disposal, or presence, or (b) the costs of any required or necessary environmental investigation, monitoring, repair, cleanup, or detoxification and the preparation and implementation of any closure, remedial, or other plans. The provisions of and undertakings and indemnification set forth in this paragraph shall survive the satisfaction and payment of the Obligation and termination of this Agreement for a period of time set forth in the statute of limitations in any applicable Environmental Law.

5.24 Financial Covenants.

(a) As calculated at the end of each fiscal quarter of the Borrower (but computed with respect to EBITDA for the four fiscal quarters ending on the last day of such fiscal quarter), the Borrower shall not permit the ratio of Funded Debt of the Companies to EBITDA of the Companies to exceed 4.00 to 1.0.

(b) As calculated at the end of each fiscal quarter of the Borrower (but computed with respect to EBITDA for the four fiscal quarters ending on the last day of such fiscal quarter), the Borrower shall not permit the ratio of Funded Debt of its Subsidiaries to EBITDA of the Companies to exceed 1.50 to 1.0.

(c) As calculated at the end of each fiscal quarter of the Borrower (but computed for the four fiscal quarters ending on the last day of such fiscal quarter), the Borrower shall not permit the ratio of EBIT of the Companies to the sum of (i) consolidated interest expense of the Companies and (ii) dividends declared or paid by any Company (other than to another Company) on its preferred capital stock (but if such dividends are declared and paid during such four-quarter period, the amount shall not be counted twice) to be less than 1.50 to 1.0.

For purposes of this Section 5.24(c), EBIT and interest expense of any Subsidiary which is subject to any Subsidiary Encumbrance, shall be reduced to the extent such Subsidiary is restricted by the Subsidiary Encumbrance. As used in this Section 5.24(c), "Subsidiary Encumbrance"

shall mean, so long as a default has occurred and is continuing under the agreement creating such encumbrance or restriction, any encumbrance or restriction on the ability of any Subsidiary to (i) pay dividends or make any other distributions on its capital stock or any other interest or participation in its profits owned by the Borrower or any Subsidiary of the Borrower, or pay any Debt owed to the Borrower or a Subsidiary of the Borrower, (ii) make loans or advances to, or grant liens in favor of, the Borrower or any of the Borrower's Subsidiaries or (iii) transfer any of its properties or assets to the Borrower, except for such encumbrances or restrictions (A) existing on the date of this Agreement, (B) arising in connection with loans made to any Company by the Rural Electrification Administration, the Rural Utilities Service, the Rural Telephone Bank, or similar lenders such as the Rural Telephone Finance Cooperative, or (C) now existing or hereafter arising under or by reason of either (x) applicable Law or (y) this Agreement and the other Loan Papers.

(d) If at any time after the date of this Agreement the Borrower enters into any financing arrangement with a third party which requires the Borrower or the Companies as a whole to maintain a specified minimum net worth, then such minimum net worth requirement or covenant shall be incorporated herein by reference and made a part of this Agreement for all purposes as of the date such financing arrangement is entered into by the Borrower.

Further, for purposes of this Section 5.24 Funded Debt shall include any Company's Guaranty of Funded Debt of any Person other than another Company or the Borrower's Employee Stock Ownership Plan. For the first four quarters following any Acquisition, calculations under this Section 5.24 shall be made on a pro forma basis as if the properties acquired in connection with such Acquisition were properties of the Companies during the period of calculation.

SECTION 6

DEFAULT.

The term "Event of Default" means the occurrence and continuance of any one or more of the following events (including the passage of time, if any, specified therefor) (provided that, if any such event occurs and the Lenders or Majority Lenders, as required by the provisions of Section 9.15, subsequently agree in writing that they will not exercise any remedies hereunder as a result thereof, the occurrence and continuance of such event shall no longer be deemed an Event of Default hereunder insofar as the state of facts giving rise to such event is concerned):

6.1 Payment of Obligation.

The failure or refusal of the Borrower to pay any portion of the Obligation, as the same become due in accordance with the terms of the Loan Papers and, in the case of an interest payment, such failure or refusal continues for a period of 5 Business Days (no grace period being given for failure or refusal to make a principal payment). Notwithstanding the foregoing, the Borrower's failure to pay, if caused solely by a wire transfer malfunction or similar problem outside the Borrower's control, shall not be deemed an Event of Default.

6.2 Covenants.

(a) The failure or refusal of the Borrower (and, if applicable, any other Company) to punctually and properly perform, observe, and comply with any covenant, agreement, or condition contained in Sections 5.3(e)(iii), 5.11, 5.12, 5.14, 5.15, 5.18, 5.19, 5.20, 5.21 and 5.24.

(b) The failure or refusal of the Borrower (and, if applicable, any other Company) to punctually and properly perform, observe, and comply with any covenant, agreement, or condition contained in any of the Loan Papers to which such Company is a party, other than covenants to pay the Obligation and the covenants listed in clause (a) preceding, and such failure or refusal continues for 10 days after notice from the Administrative Agent to the Borrower.

6.3 Debtor Relief.

The Companies shall not be Solvent, or any Company (a) fails to pay its Debts generally as they become due, (b) voluntarily seeks, consents to, or acquiesces in the benefit of any Debtor Relief Law, or (c) becomes a party to or is made the subject of any proceeding provided for by any Debtor Relief Law, other than as a creditor or claimant, that could suspend or otherwise adversely affect the Rights of the Agents or the Lenders granted in the Loan Papers (unless, in the event such proceeding is involuntary, the petition instituting same is dismissed within 60 days after its filing).

6.4 Attachment.

The failure of any Company to have discharged within 60 days after commencement any attachment, sequestration, or similar proceeding which, individually or together with all such other proceedings then pending, affects assets of such Company having a value (individually or collectively) of 1 percent of Consolidated Net Worth or more.

6.5 Payment of Judgments.

Any Company fails to pay any judgments or orders for the payment of money in excess of 1 percent of Consolidated Net Worth (individually or collectively) rendered against it or any of its assets and either (a) any enforcement proceedings shall have been commenced by any creditor

upon any such judgment or order or (b) a stay of enforcement of any such judgment or order, by reason of pending appeal or otherwise, shall not be in effect prior to the time its assets may be lawfully sold to satisfy such judgment.

6.6 Default Under Other Agreements.

A default exists under any Material Agreement to which any Company is a party, the effect of which is to cause, or which permits the holder thereof (or a trustee or representative of such holder) to cause, unpaid consideration of at least 2% of Consolidated Net Worth (individually or in the aggregate) to become due prior to the stated maturity or prior to the regularly scheduled dates of payment.

6.7 Antitrust Proceedings.

A petition or complaint is filed before or by any Tribunal (including, without limitation, the Federal Trade Commission, the United States Justice Department, or the Federal Communications Commission) seeking to cause the Borrower or any Subsidiary to divest a significant portion of its assets or any of its Subsidiaries pursuant to any antitrust, restraint of trade, unfair competition, or similar Laws, and such petition or complaint is not dismissed or discharged within 270 days after the filing thereof.

6.8 Misrepresentation.

Administrative Agent or any Lender discovers that any statement, representation, or warranty in the Loan Papers, any Financial Statement of the Borrower, or any writing ever delivered to Administrative Agent or any Lender pursuant to the Loan Papers is false, misleading, or erroneous when made or delivered in any material respect.

6.9 Change in Control.

A Change of Control shall occur. For the purpose of this Section, a "Change of Control" shall be deemed to have occurred if:

(a) a third person, including a "group" as defined in Section 13(d)(3) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), but excluding any employee benefit plan or plans of Borrower and its Subsidiaries and Affiliates, becomes the beneficial owner, directly or indirectly, of thirty percent (30%) or more of the combined voting power of Borrower's outstanding voting securities ordinarily having the right to vote for the election of directors of Borrower; or

(b) the individuals who, as of June 30, 2001 constituted the Board of Directors of Borrower (the "Board" generally and as of June 30, 2001 the "Incumbent Board") cease for any reason to constitute at least two-thirds (2/3) of the Board, or in the case of a merger or consolidation of Borrower, do not constitute or cease to constitute at least two-thirds (2/3) of the board of directors of the surviving company (or in a case where the surviving corporation is controlled, directly or indirectly, by another corporation or entity do not constitute or cease to constitute at least two-thirds (2/3) of the board of such controlling corporation or do not have or cease to have at least two-thirds (2/3) voting seats on any body comparable to a board of directors of such controlling entity or, if there is no body comparable to a board of directors, at least two-thirds (2/3) voting control of such controlling entity), provided that any person becoming a director (or, in the case of a controlling non-corporate entity, obtaining a position comparable to a director or obtaining a voting interest in such entity) subsequent to June 30, 2001, whose election, or nomination for election, was approved by a vote of the persons comprising at least two-thirds (2/3) of the Incumbent Board (other than an election or nomination of an individual whose initial assumption of office is in connection with an actual or threatened election contest, as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) shall be, for purposes of this Agreement, considered as though such person were a member of the Incumbent Board.

6.10 ERISA.

Any one of the following shall have occurred: (a) any "Reportable Event" as such term is defined in ERISA under any Plan, (b) the appointment by an appropriate Tribunal of a trustee to administer any Plan, (c) the termination of any Plan within the meaning of Title IV of ERISA, or (d) any material accumulated funding deficiency within the meaning of ERISA exists under any Plan, and any of (a), (b), (c) or (d) results in a Material Adverse Effect.

6.11 Validity and Enforceability of Loan Documents.

Any Loan Paper shall, at any time after its execution and delivery and for any reason, cease to be in full force and effect in any material respect or be declared to be null and void or the validity or enforceability thereof be contested by any Company party thereto or any Company shall deny that it has any liability or obligations under any Loan Paper to which it is a party.

SECTION 7

RIGHTS AND REMEDIES.

7.1 Remedies Upon Event of Default.

(a) Should an Event of Default occur and be continuing under

Section 6.3, the commitment of the Lenders to make Loans shall automatically terminate and the entire unpaid balance of the Obligation shall automatically become due and payable without any action of any kind whatsoever.

(b) Should any other Event of Default occur and be continuing, subject to any agreement among the Lenders, the Administrative Agent may (and shall upon the request of the Majority Lenders), at its (or the Majority Lenders') election, do any one or more of the following:

(i) If the maturity of the Obligation has not already been accelerated under Section 7.1(a), declare the entire unpaid balance of the Obligation, or any part thereof, immediately due and payable, whereupon it shall be due and payable (and notice of such declaration shall promptly be given thereafter by the Administrative Agent to the Borrower); (ii) terminate commitments to make Loans hereunder; (iii) reduce any claim to judgment; (iv) exercise (or request each Lender to exercise) the Rights of offset or banker's Lien against the interest of the Borrower in and to every account and other property of the Borrower which are in the possession of any Lender to the extent of the full amount of the Obligation; and (v) exercise any and all other legal or equitable Rights afforded by the Loan Papers, the Laws of the State of New York or any other jurisdiction as the Administrative Agent shall deem appropriate, or otherwise, including, but not limited to, the Right to bring suit or other proceedings before any Tribunal either for specific performance of any covenant or condition contained in any of the Loan Papers or in aid of the exercise of any Right granted to the Lenders in any of the Loan Papers.

7.2 Waivers.

The Borrower hereby waives presentment and demand for payment, protest, notice of intention to accelerate, notice of acceleration, and notice of protest and nonpayment, and agrees that its liability with respect to the Obligation, or any part thereof, shall not be affected by any renewal or extension in the time of payment of the Obligation, by any indulgence, or by any release or change in any security for the payment of the Obligation.

7.3 Performance by Administrative Agent.

If any covenant, duty, or agreement of any Company is not performed in accordance with the terms of the Loan Papers, the Administrative Agent may, at its option (but subject to the approval of the Majority Lenders), perform or attempt to perform such covenant, duty, or agreement on behalf of such Company. In such event, any amount expended by the Administrative Agent in such performance or attempted performance shall be reasonable, payable by the Borrower to the Administrative Agent on demand, shall become part of the Obligation, and shall bear interest at the Default Rate from the date of such expenditure by the Administrative Agent until paid. Notwithstanding the foregoing, it is expressly understood that the Administrative Agent does not assume and shall never have, except by its express written consent, any liability or responsibility for the performance of any covenant, duty, or agreement of any Company.

7.4 Delegation of Duties and Rights.

The Administrative Agent and the Lenders may perform any of their duties or exercise any of their Rights under the Loan Papers by or through the Administrative Agent and their and the Administrative Agent's officers, directors, employees, attorneys, agents, or other representatives.

7.5 Lenders Not in Control.

None of the covenants or other provisions contained in this Agreement or in any other Loan Paper shall, or shall be deemed to, give the Agents or the Lenders the Right to exercise control over the assets (including, without limitation, real property), affairs, or management of any Company, the power of the Agents and the Lenders being limited to the Right to exercise the remedies provided in this Section 7.

7.6 Waivers by Lenders.

The acceptance by the Agents or the Lenders at any time and from time to time of partial payment on the Obligation shall not be deemed to be a waiver of any Event of Default then existing. No waiver by the Agents, the Majority Lenders, or all of the Lenders of any Event of Default shall be deemed to be a waiver of any other then-existing or subsequent Event of Default. No delay or omission by the Agents, the Majority Lenders, or all of the Lenders in exercising any Right under the Loan Papers shall impair such Right or be construed as a waiver thereof or any acquiescence therein, nor shall any single or partial exercise of any such Right preclude other or further exercise thereof, or the exercise of any other Right under the Loan Papers or otherwise.

7.7 Cumulative Rights.

All Rights available to the Agents and the Lenders under the Loan Papers are cumulative of and in addition to all other Rights granted to the Agents and the Lenders at law or in equity, whether or not the Obligation is due and payable and whether or not the Agents or the Lenders have instituted any suit for collection, foreclosure, or other action in connection with the Loan Papers.

7.8 Application of Proceeds.

Any and all proceeds ever received by the Agents or the Lenders from the exercise of any Rights pertaining to the Obligation shall be applied to the Obligations in the order and manner set forth in Section 2.17.

7.9 Certain Proceedings.

The Borrower will promptly execute and deliver or cause the execution and delivery of, all applications, certificates, instruments, registration statements, and all other documents and papers the Agents or the Lenders may reasonably request in connection with the obtaining of any consent, approval, registration, qualification, permit, license, or authorization of any other Tribunal or other Person necessary or appropriate for the effective exercise of any Rights under the Loan Papers. Because the Borrower agrees that the Agents' and the Lenders' remedies at Law for failure of the Borrower to comply with the provisions of this paragraph would be inadequate and that such failure would not be adequately compensable in damages, the Borrower agrees that the covenants of this paragraph may be specifically enforced.

7.10 Setoff.

If an Event of Default shall have occurred and is continuing, each Lender is hereby authorized at any time and from time to time, without prior notice to the Borrower (any such notice being hereby expressly waived by the Borrower), to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and any other indebtedness at any time owing by such Lender to or for the credit or the account of the Borrower against any portion of the Obligation owing to such Lender, irrespective of whether or not all of the Obligation, or any part thereof, shall be then due. Each Lender agrees promptly to notify the Borrower (with a copy to the Administrative Agent) after any such setoff and application, provided that the failure to give such notice shall not affect the validity of such setoff and application. The rights and remedies of each Lender hereunder are in addition to other rights and remedies (including, without limitation, other rights of setoff) which such Lender may have.

SECTION 8

AGREEMENT AMONG LENDERS.

8.1 Agents.

(a) Each Lender hereby irrevocably appoints and authorizes the Administrative Agent to act on its behalf and to exercise such powers under this Agreement as are specifically delegated to or required of the Administrative Agent by the terms hereto, together with such powers as are reasonably incidental thereto. As to any matters not expressly provided for by this Agreement or the Notes (including, without limitation, enforcement or collection of the Notes), the Administrative Agents shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Majority Lenders, and such instructions shall be binding upon all Lenders and all holders of Notes; provided, however, that the Administrative Agent shall not be required to take any action which exposes it to personal liability or which is contrary to this Agreement or applicable Law.

(b) The Administrative Agent may resign at any time by giving written notice thereof to the Lenders and the Borrower and may be removed as the Administrative Agent under this Agreement and the Notes at any time with cause by all Lenders other than the Administrative Agent (the "Removing Lenders"). Upon any such resignation or removal, the Majority Lenders shall have the right, with the consent of the Borrower, not to be unreasonably withheld, to appoint a successor Administrative Agent from among the Lenders (other than the resigning Administrative Agent). If no successor Administrative Agent shall have been so appointed by the Majority Lenders, and shall have accepted such appointment, within 30 calendar days after the retiring Administrative Agent's giving notice of resignation or the Removing Lenders' removal of the retiring Administrative Agent, then the retiring Administrative Agent may, on behalf of the Lenders, with the consent of the Borrower, not to be unreasonably withheld, appoint a successor Administrative Agent, which shall be a commercial bank organized under the Laws of or authorized to do business in the United States of America or any state thereof and having a combined capital and surplus of at least \$100,000,000. Upon the acceptance of any appointment as the Administrative Agent hereunder and under the Notes by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations under this Agreement and the Notes. After any retiring Administrative Agent's resignation or removal as the Administrative Agent hereunder and under the Notes, the provisions of this Section 8 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was the Administrative Agent under this Agreement and the Notes.

(c) Banc of America Securities LLC and Salomon Smith Barney Inc. are hereby appointed as Joint Lead Arrangers and Joint Book Managers hereunder. Citibank, N.A. is hereby appointed to act as Syndication Agent hereunder. Fleet National Bank, JPMorgan, a division of Chase Securities Inc. and SunTrust Bank, are hereby appointed to act as Co-Documentation Agents hereunder. Neither the Syndication Agent, the Co-Documentation Agents nor the Joint Lead Arrangers and Joint Book Managers shall have any Right, obligation, liability, responsibility or duty under this Agreement in such capacity.

(d) If Administrative Agent fails to take any action under any Loan Paper after an Event of Default and within a reasonable time after being reasonably requested to do so by any Lender (when such Lender is entitled to make such request under the Loan Papers and after such requesting Lender has obtained the concurrence of such other Lenders as may be required hereunder), the Administrative Agent shall not suffer or incur any liability as a result of such failure or refusal, but such requesting Lender may request the Administrative Agent to resign as the Administrative Agent, whereupon the Administrative Agent shall so resign upon receiving such request.

(e) The Administrative Agent, in its capacity as a Lender, shall have the same Rights under the Loan Papers as any other Lender and may exercise the same as though it were not acting as the Administrative Agent; the term "Lender" shall, unless the context otherwise indicates, include the Administrative Agent; and any resignation by the Administrative Agent hereunder shall not impair or otherwise affect any Rights

which it has or may have in its capacity as an individual Lender.

(f) Subject in all respects to the terms and conditions of the Loan Papers, the Agents may be engaged in, or may hereafter engage in, one or more loan, letter of credit, leasing, or other financing transactions (collectively, the "other financings") not the subject of the Loan Papers, with one or more of the Companies, or may act as trustee on behalf of, or depositary for, or otherwise engage in other business transactions with one or more of the Companies, in each case with no responsibility to account therefor to the Lenders. Without limiting Rights to which the Lenders are specifically entitled under the Loan Papers, no other Lenders shall have, by virtue of their being parties hereto, any interest in (i) any such other financings, (ii) any present or future guaranties by or for the account of any Company which are not contemplated or included in the Loan Papers, (iii) any present or future offset exercised by such Agent in respect of such other financings, or (iv) any present or future property taken as security for any such other financings, even if such property may become security for the obligations of any Company arising under the Loan Papers by reason of a general description of indebtedness related to any such other financings; provided that, if any payments in respect of such guaranties or such property or the proceeds thereof shall be applied to reduce the Obligation, then each Lender shall be entitled to share in such application according to its pro rata part thereof.

8.2 Expenses.

Each Lender shall pay its pro rata part of any reasonable expenses (including, without limitation, court costs, reasonable attorneys' fees, and other costs of collection) incurred by the Administrative Agent in connection with any of the Loan Papers if the Administrative Agent does not receive reimbursement therefor from other sources within 60 days after incurred; provided that each Lender shall be entitled to receive its pro rata part of any reimbursement for such expenses, or part thereof, which the Administrative Agent subsequently receives from such other sources.

8.3 Proportionate Absorption of Losses.

Except as herein provided, nothing in the Loan Papers shall be deemed to give any Lender any advantage over any other Lender insofar as the portion of the Obligation arising under the Loan Papers is concerned, or to relieve any Lender from absorbing its pro rata part of any losses sustained with respect to the Obligation (except to the extent unilateral actions or inactions by any Lender result in any credit, allowance, setoff, defense, or counterclaim solely with respect to all or any part of such Lender's pro rata part of the Obligation).

8.4 Delegation of Duties; Reliance.

The Administrative Agent may exercise any of its duties under the Loan Papers by or through its officers, directors, employees, attorneys, or agents (collectively, "Representatives"), and the Administrative Agent and its Representatives shall (a) be entitled to rely upon (and shall be protected in relying upon) any writing, resolution, notice, consent, certificate, affidavit, letter, cablegram, telecopy, telegram or teletype message, statement, order, or other documents or conversation believed by it or them to be genuine and correct and to have been signed or made by the proper Person and, with respect to legal matters, upon opinion of counsel selected by the Administrative Agent, (b) be entitled to deem and treat each Lender as the owner and holder of its pro rata part of the Obligation for all purposes until, subject to Section 9.20, written notice of the assignment or transfer thereof shall have been given to and received by the Administrative Agent (and, any request, authorization, consent, or approval of any Lender shall be conclusive and binding on each subsequent holder, assignee, or transferee of such Lender's pro rata part of the Obligation or Participant therein), and (c) not be deemed to have notice of the occurrence of an Event of Default unless an officer of the Administrative Agent has actual knowledge thereof or the Administrative Agent has been notified thereof by a Lender or the Borrower.

8.5 Limitation of Liability.

(a) Neither the Administrative Agent nor any of its Representatives (as defined in Section 8.4) shall be liable for any action taken or omitted to be taken by it or them under the Loan Papers in good faith and believed by it or them to be within the discretion or power conferred upon it or them by the Loan Papers or be responsible for the consequences of any error of judgment, except for fraud, gross negligence, or willful misconduct (IT BEING THE EXPRESS INTENTION OF THE PARTIES THAT THE ADMINISTRATIVE AGENT AND ITS REPRESENTATIVES SHALL HAVE NO LIABILITY FOR ACTIONS AND OMISSIONS RESULTING FROM THEIR ORDINARY CONTRIBUTORY NEGLIGENCE), and neither the Administrative Agent nor any of its Representatives has a fiduciary relationship with any Lender by virtue of the Loan Papers (provided that nothing herein shall negate the obligation of Administrative Agent to account for funds received by it for the account of any Lender).

(b) Unless indemnified to its satisfaction against loss, cost, liability, and expense, the Administrative Agent shall not be compelled to do any act under the Loan Papers or to take any action toward the execution or enforcement of the powers thereby created or to prosecute or defend any suit in respect of the Loan Papers. If the Administrative Agent requests instructions from the Lenders or from the Majority Lenders, as the case may be, with respect to any act or action (including, but not limited to, any failure to act) in connection with any Loan Paper, the Administrative Agent shall be entitled (but shall not be required) to refrain (without incurring any liability to any Person by so refraining) from such act or action unless and until it has received such instructions. In no event, however, shall the Administrative Agent or any of its Representatives be required to take any action which it or they reasonably determine could incur for it or them criminal or onerous civil liability.

(c) The Administrative Agent shall not be responsible in any manner to any Lender or any Participant for, and each Lender represents and warrants that it has not relied upon the Administrative Agent in respect of, (i) the creditworthiness of the Borrower and the risks involved to such Lender, (ii) the effectiveness, enforceability, genuineness, validity, or the due execution of any Loan Paper, (iii) any representation,

warranty, document, certificate, report, or statement made therein or furnished thereunder or in connection therewith, or (iv) observation of or compliance with any of the terms, covenants, or conditions of any Loan Paper on the part of any Company. Each Lender also acknowledges and agrees that it will, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement. Each Lender agrees to indemnify the Administrative Agent and its Representatives and hold them harmless from and against (but limited to such Lender's pro rata part of) any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, reasonable expenses, and reasonable disbursements of any kind or nature whatsoever which may be imposed on, asserted against, or incurred by any of them in any way relating to or arising out of the Loan Papers or any action taken or omitted by them under the Loan Papers, except to the extent the same result solely from fraud, gross negligence, or willful misconduct by the Administrative Agent or its Representatives (it being the express intention of the parties that the Administrative Agent and its Representatives shall have no liability for actions and omissions resulting from their ordinary contributory negligence).

8.6 Default.

Upon the occurrence and continuance of an Event of Default, the Lenders agree to promptly confer in order that the Majority Lenders (or, if required by Section 9.15, all Lenders) may agree upon a course of action for the enforcement of the Rights of the Lenders; provided that the Administrative Agent shall be entitled (but not obligated) to proceed to take any actions necessary in its reasonable judgment to preserve the Rights of the Administrative Agent and the Lenders hereunder, pending agreement by the Majority Lenders (or, if required by Section 9.15, all Lenders) on the course of action to be taken.

8.7 Limitation of Liability of Lenders.

No Lender or any Participant shall incur any liability to any other Lender or Participant except for acts or omissions in bad faith, and no Lender or any Participant shall incur any liability to any Company or any other Person for any act or omission of any other Lender or any Participant.

8.8 Relationship of Lenders.

Nothing herein shall be construed as creating a partnership or joint venture among the Agents, the Agents and the Lenders, or the Lenders.

8.9 Foreign Lenders.

Each Lender that is organized under the Laws of any jurisdiction other than the United States of America or any State thereof (a) represents to the Administrative Agent and the Borrower that (i) under applicable Laws and treaties no Taxes will be required to be withheld by the Administrative Agent or the Borrower with respect to any payments to be made to such Lender in respect of the Obligation and (ii) it has furnished to the Administrative Agent and the Borrower two duly completed copies of either U.S. Internal Revenue Service Form 4224 or U.S. Internal Revenue Service Form 1001 (wherein such Lender claims entitlement to complete exemption from U.S. federal withholding tax on all interest payments hereunder), and (b) covenants to (i) provide the Administrative Agent and the Borrower a new Form 4224 or Form 1001 upon the obsolescence of any previously delivered form in accordance with applicable U.S. Laws and amendments thereto duly executed and completed by such Lender and (ii) comply from time to time with all applicable U.S. Laws with regard to such withholding tax exemption.

8.10 Benefits of Agreement.

Except for requiring the Borrower's consent under Section 8.1(b) and the representations and covenants in Section 8.9 in favor of the Borrower, none of the provisions of this Section 8 shall inure to the benefit of any Company or any Person other than the Agents, the Lenders, and the Participants; consequently, neither any Company nor any other Person shall be entitled to rely upon, or to raise as a defense, in any manner whatsoever, the failure of any Agent or any Lender to comply with such provisions.

SECTION 9

MISCELLANEOUS.

9.1 Changes in GAAP.

All accounting and financial terms used in any of the Loan Papers and the compliance with each covenant contained in the Loan Papers which relates to financial matters shall be determined in accordance with GAAP, except to the extent that a deviation therefrom is expressly stated in such Loan Papers. Should a change in GAAP require a change in any method of accounting or should any voluntary change in the accounting methods be permitted pursuant to Section 5.20, then such change shall not result in an Event of Default if, at the time of such change, such Event of Default had not occurred and was not then continuing, based upon the former methods of accounting used by or on behalf of the Borrower; provided that, after any such change in accounting methods, the Financial Statements required to be delivered shall either be (a) supplemented with financial information prepared in comparative form, in compliance with the former methods of accounting used prior to such change, as well as with the new method or methods of accounting and, for the purpose of determining whether an Event of Default has occurred, Lenders shall look solely to that portion of such supplemental information that complies with the former methods of accounting, or (b) supplemented with financial information prepared in compliance with such new method or methods of accounting but accompanied by such

information, in form and detail satisfactory to Lenders, that will allow Lenders to readily determine the effect of such changes in accounting methods on such Financial Statements, and, for the purpose of determining whether an Event of Default has occurred, Lenders shall look solely to such supplemental information as adjusted to reflect compliance with such former method or methods of accounting.

9.2 Money and Interest.

Unless stipulated otherwise (a) all references in any of the Loan Papers to "dollars," "money," "payments," or other similar financial or monetary terms are references to currency of the United States of America and (b) all references to interest are to simple and not compound interest.

9.3 Number and Gender of Words.

Whenever in any Loan Paper the singular number is used, the same shall include the plural where appropriate, and vice versa; and words of any gender in any Loan Paper shall include each other gender where appropriate. The words "herein," "hereof," and "hereunder," and other words of similar import refer to the relevant Loan Paper as a whole and not to any particular part or subdivision thereof.

9.4 Headings.

The headings, captions, and arrangements used in any of the Loan Papers are, unless specified otherwise, for convenience only and shall not be deemed to limit, amplify, or modify the terms of the Loan Papers, nor affect the meaning thereof.

9.5 Exhibits.

If any Exhibit, which is to be executed and delivered, contains blanks, the same shall be completed correctly and in accordance with the terms and provisions contained and as contemplated herein prior to, at the time of, or after the execution and delivery thereof.

9.6 Communications.

Unless specifically otherwise provided, whenever any Loan Paper requires or permits any consent, approval, notice, request, or demand from one party to another, such communication must be in writing (which may be by telecopy) to be effective and shall be deemed to have been given on the day actually delivered or, if mailed, on the Business Day it is received by the party to be notified at the address indicated on Schedule 1 (unless changed by notice pursuant hereto).

9.7 Form and Number of Documents.

Each agreement, document, instrument, or other writing to be furnished under any provision of this Agreement must be in form and substance and in such number of counterparts as may be reasonably required by the Administrative Agent and its counsel.

9.8 Exceptions to Covenants.

The Borrower shall not take any action or fail to take any action which is permitted as an exception to any of the covenants contained in any of the Loan Papers if such action or omission would result in the breach of any other covenant contained in any of the Loan Papers.

9.9 Survival.

All covenants, agreements, undertakings, representations, and warranties made in any of the Loan Papers (a) shall survive all closings under the Loan Papers, (b) except as otherwise indicated, shall not be affected by any investigation made by any party, and (c) unless otherwise provided herein shall terminate upon the later of the termination of this Agreement and the payment in full of the Obligation.

9.10 Governing Law.

The Laws (other than conflict-of-laws provisions thereof) of the State of New York and of the United States of America shall govern the Rights and duties of the parties hereto and the validity, construction, enforcement, and interpretation of the Loan Papers.

9.11 VENUE; SERVICE OF PROCESS; JURY TRIAL.

EACH PARTY HERETO, IN EACH CASE FOR ITSELF, ITS SUCCESSORS AND ASSIGNS, HEREBY (a) IRREVOCABLY SUBMITS TO THE NONEXCLUSIVE JURISDICTION OF THE STATE AND FEDERAL COURTS OF THE STATE OF NORTH CAROLINA AND AGREES AND CONSENTS THAT SERVICE OF PROCESS MAY BE MADE UPON IT IN ANY LEGAL PROCEEDING ARISING OUT OF OR IN CONNECTION WITH THE LOAN PAPERS AND THE OBLIGATION BY SERVICE OF PROCESS AS PROVIDED BY NORTH CAROLINA LAW, (b) IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY LITIGATION ARISING OUT OF OR IN

CONNECTION WITH THE LOAN PAPERS AND THE OBLIGATION BROUGHT IN DISTRICT COURTS OF MECKLENBURG COUNTY, NORTH CAROLINA, OR IN THE UNITED STATES DISTRICT COURT FOR THE MIDDLE DISTRICT OF NORTH CAROLINA, (c) IRREVOCABLY WAIVES ANY CLAIMS THAT ANY LITIGATION BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM, (d) AGREES TO DESIGNATE AND MAINTAIN AN AGENT FOR SERVICE OF PROCESS IN CHARLOTTE, NORTH CAROLINA, IN CONNECTION WITH ANY SUCH LITIGATION AND TO DELIVER TO THE AGENT EVIDENCE THEREOF, IF REQUESTED, (e) IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS OUT OF ANY OF THE AFOREMENTIONED COURTS IN ANY SUCH LITIGATION BY THE MAILING OF COPIES THEREOF BY CERTIFIED MAIL, RETURN RECEIPT REQUESTED, POSTAGE PREPAID, AT ITS ADDRESS SET FORTH HEREIN, (f) IRREVOCABLY AGREES THAT ANY LEGAL PROCEEDING AGAINST ANY PARTY HERETO ARISING OUT OF OR IN CONNECTION WITH THE LOAN PAPERS ON THE OBLIGATION SHALL BE BROUGHT IN ONE OF THE AFOREMENTIONED COURTS, AND (g) IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ITS RIGHT TO A JURY TRIAL IN ANY LITIGATION ARISING OUT OF OR IN CONNECTION WITH THE LOAN PAPERS AND THE OBLIGATION.

9.12 Maximum Interest Rate.

Regardless of any provision contained in any of the Loan Papers, no Lender shall ever be entitled to contract for, charge, take, reserve, receive, or apply, as interest on the Obligation, or any part thereof, any amount in excess of the Highest Lawful Rate, and, in the event the Lenders ever contract for, charge, take, reserve, receive, or apply as interest any such excess, it shall be deemed a partial prepayment without penalty of principal and treated hereunder as such and any remaining excess shall be refunded to the Borrower. In determining whether or not the interest paid or payable, under any specific contingency, exceeds the Highest Lawful Rate, the Borrower and the Lenders shall, to the maximum extent permitted under applicable Law, (a) treat all Borrowings as but a single extension of credit (and the Lenders and the Borrower agree that such is the case and that provision herein for multiple Borrowings and multiple Notes is for convenience only), (b) characterize any nonprincipal payment as an expense, fee, or premium rather than as interest, (c) exclude voluntary prepayments and the effects thereof, and (d) "spread" the total amount of interest throughout the entire contemplated term of the Obligation; provided that, if the Obligation is paid and performed in full prior to the end of the full contemplated term thereof, and if the interest received for the actual period of existence thereof exceeds the Highest Lawful Rate, the Lenders shall refund such excess, and, in such event, the Lenders shall not be subject to any penalties provided by any Laws for contracting for, charging, taking, reserving, or receiving interest in excess of the Highest Lawful Rate.

9.13 Invalid Provisions.

If any provision in any Loan Paper is held to be illegal, invalid, or unenforceable, such provision shall be fully severable; the appropriate Loan Paper shall be construed and enforced as if such provision had never comprised a part thereof; and the remaining provisions thereof shall remain in full force and effect and shall not be affected by such provision or by its severance therefrom. Furthermore, in lieu of such provision there shall be added automatically as a part of such Loan Paper a provision as similar thereto as may be possible and be legal, valid, and enforceable.

9.14 Entire Agreement.

THIS AGREEMENT (AS AMENDED IN WRITING FROM TIME TO TIME) AND THE OTHER WRITTEN LOAN PAPERS EXECUTED BY THE BORROWER, THE AGENTS, AND THE LENDERS (OR BY THE BORROWER FOR THE BENEFIT OF THE AGENTS OR ANY LENDER) REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES HERETO AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS BY THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

9.15 Amendments, Etc.

No amendment or waiver of any provision of any Loan Paper nor consent to any departure therefrom by the Borrower shall be effective unless the same shall be in writing and signed by the Majority Lenders, and then such amendment, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no amendment, waiver, or consent shall, unless in writing and signed by all Lenders, do any of the following: (a) increase the Commitment, or extend the due date for payment of any of the Obligation, (b) reduce the principal amount of Loans due hereunder or any interest rate or the amount of fees applicable to the Obligation (except such reductions as are contemplated by this Agreement), (c) amend or waive compliance with this Section 9.15 or (d) amend the definition of Majority Lenders; provided that no amendment, waiver, or consent shall, unless in writing and signed by the Administrative Agent in addition to the Lenders required above to take such action, affect the rights or duties of the Administrative Agent under this or any other Loan Paper.

9.16 Waivers.

No course of dealing nor any failure or delay by the Administrative Agent, any Lender, or any of their respective officers, directors, employees, agents, representatives, or attorneys with respect to exercising any Right of the Lenders hereunder shall operate as a waiver thereof. A waiver must be in writing and signed by the Lenders (or the Majority Lenders to the extent permitted hereunder) to be effective, and such waiver will be effective only in the specific instance and for the specific purpose for which it is given.

9.17 Taxes.

Any Taxes (excluding income, gross receipts and franchise taxes) payable or ruled payable by any Tribunal in respect of this Agreement or any other Loan Paper shall be paid by the Borrower, together with interest and penalties, if any.

9.18 Governmental Regulation.

Anything contained in this Agreement to the contrary notwithstanding, the Lenders shall not be obligated to extend credit to the Borrower in violation of any Law.

9.19 Multiple Counterparts.

This Agreement may be executed in a number of identical counterparts, each of which shall be deemed an original for all purposes and all of which constitute, collectively, one Agreement; but, in making proof of this Agreement, it shall not be necessary to produce or account for more than one such counterpart. It is not necessary that each Lender execute the same counterpart so long as identical counterparts are executed by the Borrower and each Lender. This Agreement shall become effective when counterparts hereof shall have been executed and delivered to the Administrative Agent by each Lender, the Agents, and the Borrower, or, in the case only of the Lenders, when the Administrative Agent shall have received telecopied or other evidence satisfactory to it that each Lender has executed and is delivering to the Administrative Agent a counterpart hereof.

9.20 Successors and Assigns; Participations; Assignments.

(a) This Agreement shall be binding upon, and inure to the benefit of the parties hereto and their respective successors and assigns, except that (i) the Borrower may not, directly or indirectly, assign or transfer, or attempt to assign or transfer, any of its Rights, duties, or obligations under any Loan Papers to which it is a party without the express written consent of all Lenders, and (ii) except as permitted under this Section 9.20, no Lender may transfer, pledge, assign, sell participations in, or otherwise encumber its portion of the Obligation.

(b) Subject to the provisions of this Section 9.20, any Lender may sell to one or more Persons (each a "Participant") participating interests (in each case not less than \$5,000,000) in its portion of the Obligation; provided that the Administrative Agent and the Borrower shall have the right to approve any Participant which is not a financial institution. In the event of any such sale to a Participant, (i) such Lender shall remain a "Lender" under this Agreement and the Participant shall not constitute a "Lender" hereunder, (ii) such Lender's obligations under this Agreement shall remain unchanged, (iii) such Lender shall remain solely responsible for the performance thereof, (iv) such Lender shall remain the holder of its share of the Obligation for all purposes under this Agreement, and (v) the Borrower and the Administrative Agent shall continue to deal solely and directly with such Lender in connection with such Lender's Rights and obligations under the Loan Papers. Participants shall have no Rights under the Loan Papers, other than certain voting rights as provided below. Each Lender shall be entitled to obtain (on behalf of its Participants) the benefits of Section 2 with respect to all participations in its Loans outstanding from time to time. No Lender shall sell any participating interest under which the Participant shall have any Rights to approve any amendment, modification, or waiver of any Loan Paper, except to the extent such amendment, modification, or waiver extends the due date for payment of any amount in respect of principal, interest, or fees due under the Loan Papers, or reduces the interest rate or the amount of principal or fees applicable to the Obligation (except such reductions as are contemplated by this Agreement); provided that in those cases where a Participant is entitled to the benefits of Section 2 or a Lender grants Rights to its Participants to approve amendments to or waivers of the Loan Papers respecting the matters previously described in this sentence, such Lender must include a voting mechanism in the relevant participation agreement whereby a majority of such Lender's portion of the Obligation (whether held by such Lender or participated) shall control the vote for all of such Lender's portion of the Obligation. Except in the case of the sale of a participating interest to a Lender, the relevant participation agreement shall not permit the Participant to transfer, pledge, assign, sell participations in, or otherwise encumber its portion of the Obligation.

(c) Subject to the provisions of this Section 9.20, any Lender may sell to one or more Eligible Assignees (each a "Purchaser") a proportionate part (in each case not less than \$5,000,000) of its Rights and obligations under the Loan Papers pursuant to an Assignment and Acceptance (herein so called) between such Purchaser and such Lender in the form of Exhibit E hereto. Upon (i) delivery of an executed copy of the Assignment and Acceptance to the Borrower and the Administrative Agent and (ii) payment of a fee of \$3,500 from such Lender to the Administrative Agent, from and after the assignment's effective date (which shall be after the date of such delivery), such Purchaser shall for all purposes be a Lender hereunder and shall have all the Rights and obligations of a Lender hereunder to the same extent as if it were an original party hereto with commitments as set forth in the Assignment and Acceptance, and the transferor Lender shall be released from its obligations hereunder to a corresponding extent, but shall retain such rights to expense reimbursement and indemnification to which it was entitled at the effective date. Upon any transfer pursuant to this Section 9.20(c), Schedule 1 shall automatically be deemed to reflect the name, address, and Commitment of such Purchaser and the Administrative Agent shall deliver to the Borrower and the Lenders an amended Schedule 1 reflecting such changes. A Purchaser shall be subject to all the provisions in this Section 9.20 the same as if it were a Lender as of the date hereof.

(d) If pursuant to Section 9.20(c) any interest in the Obligation is transferred to any Purchaser which is organized under the Laws of any jurisdiction other than the United States of America or any State thereof, the transferor Lender shall cause such Purchaser, concurrently with the effectiveness of such transfer, (i) to represent to the transferor Lender (for the benefit of the transferor Lender, the Administrative Agent, and the Borrower) that under applicable Laws and treaties no Taxes will be required to be withheld by the Administrative Agent, the Borrower, or the transferor Lender with respect to any payments to be made to such Purchaser in respect of the Obligation, (ii) to furnish to each of the transferor Lender, the Administrative Agent, and the Borrower two duly completed copies of either U.S. Internal Revenue Service Form 4224 or U.S. Internal Revenue Service Form 1001 (wherein such Purchaser claims entitlement to complete exemption from U.S. federal withholding tax on all interest payments hereunder), and (iii) to agree (for the benefit of the transferor Lender, the Administrative Agent, and the Borrower) to provide the transferor Lender, the Administrative Agent, and the Borrower a new Form 4224 or

Form 1001 upon the obsolescence of any previously delivered form in accordance with applicable U.S. Laws and amendments thereto duly executed and completed by such Purchaser, and to comply from time to time with all applicable U.S. Laws with regard to such withholding tax exemption.

(e) Nothing in this Agreement shall prevent or prohibit any Lender from pledging its Loans and Notes hereunder to a Federal Reserve Bank in support of borrowings by such Lender from such Federal Reserve Bank.

9.21 Confidentiality.

All nonpublic information furnished by the Companies to the Agents or the Lenders in connection with the Loan Papers and the transactions contemplated thereby will be treated as confidential, but nothing herein contained shall limit or impair any Agent's or any Lender's right, and each Agent and the Lenders shall be entitled, (a) to disclose the same to any Tribunal or as otherwise required by Law or to any prospective or actual Participant or Purchaser or to the respective affiliates, directors, officers, employees, attorneys, and agents of any prospective or actual Participant or Purchaser (provided that such prospective or actual Participant or Purchaser has agreed in writing to comply with this Section 9.21 and provided further that the Borrower has given its prior written consent to such distribution), (b) to use such information to the extent pertinent to an evaluation of the Obligation, (c) to enforce compliance with the terms and conditions of the Loan Papers, and (d) to take any action which such Agent or any Lender deems necessary to protect its interests if an Event of Default has occurred and is continuing.

9.22 Conflicts and Ambiguities.

Any conflict or ambiguity between the terms and provisions herein and terms and provisions in any other Loan Paper shall be controlled by the terms and provisions herein.

9.23 General Indemnification.

THE BORROWER SHALL INDEMNIFY, PROTECT, AND HOLD THE AGENTS AND THE LENDERS AND THEIR RESPECTIVE PARENTS, SUBSIDIARIES, AFFILIATES, DIRECTORS, OFFICERS, EMPLOYEES, REPRESENTATIVES, AGENTS, SUCCESSORS, ASSIGNS, AND ATTORNEYS (COLLECTIVELY, THE "INDEMNIFIED PARTIES") HARMLESS FROM AND AGAINST ANY AND ALL LIABILITIES, OBLIGATIONS, LOSSES, DAMAGES, PENALTIES, ACTIONS, JUDGMENTS, SUITS, CLAIMS, COSTS, EXPENSES (INCLUDING, WITHOUT LIMITATION, ATTORNEYS' FEES AND LEGAL EXPENSES WHETHER OR NOT SUIT IS BROUGHT AND SETTLEMENT COSTS), AND DISBURSEMENTS OF ANY KIND OR NATURE WHATSOEVER WHICH MAY BE IMPOSED ON, INCURRED BY, OR ASSERTED AGAINST THE INDEMNIFIED PARTIES, IN ANY WAY RELATING TO OR ARISING OUT OF THE LOAN PAPERS OR ANY OF THE TRANSACTIONS CONTEMPLATED THEREIN (COLLECTIVELY, THE "INDEMNIFIED LIABILITIES"), TO THE EXTENT THAT ANY OF THE INDEMNIFIED LIABILITIES RESULTS, DIRECTLY OR INDIRECTLY, FROM ANY CLAIM MADE OR ACTION, SUIT, OR PROCEEDING COMMENCED BY OR ON BEHALF OF ANY PERSON OTHER THAN THE INDEMNIFIED PARTIES; PROVIDED, HOWEVER, THAT ALTHOUGH EACH INDEMNIFIED PARTY SHALL HAVE THE RIGHT TO BE INDEMNIFIED FROM ITS OWN ORDINARY NEGLIGENCE, NO INDEMNIFIED PARTY SHALL HAVE THE RIGHT TO BE INDEMNIFIED HEREUNDER FOR ITS OWN FRAUD, GROSS NEGLIGENCE, OR WILLFUL MISCONDUCT. THE PROVISIONS OF AND UNDERTAKINGS AND INDEMNIFICATION SET FORTH IN THIS PARAGRAPH SHALL SURVIVE THE SATISFACTION AND PAYMENT OF THE OBLIGATION AND TERMINATION OF THIS AGREEMENT FOR THE PERIOD OF TIME SET FORTH IN ANY APPLICABLE STATUTE OF LIMITATIONS.

9.24 Investment Representation.

The Notes are being acquired by the Lenders for their own respective account for investment and not with the view to, or for sale in connection with, any distribution thereof. The Lenders understand that the Notes will not be registered under the Securities Act of 1933 or any securities act of any state pursuant to an exemption from the registration provisions thereof. Each Lender shall indemnify the Borrower against and hold it harmless from any claim, and any cost or expense therefrom, that the Borrower shall have committed a violation of applicable Law by virtue of the exercise by such Lender of its right to sell participations or make assignments hereunder.

EXECUTED as of the day and year first mentioned.

CENTURYTEL, INC.

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

Name: R. Stewart Ewing, Jr.

Title: Executive Vice President

BANK OF AMERICA, N.A.
as the Administrative Agent and a Lender

By: /s/ Michael Pavell

Name: Michael Pavell

Title: Vice President

**CITIBANK, N.A.,
as the Syndication Agent and a Lender**

By: /s/ Maureen Maroney

Name: Maureen Maroney

Title: Director

**FLEET NATIONAL BANK
as Co-Documentation Agent and a Lender**

By: /s/ Amy B. Peden

Name: Amy B. Peden

Title: Assistant Vice President

**JPMORGAN, A DIVISION OF CHASE
SECURITIES INC., as Co-Documentation Agent**

By: /s/ Rajesh Kapadia

Name: Rajesh Kapadia

Title: V.P.

THE CHASE MANHATTAN BANK, as a Lender

By: /s/ Dennis R. Wilczek

Name: Dennis R. Wilczek

Title: Vice President

**SUNTRUST BANK,
as Co-Documentation Agent and a Lender**

By: /s/ W. David Wisdom

Name: W. David Wisdom

Title: Vice President

**BANC OF AMERICA SECURITIES LLC,
as Joint Lead Arranger and Joint Book Manager**

By: /s/ Steven C. Ayala

Name: Steven C. Ayala

Title: Principal

**SALOMON SMITH BARNEY INC.,
as Joint Lead Arranger and Joint Book Manager**

By: /s/ Carolyn A. Keen

Name: Carolyn A. Keen

Title: Attorney-in-fact

**AMENDMENT TO THE
CENTURYTEL RETIREMENT PLAN**

STATE OF LOUISIANA

PARISH OF OUACHITA

BE IT KNOWN, that on this 17th day of April, 2000, before me, a Notary Public, duly commissioned and qualified in and for the Parish of Ouachita, State of Louisiana, therein residing, and in the presence of the undersigned witnesses:

PERSONALLY CAME AND APPEARED:

CENTURYTEL, INC., represented herein by its Executive Vice President and Chief Financial Officer, R. Stewart Ewing, Jr., as Settlor and Employer, which hereby executes the following amendment to the CenturyTel Retirement Plan, such amendment to be effective immediately:

(1) The following is hereby inserted as Section 7.01-3:

7.01-3 Notwithstanding the above vesting schedule, a participant's accrued benefits shall fully vest and become nonforfeitable automatically upon the occurrence of any of the following events, each of which shall be referred to herein as a "Change of Control":

(a) the acquisition by any person of beneficial ownership of 30% or more of the outstanding shares of the Company's common stock, \$1.00 par value per share (the "Common Stock"), or 30% or more of the combined voting power of the Company'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 7.01-3(c) hereof) of Common Stock directly from the Company,

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

(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 7.01-3(c) hereof; or

(b) individuals who, as of January 1, 2000, constitute the Board of Directors of the Company (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 the Company'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 the Company), 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 the Company's outstanding Common Stock and the Company'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 the Company, 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 the Company of a complete liquidation or dissolution of the Company.

For purposes of this Section 7.01-3, 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.

THUS DONE AND SIGNED on the day first above shown, in the presence of the undersigned competent witnesses, who hereunto sign their names with the said appearer and me, Notary, after reading of the whole.

WITNESSES:

CENTURYTEL, INC.

/s/Linda Vaughn

/s/Linda Reeves

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

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

NOTARY PUBLIC

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

WHEREAS, an amendment to the CenturyTel, Inc. 1983 Restricted Stock Plan (the "Plan") was adopted by the Compensation Committee of the Board of Directors on February 21, 2000 and ratified by the Board of Directors on February 22, 2000 to make technical and clarifying amendments to the change in control provisions contained in the Plan.

NOW, THEREFORE, effective immediately, the Plan is hereby amended as follows:

The second paragraph of Section 8 of the Plan entitled "Changes in Capitalization" shall be amended in its entirety to read as follows:

Upon the occurrence of a Change in Control (as defined below), all restrictions imposed pursuant to Section 7(a) with respect to any outstanding award hereunder shall automatically lapse. A Change in Control shall mean the occurrence of any of the following events: (i) the acquisition by any person of beneficial ownership of 30% or more of the outstanding shares of the Common Stock of CenturyTel, Inc. ("CenturyTel"), 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 sub-item (i), the following acquisitions shall not constitute a Change in Control: (a) any acquisition (other than a Business Combination (as defined below) which constitutes a Change in Control under sub-item (iii) hereof) of Common Stock directly from CenturyTel, (b) any acquisition of Common Stock by CenturyTel or its subsidiaries, (c) any acquisition of Common Stock by any employee benefit plan (or related trust) sponsored or maintained by CenturyTel or any corporation controlled by CenturyTel, or (c) any acquisition of Common Stock by any corporation pursuant to a Business Combination that does not constitute a Change in Control under sub-item (iii) hereof; or (ii) individuals who, as of January 1, 2000, constitute the Board of Directors of the Company (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 proved 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 CenturyTel (a "Business Combination"); provided, however, that in no such case shall any such transaction constitute a Change in 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 or 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 of 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 the immediately preceding sentence, 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.

IN WITNESS WHEREOF, CenturyTel, Inc. has executed this amendment in its corporate name as of the 17th day of April, 2000.

CENTURYTEL, INC.

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

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

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

**FORM OF NON-QUALIFIED STOCK OPTION AGREEMENT
UNDER THE AMENDED AND RESTATED
CENTURYTEL, INC.
2000 INCENTIVE COMPENSATION PLAN**

THIS AGREEMENT is entered into as of May 21, 2001 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 Amended and Restated CenturyTel, Inc. 2000 Incentive Compensation Plan (the "Plan"), which was approved by the Board of Directors of CenturyTel on February 22, 2000, approved by the shareholders at CenturyTel's 2000 Annual Meeting of Shareholders and amended and restated by the Board of Directors on May 23, 2000;

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

1.

Grant of Option

1.01 CenturyTel hereby grants to Optionee effective May 21, 2001 (the "Date of Grant") the right, privilege and option to purchase _____ shares of Common Stock (the "Option") at an exercise price of \$28.03 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, the Optionee shall be entitled to exercise the Option as follows:

With respect to 1/3 of the shares covered by the Option.....	beginning May 21, 2002
With respect to 2/3 of the shares covered by the Option, less any shares previously issued.....	beginning May 21, 2003
With respect to all of the shares covered by the Option, less any shares previously issued.....	beginning May 21, 2004.

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

.....2.02 Notwithstanding the foregoing, the Option shall become accelerated and immediately exercisable in full (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") or (d) pursuant to the provisions of the Plan.

3.

Conditions for Exercise of Option

.....During Optionee's lifetime, the Option may be exercised only by him or by his 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 from him by reason of his death 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, (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, or (f) participating in a hostile takeover attempt, 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. For purposes hereof, "option gain" shall mean 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 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 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 (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

.....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 Plan was distributed or made available to Optionee and that Optionee was advised to review such Plan 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 10.6 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.

CENTURYTEL, INC.

By:

{insert name} Optionee

AMENDMENT TO THE

Exhibit 10.3(a)

**CENTURYTEL, INC.
KEY EMPLOYEE INCENTIVE COMPENSATION PLAN**

WHEREAS, an amendment to the CenturyTel, Inc. Key Employee Incentive Compensation Plan (the "plan") was adopted by the Compensation Committee of the Board of Directors on February 22, 2000 and ratified by the Board of Directors on February 21, 2000 to delete the provisions thereof relating to a change in control of CenturyTel, Inc.

NOW, THEREFORE, effective immediately, the Plan is hereby amended as follows:

Section 15 of the Plan entitled "Change in Control" is hereby deleted in its entirety.

IN WITNESS WHEREOF, CenturyTel, Inc. has executed this amendment in its corporation name as of the 17th day of April, 2000.

CENTURYTEL, INC.

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

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

**AMENDMENT TO THE
CENTURYTEL, INC.
SUPPLEMENTAL DEFINED BENEFIT PLAN**

WHEREAS, an amendment to the CenturyTel, Inc. Supplemental Defined Benefit Plan (the "Plan") was adopted by the Compensation Committee of the Board of Directors on February 21, 2000 and ratified by the Board of Directors on February 22, 2000 to amend and restate the provisions thereof relating to a change in control of CenturyTel, Inc..

NOW, THEREFORE, effective immediately, the Plan is hereby amended as follows:

Section 2.04 of the Plan, entitled "CHANGE IN CONTROL", is hereby amended and restated in its entirety to read as follows:

"2.04 'CHANGE IN CONTROL' shall mean the occurrence of any of the following, each of which shall constitute a "Change in Control": (i) the acquisition by any person of beneficial ownership of 30% or more of the outstanding shares of the common stock, \$1.00 par value per share (the "Common Stock"), of CenturyTel, Inc. ("CenturyTel"), 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 sub-item (i), the following acquisitions shall not constitute a Change of Control: (a) any acquisition (other than a Business Combination (as defined below) which constitutes a Change of Control under sub-item (iii) hereof) of Common Stock directly from CenturyTel, (b) any acquisition of Common Stock by CenturyTel or its subsidiaries, (c) any acquisition of Common Stock by any employee benefit plan (or related trust) sponsored or maintained by CenturyTel or any corporation controlled by CenturyTel, or (d) any acquisition of Common Stock by any corporation pursuant to a Business Combination that does not constitute a Change of Control under sub-item (iii) hereof; or (ii) individuals who, as of January 1, 2000, constitute 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 assets of CenturyTel (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 2.04, 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."

IN WITNESS WHEREOF, CenturyTel, Inc. has executed this amendment in its corporate name as of the 28th day of February, 2002.

CENTURYTEL, INC.

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

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

**AMENDMENT TO THE
CENTURYTEL, INC.
OUTSIDE DIRECTORS RETIREMENT PLAN**

WHEREAS, an amendment to the CenturyTel, Inc. Outside Directors Retirement Plan (the "Plan") was adopted by the Compensation Committee of the Board of Directors on February 21, 2000 and ratified by the Board of Directors on February 22, 2000 to amend and restate the provisions thereof relating to a change in control of CenturyTel, Inc.

NOW, THEREFORE, effective immediately, the Plan is hereby amended as follows:

Section 5.11(e) of the Plan entitled "Change in Control" is hereby amended and restated in its entirety to read as follows:

(e) For purposes hereof, Change of Control shall mean the occurrence of any of the following events: (i) the acquisition by any person of beneficial ownership of 30% or more of the outstanding shares of the common stock, \$1.00 par value per share (the "Common Stock"), of CenturyTel, Inc. ("CenturyTel"), 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 sub-item (i), the following acquisitions shall not constitute a Change of Control: (a) any acquisition (other than a Business Combination (as defined below) which constitutes a Change of Control under sub-item (iii) hereof) of Common Stock directly from CenturyTel, (b) any acquisition of Common Stock by CenturyTel or its subsidiaries, (c) any acquisition of Common Stock by any employee benefit plan (or related trust) sponsored or maintained by CenturyTel or any corporation controlled by CenturyTel, or (d) any acquisition of Common Stock by any corporation pursuant to a Business Combination that does not constitute a Change of Control under sub-item (iii) hereof; or (ii) individuals who, as of January 1, 2000, constitute 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 assets of CenturyTel (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 5.11(e), 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.

IN WITNESS WHEREOF, CenturyTel, Inc. has executed this amendment in its corporation name as of the 17th day of April, 2000.

CENTURYTEL, INC.

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

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

**AMENDMENT TO THE
CENTURYTEL, INC.
DEFERRED COMPENSATION PLAN FOR OUTSIDE DIRECTORS**

WHEREAS, an amendment to the CenturyTel, Inc. Deferred Compensation Plan for Outside Directors (the "Plan") was adopted by the Compensation Committee of the Board of Directors on February 21, 2000 and ratified by the Board of Directors on February 21, 2000 to amend and restate the provisions therein relating to a change in control of CenturyTel, Inc.

NOW, THEREFORE, effective immediately, the Plan is hereby amended as follows:

Section 2.1 of the Plan entitled "Change in Control" is hereby amended and restated in its entirety to read as follows:

(d) "CHANGE IN CONTROL" shall mean the occurrence of any of the following: (i) the acquisition by any person of beneficial ownership of 30% or more of the outstanding shares of the Company's common stock, \$1.00 par value per share (the "Common Stock"), or 30% or more of the combined voting power of the Company's then outstanding securities entitled to vote generally in the election of directors; provided, however, that for purposes of this sub-item (i), the following acquisitions shall not constitute a Change of Control: (a) any acquisition (other than a Business Combination (as defined below) which constitutes a Change of Control under sub-item (iii) hereof) of Common Stock directly from the Company, (b) any acquisition of Common Stock by the Company or its subsidiaries, (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 sub-item (iii) hereof; or (ii) individuals who, as of January 1, 2000, constitute the Board of Directors of the Company (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 the Company'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 the Company), 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 the Company's outstanding Common Stock and the Company'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 the Company, 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 the Company of a complete liquidation or dissolution of the Company. For purposes of this Section 2.01(d), 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.

IN WITNESS WHEREOF, CenturyTel, Inc. has executed this amendment in its corporation name as of the 17th day of April, 2000.

CENTURYTEL, INC.

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

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

CENTURYTEL, INC.
SUBSIDIARIES OF THE REGISTRANT
AS OF DECEMBER 31, 2001

Subsidiary	State of incorporation
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Actel, LLC	Delaware
Celutel of Biloxi, Inc.	
Delaware	
Celutel, Inc.	Delaware
Century Business Communications, LLC	Louisiana
Century Cellunet of Alexandria, Inc.	Louisiana
Century Cellunet of Michigan RSA #4, Inc.	Louisiana
Century Cellunet of Michigan RSAs, Inc.	Louisiana
Century Cellunet of Mississippi RSA #2, Inc.	Mississippi
Century Cellunet of Mississippi RSA #6, Inc.	Mississippi
Century Cellunet of Mississippi RSA #7, Inc.	Mississippi
Century Cellunet of North Arkansas, Inc.	Louisiana
Century Cellunet of Pine Bluff, LLC	Arkansas
Century Cellunet of Saginaw, Inc.	Louisiana
Century Cellunet of South Arkansas, Inc.	Louisiana
Century Cellunet of Southern Michigan, Inc.	Delaware
Century Cellunet of Texarkana, Inc.	Louisiana
Century Color Graphics, LLC	Louisiana
Century Interactive Fax, Inc.	Louisiana
CenturyTel Arkansas Holdings, Inc.	Arkansas
CenturyTel Holdings, Inc.	Louisiana
CenturyTel Interactive Company, Inc.	Louisiana
CenturyTel Internet Services, LLC	Louisiana
CenturyTel Investments, LLC	Louisiana
CenturyTel Investments of Texas, Inc.	Delaware
CenturyTel Long Distance, Inc.	Louisiana
CenturyTel Michigan Network, LLC	Louisiana
CenturyTel Midwest - Michigan, Inc.	Michigan
CenturyTel of Adamsville, Inc.	Tennessee
CenturyTel of Arkansas, Inc.	Arkansas
CenturyTel of Central Arkansas, LLC	Arkansas
CenturyTel of Central Indiana, Inc.	Indiana
CenturyTel of Central Louisiana, LLC	Louisiana
Century Tel of Central Wisconsin, LLC	Delaware
CenturyTel of Chatham, LLC	Louisiana
CenturyTel of Chester, Inc.	Iowa
CenturyTel of Claiborne, Inc.	Tennessee
CenturyTel of Colorado, Inc.	Colorado
CenturyTel of Cowiche, Inc.	Washington
CenturyTel of Eagle, Inc.	Colorado
CenturyTel of East Louisiana, LLC	Louisiana
CenturyTel of Eastern Oregon, Inc.	Oregon
CenturyTel of Evangeline, LLC	Louisiana
CenturyTel of Fairwater-Brandon-Alto, LLC	Delaware
CenturyTel of Forestville, LLC	Delaware
CenturyTel of Idaho, Inc.	Delaware
CenturyTel of Inter Island, Inc.	Washington
CenturyTel of Lake Dallas, Inc.	Texas
CenturyTel of Larsen-Readfield, LLC	Delaware
CenturyTel of Michigan, Inc.	Michigan
CenturyTel of Minnesota, Inc.	Minnesota
CenturyTel of Monroe County, LLC	Wisconsin
CenturyTel of Montana, Inc.	Oregon
CenturyTel of Mountain Home, Inc.	Arkansas
CenturyTel of North Louisiana, LLC	Louisiana
CenturyTel of North Mississippi, Inc.	Mississippi
CenturyTel of Northern Michigan, Inc.	Michigan
CenturyTel of Northern Wisconsin, LLC	Delaware
CenturyTel of Northwest Arkansas, LLC	Delaware
CenturyTel of Northwest Louisiana, Inc.	Louisiana
CenturyTel of Northwest Wisconsin, LLC	Delaware
CenturyTel of Odon, Inc.	Indiana
CenturyTel of Ohio, Inc.	Ohio
CenturyTel of Ooltewah-Collegedale, Inc.	Tennessee
CenturyTel of Oregon, Inc.	Oregon
CenturyTel of Port Aransas, Inc.	Texas
CenturyTel of Postville, Inc.	Iowa
CenturyTel of Redfield, Inc.	Arkansas
CenturyTel of Ringgold, LLC	Louisiana
CenturyTel of San Marcos, Inc.	Texas

CenturyTel of South Arkansas, Inc.	Arkansas
CenturyTel of Southeast Louisiana, LLC	Louisiana
CenturyTel of Southern Wisconsin, LLC	Louisiana
CenturyTel of Southwest Louisiana, LLC	Louisiana
CenturyTel of the Gem State, Inc.	Idaho
CenturyTel of the Midwest-Kendall, LLC	Delaware
CenturyTel of the Midwest-Wisconsin, LLC	Delaware
CenturyTel of the Northwest, Inc.	Washington
CenturyTel of the Southwest, Inc.	New Mexico
CenturyTel of Upper Michigan, Inc.	Michigan
CenturyTel of Washington, Inc.	Washington
CenturyTel of Wisconsin, LLC	Louisiana
CenturyTel of Wyoming, Inc.	Wyoming
CenturyTel Paging, Inc.	Louisiana
CenturyTel Personal Access Network, Inc.	Louisiana
CenturyTel Security Systems Holding Company, LLC	Louisiana
CenturyTel Service Group, LLC	Louisiana
CenturyTel Solutions, LLC	Louisiana
CenturyTel Supply Group, Inc.	Louisiana
CenturyTel Telecommunications, Inc.	Texas
CenturyTel Telelink, Inc.	Louisiana
CenturyTel Web Solutions, LLC	Louisiana
CenturyTel Wireless Louisiana, Inc.	Louisiana
CenturyTel Wireless of Appleton-Oshkosh-Neenah MSA, LLC	Delaware
CenturyTel Wireless of La Crosse, LLC	Delaware
CenturyTel Wireless of Mississippi RSA #5, LLC	Mississippi
CenturyTel Wireless of North Louisiana, LLC	Louisiana
CenturyTel Wireless of Shreveport, LLC	Louisiana
CenturyTel Wireless of Wisconsin RSA #1, LLC	Delaware
CenturyTel Wireless of Wisconsin RSA #10, LLC	Delaware
CenturyTel Wireless of Wisconsin RSA #2, LLC	Delaware
CenturyTel Wireless of Wisconsin RSA #3, LLC	Delaware
CenturyTel Wireless of Wisconsin RSA #6, LLC	Delaware
CenturyTel Wireless of Wisconsin RSA #8, LLC	Delaware
CenturyTel Wireless, Inc.	Louisiana
CenturyTel/Area Long Lines, Inc.	Wisconsin
CenturyTel/Remote Access, Inc.	Louisiana
CenturyTel/Tele-Max, Inc.	Texas
CenturyTel/Televue of Wisconsin, Inc.	Wisconsin
CenturyTel/WORLDDVOX, Inc.	Oregon
Eau Claire Cellular, Inc.	Colorado
Jackson Cellular Telephone Co., Inc.	Delaware
MVI Corp.	Oregon
North-West Cellular of Eau Claire, Inc.	Wisconsin
Pacific Telecom Cellular of Michigan RSA #1, Inc.	Michigan
Pacific Telecom Cellular of Michigan RSA #2, Inc.	Michigan
Pacific Telecom Cellular of Michigan, Inc.	Michigan
Pacific Telecom Cellular of Oregon, Inc.	Oregon
Pacific Telecom Cellular of Washington, Inc.	Washington
Pacific Telecom Cellular, Inc.	Wisconsin
Pascagoula Cellular Services, Inc.	Mississippi
Spectra Communications Group, LLC	Delaware
Telecor Cellular, Inc.	Louisiana
Telephone USA of Wisconsin, LLC	Delaware

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

Independent Auditors' Consent

The Board of Directors
CenturyTel, Inc.:

We consent to incorporation by reference in the Registration Statements (No. 333-35432 and No. 333-91361) on Form S-3, the Registration Statements (No. 33-46562, No. 33-60061, No. 333-67815, No. 333-91351, No. 333-37148, No. 333-60806, No. 333-64992 and No. 333-65004) on Form S-8, the Registration Statements (No. 33-31314 and No. 33-46473) on combined Form S-8 and Form S-3, and the Registration Statements (No. 33-48956 and No. 333-17015) on Form S-4 of CenturyTel, Inc. of our report dated January 30, 2002, relating to the consolidated balance sheets of CenturyTel, Inc. and subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows and related financial statement schedules for each of the years in the three-year period ended December 31, 2001, which report appears in the December 31, 2001 annual report on Form 10-K of CenturyTel, Inc.

/s/ KPMG LLP

KPMG LLP

Shreveport, Louisiana
March 15, 2002

End of Filing

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