CENTURYTEL INC

FORM 10-K
(Annual Report)

Filed 3/1/2007 For Period Ending 12/31/2006

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

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, 2006

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	72-0651161
(*State or other jurisdiction of incorporation or organization)*	*(IRS Employer Identification No.)*
100 CenturyTel Drive, Monroe, Louisiana	71203
(Address of principal executive offices)	*(Zip Code)*

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

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

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

Stock Options
(Title of class)

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Act 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. ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐

Indicate by check mark if the Registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of voting stock held by non-affiliates (affiliates being for these purposes only directors, executive officers and holde of more than five percent of our outstanding voting securities) was $2.9 billion as of June 30, 2006. As of February 15, 2007, there were 111,374,266 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the Registrant's Proxy Statement to be furnished in connection with the 2007 annual meeting of shareholders are incorporated by reference in Part III of this Report.

Tabl e of Contents

PART I

It em 1. Business

General . CenturyTel, Inc., together with its subsidiaries, is an integrated communications company engaged primarily in providing an array of communications services, including local and long distance voice, Internet access and broadband services. We strive to maintain our customer relationships by, among other things, bundling our service offerings to provide our customers with a complete offering of integrated communications services. We conduct all of our operations in 25 states located within the continental United States.

At December 31, 2006, our incumbent local exchange telephone subsidiaries operated approximately 2.1 million telephone access lines, primarily in rural areas and small to mid-size cities in 21 states, with over 70% of these lines located in Missouri, Wisconsin, Alabama, Arkansas and Washington. According to published sources, we are the seventh largest local exchange telephone company in the United States based on the number of access lines served.

We also provide fiber transport, competitive local exchange carrier, security monitoring, and other communications and business information services in certain local and regional markets.

Since 2005, we have expanded our product offerings to include co-branded satellite television services, wireless communications services under reselling arrangements, Internet voice communication services, and wireless broadband services. For additional information, see “Operations - Recent Product Developments” below.

For information on the amount of revenue derived by our various lines of services, see “Operations - Services” below and Item 7 of this annual report.

Recent acquisitions . In June 2005, we acquired fiber assets in 16 metropolitan markets from KMC Telecom Holdings, Inc. (“KMC”) for approximately $75.5 million, which allows us to offer broadband and competitive local exchange services to customers in these markets.

In June 2003, we purchased for $39.4 million the assets of Digital Teleport, Inc., a regional communications company providing wholesale data transport services to other communications carriers over its fiber optic network located in Missouri, Arkansas, Oklahoma and Kansas. In addition, in December 2003, we acquired additional fiber transport assets in Arkansas, Missouri and Illinois from Level 3 Communications, Inc. for approximately $15.8 million cash. For additional information, see “Operations - Services - Fiber Transport and CLEC.”

On August 31, 2002, we purchased assets utilized in serving approximately 350,000 telephone access lines in the state of Missouri from Verizon Communications, Inc. (“Verizon”) for approximately $1.179 billion cash. On July 1, 2002, we purchased assets utilized in serving approximately 300,000 telephone access lines in the state of Alabama from Verizon for approximately $1.022 billion cash. The assets purchased in these transactions included (i) the franchises and equipment necessary to conduct local exchange operations in predominantly rural markets throughout Alabama and Missouri and (ii) Verizon's assets used to provide high- speed data services within the purchased exchanges. The acquired assets did not include Verizon's cellular, personal communications services (“PCS”), long distance, dial-up Internet, or directory publishing operations in these areas.

On February 28, 2002, we purchased from KMC its fiber network and customer base operations in Monroe and Shreveport, Louisiana, which allowed us to offer broadband and competitive local exchange services to customers in these markets.

We also acquired approximately 660,000 and 490,000 telephone access lines in transactions completed in 1997 and 2000, respectively, the former of which substantially expanded our operations in the Western United States.

We continually evaluate the possibility of acquiring additional communications assets in exchange for cash, securities or both, and at any given time may be engaged in discussions or negotiations regarding additional acquisitions. We generally do not announce our acquisitions or dispositions until we have entered into a preliminary or definitive agreement. Although our primary focus will continue to be on acquiring interests that are proximate to our properties or that serve a customer base large enough for us to operate efficiently, we may also acquire other communications interests and these acquisitions could have a material impact upon us.

Pending Acquisition. On December 17, 2006, we entered into a stock purchase agreement with Madison River Communications Corp. (“MRCC”) and its owner, Madison River Telephone Company, LLC. Under this agreement, we agreed to purchase all of the capital stock of MRCC in exchange for $830 million less MRCC’s net indebtedness on the transaction’s closing date (which was approximately $494 million at September 30, 2006), subject to certain closing adjustments.

MRCC operates more than 170,000 predominantly rural access lines in four states with more than 30% high-speed Internet penetration. MRCC’s network is 99% broadband-enabled and includes a 2,400 route mile fiber network, substantially all of which is leased under indefeasible rights of use agreements. The acquisition is expected to close in the second quarter of 2007, subject to the satisfaction of certain closing conditions including necessary approvals from federal and state regulators.

Recent Dispositions . On August 1, 2002, we sold substantially all of our wireless operations principally to an affiliate of ALLTEL Corporation ("Alltel") for an aggregate of approximately $1.59 billion in cash. In connection with this transaction, we divested our (i) interest in our majority-owned and operated cellular systems, which at June 30, 2002 served approximately 783,000 customers and had access to approximately 7.8 million pops (the estimated population of licensed cellular telephone markets multiplied by our proportionate equity interest in the licensed operators thereof), (ii) minority cellular equity interests representing approximately 1.8 million pops at June 30, 2002, and (iii) licenses to provide PCS covering 1.3 million pops in Wisconsin and Iowa.

Where to find additional information. We make available our filings with the Securities and Exchange Commission ("SEC") on Forms 10-K, 10-Q and 8-K on our website (www.centurytel.com) as soon as reasonably practicable after we complete such filings with the SEC.

We also make available on our website our Corporate Governance Guidelines, our Corporate Compliance Program and the charters of our audit, compensation, risk evaluation, and nominating and corporate governance committees. We will furnish printed copies of these materials free of charge upon the request of any shareholder.

In connection with filing this annual report, our chief executive officer and chief financial officer made the certifications regarding our financial disclosures required under the Sarbanes-Oxley Act of 2002, and the Act's related regulations. In addition, during 2006 our chief executive officer certified to the New York Stock Exchange that he was unaware of any violation by us of the New York Stock Exchange's corporate governance listing standards.

Industry information . Unless otherwise indicated, information contained in this annual report and other documents filed by us under the federal securities laws concerning our views and expectations regarding the telecommunications industry are based on estimates made by us using data from industry sources, and on assumptions made by us based on our management's knowledge and experience in the markets in which we operate and the telecommunications industry generally. We believe these estimates and assumptions are accurate as of the date made. However, this information may prove to be inaccurate because it cannot always be verified with certainty. You should be aware that we have not independently verified data from industry or other third-party sources and cannot guarantee its accuracy or completeness. Our estimates and assumptions involve risks and uncertainties and are subject to change based on various factors, including those discussed in Item 1A of this annual report.

Other . As of December 31, 2006, we had approximately 6,400 employees, of which approximately 1,600 were members of 12 different bargaining units represented by the International Brotherhood of Electrical Workers and the Communications Workers of America. We believe that relations with our employees continue to be generally good. On March 1, 2006 and August 30, 2006, we announced reductions of our workforce which aggregated approximately 400 jobs, or 6% of our workforce, primarily due to increased competitive pressures and the loss of access lines over the last several years.

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

OPERATIONS

According to published sources, we are the seventh largest local exchange telephone company in the United States, based on the approximately 2.1 million access lines we served at December 31, 2006. An “access line” is a telephone line that connects a home or business to the public switched telephone network. All of our access lines are digitally switched. Through our operating telephone subsidiaries, we provide local exchange services to predominantly rural areas and small to mid-sized cities in 21 states. Our local exchange companies serve an average of approximately 12 access lines per square mile versus a nationwide average of approximately 50 access lines per square mile.

The following table lists additional information regarding our access lines as of December 31, 2006 and 2005.

	December 31, 2006		December 31, 2005	
State	Number of access lines	Percent of access lines	Number of access lines	Percent of access lines
Missouri	424,000	20%	442,000	20%
Wisconsin (1)	413,000	20	444,000	20
Alabama	249,000	12	262,000	12
Arkansas	227,000	11	241,000	11
Washington	166,000	8	177,000	8
Michigan	96,000	5	102,000	5
Louisiana	90,000	4	96,000	4
Colorado	90,000	4	92,000	4
Ohio	72,000	3	77,000	3
Oregon	70,000	3	72,000	3
Montana	60,000	3	62,000	3
Texas	37,000	2	41,000	2
Minnesota	28,000	1	29,000	1
Tennessee	25,000	1	26,000	1
Mississippi	23,000	1	24,000	1
New Mexico	6,000	*	6,000	*
Wyoming	6,000	*	6,000	*
Idaho	5,000	*	6,000	*
Indiana	5,000	*	5,000	*
Iowa	2,000	*	2,000	*
Arizona (2)	-	*	2,000	*
Nevada	*	*	*	*
	2,094,000 (3)	100%	2,214,000	100%

* Represents less than 1% or less than 1,000 access lines.

(1) As of December 31, 2006 and 2005, approximately 53,000 and 56,000, respectively, of these lines were owned and operated by our 89%-owned affiliate.

(2) We sold our Arizona telephone operations in May 2006.

(3) Excluding adjustments during 2006 to reflect (i) the removal of test lines, (ii) database conversion and clean-up and (iii) the sale of our Arizona properties, access line losses for 2006 were approximately 107,000.

As indicated in the following table, we have generally experienced growth in our operating revenues over the past five years, a substantial portion of which was attributable to the third quarter 2002 acquisition of telephone properties from Verizon and the internal growth of our Internet access business.

	Year ended or as of December 31,				
	2006	2005	2004	2003	2002
	(Dollars in thousands)				
Access lines	2,094,000	2,214,000	2,314,000	2,376,000	2,415,000
% Residential	74%	75	75	76	76
% Business	26%	25	25	24	24
Internet customers	459,000	357,000	271,000	223,000	184,000
% High-speed Internet service	80%	70	53	37	29
% Dial-up service	20%	30	47	63	71
Operating revenues	$ 2,447,730	2,479,252	2,407,372	2,367,610	1,971,996
Capital expenditures	$ 314,071	414,872	385,316	377,939	386,267

As discussed further below, our access lines (exclusive of acquisitions) have declined in recent years, and are expected to continue to decline. To mitigate these declines, we hope to, among other things, (i) promote long-term relationships with our customers through bundling of integrated services, (ii) provide new services, such as video and wireless, and other additional services that may become available in the future due to advances in technology, spectrum sales or improvements in our infrastructure, (iii) provide our premium services to a higher percentage of our customers, (iv) pursue acquisitions of additional communications properties if available at attractive prices, (v) increase usage of our networks, and (vi) market our products to new customers. See “Services” and “Regulation and Competition.”

S ervices

We derive revenue from providing (i) local exchange and long distance voice telephone services, (ii) network access services, (iii) data services, which includes both high-speed and dial-up Internet services, as well as special access and private line services, (iv) fiber transport, competitive local exchange and security monitoring services and (v) other related services. The following table reflects the percentage of operating revenues derived from these respective services:

	2006	2005	2004
Voice	35.2%	36.0	37.5
Network access	35.9	38.7	40.1
Data	14.3	12.9	11.5
Fiber transport and CLEC	6.1	4.7	3.1
Other	8.5	7.7	7.8
	100.0%	100.0	100.0

Voice. We derive our local service revenues by providing local exchange telephone services in our service areas, including basic dial-tone service through our regular switched network, generally for a fixed monthly charge. Access lines declined 4.8% in 2006 (exclusive of certain adjustments mentioned earlier), 4.3% in 2005 and 2.6% in 2004. We believe these declines in the number of access lines were primarily due to the displacement of traditional wireline telephone services by other competitive services. We expect access lines to decline between 4.5% and 6.0% for 2007.

In exchange for additional charges, we offer enhanced voice services (such as call forwarding, conference calling, caller identification, selective call ringing and call waiting). In 2006, we continued to expand the availability of enhanced services offered in certain service areas.

We derive our long distance revenues by providing retail long distance services based on either usage or pursuant to flat-rate calling plans. At December 31, 2006, we provided long distance services to nearly 1.2 million lines. We continue to add new customers, although the rate of our customer growth has slowed in recent periods, principally due to competitive factors. We anticipate that most of our long distance service revenues will be provided as part of an integrated bundle with our other service offerings, including our local exchange telephone service offering.

Network access. We derive our network access revenues primarily from (i) providing services to various carriers and customers in connection with the use of our facilities to originate and terminate their interstate and intrastate voice transmissions and (ii) receiving universal support funds which allows us to recover a portion of our costs under federal and state cost recovery mechanisms (see “Regulation and Competition Relating to Incumbent Local Exchange Operations” below). Our revenues for switched access services depend primarily on the level of call volume.

Certain of our 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 our intrastate network access revenues are derived through access charges that we bill 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 our 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 Telecommunications Act of 1996 (the "1996 Act") allows local exchange carriers to file access tariffs on a streamlined basis and, if certain criteria are met, deems those tariffs lawful. Tariffs that have been "deemed lawful" in effect nullify an interexchange carrier's ability to seek refunds should the earnings from the tariffs ultimately result in earnings above the authorized rate of return prescribed by the FCC. Certain of our telephone subsidiaries file interstate tariffs with the FCC using this streamlined filing approach. Since July 2004, we have recognized billings from our tariffs as revenue since we believe such tariffs are "deemed lawful". For those billings from tariffs prior to July 2004, we initially recorded as a liability our earnings in excess of the authorized rate of return, and may thereafter recognize as revenue some or all of these amounts at the end of the settlement period or as our legal entitlement thereto becomes certain. As of December 31, 2006, the amount of our earnings in excess of the authorized rate of return reflected as a liability on the balance sheet for the 2003/2004 monitoring period aggregated approximately $43 million. The settlement period related to the 2003/2004 monitoring period lapses on September 30, 2007.

Data. We derive our data revenues primarily from monthly recurring charges for providing Internet access services (both high-speed and dial-up services) and data transmission services over special circuits and private lines. We began offering traditional dial-up Internet access services to our telephone customers in 1995. In late 1999, we began offering high-speed Internet access services, a premium-priced broadband data service. As of December 31, 2006, approximately 79% of our access lines were broadband-enabled. At December 31, 2006, we provided high-speed Internet access services to over 369,000 customers and dial-up services to over 90,000 customers. During 2006, we added over 120,000 high-speed Internet customers.

Fiber transport and CLEC . Our fiber transport and CLEC revenues include revenues from our fiber transport, competitive local exchange carrier ("CLEC") and security monitoring businesses.

In late 2000, we began offering competitive local exchange telephone services as part of a bundled service offering to small to medium-sized businesses in Monroe and Shreveport, Louisiana. On February 28, 2002, we purchased the fiber network and customer base of KMC's operations in Monroe and Shreveport, Louisiana and in June 2005, we purchased the fiber assets in 16 metropolitan markets from KMC which allowed us to offer broadband and competitive local exchange services to customers in these markets. As of December 31, 2006, our competitive local exchange markets provided service over 1,200 miles of fiber.

Under the name "LightCore", we sell fiber capacity to other carriers and businesses over a network that encompassed, at December 31, 2006, over 9,500 miles of fiber in the central United States. We began our fiber transport business during the second quarter of 2001, when we began selling capacity over a 700-mile fiber optic ring that we constructed in southern and central Michigan. In June 2003, we acquired the assets of Digital Teleport, Inc., a regional communications company providing wholesale data transport services to other communications carriers over its fiber optic network located in Missouri, Arkansas, Oklahoma and Kansas. We have used the network to sell services to new and existing customers and to reduce our reliance on third party transport providers. In addition, in December 2003, we acquired additional fiber transport assets in Arkansas, Missouri and Illinois from Level 3 Communications, Inc. to provide services similar to those described above.

We offer 24-hour burglary and fire monitoring services to over 9,700 customers in select markets in Louisiana, Arkansas, Mississippi, Texas and Ohio.

Other. We derive our "other revenues" principally by (i) leasing, selling, installing and maintaining customer premise telecommunications equipment and wiring, (ii) providing billing and collection services to third parties, (iii) participating in the publication of local telephone directories, which allows us to share in revenues generated by the sale of yellow page and related advertising to businesses, and (iv) offering our new services described below under the heading "-Recent Product Developments". We also provide printing, database management and direct mail services and cable television services.

From time to time, we also make investments in other domestic or foreign communications companies.

For further information on regulatory, technological and competitive changes that could impact our revenues, see "Regulation and Competition" under this Item 1 below and "Risk Factors and Cautionary Statements" under Item 1A below. For more information on the financial contributions of our various services, see Item 7 of this annual report.

Recent Product Developments

During 2005, we began offering, under a three-year agreement with EchoStar, co-branded satellite television service to virtually all households in our local exchange service areas, except for LaCrosse, Wisconsin, where we initiated our switched digital television service to a portion of this market. In early 2007, we initiated a second switched digital video trial in Columbia, Missouri.

In mid-2005, we began reselling wireless communication services under an agreement with a nationwide wireless carrier. By December 31, 2006, we offered wireless service through this arrangement to markets serving approximately 30% of our residential access lines.

In December 2006, we completed construction of a wireless broadband network in Vail, Colorado, which allows us to provide wireless broadband Internet service in public locations throughout the Vail town limits. We are exploring opportunities to construct similar networks in other areas.

We are currently developing a Voice over Internet Protocol ("VoIP") service offering that we plan to offer to our existing CLEC business customers as a low-cost managed service for both Internet and voice services.

For additional information on the financial impact of these new offerings, see Items 1A and 7 of this annual report.

Federal Financing Programs

Certain of our telephone subsidiaries receive long-term financing from the Rural Utilities Service ("RUS"), a federal agency that has historically provided long-term financing to telephone companies at relatively attractive interest rates. Approximately 15% of our telephone plant is pledged to secure obligations of our telephone subsidiaries to the RUS. For additional information regarding our financing, see our consolidated financial statements included in Item 8 herein.

Sales and Marketing

We maintain local offices in most of the larger population centers within our service territories. These offices are typically staffed by local residents and provide sales and customer support services in the community. In addition, our strategy is to enhance our communications services by offering comprehensive bundling of services and deploying new technologies to build upon the strong reputation we enjoy in our markets and to further promote customer loyalty.

Network Architecture

Our local exchange carrier networks consist of central office hosts and remote sites, all with advanced digital switches (primarily manufactured by Nortel and Siemens) and operating with licensed software. Our outside plant consists of transport and distribution delivery networks connecting each of our host central offices to our remote central offices, and ultimately to our customers. As of December 31, 2006, we maintained over 244,000 miles of copper plant and approximately 19,000 miles of fiber optic plant in our local exchange networks. Our fiber optic cable is the primary transport technology between our host and remote central offices and interconnection points with other incumbent carriers. For additional related information, see "Services - Fiber Transport and CLEC."

Regulation and Competition Relating to Incumbent Local Exchange Operations

Traditionally, LECs operated as regulated monopolies having the exclusive right and responsibility to provide local telephone services. (These LECs are sometimes referred to below as "incumbent LECs" or "ILECs"). Consequently, most of our intrastate telephone operations have traditionally been regulated extensively by various state regulatory agencies (generally called public service commissions or public utility commissions) and our interstate operations have been regulated by the FCC under the Communications Act of 1934. As we discuss in greater detail below, passage of the 1996 Act, coupled with state legislative and regulatory initiatives and technological changes, fundamentally altered the telephone industry by reducing the regulation of LECs and attracting a substantial increase in the number of competitors and capital invested in existing and new services. We anticipate that these trends toward reduced regulation and increased competition will continue.

The following description discusses some of the major industry regulations that affect us, but numerous other regulations not discussed below could also impact us. Some legislation and regulations are currently the subject of judicial proceedings, legislative hearings and administrative proposals which could substantially change the manner in which the communications industry operates. Neither the outcome of any of these developments, nor their potential impact on us, can be predicted at this time. Regulation can change rapidly in the communications industry, and such changes may have an adverse effect on us in the future. See Item 1A of this annual report below.

State regulation . The local service rates and intrastate access charges of substantially all of our telephone subsidiaries are regulated by state regulatory commissions which typically have the power to grant and revoke franchises authorizing companies to provide communications services. Most commissions have traditionally regulated pricing through “rate of return” regulation that focuses on authorized levels of earnings by LECs. Historically, most of these commissions also (i) regulated the purchase and sale of LECs, (ii) prescribed depreciation rates and certain accounting procedures, (iii) enforced laws requiring LECs to provide universal service under publicly filed tariffs setting forth the terms, conditions and prices of their LEC services, (iv) oversaw implementation of several federal telecommunications laws and (v) regulated various other matters, including certain service standards and operating procedures.

In recent years, state legislatures and regulatory commissions in most of the 21 states in which our telephone subsidiaries operate have either reduced the regulation of LECs or have announced their intention to do so, and we expect this trend will continue. Essentially, such relief comes in two forms: (i) full or partial deregulation through legislation; or (ii) the ability to opt in to existing state alternative regulation through a regulatory proceeding. Wisconsin, Missouri, Alabama, Arkansas and several other states have implemented laws or rulings which require or permit LECs to either be deregulated for pricing or 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, subsidiaries operating over 65% of our access lines in various states have agreed to be governed by alternative regulation plans, and we continue to explore our options for similar treatment in other states. We believe that reduced regulatory oversight of certain of our telephone operations may allow us 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.”

Alternative regulation plans govern some or all of the access lines operated by us in Wisconsin, Missouri, Alabama and Arkansas, which are our four largest markets. The following summary describes the alternative regulation plans applicable to us in these states.

- Our Wisconsin access lines, except for those acquired from Verizon in 2000 (which continue to be regulated under "rate of return" regulation), are regulated under various alternative regulation plans. Each of these alternative regulation plans permits us to adjust local rates within specified parameters if we meet certain quality-of-service and infrastructure-development commitments. These plans also include initiatives designed to promote competition.

- All of our Missouri LECs are regulated under a price-cap regulation plan whereby basic service rates are adjusted annually based on an inflation-based factor; non-basic services may be increased without restriction up to 5% annually. If the inflation-based factor were to decline as it has done in recent years, our revenues would be negatively impacted.

- In 2005, the state of Alabama passed legislation that essentially allowed telephone companies the option to phase in deregulation of certain LEC services. In February 2007, our Alabama LECs deregulated all local services (including bundled services) except for certain basic telephone and optional calling services. Certain basic telephone and optional calling services continue to be regulated and subject to a price cap.

- Our Arkansas LECs, excluding one property acquired from Verizon in 2000, are regulated under an alternative regulation plan under which rates can be adjusted based on an inflation-based factor. Other local rates can be adjusted without commission approval; however, such rates are subject to commission review under certain conditions.

Notwithstanding the movement toward alternative regulation, LECs operating approximately 34% of our total access lines continue to be subject to "rate of return" regulation for intrastate purposes. 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.

Federal regulation . Our telephone subsidiaries are required to comply with the Communications Act of 1934, which requires us to offer services at just and reasonable rates and on non-discriminatory terms, as well as the 1996 Act, which amended the Communications Act to promote competition.

The FCC regulates interstate services provided by our telephone subsidiaries primarily by regulating the interstate access charges that we bill to long distance companies and other communications companies for use of our network in connection with the origination and termination of interstate voice and data transmissions. Additionally, the FCC has prescribed certain rules and regulations for telephone companies, including a uniform system of accounts and rules regarding the separation of costs between jurisdictions and, ultimately, between interstate services. LECs must obtain FCC approval to use certain radio frequencies, or to transfer control of any such licenses. The FCC retains the right to revoke these licenses if a carrier materially violates relevant legal requirements.

The FCC requires price-cap regulation of interstate access rates for the Regional Bell Operating Companies, and permits it for all other LECs. 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. We have not elected price-cap regulation for our incumbent operations. However, the properties we acquired from Verizon in 2002 have continued to operate under price-cap regulation, as permitted under FCC rules for acquired properties. All of our other operations continue to be governed by traditional rate-of-return regulation for interstate access charges, which permit us to set rates based upon an authorized rate of return of 11.25%.

In 2003, the FCC opened a broad intercarrier compensation proceeding with the ultimate goal of creating a uniform mechanism to be used by the entire telecommunications industry for payments between carriers originating, terminating, or carrying telecommunications traffic. The FCC has received intercarrier compensation proposals from several industry groups, and in early 2005 solicited comments on all proposals previously submitted to it. Industry negotiations are continuing with the goal of developing a consensus plan that addresses the concerns of carriers from all industry segments. In July 2006, the National Association of Regulatory Utility Commissioners' Task Force on Intercarrier Compensation filed an industry-sponsored plan called the "Missoula Plan" which proposes comprehensive intercarrier compensation reform. In summary, the Missoula Plan seeks to reduce rates carriers charge one another to complete and terminate calls between networks, increases end-user retail rates and creates additional funding through an expanded universal service-like mechanism. The FCC is currently seeking comments from the industry regarding the impact of adopting the proposal. While we support certain key concepts of the proposal, we do not believe the plan in its present form is an equitable solution for intercarrier compensation reform. Until the FCC's proceeding concludes and the changes, if any, to the existing rules are established, we cannot estimate the impact it will have on our results of operations.

In December 2005, a group of six mid-sized carriers, including us, filed proposed rules with the FCC regarding "phantom traffic". "Phantom traffic" generally refers to telecommunications calls that cannot be billed properly to responsible carriers by other carriers in the call path because the traffic is mislabeled, unlabeled or improperly routed. Such proposal calls on the FCC to implement updated rules that require carriers to accurately identify, label and route network traffic so that appropriate bills can be created. In late 2006, the FCC opened a separate phantom traffic proceeding with the intent of formalizing potential phantom traffic rules for the industry. Until the FCC ' s phantom traffic proceeding concludes and the changes, if any, to the existing rules are established, we cannot estimate the impact they will have on our results of operations.

As discussed further below, certain providers of competitive communications services are currently not required to compensate ILECs for the use of their networks.

All forms of federal support available to ILECs are currently available to any local competitor that qualifies as an "eligible telecommunications carrier." This support could encourage additional competitors to enter our high-cost service areas, and, as discussed further below, place additional financial pressure on the FCC's support programs.

Our operations and those of all communications carriers also may be impacted by legislation and regulation imposing new or greater obligations related to assisting law enforcement, bolstering homeland security, minimizing environmental impacts, or addressing other issues that impact our business, including the Communications Assistance for Law Enforcement Act, and laws governing local number portability and customer proprietary network information requirements. These laws and regulations may cause us to incur additional costs.

Universal service support funds, revenue sharing arrangements and related matters . A significant number of our telephone subsidiaries recover a portion of their costs from the federal Universal Service Fund (the "USF") and from similar state "universal support" mechanisms, which receive their funding from fees charged to interexchange carriers and LECs. Disbursements from these programs traditionally have allowed LECs serving small communities and rural areas to provide communications services on terms and at prices reasonably comparable to those available in urban areas.

The table below sets forth the amounts received by our telephone subsidiaries in 2006 and 2005 from federal and state universal support programs.

	Year ended December 31,			
	2006		2005	
Support Program	Amount Received	% of Total 2006 Operating Revenues	Amount Received	% of Total 2005 Operating Revenues
	(amounts in millions)			
USF High Cost Loop Support	$ 163.1	6.6%	$ 174.9	7.1%
Other Federal Support Programs	134.6	5.5%	139.2	5.6%
Total Federal Support Receipts	297.7	12.1%	314.1	12.7%
State Support Programs	36.2	1.5%	37.6	1.5%
TOTAL	$ 333.9	13.6%	$ 351.7	14.2%

Federal USF programs have recently undergone substantial changes, and are expected to experience more changes in the coming years. As mandated by the 1996 Act, in May 2001 the FCC modified its existing universal service support mechanism for rural telephone companies by adopting an interim mechanism for a five-year period based on embedded, or historical, costs that provides relatively predictable levels of support to many LECs, including substantially all of our LECs. In May 2006, the FCC extended this interim mechanism until such time that new high-cost support rules are adopted for rural telephone companies.

Wireless and other competitive service providers continue to seek eligible telecommunications carrier status in order to receive USF support, which, coupled with changes in usage of telecommunications services, have placed stress on the funding mechanism of the USF, which is subject to annual caps on disbursements. These developments have placed additional financial pressure on the amount of money that is necessary and available to provide support to all eligible service providers, including support payments we receive from the USF High Cost Loop support program.

A significant portion of our support payments have varied over time based on our average cost to serve customers compared to national cost averages. Under the USF High Cost Loop program, which is the USF's principal support program, our payments from the USF will decrease if national average costs per loop increase and our average costs per loop remain constant (or decrease). Increases in the nationwide average cost per loop factor used to allocate funds among all USF recipients caused our revenues from the USF High Cost Loop support program to decrease in 2005 and 2006 from the amounts received in the prior year. However, based on recent FCC filings, we anticipate our 2007 revenues from the USF High Cost Loop support program will approximate our 2006 levels.

In late 2002, the FCC requested that the Federal-State Joint Board ("FSJB") on Universal Service review various FCC rules governing high cost universal service support, including rules regarding eligibility to receive support payments in markets served by LECs and competitive carriers. In early 2003, the FSJB issued a notice for public comment on whether present rules fulfill their purpose or should be modified. During 2004, the FSJB recommended a comprehensive general review of the high-cost support mechanisms for rural and non-rural carriers and requested comments on the FCC's current rules for the provision of high-cost support for rural companies, including comments on whether eligibility requirements should be amended in a manner that would adversely affect larger rural LECs such as us. In addition, the FCC has taken various other steps in anticipation of restructuring universal service support mechanisms, which in the aggregate could substantially impact these support payments.

In August 2005, the FSJB sought comments on four separate proposals to modify the distribution of High Cost Loop support funds. Each of the proposals provides the state public service commissions a greater role in the support distribution process, which would remain subject to specific FCC guidelines. In August 2006, the FSJB sought comment on the viability of using competitive bidding to determine the amount of high-cost funding for all eligible carriers. We anticipate that the FSJB will make reform suggestions to the FCC during 2007, at which time the FCC would be required to seek comments. Due to the pending nature of these proposals, we cannot estimate the impact that such proposals would have on our operations. In addition, there are a number of judicial appeals challenging several aspects of the FCC's universal service rules and various Congressional proposals seeking to substantially modify USF programs, none of which have been resolved at this time. We have been and will continue to be active in monitoring these developments.

In 2004, the FCC mandated changes in the administration of the universal service support programs that temporarily suspended the disbursement of funds under the USF's E-rate program (for service to Schools and Libraries), and, more significantly, created questions that these administrative changes could similarly delay the disbursement of funds to LECs from the Universal Service High Cost Loop support program. Congress has passed bills in recent years granting one-year exemptions from the federal law that impacted the E-rate program. Such a bill was also passed in 2007, extending the exemption through December 31, 2007. Although we expect funding from this program to continue, we cannot assure you that the lack of a definitive resolution of this issue will not delay or impede the disbursement of funds in the future.

In the second quarter of 2005, the Louisiana Public Service Commission ("LPSC") adopted an order that transferred the previously-existing $42 million Louisiana Optional Service Fund ("LOS Fund") into a state universal service fund effective August 31, 2005. Prior to this change, we received approximately $21 million annually from the LOS Fund. Thus far, we have received similar amounts under the new fund, and currently expect this to continue. The new state universal service fund expands the base of contributors to all telecommunications service providers operating in the state. In June 2005, two telecommunications service providers separately served the LPSC with an appeal of the new fund, both of which were dismissed by the Louisiana Supreme Court. The LOS Fund is subject to an annual review by the LPSC; as such, there can be no assurance that the new fund will remain as adopted by the LPSC or that funding levels will remain at current levels.

Some of our 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.

All of our interstate network access revenues are based on access charges, cost separation studies or special settlement arrangements, many of which are administered by the FCC or NECA. See "Services."

Certain long distance carriers continue to request that certain of our LECs reduce intrastate access tariffed rates. Long distance carriers have also aggressively pursued regulatory or legislative changes that would reduce access rates. However, in light of pending intercarrier compensation reform that would address intrastate access charges, most states are deferring action until they receive direction from the FCC. See "Services - Network Access" above for additional information.

Developments affecting competition . Over the past decade, fundamental technological, regulatory and legislative changes have significantly impacted the communications industry, and we expect these changes will continue. Primarily as a result of regulatory and technological changes, competition has been introduced and encouraged in each sector of the communications industry in recent years. As a result, we increasingly face competition from other communication service providers.

Wireless telephone services increasingly constitute a significant source of competition with LEC services, especially since wireless carriers have begun to compete effectively on the basis of price with more traditional telephone services. As a result, some customers have chosen to completely forego use of traditional wireline phone service and instead rely solely on wireless service for voice services. This trend is more pronounced among residential customers, which comprise 74% of our access line customers. We anticipate this trend will continue, particularly if wireless service providers continue to expand their coverage areas, reduce their rates, improve the quality of their services, and offer enhanced new services. Most of our access line customers are currently capable of receiving wireless services from a competitive service provider. Technological and regulatory developments in cellular telephone, personal communications services, digital microwave, satellite, 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. In 2005, we began offering our CenturyTel branded wireless reseller service and, by the end of December 2006, we offered wireless service through this reselling arrangement to markets serving approximately 30% of our residential access lines.

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, 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 nondiscriminatory “unbundled” access to all aspects of the LEC’s network, (iii) offer resale of its telecommunications services at wholesale rates and (iv) permit competitors, on terms and conditions (including rates) that are just, reasonable and nondiscriminatory, to collocate their physical plant on the LEC’s property, or provide virtual collocation if physical collocation is not practicable. During 2003, the FCC released new rules outlining the obligations of incumbent LECs to lease to competitors elements of their circuit-switched networks on an unbundled basis at prices that substantially limited the profitability of these arrangements to incumbent LECs. On March 2, 2004, a federal appellate court vacated significant portions of these rules, including the standards used to determine which unbundled network elements must be made available to competitors. In response to this court decision, on February 4, 2005, the FCC released rules (effective March 11, 2005) that required incumbent LECs to lease a network element only in those situations where competing carriers genuinely would be impaired without access to such network element, and where the unbundling would not interfere with the development of facilities-based competition. These rules are further designed to remove LEC’s unbundling obligations over time as competing carriers deploy their own networks and local exchange competition increases.

Under the 1996 Act's rural telephone company exemption, approximately 50% of our telephone access lines are exempt from certain of the 1996 Act's 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. States are permitted to adopt laws or regulations that provide for greater competition than is mandated under the 1996 Act.

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

As a result of these regulatory developments, ILECs increasingly face competition from competitive local exchange carriers ("CLECs"), particularly in densely populated 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 our service areas has increased in recent years, especially in our markets acquired from Verizon in 2002 and 2000. We anticipate that similar action may be taken by other competitors in the future, especially if all forms of federal support available to ILECs continue to remain available to these competitors.

Recent technological developments have led to the development of new services that compete with traditional LEC services. Technological improvements have enabled cable television companies to provide telephone service over their cable networks, and several national cable companies have aggressively pursued this opportunity. As of December 31, 2006, we believe that nearly 30% of our access lines currently face competition from cable voice offerings. Additionally, several large electric utilities have recently announced plans to offer communications services that compete with LECs.

Recent improvements in the quality of VoIP service have led several cable, Internet, data and other communications companies, as well as start-up companies, to substantially increase their offerings of VoIP service to business and residential customers. VoIP providers route calls partially or wholly over the Internet, without use of ILEC's circuit switches and, in certain cases, without use of ILEC's networks to carry their communications traffic. VoIP providers frequently use existing broadband networks to deliver flat-rate, all distance calling plans that may offer features that cannot readily be provided by traditional LECs. These plans may also be priced competitively or below those currently charged for traditional local and long distance telephone services for several reasons, including lower operating costs. In December 2003, the FCC initiated rulemaking that is expected to address the effect of VoIP on intercarrier compensation, universal service and emergency services. On March 10, 2004, the FCC released a notice of proposed rulemaking seeking comment on the appropriate regulatory treatment of VoIP service and related issues. Although the FCC's rulemaking regarding VoIP-enabled services remains pending, the FCC has adopted orders establishing broad guidelines for the regulation of such services, including (i) an April 2004 order that found an IP-telephony service using the public switched telephone network to be a regulated telecommunications service subject to interstate access charges, (ii) a November 2004 order that Internet-based services provided by Vonage Holdings Corporation should be subject to federal rather than state regulation and (iii) a June 2005 order requiring all VoIP service providers whose services are interconnected to the public switched telephone network to provide E-911 services to their customers. In addition, in March 2005, Level 3 Communications, Inc. withdrew its petition requesting the FCC to forbear from imposing interstate and intrastate access charges on Internet-based calls that originate or terminate on the public switched telephone network. There can be no assurance that future rulemaking will be on terms favorable to ILECs, or that VoIP providers will not successfully compete for our customers.

Similar to us, many cable, entertainment, technology or other communications companies that previously offered a limited range of services are now offering diversified bundles of services, either through their own networks, reselling arrangements or joint ventures. As such, a growing number of companies are competing to serve the communications needs of the same customer base. Several of these companies started offering full service bundles before us, which could give them an advantage in building customer loyalty. Such activities will continue to place downward pressure on the demand for our access lines.

In addition to facing direct competition from those providers described above, 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 or switching services. Other potential sources of competition include non-carrier 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. We anticipate that all these trends will continue and lead to decreased use of our networks.

Significant competitive factors in the local telephone industry include pricing, packaging of services and features, quality and convenience of service and meeting customer needs such as simplified billing and timely response to service calls.

As 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 we do or own larger or more diverse networks than ours. In addition, many of them are not subject to the same regulatory constraints we are.

Competition can harm us by causing us to lose customers, or by causing us to lower prices or increase our capital or operating expenses to retain customers. Competing communications services, such as wireless, VoIP, electronic mail and optional calling services, can also reduce usage of our network and thereby decrease our network access revenues. Competition can also cause customers to reduce either usage of our services or switch to less profitable services, and could impede our ability to diversity into new lines of business dominated by incumbent providers.

We anticipate that the traditional operations of LECs will continue to be impacted by continued regulatory and technological developments affecting the ability of LECs to attract and retain customers and the capability of wireless companies, CLECs, cable television companies, VoIP providers, electric utilities and others to provide competitive LEC services. Competition relating to traditional LEC services has thus far affected large urban areas to a greater extent than the less dense areas in which we operate. We will actively monitor these developments, observe the effect of emerging competitive trends in larger markets and continue to evaluate new business opportunities that may arise out of future technological, legislative and regulatory developments.

While we expect our operating revenues in 2007 to continue to experience downward pressure primarily due to continued access line losses and reduced network access revenues, we expect such declines to be partially offset primarily due to increased demand for our fiber transport, high-speed Internet and other nonregulated product offerings (including our new video and wireless initiatives mentioned above).

Regulation and Competition Relating to Other Operations

Long Distance Operations . We offer intra-LATA, intrastate and interstate long distance services. State public service commissions generally regulate intra-LATA toll calls within the same LATA and inter-LATA toll calls between different LATAs located in the same state. Federal regulators have jurisdiction over interstate toll calls. Recent state regulatory changes have increased competition to provide intra-LATA toll services in our local exchange markets. Competition for intrastate and interstate long distance services has been intense for several years, and focuses primarily on price and pricing plans, and secondarily on customer service, reliability and communications quality. Traditionally, our principal competitors for providing long distance services were large long distance companies such as AT&T, regional phone companies and dial-around resellers. Increasingly, however, we have experienced competition from newer sources, including wireless companies offering attractively-priced calling plans. Technological substitutions, including VoIP and electronic mail, have further reduced demand for traditional long distance services.

Data Operations . In connection with our data business, we face competition from Internet service providers, satellite companies and cable companies which use wired or wireless technologies to offer dial-up Internet access services or high-speed broadband services. As of December 31, 2006, we believe approximately 57% of our local exchange markets are overlapped by cable systems offering data services competitive with ours. Many of these competitors offer content that we cannot match. Moreover, many of these providers have traditionally been subject to less rigorous regulatory scrutiny than our subsidiaries, although 2005 FCC rule changes classifying our high-speed offering as an “information service” has helped reduce regulatory disparities. The FCC is currently conducting several other rulemakings considering the regulatory treatment of broadband services, the outcomes of which could reduce our pricing flexibility or could significantly impact our competitive position.

Fiber Transport Operations . When our fiber transport networks are used to provide intrastate telecommunications services, we must comply with state requirements for telecommunications utilities, including state tariffing requirements. To the extent our facilities are used to provide interstate communications, we are subject to federal regulation as a non-dominant common carrier. Due largely to excess capacity, the fiber transport industry is highly competitive. Our primary competitors are from other communications companies, many of whom operate networks and have resources much larger than ours. In addition, new IP-based services may enable new entrants to transport data at prices lower than we currently offer.

CLEC Operations . Competitive local exchange carriers are subject to certain reporting and other regulatory requirements by the FCC and state public service commissions, although the degree of regulation is much less substantial than that imposed on ILECs operating in the same markets. Local governments also frequently require competitive local exchange carriers to obtain licenses or franchises regulating the use of rights-of-way necessary to install and operate their networks. In each of our CLEC markets, we face competition from the ILEC, which traditionally has long-standing relationships with its customers. Over time, we may also face competition from one or more other CLECs, or from other communications providers who can provide comparable services.

Other Operations . Similar to our CLEC business, we may be required to obtain licenses or franchises to enter new markets for our switched digital television and wireless broadband services, which could delay our rollout of these offerings. The wireless industry, in which our resold wireless services competes, is highly competitive, which will substantially limit our operating margins.

OTHER DEVELOPMENTS OR MATTERS

In February 2006, our board of directors approved a $1.0 billion stock repurchase program. We purchased the first $500 million of common stock in late February 2006 under accelerated share repurchase agreements with investment banks and, beginning in the third quarter of 2006, we began repurchasing the remaining $500 million balance of the $1.0 billion program through open market transactions. During 2006, we repurchased a total of $802.2 million of common stock (21.4 million shares). We previously repurchased approximately $401.0 million, $186.7 million and $437.5 million of our shares under separate repurchase programs approved in February 2004, February 2005 and May 2005, respectively. For additional information, see Liquidity and Capital Resources included in Item 7 of this annual report.

We have certain obligations based on federal, state and local laws relating to the protection of the environment. Costs of compliance through 2006 have not been material and we currently have no reason to believe that such costs will become material.

For additional information concerning our business and properties, see Items 2 and 7 elsewhere herein, and the Consolidated Financial Statements and notes 2, 4, 5, and 16 thereto set forth in Item 8 elsewhere herein.

It em 1A. Risk Factors

RISK FACTORS AND CAUTIONARY STATEMENTS

Risk Factors

Any of the following risks could materially and adversely affect our business, financial condition, results of operations, liquidity or prospects. The risks described below are not the only risks facing us. Please be aware that additional risks and uncertainties not currently known to us or that we currently deem to be immaterial could also materially and adversely affect our business operations.

Risks Related to Our Business

If we continue to experience access line losses like we have in the past several years, our revenues, earnings and cash flows may be adversely impacted.

Our business generates a substantial portion of its revenues by delivering voice and data services over access lines. We have experienced access line losses over the past several years, including a 4.8% decline (excluding the effect of certain adjustments) during the year ended December 31, 2006, due to a number of factors, including increased competition and wireless and broadband substitution, which are described further below. We expect to continue to experience access line losses in our markets for an unforeseen period of time. Our inability to retain access lines could adversely impact our revenues, earnings and cash flow from operations.

We face competition, which we expect to intensify.

As a result of various technological, regulatory and other changes, the telecommunications industry has become increasingly competitive, and we expect these trends to continue. In our LEC markets, we face competition from wireless telephone services, which we expect to increase if wireless providers continue to expand and improve their network coverage, lower their prices and offer enhanced services. In certain of our LEC markets, we face competition from cable television operators and CLECs. Over time, we expect to face additional local exchange competition from more recent market entrants, including VoIP providers and electric utilities, and we expect continued competition from alternative networks or non-carrier systems designed to reduce demand for our switching or access services. The Internet, long distance and data services markets are also highly competitive, and we expect that competition will intensify in these and other markets that we serve. The recent proliferation of companies offering integrated service offerings has further intensified competition in the markets we serve.

We expect competition to intensify as a result of new competitors and the development of new products and services. We cannot predict which future products or services will be important to maintain our competitive position or what funding will be required to develop and provide these products or services. Our ability to compete successfully will depend on how well we market our products and services and on our ability to anticipate and respond to various competitive and technological factors affecting the industry, including changes in regulation (which may affect us differently from our competitors), changes in consumer preferences or demographics, and changes in the product offerings or pricing strategies of our competitors.

Many of our current and potential competitors have market presence, engineering, technical and marketing capabilities and financial, personnel and other resources substantially greater than ours. In addition, some of our competitors own larger and more diverse networks, can conduct operations or raise capital at a lower cost than we can, are subject to less regulation, have lower benefit plan costs, or have substantially stronger brand names. Consequently, some competitors may be able to charge lower prices for their products and services, to offer more attractive service bundles, to develop and expand their communications and network infrastructures more quickly, to adapt more swiftly to new or emerging technologies and changes in customer requirements, and to devote greater resources to the marketing and sale of their products and services than we can.

Competition could adversely impact us in several ways, including (i) the loss of customers and market share, (ii) the possibility of customers reducing their usage of our services or shifting to less profitable services, (iii) reduced traffic on our networks, (iv) our need to expend substantial time or money on new capital improvement projects, (v) our need to lower prices or increase marketing expenses to remain competitive and (vi) our inability to diversify by successfully offering new products or services.

We could be harmed by rapid changes in technology.

The communications industry is experiencing significant technological changes, particularly in the areas of VoIP, data transmission and wireless communications. Recently, several large electric utilities have announced plans to offer communications services that will compete with LECs. Some of our competitors may enjoy network advantages that will enable them to provide services more efficiently or at lower cost. Rapid changes in technology could result in the development of products or services that compete with or displace those offered by traditional LECs, or that enable current customers to reduce or bypass use of our networks. We cannot predict with certainty which technological changes will provide the greatest threat to our competitive position. We may not be able to obtain timely access to new technology on satisfactory terms or incorporate new technology into our systems in a cost effective manner, or at all. If we cannot develop new products to keep pace with technological advances, or if such products are not widely embraced by our customers, we could be adversely impacted.

We cannot assure you that our diversification efforts will be successful.

Due to the above-cited changes, the telephone industry has recently experienced a decline in access lines, intrastate minutes of use and long distance minutes of use. While we have not in the past suffered as much as a number of other ILECs from recent industry challenges, the recent decline in access lines and usage, coupled with the other changes resulting from competitive, technological and regulatory developments, could materially adversely effect our core business and future prospects. Our access lines declined 4.8% in 2006 and we expect our access lines to decline between 4.5% and 6.0% in 2007. We also earned less intrastate revenues in 2006 due to reductions in intrastate minutes of use (partially due to the displacement of minutes of use by wireless, electronic mail and other optional calling services). We believe our intrastate minutes of use will continue to decline, although the magnitude of such decrease is uncertain.

We have traditionally sought growth largely through acquisitions of properties similar to those currently operated by us. However, we cannot assure you that properties will be available for purchase on terms attractive to us, particularly if they are burdened by regulations, pricing plans or competitive pressures that are new or different from those historically applicable to our incumbent properties. Moreover, we cannot assure you that we will be able to arrange additional financing on terms acceptable to us.

In recent years, we have attempted to broaden our service and product offerings. During 2005, we began providing co-branded satellite television services and reselling wireless services as part of our bundled product and service offerings. Our reliance on other companies and their networks to provide these services could constrain our flexibility and limit the profitability of these new offerings. In addition, during 2005 we launched our facilities-based digital video offering to select markets in Wisconsin and initiated a second switched digital video trial in early 2007. As discussed further under the heading “Operations - Services - Recent Product Developments” in Item 1 of this annual report, we have also recently begun offering wireless broadband and other new communication services. We anticipate these new offerings will generate lower profit margins than many of our traditional services. As such, to the extent revenues from these new offerings replace revenues lost from declines in our traditional LEC business, our overall profit margins will decline. We cannot assure you that our recent diversification efforts will be successful.

Future deterioration in our financial performance could adversely impact our credit ratings, our cost of capital and our access to the capital markets.

Our future results will suffer if we do not effectively manage our operations.

In the past several years, we have expanded our operations through acquisitions and new product and service offerings, and we may pursue similar opportunities in the future. Our future success depends, in part, upon our ability to manage our expansion opportunities, including our ability to:

- retain and attract technological, managerial and other key personnel
- effectively manage our day to day operations while attempting to execute our business strategy of expanding our emerging businesses
- realize the projected growth and revenue targets developed by management for our newly acquired and emerging businesses, and
- continue to identify new acquisition or growth opportunities that we can finance, consummate and operate on attractive terms.

Expansion opportunities pose substantial challenges for us to integrate new operations into our existing business in an efficient and timely manner, to successfully monitor our operations, costs, regulatory compliance and service quality, and to maintain other necessary internal controls. In addition, acquisitions entail the additional risk that we will incur unanticipated liabilities or contingencies of the acquired business, unbudgeted expenses or the loss of key employees or customers. We cannot assure you that our expansion or acquisition opportunities will be successful, or that we will realize our expected operating efficiencies, cost savings, revenue enhancements, synergies or other benefits. If we are not able to meet these challenges effectively, our results of operations may be harmed.

Network disruptions could adversely affect our operating results.

To be successful, we will need to continue providing our customers with a high capacity, reliable and secure network. Some of the risks to our network and infrastructure include:

- power losses or physical damage to our access lines, whether caused by fire, adverse weather conditions, terrorism or otherwise
- capacity limitations
- software and hardware defects
- breaches of security, including sabotage, tampering, computer viruses and break-ins, and
- other disruptions that are beyond our control.

Disruptions or system failures may cause interruptions in service or reduced capacity for customers. If service is not restored in a timely manner, agreements with our customers or service standards set by state regulatory commissions could obligate us to provide credits or other remedies, and this would reduce our revenues or increase our costs. Service disruptions could also damage our reputation with customers, causing us to lose existing customers or have difficulty attracting new ones.

Any failure or inadequacy of our information technology infrastructure could harm our business.

The capacity, reliability and security of our information technology hardware and software infrastructure (including our billing systems) is important to the operation of our current business, which would suffer in the event of system failures. Likewise, our ability to expand and update our information technology infrastructure in response to our growth and changing needs are important to the continued implementation of our new service offering initiatives. Our inability to expand or upgrade our technology infrastructure could have adverse consequences, which could include the delayed implementation of new service offerings, service or billing interruptions, and the diversion of development resources.

We rely on a limited number of key suppliers and vendors to operate our business.

We depend on a limited number of suppliers and vendors for equipment and services relating to our network infrastructure. If these suppliers experience interruptions or other problems delivering or servicing these network components on a timely basis, our operations could suffer significantly. To the extent that proprietary technology of a supplier is an integral component of our network, we may have limited flexibility to purchase key network components from alternative suppliers. We also rely on a limited number of other communications companies in connection with reselling long distance, wireless and satellite entertainment services to our customers. In addition, we rely on a limited number of software vendors to support our business management systems. In the event it becomes necessary to seek alternative suppliers and vendors, we may be unable to obtain satisfactory replacement supplies or services on economically attractive terms, on a timely basis, or at all, which could increase costs or cause disruptions in our services.

Our relationships with other communications companies are material to our operations and their financial difficulties may adversely affect us.

We originate and terminate calls for long distance carriers and other interexchange carriers over our network in exchange for access charges that represent a significant portion of our revenues. Should these carriers go bankrupt or experience substantial financial difficulties, our inability to timely collect access charges from them could have a negative effect on our business and results of operations.

In addition, our LightCore operations carry a significant amount of voice and data traffic for larger communications companies. As these larger communications companies consolidate, it is possible that they could transfer a significant portion of this traffic from our fiber network to their networks, which could have a negative effect on our business and results of operations.

We depend on key members of our senior management team.

Our success depends largely on the skills, experience and performance of a limited number of senior officers, none of whom are parties to employment agreements. Competition for senior management in our industry is intense and we may have difficulty retaining our current senior managers or attracting new ones in the event of terminations or resignations.

We could be affected by certain changes in labor matters.

At December 31, 2006, approximately 25% of our employees were members of 12 separate bargaining units represented by two different unions. From time to time, our labor agreements with these unions lapse, and we typically negotiate the terms of new agreements. We cannot predict the outcome of these negotiations. We may be unable to reach new agreements, and union employees may engage in strikes, work slowdowns or other labor actions, which could materially disrupt our ability to provide services. In addition, new labor agreements may impose significant new costs on us, which could impair our financial condition or results of operations in the future. Moreover, our post-employment benefit offerings cause us to incur costs not faced by many of our competitors, which could ultimately hinder our competitive position.

Risks Related to Our Regulatory Environment

Our revenues could be materially reduced or our expenses materially increased by changes in regulations.

The majority of our revenues are substantially dependent upon regulations which, if changed, could result in material revenue reductions. Laws and regulations applicable to us and our competitors may be, and have been, challenged in the courts, and could be changed by federal or state legislators. Any of the following could significantly impact us:

Risk of loss or reduction of network access charge revenues. A significant portion of our network access revenues are paid to us by intrastate and interstate long distance carriers for originating and terminating calls in the regions we serve. The amount of access charge revenues that we receive is based largely on rates set by federal and state regulatory bodies, and such rates could change. In 2003, the FCC opened a broad intercarrier compensation proceeding that is expected to overhaul the current system for compensating carriers originating, terminating, carrying and delivering telecommunications traffic. This proceeding could materially impact our results of operations. In addition, our financial results could be harmed if carriers that use our access services become financially distressed or bypass our networks, either due to changes in regulation or other factors. Furthermore, access charges currently paid to us could be diverted to competitors who enter our markets or expand their operations, either due to changes in regulation or otherwise.

Risk of loss or reduction of support fund payments. We receive a substantial portion of our revenues from the federal Universal Service Fund and, to a lesser extent, intrastate support funds. These governmental programs are reviewed and amended from time to time, and we cannot assure you that they will not be changed or impacted in a manner adverse to us. In August 2004, a federal-state joint board requested comments on the FCC's current rules for high-cost support payments to rural telephone companies, including comments on whether eligibility requirements should be amended in a manner that would adversely affect larger rural LECs such as us. In August 2006, this board sought comments on the viability of using competitive bidding to determine the amount of high-cost funding for all eligible carriers. Recently, several parties have objected to the size of the USF or questioned the continued need to maintain the program in its current form. Pending judicial appeals and Congressional proposals create additional uncertainty regarding our future receipt of support payments. We cannot estimate the impact that these developments will have on us.

Recent changes in the nationwide average cost per loop factors used by the FCC to allocate support funds have reduced our receipts from the main support program administered by the federal Universal Service Fund. These changes reduced our receipts from such program by $11.8 million in 2006 compared to 2005. In addition, the number of eligible telecommunications carriers receiving support payments from this program continues to increase, which, coupled with other factors, has placed additional financial pressure on the amount of money that is necessary and available to provide support payments to all eligible recipients, including us.

Risk of loss of statutory exemption from burdensome interconnection rules imposed on incumbent local exchange carriers . Approximately 50% of our telephone access lines are exempt from the 1996 Act's more burdensome requirements governing the rights of competitors to interconnect to incumbent local exchange carrier networks and to utilize discrete network elements of the incumbent's network at favorable rates. If state regulators decide that it is in the public's interest to impose these more burdensome interconnection requirements on us, we would be required to provide unbundled network elements to competitors. As a result, more competitors could enter our traditional telephone markets than we currently expect, resulting in lower revenues and higher additional administrative and regulatory expenses.

Risk of losses from rate reductions . Notwithstanding the movement toward alternative state regulation, LECs operating approximately 34% of our total access lines continue to be subject to "rate of return" regulation for intrastate purposes. These LECs remain subject to the powers of state regulatory commissions to conduct earnings reviews and adjust service rates, which could lead to revenue reductions. LECs governed by alternative regulatory plans could also under certain circumstances be ordered to reduce rates or could experience rate reductions following the lapse of plans currently in effect.

The FCC regulates tariffs for interstate access and subscriber line charges, both of which are components of our revenues. The FCC currently is considering proposals to reduce interstate access charges for carriers like us. We could be adversely affected if the FCC lowers interstate access charges without adopting an adequate revenue replacement mechanism.

Risks posed by costs of regulatory compliance . Regulations continue to create significant compliance costs for us. Challenges to our tariffs by regulators or third parties or delays in obtaining certifications and regulatory approvals could cause us to incur substantial legal and administrative expenses, and, if successful, such challenges could adversely affect the rates that we are able to charge our customers. Our business also may be impacted by legislation and regulation imposing new or greater obligations related to assisting law enforcement, bolstering homeland security, minimizing environmental impacts, or addressing other issues that impact our business (including local number portability and customer proprietary network information requirements). For example, existing provisions of the Communications Assistance for Law Enforcement Act require communications carriers to ensure that their equipment, facilities, and services are able to facilitate authorized electronic surveillance. We expect our compliance costs to increase if future legislation or regulations continue to increase our obligations to assist other governmental agencies.

Regulatory changes in the communications industry could adversely affect our business by facilitating greater competition against us.

The 1996 Act provides for significant changes and increased competition in the communications industry, including the local communications and long distance industries. This Act and the FCC's implementing regulations remain subject to judicial review and additional rulemakings, thus making it difficult to predict what effect the legislation will have on us and our competitors. Several regulatory and judicial proceedings have recently concluded, are underway or may soon be commenced, which address issues affecting our operations and those of our competitors. Moreover, certain communities nationwide have expressed an interest in establishing a municipal telephone utility that would compete for customers. We cannot predict the outcome of these developments, nor can we assure that these changes will not have a material adverse effect on us or our industry.

We are subject to significant regulations that limit our flexibility.

As a diversified full service incumbent local exchange carrier, or ILEC, we have traditionally been subject to significant regulation that does not apply to many of our competitors. For instance, unlike many of our competitors, we are subject to federal mandates to share facilities, file and justify tariffs, maintain certain accounts and file reports, and state requirements that obligate us to maintain service standards and limit our ability to change tariffs in a timely manner. This regulation imposes substantial compliance costs on us and restricts our ability to raise rates, to compete and to respond rapidly to changing industry conditions. Although newer alternative forms of regulation permit us greater freedoms in several states in which we operate, they nonetheless typically impose caps on the rates that we can charge our customers. As our business becomes increasingly competitive, regulatory disparities between us and our competitors could impede our ability to compete. Litigation and different objectives among federal and state regulators could create uncertainty and impede our ability to respond to new regulations. Moreover, changes in tax laws, regulations or policies could increase our tax rate, particularly if state regulators continue to search for additional revenue sources to address budget shortfalls. We are unable to predict the future actions of the various regulatory bodies that govern us, but such actions could materially affect our business.

We are subject to franchising requirements that could impede our expansion opportunities.

We may be required to obtain from municipal authorities operating franchises to install or expand facilities. Some of these franchises may require us to pay franchise fees. These franchising requirements generally apply to our fiber transport and CLEC operations, and to our emerging switched digital television and wireless broadband businesses. These requirements could delay us in expanding our operations or increase the costs of providing these services.

We will be exposed to risks relating to evaluations of controls required by Section 404 of the Sarbanes-Oxley Act.

Changing laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act and related regulations implemented by the SEC, the New York Stock Exchange and the Public Company Accounting Oversight Board, are creating uncertainty for public companies, increasing legal and financial compliance costs, and making some activities more time consuming. These regulations require us to evaluate our internal controls system to allow management to report on, and our independent auditors to attest to, our internal controls as required by Section 404 of the Sarbanes-Oxley Act. The annual evaluation of our internal controls may result in identifying material weaknesses in our internal controls. While we have thus far been able to complete our annual assessments in a timely manner, there is no guarantee that we will do so in the future. Any future failure to successfully or timely complete these annual assessments could subject us to sanctions or investigation by regulatory authorities. Any such action could adversely affect our financial results or investors' confidence in us, and could cause our stock price to fall. If we fail to maintain effective controls and procedures, we may be unable to provide financial information in a timely and reliable manner, which could in certain instances limit our ability to borrow or raise capital.

For a more thorough discussion of the regulatory issues that may affect our business, see “Operations” above.

Other Risks

We have a substantial amount of indebtedness.

We have a substantial amount of indebtedness. This could hinder our ability to adjust to changing market and economic conditions, as well as our ability to access the capital markets to refinance maturing debt in the ordinary course of business. In connection with executing our business strategies, we are continuously evaluating the possibility of acquiring additional communications assets, and we may elect to finance acquisitions by incurring additional indebtedness. Moreover, to respond to the competitive challenges discussed above, we may be required to raise substantial additional capital to finance new product or service offerings. Our ability to arrange additional financing will depend on, among other factors, our financial position and performance, as well as prevailing market conditions and other factors beyond our control. We cannot assure you that we will be able to obtain additional financing on terms acceptable to us or at all. If we are able to obtain additional financing, our credit ratings could be adversely affected. As a result, our borrowing costs would likely increase, our access to capital may be adversely affected and our ability to satisfy our obligations under our current indebtedness could be adversely affected.

Our agreements and organizational documents and applicable law could limit another party’s ability to acquire us at a premium.

Under our articles of incorporation, each share of common stock that has been beneficially owned by the same person or entity continually since May 30, 1987 generally entitles the holder to ten votes on all matters duly submitted to a vote of shareholders. As of January 31, 2007, we estimate that the holders of our ten-vote shares held approximately 31% of our total voting power. In addition, a number of other provisions in our agreements and organizational documents and various provisions of applicable law may delay, defer or prevent a future takeover of CenturyTel unless the takeover is approved by our board of directors. This could deprive our shareholders of any related takeover premium.

We face other risks.

The list of risks above is not exhaustive, and you should be aware that we face various other risks. For a description of additional risks, please see "Operations" above, "Forward-Looking Statements" below, and the other items of this annual report, particularly Items 3, 7 and 8.

Forward-Looking Statements

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

- the extent, timing, success and overall effects of competition from wireless carriers, VoIP providers, CLECs, cable television companies, electric utilities and others, including without limitation the risks that these competitors may offer less expensive or more innovative products and services

- the risks inherent in rapid technological change, including without limitation the risk that new technologies will displace our products and services

- the effects of ongoing changes in the regulation of the communications industry, including without limitation (i) increased competition resulting from the FCC's regulations relating to interconnection and other matters, (ii) the final outcome of various federal, state and local regulatory initiatives and proceedings that could impact our competitive position, compliance costs, capital expenditures or prospects, and (iii) reductions in revenues received from the federal Universal Service Fund or other current or future federal and state support programs designed to compensate LECs operating in high-cost markets

- our ability to effectively manage our growth, including without limitation our ability to (i) effectively manage our expansion opportunities, (ii) successfully finance and consummate our pending acquisition of Madison River Communications Corp. and to integrate such properties into our operations, (iii) attract and retain technological, managerial and other key personnel, (iv) achieve projected growth, revenue and cost savings targets, and (v) otherwise monitor our operations, costs, regulatory compliance, and service quality and maintain other necessary internal controls

- possible changes in the demand for, or pricing of, our products and services, including without limitation reduced demand for traditional telephone services caused by greater use of wireless or Internet communications or other factors and reduced demand for our access services

- our ability to successfully introduce new product or service offerings on a timely and cost-effective basis, including without limitation our ability to (i) successfully roll out our new video, voice and broadband services, (ii) expand successfully our long distance, Internet access and fiber transport service offerings to new or acquired markets and (iii) offer bundled service packages on terms attractive to our customers

- our ability to collect receivables from financially troubled communications companies

- our ability to successfully negotiate collective bargaining agreements on reasonable terms without work stoppages

- regulatory limits on our ability to change the prices for telephone services in response to industry changes

- impediments to our ability to expand through attractively priced acquisitions, whether caused by regulatory limits, financing constraints, a decrease in the pool of attractive target companies, or competition for acquisitions from other interested buyers

- the possible need to make abrupt and potentially disruptive changes in our business strategies due to changes in competition, regulation, technology, product acceptance or other factors

- the lack of assurance that we can compete effectively against better-capitalized competitors

- the impact of network disruptions on our business

- the effects of adverse weather on our customers or properties

- other risks referenced in this report and from time to time in our other filings with the Securities and Exchange Commission
- the effects of more general factors, including without limitation:

  ∴ changes in general industry and market conditions and growth rates

  ∴ changes in labor conditions, including workforce levels and labor costs

  ∴ 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 or changes that increase our tax rate

  ∴ increases in capital, operating, medical 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 s upport our operations

  ∴ changes in our relationships with vendors, or the failure of these vendors to provide competitive products on a timely basis

  ∴ failures in our internal controls that could result in inaccurate public disclosures or fraud

  ∴ changes in our debt ratings

  ∴ unfavorable outcomes of regulatory or legal proceedings, including rate proceedings

  ∴ losses or unfavorable returns on our investments in other communications companies

  ∴ delays in the construction of our networks

  ∴ changes in accounting policies, assumptions, estimates or practices adopted voluntarily or as required by generally accepted accounting principles, including the possible future unavailability of Statement of Financial Accounting Standards No. 71 to our wireline subsidiaries.

For additional information, see the description of our business included above, as well as Item 7 of this report. Due to these uncertainties, there can be no assurance that our anticipated results will occur, that our judgments or assumptions will prove correct, or that unforeseen developments will not occur. Accordingly, you are cautioned not to place undue reliance upon any of our forward-looking statements, which speak only as of the date made. Additional risks that we currently deem immaterial or that are not presently known to us could also cause our actual results to differ materially from those expected in our forward-looking statements. We undertake no obligation to update or revise any of our forward-looking statements for any reason, whether as a result of new information, future events or developments, changed circumstances, or otherwise.

Investors should also be aware that while we do, at various times, communicate with securities analysts, it is against our policy to disclose to them any material non-public information or other confidential information. Accordingly, investors should not assume that we agree with any statement or report issued by an analyst irrespective of the content of the statement or report. To the extent that reports issued by securities analysts contain any projections, forecasts or opinions, such reports are not our responsibility.

Item 1B. Unresolved Staff Comments

Not applicable.

Ite m 2. Properties.

Our properties consist principally of telephone lines, central office equipment, and land and buildings related to telephone operations. As of December 31, 2006 and 2005, our gross property, plant and equipment of approximately $7.9 billion and $7.8 billion, respectively, consisted of the following:

	December 31,	
	2006	2005
Cable and wire	53.5%	52.9
Central office	32.0	32.4
General support	9.6	9.9
Fiber transport	2.8	2.4
Construction in progress	0.7	1.0
Other	1.4	1.4
	100.0	100.0

“Cable and wire” facilities consist primarily of buried cable and aerial cable, poles, wire, conduit and drops used in providing local and long distance services. “Central office” 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. “Fiber transport” consists of network assets and equipment to provide fiber transport services. “Construction in progress” includes property of the foregoing categories that has not been placed in service because it is still under construction.

The properties of certain of our telephone subsidiaries are subject to mortgages securing the debt of such companies. We own substantially all of the central office buildings, local administrative buildings, warehouses, and storage facilities used in our telephone operations.

For further information on the location and type of our properties, see the descriptions of our operations in Item 1.

I tem 3. Legal Proceedings.

In Barbrasue Beattie and James Sovis, on behalf of themselves and all others similarly situated, v. CenturyTel, Inc. , filed on October 28, 2002, in the United States District Court for the Eastern District of Michigan (Case No. 02-10277), the plaintiffs allege that we unjustly and unreasonably billed customers for inside wire maintenance services, and seek unspecified monetary damages and injunctive relief under various legal theories on behalf of a purported class of over two million customers in our telephone markets. On March 10, 2006, the Court certified a class of plaintiffs and issued a ruling that the billing descriptions we used for these services during an approximately 18-month period between October 2000 and May 2002 were legally insufficient. We have appealed this class certification decision, although we cannot predict the length of time before this appeal will be adjudicated. Our preliminary analysis indicates that we billed less than $9 million for inside wire maintenance services under the billing descriptions and time periods specified in the District Court ruling described above. Should other billing descriptions be determined to be inadequate or if claims are allowed for additional time periods, the amount of our potential exposure could increase significantly. The Court’s order does not specify the award of damages, the scope and amounts of which, if any, remain subject to additional fact-finding and resolution of what we believe are valid defenses to plaintiff ’ s claims. Accordingly, we cannot reasonably estimate the amount or range of possible loss at this time. However, considering the one-time nature of any adverse result, we do not believe that the ultimate outcome of this litigation will have a material adverse effect on our financial position or on-going results of operations.

In March 2006, we filed a complaint against AT&T Corp. and AT&T Communications, Inc. (collectively, "AT&T") in the United States District Court for the District of New Jersey. This lawsuit currently includes 24 other local exchange company plaintiffs. Our complaint seeks recovery from AT&T of unpaid and underpaid access charges for calls made using AT&T's prepaid calling cards and calls that used Internet Protocol ("IP") for a portion of their transmission. We believe AT&T improperly classified certain of the prepaid calling card calls as interstate traffic rather than intrastate traffic, thereby depriving us of the higher access rates associated with intrastate calls. We also believe that AT&T improperly classified the calls that used IP for a portion of their transmission as local calls, thereby depriving us of access rates entirely. AT&T has filed a counterclaim against us, asserting that we improperly billed AT&T terminating intrastate access charges on certain wireless roaming traffic. At this time, the likely outcome of these cases cannot be predicted, nor can a reasonable estimate of the amount of recovery or payment, if any, be made. Accordingly, we have not recognized any amounts with respect to these matters in our consolidated financial statements.

From time to time, we are involved in other proceedings incidental to our 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, proceedings by or against taxing authorities, and miscellaneous third party tort actions. The outcome of these other proceedings is not predictable. However, we do not believe that the ultimate resolution of these other proceedings, after considering available insurance coverage, will have a material adverse effect on our financial position, results of operations or cash flows.

I tem 4. Submission of Matters to a Vote of Security Holders.

Not applicable.

Executive Officers of the Registrant

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

I tem 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchase of Equity Securities

Our 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 sales prices, along with the quarterly dividends, for each of the quarters indicated.

	Sales prices		Dividend per common share
	High	Low	
2006:			
First quarter	$ 39.90	32.54	.0625
Second quarter	$ 40.00	34.79	.0625
Third quarter	$ 40.14	35.38	.0625
Fourth quarter	$ 44.11	39.34	.0625
2005:			
First quarter	$ 35.47	32.31	.06
Second quarter	$ 35.00	29.55	.06
Third quarter	$ 36.50	33.20	.06
Fourth quarter	$ 35.28	31.14	.06

Common stock dividends during 2006 and 2005 were paid each quarter. As of February 15, 2007, there were approximately 5,600 stockholders of record of our common stock. As of February 28, 2007, the closing stock price of our common stock was $44.75.

In February 2006, our Board of Directors authorized a $1.0 billion share repurchase program under which, in February 2006, we repurchased $500 million (or approximately 14.36 million shares) of our common stock under accelerated share repurchase agreements with certain investment banks at an initial average price of $34.83. The investment banks completed their repurchases in mid-July 2006 and in connection therewith we paid an aggregate of approximately $28.4 million cash to the investment banks to compensate them for the difference between their weighted average purchase price during the repurchase period and the initial average price.

In August 2006, we began repurchasing our common stock in open-market transactions under the remaining $500 million of our $1.0 billion program. The following table reflects our repurchases of common stock during the fourth quarter of 2006.

Period	Total Number of Shares Purchased	Average Price Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs*
October 1 - October 31, 2006	1,031,981	$ 40.28	1,031,981	$ 390,871,887
November 1 - November 30, 2006	1,126,283	$ 41.11	1,126,283	$ 344,570,675
December 1 - December 31, 2006	1,039,400	$ 42.72	1,039,400	$ 300,164,091
Total	3,197,664	$ 41.36	3,197,664	$ 300,164,091

*Authority to purchase under this program runs through June 30, 2007.

For information regarding shares of our common stock authorized for issuance under our equity compensation plans, see Item 12.

It em 6. Selected Financial Data.

The following table presents certain selected consolidated financial data (from continuing operations) as of and for each of the years ended in the five-year period ended December 31, 2006:

Selected Income Statement Data

	Year ended December 31,				
	2006	2005	2004	2003	2002
	(Dollars, except per share amounts, and shares expressed in thousands)				
Operating revenues	$ 2,447,730	2,479,252	2,407,372	2,367,610	1,971,996
Operating income	$ 665,538	736,403	753,953	750,396	575,406
Income from continuing operations	$ 370,027	334,479	337,244	344,707	193,533
Basic earnings per share from continuing operations	$ 3.17	2.55	2.45	2.40	1.36
Diluted earnings per share from continuing operations	$ 3.07	2.49	2.41	2.35	1.35
Dividends per common share	$ .25	.24	.23	.22	.21
Average basic shares outstanding	116,671	130,841	137,215	143,583	141,613
Average diluted shares outstanding	122,229	136,087	142,144	148,779	144,408

Selected Balance Sheet Data

	December 31,				
	2006	2005	2004	2003	2002
	(Dollars in thousands)				
Net property, plant and equipment	$ 3,109,277	3,304,486	3,341,401	3,455,481	3,531,645
Goodwill	$ 3,431,136	3,432,649	3,433,864	3,425,001	3,427,281
Total assets	$ 7,441,007	7,762,707	7,796,953	7,895,852	7,770,408
Long-term debt	$ 2,412,852	2,376,070	2,762,019	3,109,302	3,578,132
Stockholders' equity	$ 3,190,951	3,617,273	3,409,765	3,478,516	3,088,004

The following table presents certain selected consolidated operating data as of the following dates:

	December 31,				
	2006	2005	2004	2003	2002
Telephone access lines (1)	2,094,000	2,214,000	2,314,000	2,376,000	2,415,000
High-speed Internet customers	369,000	249,000	143,000	83,000	53,000

(1) Excluding adjustments during 2006 to reflect (i) the removal of test lines, (ii) database conversion and clean-up and (iii) the sale of our Arizona properties, access line losses for 2006 were approximately 107,000.

See Items 1 and 2 in Part I and Items 7 and 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., together with its subsidiaries, is an integrated communications company engaged primarily in providing an array of communications services, including local and long distance voice, Internet access and broadband services, to customers in 25 states. We currently derive our revenues from providing (i) local exchange and long distance voice services, (ii) network access services, (iii) data services, which includes both high-speed ("DSL") and dial-up Internet services, as well as special access and private line services, (iv) fiber transport, competitive local exchange and security monitoring services and (v) other related services.

Our results of operations in 2006 were adversely impacted as a result of (i) lower Universal Service Fund and intrastate access revenues, (ii) declines in access lines, (iii) the recognition of stock option expense in accordance with SFAS 123(R) and (iv) expenses associated with expanding our new video and wireless service offerings. See below for additional information.

On June 30, 2005, we acquired fiber assets in 16 metropolitan markets from KMC Telecom Holdings, Inc. ("KMC") for approximately $75.5 million cash.

On March 1 and August 31, 2006, we announced workforce reductions involving an aggregate of approximately 400 jobs and, in connection therewith, incurred a net pre-tax charge of approximately $7.5 million (consisting of a $9.4 million charge to operating expenses, net of a $1.9 million favorable revenue impact related to such expenses) for severance and related costs. See Note 8 for additional information.

In the second quarter of 2006, we (i) recorded a one-time pre-tax gain of approximately $117.8 million upon redemption of our investment in the stock of the Rural Telephone Bank ("RTB") and (ii) sold our local exchange operations in Arizona. See Note 15 for additional information.

Our net income for 2006 was $370.0 million, compared to $334.5 million during 2005 and $337.2 million during 2004. Diluted earnings per share for 2006 was $3.07 compared to $2.49 in 2005 and $2.41 in 2004. The increase in diluted earnings per share is primarily attributable to lower average shares outstanding in 2006 compared to prior years due to share repurchases that have occurred during the past two years and to the gain recorded upon redemption of our investment in RTB stock.

Year ended December 31,		2006	2005	2004
		(Dollars, except per share amounts, and shares in thousands)		
Operating income	$	665,538	736,403	753,953
Interest expense		(195,957)	(201,801)	(211,051)
Other income (expense)		121,568	3,168	4,470
Income tax expense		(221,122)	(203,291)	(210,128)
Net income	$	370,027	334,479	337,244
Basic earnings per share	$	3.17	2.55	2.45
Diluted earnings per share	$	3.07	2.49	2.41
Average basic shares outstanding		116,671	130,841	137,215
Average diluted shares outstanding		122,229	136,087	142,144

Operating income decreased $70.9 million in 2006 due to a $31.5 million decrease in operating revenues and a $39.3 million increase in operating expenses. Operating income decreased $17.6 million in 2005 as a $71.9 million increase in operating revenues was more than offset by an $89.4 million increase in operating expenses.

In addition to historical information, this management's discussion and analysis includes certain forward-looking statements that are based on current expectations only, and are subject to a number of risks, uncertainties and assumptions, many of which are beyond our control. Actual events and results may differ materially from those anticipated, estimated or projected if one or more of these risks or uncertainties materialize, or if underlying assumptions prove incorrect. Factors that could affect actual results include but are not limited to: the timing, success and overall effects of competition from a wide variety of competitive providers; the risks inherent in rapid technological change; the effects of ongoing changes in the regulation of the communications industry; our ability to effectively manage our expansion opportunities, including successfully financing, consummating and integrating pending acquisitions and retaining and hiring key personnel; possible changes in the demand for, or pricing of, our products and services; our ability to successfully introduce new product or service offerings on a timely and cost-effective basis; our ability to collect our receivables from financially troubled communications companies; our ability to successfully negotiate collective bargaining agreements on reasonable terms without work stoppages; the effects of adverse weather; other risks referenced from time to time in this report or other of our filings with the Securities and Exchange Commission; and the effects of more general factors such as changes in interest rates, in tax rates, in accounting policies or practices, in operating, medical or administrative costs, in general market, labor or economic conditions, or in legislation, regulation or public policy. These and other uncertainties related to our business are described in greater detail in Item 1A included herein. You should be aware that new factors may emerge from time to time and it is not possible for us to identify all such factors nor can we predict the impact of each such factor on the business or the extent to which any one or more factors may cause actual results to differ from those reflected in any forward-looking statements. You are further cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this report. We undertake no obligation to update any of our forward-looking statements for any reason.

All references to "Notes" in this Item 7 refer to the Notes to Consolidated Financial Statements included in Item 8 of this annual report.

OPERATING REVENUES

Year ended December 31,		2006	2005	2004
			(Dollars in thousands)	
Voice	$	860,741	892,272	903,025
Network access		878,702	959,838	966,011
Data		351,495	318,770	275,777
Fiber transport and CLEC		149,088	115,454	74,409
Other		207,704	192,918	188,150
Operating revenues	$	2,447,730	2,479,252	2,407,372

As a result of increased bundling of our local exchange and long distance service offerings, beginning in 2006, we have combined the revenues of such offerings into a category entitled "Voice". We have restated prior periods to insure comparability.

Voice revenues. We derive voice revenues by providing local exchange telephone services and retail long distance services to customers in our service areas. The $31.5 million (3.5%) decrease in voice revenues in 2006 is primarily due to (i) a $22.3 million decrease due a 4.8% decline in the number of access lines served and (ii) a $26.1 million decline as a result of a decrease in minutes of use in extended area calling plans in certain areas. Such decreases were partially offset by (i) a $12.6 million increase in long distance revenues primarily attributable to an increase in the number of long distance lines and increased long distance minutes of use, both of which were partially offset by a decline in the average rate we charged our long distance customers and (ii) a $9.9 million increase due to providing custom calling features to more customers. The $10.8 million (1.2%) decrease in voice revenues in 2005 is primarily due to (i) a $16.5 million decrease due to a decrease in the average rate we charged our long distance customers, (ii) a $16.1 million decrease due a 3.3% decline in the average number of access lines served, and (iii) a $7.5 million decline as a result of a decrease in minutes of use in extended area calling plans in certain areas. Such decreases were partially offset by (i) a $21.2 million increase in long distance revenues attributable to a 12.0% increase in the average number of long distance lines served and a 12.8% increase in minutes of use and (ii) an $8.7 million increase due to providing custom calling features to more customers.

Excluding (i) the sale of our Arizona telephone operations in May 2006 and (ii) the net impact of removing test lines from our access line counts and adding lines as a result of converting and correcting our databases during 2006, access lines declined 107,000 (4.8%) during 2006 compared to a decline of 99,500 (4.3%) in 2005. We believe the decline in the number of access lines during the past few years is primarily due to the displacement of traditional wireline telephone services by other competitive services. We expect access lines to decline between 4.5% and 6.0% during 2007.

Network access revenues. We derive our network access revenues primarily from (i) providing services to various carriers and customers in connection with the use of our facilities to originate and terminate their interstate and intrastate voice and data transmissions and (ii) receiving universal support funds which allows us to recover a portion of our costs under federal and state cost recovery mechanisms. Certain of our interstate network access revenues are based on tariffed access charges filed directly with the Federal Communications Commission ("FCC"); the remainder of such revenues (except for DSL-related revenues) are derived under revenue sharing arrangements with other local exchange carriers ("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 decreased $81.1 million (8.5%) in 2006 and decreased $6.2 million (0.6%) in 2005 due to the following factors:

	2006 increase (decrease)	2005 increase (decrease)
	(Dollars in thousands)	
Recovery from the federal Universal Service High Cost Loop support program	$ (11,637)	(13,065)
Intrastate revenues due to decreased minutes of use, decreased access rates in certain states and recovery from state support funds	(16,326)	(13,392)
Partial recovery of operating costs through revenue sharing arrangements with other telephone companies, interstate access revenues and return on rate base	(16,825)	6,819
Rate changes in certain jurisdictions	(2,875)	(3,457)
Prior year revenue settlement agreements	(31,219)	15,947
Other, net	(2,254)	975
	$ (81,136)	(6,173)

Our revenues from the Universal Service High Cost Loop Fund decreased approximately $11.6 million in 2006 and $13.1 million in 2005, primarily due to an increase in the nationwide average cost per loop factor used by the FCC to allocate funds among all recipients. We anticipate our 2007 revenues from the federal Universal Service High Cost Loop support program will be approximately the same as 2006 levels.

In 2006, we experienced a reduction in our intrastate revenues of approximately $16.3 million primarily due to a reduction in intrastate minutes (partially due to the displacement of minutes by wireless, electronic mail and other optional calling services). The corresponding decrease in 2005 compared to 2004 was $13.4 million. We believe intrastate minutes will continue to decline in 2007, although the magnitude of such decrease is uncertain.

Prior year revenue settlement agreements for 2005 included the recognition of approximately $35.9 million of revenue settlements for prior periods that did not recur in 2006. Of the $35.9 million recognized, $24.5 million was reflected in network access revenues and $11.4 million was reflected in data revenues.

Data revenues . We derive our data revenues primarily by providing Internet access services (both DSL and dial-up services) and data transmission services over special circuits and private lines. Data revenues increased $32.7 million (10.3%) in 2006 and $43.0 million (15.6%) in 2005. The 2006 increase was substantially due to a $54.0 million increase in DSL-related revenues primarily due to growth in the number of high-speed Internet customers. Such increase was partially offset by a decrease in prior year revenue settlements due to the above-described recognition of approximately $11.4 million of revenue in the third quarter of 2005 and a $4.9 million decrease due to a reduced number of dial-up Internet customers.

The $43.0 million increase in 2005 was primarily due to (i) a $24.8 million increase in Internet revenues due primarily to growth in the number of high-speed Internet customers, partially offset by a decrease in the number of dial-up customers, (ii) a $10.8 million increase in special access revenues due to an increase in the number of special circuits provided and an increase in the partial recovery of our increased operating expenses through revenue sharing arrangements with other telephone companies, and (iii) an $8.6 million net increase in revenues related to prior year settlement agreements driven principally by the above-described non-recurring increase in the third quarter of 2005.

Fiber transport and CLEC. Our fiber transport and CLEC revenues include revenues from our fiber transport, competitive local exchange carrier (“CLEC”) and security monitoring businesses. Fiber transport and CLEC revenues increased $33.6 million (29.1%) in 2006, of which $24.4 million was due to revenues from the fiber assets acquired on June 30, 2005 from KMC and $8.5 million was attributable to growth in our incumbent fiber transport business. Fiber transport and CLEC revenues increased $41.0 million (55.2%) in 2005, of which $27.7 million was due to revenue from the June 30, 2005 acquisition of fiber assets from KMC and $12.4 million was attributable to growth in our incumbent fiber transport business.

Other revenues. We derive other revenues primarily by (i) leasing, selling, installing and maintaining customer premise telecommunications equipment and wiring, (ii) providing billing and collection services for third parties, (iii) participating in the publication of local directories and (iv) providing new service offerings, principally consisting of our new video and wireless reseller services. Other revenues increased $14.8 million (7.7%) during 2006 primarily due to a $12.1 million increase in revenues of our video and wireless reseller offerings and $2.5 million increase in directory revenues. Other revenues increased $4.8 million (2.5%) during 2005 primarily due to a $4.5 million increase in directory revenues.

OPERATING EXPENSES

Year ended December 31,		2006	2005	2004
			(Dollars in thousands)	
Cost of services and products (exclusive of depreciation and amortization)	$	888,414	821,929	755,413
Selling, general and administrative		370,272	388,989	397,102
Depreciation and amortization		523,506	531,931	500,904
Operating expenses	$	1,782,192	1,742,849	1,653,419

Cost of services and products. Cost of services and products increased $66.5 million (8.1%) in 2006 primarily due to (i) an $18.9 million increase in expenses incurred by the properties acquired from KMC; (ii) an $18.3 million increase in costs associated with growth in our long distance business; (iii) a $14.3 million increase in expenses associated with our video and wireless reseller service offerings; (iv) an $11.5 million increase in Internet operating expenses primarily due to growth in the number of high-speed Internet customers; and (v) $8.6 million of severance and related costs associated with our workforce reduction (see Note 8).

Cost of services and products increased $66.5 million (8.8%) in 2005 primarily due to (i) a $21.9 million increase in expenses incurred by the properties acquired from KMC in June 2005; (ii) a $16.4 million increase in expenses associated with our Internet operations primarily due to an increase in the number of high-speed Internet customers; (iii) a $10.6 million increase in costs associated with growth in our fiber transport business; (iv) a $9.0 million increase in salaries and benefits; (v) an $8.2 million increase in access expenses; (vi) a $5.3 million increase due to start-up costs associated with our new video and wireless reseller services; and (vii) a $4.3 million increase in costs associated with growth in our long distance business. Such increases were partially offset by (i) a $3.9 million decrease in expenses caused by us settling certain pole attachment disputes in 2005 for amounts less than those previously accrued and (ii) a $3.4 million decrease in customer service expense.

Selling, general and administrative. Selling, general and administrative expenses decreased $18.7 million (4.8%) in 2006 primarily due to an $11.0 million decrease in marketing expenses; a $10.6 million reduction in information technology expenses; an $8.7 million reduction in bad debt expense; and a $5.8 million decrease in operating taxes. These decreases were partially offset by a $9.9 million increase in salaries and benefits and a $5.5 million increase in expenses incurred from the properties acquired from KMC.

Selling, general and administrative expenses decreased $8.1 million (2.0%) in 2005 primarily due to (i) a $12.4 million decrease in operating taxes (primarily due to an $8.6 million one-time charge in the third quarter of 2004); (ii) an $11.2 million reduction in bad debt expense, and (iii) a $4.6 million decrease in expenses attributable to our Sarbanes-Oxley internal controls compliance effort. Such decreases were partially offset by (i) $7.9 million of expenses incurred by the properties acquired from KMC; (ii) a $5.9 million increase in customer service and marketing costs associated with growth in our Internet business and (iii) a $2.8 million increase in sales and marketing costs associated with our new video and wireless reseller services.

Depreciation and amortization . Depreciation and amortization decreased $8.4 million (1.6%) in 2006, primarily due to a $25.3 million reduction in depreciation expense due to certain assets becoming fully depreciated. Such decreases were partially offset by (i) a $16.6 million increase due to higher levels of plant in service and (ii) a $3.1 million increase due to depreciation and amortization of the properties acquired from KMC.

Depreciation and amortization increased $31.0 million (6.2%) in 2005. The year 2004 included a one-time reduction in depreciation expense of $13.2 million to adjust the balances of certain over-depreciated property, plant and equipment accounts. The remaining $17.8 million increase in 2005 is primarily due to (i) a $19.0 million increase due to higher levels of plant in service, (ii) a $6.1 million increase associated with amortization of our new billing system and (iii) a $2.8 million increase due to depreciation and amortization incurred by the properties acquired from KMC. Such increases were partially offset by (i) a $7.8 million reduction in depreciation expense due to certain assets becoming fully depreciated and (ii) the non-recurrence in 2005 of a $3.1 million one-time increase recorded in 2004 related to the depreciation of fixed assets associated with our new billing system.

Other. For additional information regarding certain matters that have impacted or may impact our operations, see “Regulation and Competition”.

INTEREST EXPENSE

Interest expense decreased $5.8 million (2.9%) in 2006 compared to 2005 as a $10.5 million decrease due primarily to a decrease in average debt outstanding was partially offset by a $7.1 million increase due to higher average interest rates.

Interest expense decreased $9.3 million (4.4%) in 2005 compared to 2004 as a $16.1 million decrease due primarily to a decrease in average debt outstanding was partially offset by a $7.7 million increase due to higher average interest rates.

OTHER INCOME (EXPENSE)

Other income (expense) includes the effects of certain items not directly related to our core operations, including gains/losses from asset dispositions and impairments, our share of income from our 49% interest in a cellular partnership, interest income and allowance for funds used during construction. Other income (expense) was $121.6 million in 2006, $3.2 million in 2005 and $4.5 million in 2004. The years 2006, 2005 and 2004 were impacted by certain charges and credits that are not expected to occur in the future. Included in 2006 were pre-tax gains of approximately $118.6 million, substantially all of which related to the redemption of our RTB stock upon dissolution of the RTB, which were partially offset by pre-tax charges of approximately $11.7 million due to the impairment of certain non-operating investments. Included in 2005 was (i) a $16.2 million pre-tax charge due to the impairment of a non-operating investment; (ii) a $4.8 million debt extinguishment expense related to purchasing and retiring approximately $400 million of our Senior J notes; (iii) $3.2 million of non-recurring interest income related to the settlement of various income tax audits; and (iv) a $3.5 million gain from the sale of a non-operating investment. Included in 2004 was a $3.6 million prepayment expense paid in connection with the redemption of $100 million aggregate principal amount of our Series B senior notes in May 2004 and a $2.5 million charge related to the impairment of a non-operating investment.

INCOME TAX EXPENSE

Our effective income tax rate was 37.4%, 37.8% and 38.4% in 2006, 2005 and 2004, respectively. Income tax expense was reduced by approximately $6.4 million in 2006 due to the resolution of various income tax audit issues. Income tax expense for 2005 was increased by $19.5 million as a result of increasing the valuation allowance related to net state operating loss carryforwards. This increase was primarily due to changes in state income tax laws and other factors which impacted the projections of future taxable income. This tax expense increase was more than offset by (i) a reduction of state income tax reserves ($11.6 million, net of federal income tax benefit); (ii) a reduction in our composite state income tax rate due to more income being apportioned to states with lower state tax rates ($8.5 million); and (iii) the favorable settlement of various federal income tax audits ($1.3 million).

ACCOUNTING PRONOUNCEMENTS

In June 2006, the Financial Accounting Standards Board issued Interpretation No. 48, “Accounting for Uncertainty in Income Taxes” (“FIN 48”), which clarifies the accounting for uncertainty in income taxes recognized in financial statements. FIN 48 prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements tax positions taken or expected to be taken on a tax return. FIN 48 is effective for fiscal years beginning after December 15, 2006. We do not expect the impact of adopting FIN 48 to have a material adverse effect on our consolidated financial position or results of operations.

In September 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 157, “Fair Value Measurements” (“SFAS 157”). SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements required or permitted under other accounting pronouncements. SFAS 157 is effective for fiscal years beginning after November 15, 2007. We are currently evaluating the impact of adopting SFAS 157.

In September 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 158, "Employers' Accounting for Defined Benefit Plans and Other Postretirement Plans" ("SFAS 158"). SFAS 158 was effective for our December 31, 2006 balance sheet and requires us to recognize the overfunded or underfunded status of our defined benefit and postretirement plans as an asset or liability on our balance sheet and to recognize changes in that funded status in the year in which the changes occur through adjustments to other comprehensive income (loss) and to stockholders' equity, reflected in accumulated other comprehensive loss. As a result of the implementation of SFAS 158, our non-current assets decreased $64.7 million, our current liabilities decreased $898,000, our non-current liabilities (excluding deferred income taxes) increased approximately $99.5 million, our deferred income taxes decreased approximately $65.4 million and our stockholders' equity (reflected in accumulated other comprehensive loss) decreased approximately $97.9 million. See Note 1 for additional information.

In September 2006, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements" ("SAB 108"). SAB 108 addresses how the effects of prior year uncorrected misstatements should be considered when quantifying misstatements in current year financial statements. SAB 108 requires companies to quantify misstatements using both a balance sheet approach and income statement approach and to evaluate whether either approach results in quantifying an error that is material in light of the relevant quantitative and qualitative factors. We adopted SAB 108 in the fourth quarter of 2006. Upon the implementation of SAB 108, we recognized a net $9.7 million increase to beginning of the year retained earnings for the cumulative effect of correcting prior year uncorrected misstatements. See Note 1 for additional information.

On January 1, 2003, we adopted Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations" ("SFAS 143"), which addresses financial accounting and reporting for legal obligations associated with the retirement of tangible long-lived assets and requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred and be capitalized as part of the book value of the long-lived asset. Although we generally have no legal obligation to remove obsolete assets, depreciation rates of certain assets established by regulatory authorities for our telephone operations subject to Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation" ("SFAS 71"), have historically included a component for removal costs in excess of the related estimated salvage value. Notwithstanding the adoption of SFAS 143, SFAS 71 requires us to continue to reflect this accumulated liability for removal costs in excess of salvage value even though there is no legal obligation to remove the assets. Therefore, we did not adopt the provisions of SFAS 143 for our telephone operations subject to SFAS 71. For our telephone operations acquired from Verizon in 2002 (which are not subject to SFAS 71) and our other non-regulated operations, we have not accrued a liability for anticipated removal costs related to tangible long-lived assets through an adjustment to our depreciation rates for these assets. For these reasons, the adoption of SFAS 143 did not have a material effect on our financial statements.

On March 31, 2005, the Financial Accounting Standards Board issued Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations" ("FIN 47"), an interpretation of SFAS 143. FIN 47, which was effective for fiscal years ending after December 15, 2005, clarifies that the recognition and measurement provisions of SFAS 143 apply to asset retirement obligations in which the timing or method of settlement may be conditional on a future event that may or may not be within control of the entity. We identified conditional asset retirement obligations for (i) asbestos removal in buildings, (ii) removal of underground storage tanks, (iii) our property located on public and private rights-of way and (iv) our property that is attached to poles owned by other utilities and municipalities. Due to a lack of historical experience from which to reasonably estimate a settlement date or range of settlement dates, we concluded that an asset retirement obligation associated with our property located on rights-of-way is indeterminate. We also concluded that our conditional asset retirement obligations related to the removal of asbestos, underground storage tanks and our property that is attached to other entities' poles was immaterial to our financial condition and results of operations and therefore has not been recognized.

CRITICAL ACCOUNTING POLICIES

Our financial statements are prepared in accordance with accounting principles that are generally accepted in the United States. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. We continually evaluate our estimates and assumptions including those related to (i) revenue recognition, (ii) allowance for doubtful accounts, (iii) pension and postretirement benefits, (iv) long-lived assets and (v) income taxes. Actual results may differ from these estimates and assumptions. We believe these critical accounting policies discussed below involve a higher degree of judgment or complexity.

Revenue recognition. Certain of our interstate network access and data revenues are based on tariffed access charges filed directly with the FCC; the remainder of such revenues is derived from revenue sharing arrangements with other LECs administered by the National Exchange Carrier Association, with the exception of DSL-related revenues which were removed from our pooled interstate tariff filing effective July 1, 2006 and are now recognized as revenues when billed. During 2004, we began generally recognizing such interstate network access revenues at the authorized rate of return, unless the actual achieved or projected rate of return was lower than authorized.

The Telecommunications Act of 1996 allows local exchange carriers to file access tariffs on a streamlined basis and, if certain criteria are met, deems those tariffs lawful. Tariffs that have been "deemed lawful" in effect nullify an interexchange carrier's ability to seek refunds should the earnings from the tariffs ultimately result in earnings above the authorized rate of return prescribed by the FCC. Certain of our telephone subsidiaries file interstate tariffs with the FCC using this streamlined filing approach. Since July 2004, we have recognized billings from our tariffs as revenue since we believe such tariffs are "deemed lawful". There is no assurance that our future tariff filings will be "deemed lawful". For those billings from tariffs prior to July 2004, we initially recorded as a liability our earnings in excess of the authorized rate of return, and may thereafter recognize as revenue some or all of these amounts at the end of the applicable settlement period or as our legal entitlement thereto becomes certain. We recorded approximately $35.9 million as revenue in the third quarter of 2005 as the settlement period related to the 2001/2002 monitoring period lapsed on September 30, 2005. The amount of our earnings in excess of the authorized rate of return reflected as a liability on the balance sheet as of December 31, 2006 for the 2003/2004 monitoring period aggregated approximately $43 million. The settlement period related to the 2003/2004 monitoring period lapses on September 30, 2007.

Allowance for doubtful accounts . In evaluating the collectibility of our accounts receivable, we assess a number of factors, including a specific customer's or carrier's ability to meet its financial obligations to us, the length of time the receivable has been past due and historical collection experience. Based on these assessments, we record both specific and general reserves for uncollectible accounts receivable to reduce the related accounts receivable to the amount we ultimately expect to collect from customers and carriers. If circumstances change or economic conditions worsen such that our past collection experience is no longer relevant, we may need to increase our reserves from the levels reflected in our accompanying consolidated balance sheet.

Pension and postretirement benefits. The amounts recognized in our financial statements related to pension and postretirement benefits are determined on an actuarial basis, which utilizes many assumptions in the calculation of such amounts. A significant assumption used in determining our pension and postretirement expense is the expected long-term rate of return on plan assets. For 2006 and 2005, we utilized an expected long-term rate of return on plan assets of 8.25%, which we believe reflects the expected long-term rates of return in the financial markets.

Another assumption used in the determination of our pension and postretirement benefit plan obligations is the appropriate discount rate. Our discount rate at December 31, 2006 ranged from 5.75-5.80% compared to 5.5% at December 31, 2005, which we believe is the appropriate rate at which the pension and postretirement benefits could be effectively settled. Such rates were determined based on a discounted cash flow analysis of our expected cash outflows of our benefit plans. A 25 basis point decrease in the assumed discount rate would increase annual combined pension and postretirement expense approximately $3.0 million.

Intangible and long-lived assets. We are subject to testing for impairment of long-lived assets under two 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 at least annually and requires write-downs only in periods in which the recorded amount of goodwill exceeds the fair value. Under SFAS 142, impairment of goodwill is 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 are based on valuation models using techniques such as multiples of earnings (before interest, taxes and depreciation and amortization). 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. We completed the required annual test of goodwill impairment (as of September 30, 2006) under SFAS 142 and determined our goodwill was not impaired as of such date.

Under SFAS 144, the carrying value of long-lived assets other than goodwill is reviewed for impairment whenever events or circumstances indicate that such carrying amount cannot be recoverable 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.

Income taxes. We estimate our current and deferred income taxes based on our assessment of the future tax consequences of transactions that have been reflected in our financial statements or applicable tax returns. Actual income taxes paid could vary from these estimates due to future changes in income tax law or the resolution of audits by federal and state taxing authorities. We maintain income tax contingency reserves for potential assessments from the various taxing authorities. These reserves are estimated based on our judgment of the probable outcome of the tax contingencies and are adjusted periodically based on changing facts and circumstances. Changes to the tax contingency reserves could materially affect operating results in the period of change.

For additional information on our critical accounting policies, see “Accounting Pronouncements” and “Regulation and Competition - Other Matters” below, and the footnotes to our consolidated financial statements included elsewhere herein.

INFLATION

Historically, we have mitigated the effects of increased costs by recovering over time certain costs applicable to our regulated telephone operations through the rate-making process. However, LECs operating over 65% of our total access lines are now governed by state alternative regulation plans, some of which restrict or delay our ability to recover increased costs. Additional future regulatory changes may further alter our ability to recover increased costs in our regulated operations. For the properties acquired from Verizon in 2002, which are regulated under price-cap regulation for interstate purposes, price changes are limited to the rate of inflation, minus a productivity offset. As operating expenses in our nonregulated lines of business increase as a result of inflation, we, to the extent permitted by competition, attempt to recover the costs by increasing prices for our services and equipment.

MARKET RISK

We are exposed to market risk from changes in interest rates on our long-term debt obligations. We have estimated our market risk using sensitivity analysis. Market risk is defined as the potential change in the fair value of a fixed-rate debt obligation due to a hypothetical adverse change in interest rates. Fair value of long-term debt obligations is determined based on a discounted cash flow analysis, using the rates and maturities of these obligations compared to terms and rates currently available in the long-term financing markets. The results of the sensitivity analysis used to estimate market risk are presented below, although the actual results may differ from these estimates.

At December 31, 2006, the fair value of our long-term debt was estimated to be $2.5 billion based on the overall weighted average rate of our long-term debt of 6.9% and an overall weighted maturity of 8 years compared to terms and rates available on such date in long-term financing markets. Market risk is estimated as the potential decrease in fair value of our long-term debt resulting from a hypothetical increase of 69 basis points in interest rates (ten percent of our overall weighted average borrowing rate). Such an increase in interest rates would result in approximately an $89.6 million decrease in the fair value of our long-term debt. As of December 31, 2006, after giving effect to interest rate swaps currently in place, approximately 80% of our long-term and short-term debt obligations were fixed rate.

We seek to maintain a favorable mix of fixed and variable rate debt in an effort to limit interest costs and cash flow volatility resulting from changes in rates. From time to time, we use derivative instruments to (i) lock-in or swap our exposure to changing or variable interest rates for fixed interest rates or (ii) to swap obligations to pay fixed interest rates for variable interest rates. We have established policies and procedures for risk assessment and the approval, reporting and monitoring of derivative instrument activities. We do not hold or issue derivative financial instruments for trading or speculative purposes. We periodically review our exposure to interest rate fluctuations and implement strategies to manage the exposure.

At December 31, 2006, we had outstanding four fair value interest rate hedges associated with the full $500 million aggregate principal amount of our Series L senior notes, due 2012, that pay interest at a fixed rate of 7.875%. These hedges are “fixed to variable” interest rate swaps that effectively convert our fixed rate interest payment obligations under these notes into obligations to pay variable rates that range from the six-month London InterBank Offered Rate (“LIBOR”) plus 3.229% to the six-month LIBOR plus 3.67%, with settlement and rate reset dates occurring each six months through the expiration of the hedges in August 2012. During 2006, we realized an average interest rate under these hedges of 9.03%. Interest expense was increased by $5.8 million during 2006 as a result of these hedges. The aggregate fair market value of these hedges was $20.6 million at December 31, 2006 and is reflected both as a liability and as a decrease in our underlying long-term debt on the December 31, 2006 balance sheet. With respect to each of these hedges, market risk is estimated as the potential change in the fair value of the hedge resulting from a hypothetical 10% increase in the forward rates used to determine the fair value. A hypothetical 10% increase in the forward rates would result in a $13.3 million decrease in the fair value of these hedges at December 31, 2006, and would also increase our interest expense.

Certain shortcomings are inherent in the method of analysis presented in the computation of fair value of financial instruments. Actual values may differ from those presented if market conditions vary from assumptions used in the fair value calculations. The analysis above incorporates only those risk exposures that existed as of December 31, 2006.

LIQUIDITY AND CAPITAL RESOURCES

Excluding cash used for acquisitions, we rely on cash provided by operations to provide for our cash needs. Our operations have historically provided a stable source of cash flow which has helped us continue our long-term program of capital improvements.

Operating activities. Net cash provided by operating activities was $840.7 million, $964.7 million and $955.8 million in 2006, 2005 and 2004, respectively. Our accompanying consolidated statements of cash flows identify major differences between net income and net cash provided by operating activities for each of those years. As relief from the effects of Hurricane Katrina, certain of our affected subsidiaries were granted a deferral from making their remaining 2005 estimated federal income and excise tax payments until 2006. During 2006, we made payments of approximately $75 million to satisfy our remaining 2005 estimated payments. For additional information relating to our operations, see “Results of Operations” above.

Investing activities. Net cash used in investing activities was $193.7 million, $481.4 million and $413.3 million in 2006, 2005 and 2004, respectively. We received approximately $122.8 million cash from the redemption of our RTB stock upon dissolution of the RTB during 2006. See Note 15 for additional information. Cash used for acquisitions was $75.5 million in 2005 (due to the acquisition of fiber assets in 16 metropolitan markets from KMC). Capital expenditures during 2006, 2005 and 2004 were $314.1 million, $414.9 million and $385.3 million, respectively.

Financing activities. Net cash used in financing activities was $780.2 million in 2006, $491.7 million in 2005 and $578.5 million in 2004. Payments of debt were $82.0 million in 2006, $693.3 million in 2005 and $179.4 million in 2004. In accordance with previously announced stock repurchase programs, we repurchased 21.4 million shares (for $802.2 million), 16.4 million shares (for $551.8 million), and 13.4 million shares (for $401.0 million) in 2006, 2005 and 2004, respectively. The 2006 repurchases include 14.36 million shares repurchased (for an aggregate final price of approximately $528.4 million) under accelerated share repurchase agreements with investment banks (see Note 9 for additional information). We initially funded purchases under these agreements principally through borrowings under our $750 million credit facility and cash on hand and subsequently refinanced the credit facility borrowings through the issuance of short-term commercial paper. The 2005 repurchases include 12.9 million shares repurchased (for an aggregate final price of $437.5 million) under accelerated share repurchase agreements (see below and Note 9 to the accompanying financial statements for additional information).

In February 2005, we remarketed substantially all of our $500 million of outstanding Series J senior notes due 2007 at an interest rate of 4.628%. We received no proceeds in connection with the remarketing as all proceeds were held in trust to secure the obligation of our equity unit holders to purchase common stock from us on May 16, 2005. In connection with the remarketing, we purchased and retired approximately $400 million of the notes, resulting in approximately $100 million remaining outstanding. We incurred a pre-tax charge of approximately $6 million in the first quarter of 2005 related to purchasing and retiring the notes. We purchased such notes with proceeds from the February 2005 issuance of $350 million of 5% senior notes, Series M, due 2015 and cash on hand.

On May 16, 2005, upon settlement of 15.9 million of our outstanding equity units, we received proceeds of approximately $398.2 million and issued approximately 12.9 million common shares. In late May 2005, we entered into accelerated share repurchase agreements with investment banks whereby we repurchased and retired 12.9 million shares of common stock for an aggregate final price of $437.5 million, the proceeds of which came from the settlement of the equity units mentioned above and cash on hand.

Other. For 2007, we have budgeted $325 million for capital expenditures. In 2006, we concluded that our prior extensive capital investment in our wireline network permitted us to reduce network capital spending to maintenance levels. We expect this to be the case for the foreseeable future. Our 2007 capital expenditure budget also includes amounts for expanding our new service offerings and expanding our data networks.

The following table contains certain information concerning our material contractual obligations as of December 31, 2006.

		Payments due by period			
Contractual obligations	Total	2007	2008-2009	2010-2011	After 2011
	(Dollars in thousands)				
Long-term debt, including current maturities and capital lease obligations (1)	$ 2,567,864	155,012	296,100	691,268(2)	1,425,484
Interest on long-term debt obligations	$ 1,549,609	169,565	301,167	251,086	827,791
MRCC purchase price obligation (3)	$ 336,000	336,000	-	-	-

(1) For additional information on the terms of our outstanding debt instruments, see Note 5 to the consolidated financial statements included in Item 8 of this annual report.

(2) Includes $165 million aggregate principal amount of our convertible debentures, Series K, due 2032, which can be put to us at various dates beginning in 2010.

(3) This amount represents an estimated purchase price based on MRCC's net indebtedness as of September 30, 2006 (see below for additional information).

In December 2006, we entered into a stock purchase agreement with Madison River Communications Corp. ("MRCC") and its owner, Madison River Telephone Company, LLC. Under this agreement, we agreed to purchase all of the capital stock of MRCC in exchange for $830 million less MRCC's net indebtedness on the transaction's closing date (which was approximately $494 million at September 30, 2006), subject to certain closing adjustments. We expect to initially fund this acquisition using borrowings under our existing credit facility and are currently reviewing our longer term options for repaying or refinancing these borrowings.

We continually evaluate the possibility of acquiring additional communications operations and expect to continue our long-term strategy of pursuing the acquisition of attractively-priced communications properties in exchange for cash, securities or both. At any given time, we may be engaged in discussions or negotiations regarding additional acquisitions. We generally do not announce our acquisitions or dispositions until we have entered into a preliminary or definitive agreement. We may require additional financing in connection with any such acquisitions, the consummation of which could have a material impact on our financial condition or operations. Approximately 4.1 million shares of our common stock and 200,000 shares of our preferred stock remain available for future issuance in connection with acquisitions under our acquisition shelf registration statement. We also have access to debt and equity capital markets.

In December 2006, we secured a new five-year, $750 million revolving credit facility. The credit facility contains financial covenants that require us to meet a consolidated leverage ratio (as defined in the facility) not exceeding 4 to 1 and a minimum interest coverage ratio (as defined in the facility) of at least 1.5 to 1. The interest rate on revolving loans under the facility is based on our choice of several prevailing commercial lending rates plus an additional margin that varies depending on our credit ratings and aggregate borrowings under the facility. We must pay a quarterly commitment fee on the unutilized portion of the facility, the amount of which varies based on our credit ratings. Up to $150 million of the credit facility can be used for letters of credit, which reduces the amount available for other extensions of credit. Available borrowings under our credit facility are also effectively reduced by any outstanding borrowings under our commercial paper program. Our commercial paper program borrowings in turn are effectively limited to the total amount available under our credit facility. As of December 31, 2006, we had no amounts outstanding under our new credit facility but did have $23 million outstanding under our commercial paper program.

Moody's Investors Service ("Moody's") rates our long-term debt Baa2 (with a stable outlook) and Standard & Poor's ("S&P") rates our long-term debt BBB (with a negative outlook). Our commercial paper program is rated P2 by Moody's and A3 by S&P. Any downgrade in our credit ratings will increase our borrowing costs and commitment fees under our $750 million revolving credit facility. Downgrades could also restrict our access to the capital markets, accelerate the conversion rights of holders of our outstanding convertible securities, increase our borrowing costs under new or replacement debt financings, or otherwise adversely affect the terms of future borrowings by, among other things, increasing the scope of our debt covenants and decreasing our financial or operating flexibility.

The following table reflects our 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:

	2006	2005	2004
Debt to total capitalization	44.8%	42.3	46.9
Ratio of earnings to fixed charges and preferred stock dividends*	3.97	3.60	3.57

* For purposes of the chart above, "earnings" consist of income before income taxes and fixed charges, and "fixed charges" include our interest expense, including amortized debt issuance costs, and our preferred stock dividend costs.

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. Wireless telephone services increasingly constitute a significant source of competition with LEC services, especially since wireless carriers have begun to compete effectively on the basis of price with more traditional telephone services. As a result, some customers have chosen to completely forego use of traditional wireline phone service and instead rely solely on wireless service for voice services. We anticipate this trend will continue, particularly if wireless service providers continue to expand their coverage areas, reduce their rates, improve the quality of their services, and offer enhanced new services.

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. Under the 1996 Act's rural telephone company exemption, approximately 50% of our telephone access lines 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.

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 reduction of regulatory oversight of LECs. These cumulative changes, coupled with various technological developments, have led to the continued growth of various companies providing services that compete with LECs' services.

Federal USF programs have recently undergone substantial changes, and are expected to experience more changes in the coming years. As mandated by the 1996 Act, in May 2001 the FCC modified its existing universal service support mechanism for rural telephone companies by adopting an interim mechanism for a five-year period based on embedded, or historical, costs that provides relatively predictable levels of support to many LECs, including substantially all of our LECs. In May 2006, the FCC extended this interim mechanism until such time that new high-cost support rules are adopted for rural telephone companies. Wireless and other competitive service providers continue to seek eligible telecommunications carrier status in order to receive USF support, which, coupled with changes in usage of telecommunications services, have placed stress on the funding mechanism of the USF, which is subject to annual caps on disbursements. These developments have placed additional financial pressure on the amount of money that is necessary to provide support to all eligible service providers, including support payments we receive from the USF High Cost Loop support program. Increases in the nationwide average cost per loop factor used to allocate funds among all USF recipients caused our revenues from the USF High Cost Loop support program to decrease in 2005 and 2006 from the amounts received in the prior year. However, based on recent FCC filings, we anticipate our 2007 revenues from the USF High Cost Loop support program will approximate our 2006 levels.

During 2004, a joint board named by the FCC released a notice requesting comments on the FCC's current rules for the provision of high-cost support for rural companies, including comments on whether eligibility requirements should be amended in a manner that would adversely affect larger rural LECs such as us. In addition, the FCC has taken various other steps in anticipation of restructuring universal service support mechanisms, which in the aggregate could substantially impact these support payments. In August 2005, the joint board sought comments on four separate proposals to modify the distribution of High Cost Loop support funds. In August 2006, the joint board sought comment on the viability of using competitive bidding to determine the amount of high-cost funding for all eligible carriers. We anticipate that the joint board will make reform suggestions to the FCC by mid-2007, at which time the FCC would be required to seek comments. Due to the pending nature of these proposals, we cannot estimate the impact that such proposals would have on our operations.

Recent technological developments have led to the development of new services that compete with traditional LEC services. Technological improvements have enabled cable television companies to provide traditional circuit-switched telephone service over their cable networks, and several national cable companies have aggressively pursued this opportunity. Recently several large electric utilities have announced plans to offer communications services that compete with LECs. Recent improvements in the quality of "Voice-over-Internet Protocol" ("VoIP") service have led several cable, Internet, data and other communications companies, as well as start-up companies, to substantially increase their offerings of VoIP service to business and residential customers. VoIP providers frequently use existing broadband networks to deliver flat-rate, all distance calling plans that may offer features that cannot readily be provided by traditional LECs and may be priced below those currently charged for traditional local and long distance telephone services. Beginning in late 2003, the FCC initiated rulemaking proceedings to address the regulation of VoIP, and has adopted orders establishing some initial broad regulatory guidelines. There can be no assurance that future rulemaking will be on terms favorable to ILECs, or that VoIP providers will not successfully compete for our customers.

In 2003, the FCC opened a broad intercarrier compensation proceeding with the ultimate goal of creating a uniform mechanism to be used by the entire telecommunications industry for payments between carriers originating, terminating, carrying or delivering telecommunications traffic. The FCC has received intercarrier compensation proposals from several industry groups, and industry negotiations are continuing with the goal of developing a consensus plan that addresses the concerns of carriers from all industry segments. Until the FCC's proceeding concludes and the changes, if any, to the existing rules are established, we cannot estimate the impact this proceeding will have on our results of operations.

Many cable, entertainment, technology or other communication companies that previously offered a limited range of services are now, like us, offering diversified bundles of services. As such, a growing number of companies are competing to serve the communications needs of the same customer base. Several of these companies started offering full service bundles before us, which could give them an advantage in building customer loyalty.

Recent events affecting us. During the last few years, all of the states in which we provide telephone services have taken 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 our service areas has increased in recent years, especially in the markets acquired from Verizon in 2002 and 2000, and it is anticipated that similar action may be taken by others in the future.

State alternative regulation plans recently adopted by certain of our LECs have also affected revenue growth recently. These alternative regulation plans now govern over 65% of our access lines.

Certain long distance carriers continue to request that certain of our LECs reduce their intrastate access tariffed rates. In addition, we have recently experienced reductions in intrastate traffic, partially due to the displacement of minutes by wireless, electronic mail and other optional calling services. In 2006 we incurred a reduction in our intrastate revenues of approximately $16.3 million compared to 2005 primarily due to these factors. The corresponding decrease in 2005 compared to 2004 was $13.4 million. We believe this trend of decreased intrastate minutes will continue in 2007, although the magnitude of such decrease is uncertain.

While we expect our operating revenues in 2007 to continue to experience downward pressure primarily due to continued access line losses and reduced network access revenues, we expect such declines to be partially offset by increased demand for our fiber transport, high-speed Internet and other nonregulated product offerings (including our new video and wireless initiatives).

For a more complete description of regulation and competition impacting our operations and various attendant risks, please see Items 1 and 1A of this annual report.

Other matters. Our regulated telephone operations (except for the properties acquired from Verizon in 2002) 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 by regulators can provide reasonable assurance of the recognition 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. We are monitoring the ongoing applicability of SFAS 71 to our 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 our telephone operations no longer being subject to SFAS 71 in the near future.

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 nonregulated enterprises. Depreciation rates of certain assets established by regulatory authorities for our telephone operations subject to SFAS 71 have historically included a component for removal costs in excess of the related estimated salvage value. Notwithstanding the adoption of SFAS 143, SFAS 71 requires us to continue to reflect this accumulated liability for removal costs in excess of salvage value even though there is no legal obligation to remove the assets. Therefore, we did not adopt the provisions of SFAS 143 for our telephone operations subject to SFAS 71. 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 nonregulated enterprises.

Our consolidated balance sheet as of December 31, 2006 included regulatory liabilities of approximately $186.4 million related to estimated removal costs embedded in accumulated depreciation (as described above). Net deferred income tax assets related to the regulatory assets and liabilities quantified above were $71.3 million.

When and if our regulated operations no longer qualify for the application of SFAS 71, we currently do not expect to record any impairment charge related to the carrying value of the property, plant and equipment of our regulated telephone operations. Additionally, upon the discontinuance of SFAS 71, we would be required to revise the lives of our property, plant and equipment to reflect the estimated useful lives of the assets. We currently do not expect such revisions in asset lives will have a material impact on our results of operations. Upon the discontinuance of SFAS 71, we also would be required to eliminate certain intercompany transactions with regulated affiliates that currently are not eliminated under the application of SFAS 71. For the year ended December 31, 2006, approximately $120 million of revenues (and related costs) would have been eliminated had we not been subject to the provisions of SFAS 71. Such elimination would have had no impact on total operating income. For regulatory purposes, the accounting and reporting of our telephone subsidiaries will not be affected by the discontinued application of SFAS 71.

We have certain obligations based on federal, state and local laws relating to the protection of the environment. Costs of compliance through 2006 have not been material, and we currently do not believe that such costs will become material.

Item 7A. Quantitative and Qualitative Disclosure About Market Risk

For information pertaining to the our market risk disclosure, see “Item 7 - Management’s Discussion and Analysis of Financial Condition and Results of Operations - Market Risk”.

Item 8. Financial Statements and Supplementary Data

Report of Management

The Shareholders
CenturyTel, Inc.:

Management has prepared and is responsible for the integrity and objectivity of our 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.

Our consolidated financial statements have been audited by KPMG LLP, an independent registered public accounting firm, who have expressed their opinion with respect to the fairness of the consolidated financial statements. Their audit was conducted in accordance with standards of the Public Company Accounting Oversight Board (United States).

Management is responsible for establishing and maintaining adequate internal controls over financial reporting, a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Under the supervision and with the participation of management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on our evaluation under the framework of COSO , management concluded that our internal control over financial reporting was effective as of December 31, 2006. Management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2006 has been audited by KPMG LLP, as stated in their report which is included herein.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Audit Committee of the Board of Directors is composed of independent directors who are not officers or employees. The Committee meets periodically with the external auditors, 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 external 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
March 1, 2007

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
CenturyTel, Inc.:

We have audited the consolidated financial statements of CenturyTel, Inc. and subsidiaries as listed in Item 15a(1). In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedule as listed in Item 15a(2). These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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, 2006 and 2005, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2006, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 1 to the consolidated financial statements, effective January 1, 2006, the Company changed its method of accounting for share-based payments. In addition, as discussed in Note 1 to the consolidated financial statements, the Company changed its method of accounting for pension and postretirement benefits as of December 31, 2006.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2006, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO *)* , and our report dated March 1, 2007 expressed an unqualified opinion on management's assessment of, and the effective operation of, internal control over financial reportin *g.*

/s/ KPMG LLP
Shreveport, Louisiana
March 1, 2007

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
CenturyTel, Inc.:

We have audited management's assessment, included in the accompanying *Report of Management*, that CenturyTel, Inc. maintained effective internal control over financial reporting as of December 31, 2006, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) . The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that CenturyTel, Inc. maintained effective internal control over financial reporting as of December 31, 2006, is fairly stated, in all material respects, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) . Also, in our opinion, CenturyTel, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of CenturyTel, Inc. and subsidiaries and related financial statement schedule as listed in Items 15(a)(1) and 15 (a)(2), respectively, and our report dated March 1, 2007 expressed an unqualified opinion on those consolidated financial statements and related financial statement schedule. Such report includes an explanatory paragraph regarding the Company's change in the method of accounting for share-based payments and pension and postretirement benefits in 2006.

/s/ KPMG LLP

Shreveport, Louisiana
March 1, 2007

CENTURYTEL, INC.

Consolidated Statements of Income

	Year ended December 31,		
	2006	2005	2004
	(Dollars, except per share amounts, and shares in thousands)		
OPERATING REVENUES	$ 2,447,730	2,479,252	2,407,372
OPERATING EXPENSES			
Cost of services and products (exclusive of depreciation and amortization)	888,414	821,929	755,413
Selling, general and administrative	370,272	388,989	397,102
Depreciation and amortization	523,506	531,931	500,904
Total operating expenses	1,782,192	1,742,849	1,653,419
OPERATING INCOME	665,538	736,403	753,953
OTHER INCOME (EXPENSE)			
Interest expense	(195,957)	(201,801)	(211,051)
Other income (expense)	121,568	3,168	4,470
Total other income (expense)	(74,389)	(198,633)	(206,581)
INCOME BEFORE INCOME TAX EXPENSE	591,149	537,770	547,372
Income tax expense	221,122	203,291	210,128
NET INCOME	$ 370,027	334,479	337,244
BASIC EARNINGS PER SHARE	$ 3.17	2.55	2.45
DILUTED EARNINGS PER SHARE	$ 3.07	2.49	2.41
DIVIDENDS PER COMMON SHARE	$ .25	.24	.23
AVERAGE BASIC SHARES OUTSTANDING	116,671	130,841	137,215
AVERAGE DILUTED SHARES OUTSTANDING	122,229	136,087	142,144

See accompanying notes to consolidated financial statements.

CENTURYTEL, INC.

Consolidated Statements of Comprehensive Income

	Year ended December 31,		
	2006	2005	2004
	(Dollars in thousands)		
NET INCOME	$ 370,027	334,479	337,244
OTHER COMPREHENSIVE INCOME, NET OF TAXES			
Minimum pension liability adjustment:			
Minimum pension liability adjustment, net of $965, $1,438 and ($5,916) tax	1,548	2,307	(9,491)
Unrealized holding gain:			
Unrealized holding gains related to marketable securities arising during the period, net of $411, $165 and $940 tax	659	264	1,508
Derivative instruments:			
Net losses on derivatives hedging variability of cash flows, net of ($0), ($2,606) and ($219) tax	-	(4,180)	(351)
Reclassification adjustment for losses included in net income, net of $234 and $202 tax	375	324	-
Net change in other comprehensive income (loss) (net of reclassification adjustment), net of taxes	2,582	(1,285)	(8,334)
COMPREHENSIVE INCOME	$ 372,609	333,194	328,910

See accompanying notes to consolidated financial statements.

CENTURYTEL, INC.
Consolidated Balance Sheets

	December 31, 2006	2005
	(Dollars in thousands)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 25,668	158,846
Accounts receivable		
Customers, less allowance of $11,321 and $11,312	150,892	154,367
Interexchange carriers and other, less allowance of $9,584 and $10,409	76,454	82,347
Materials and supplies, at average cost	6,628	6,998
Other	30,475	20,458
Total current assets	290,117	423,016
NET PROPERTY, PLANT AND EQUIPMENT	3,109,277	3,304,486
GOODWILL AND OTHER ASSETS		
Goodwill	3,431,136	3,432,649
Other	610,477	602,556
Total goodwill and other assets	4,041,613	4,035,205
TOTAL ASSETS	$ 7,441,007	7,762,707
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term debt	$ 155,012	276,736
Short-term debt	23,000	-
Accounts payable	129,350	104,444
Accrued expenses and other current liabilities		
Salaries and benefits	54,100	60,521
Income taxes	60,522	110,521
Other taxes	46,890	58,660
Interest	73,725	71,580
Other	23,352	14,851
Advance billings and customer deposits	51,614	48,917
Total current liabilities	617,565	746,230
LONG-TERM DEBT	2,412,852	2,376,070
DEFERRED CREDITS AND OTHER LIABILITIES	1,219,639	1,023,134
STOCKHOLDERS' EQUITY		
Common stock, $1.00 par value, authorized 350,000,000 shares, issued and outstanding 113,253,889 and 131,074,399 shares	113,254	131,074
Paid-in capital	24,256	129,806
Accumulated other comprehensive loss, net of tax	(104,942)	(9,619)
Retained earnings	3,150,933	3,358,162
Preferred stock - non-redeemable	7,450	7,850
Total stockholders' equity	3,190,951	3,617,273
TOTAL LIABILITIES AND EQUITY	$ 7,441,007	7,762,707

See accompanying notes to consolidated financial statements.

CENTURYTEL, INC.

Consolidated Statements of Cash Flows

	Year ended December 31,		
	2006	2005	2004
	(Dollars in thousands)		
OPERATING ACTIVITIES			
Net income	$ 370,027	334,479	337,244
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	523,506	531,931	500,904
Gain on asset dispositions	(118,649)	(3,500)	-
Deferred income taxes	49,685	69,530	74,374
Income from unconsolidated cellular entity	(5,861)	(4,910)	(7,067)
Changes in current assets and current liabilities			
Accounts receivable	7,909	(685)	2,937
Accounts payable	24,906	(37,174)	15,514
Accrued taxes	(49,735)	72,971	27,040
Other current assets and other current liabilities, net	10,269	(8,111)	12,831
Retirement benefits	5,963	(16,815)	26,954
Excess tax benefits from share-based compensation	(12,034)	-	-
(Increase) decrease in noncurrent assets	9,078	1,973	(34,740)
Increase (decrease) in other noncurrent liabilities	709	2,638	(6,220)
Other, net	24,946	22,412	6,060
Net cash provided by operating activities	840,719	964,739	955,831
INVESTING ACTIVITIES			
Payments for property, plant and equipment	(314,071)	(414,872)	(385,316)
Proceeds from redemption of Rural Telephone Bank stock	122,819	-	-
Proceeds from sale of assets	5,865	4,000	-
Acquisitions, net of cash acquired	-	(75,453)	(2,000)
Investment in debt security	-	-	(25,000)
Distributions from unconsolidated cellular entity	-	2,339	8,219
Investment in unconsolidated cellular entity	(5,222)	-	-
Other, net	(3,122)	2,594	(9,214)
Net cash used in investing activities	(193,731)	(481,392)	(413,311)
FINANCING ACTIVITIES			
Payments of debt	(81,995)	(693,345)	(179,393)
Proceeds from issuance of debt	23,000	344,173	-
Repurchase of common stock	(802,188)	(551,759)	(401,013)
Settlement of equity units	-	398,164	-
Proceeds from issuance of common stock	97,803	50,374	29,485
Settlements of interest rate hedge contracts	-	(7,357)	-
Excess tax benefits from share-based compensation	12,034	-	-
Cash dividends	(29,203)	(31,862)	(31,861)
Other, net	383	(104)	4,296
Net cash used in financing activities	(780,166)	(491,716)	(578,486)
Net increase (decrease) in cash and cash equivalents	(133,178)	(8,369)	(35,966)
Cash and cash equivalents at beginning of year	158,846	167,215	203,181
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 25,668	158,846	167,215

See accompanying notes to consolidated financial statements.

CENTURYTEL, INC.

Consolidated Statements of Stockholders' Equity

	Year ended December 31,		
	2006	2005	2004
	(Dollars, except per share amounts, and shares in thousands)		
COMMON STOCK (represents dollars and shares)			
Balance at beginning of year	$ 131,074	132,374	144,364
Repurchase of common stock	(21,432)	(16,409)	(13,396)
Issuance of common stock upon settlement of equity units	-	12,881	-
Conversion of preferred stock into common stock	22	7	-
Issuance of common stock through dividend reinvestment, incentive and benefit plans	3,590	2,221	1,406
Balance at end of year	113,254	131,074	132,374
PAID-IN CAPITAL			
Balance at beginning of year	129,806	222,205	576,515
Repurchase of common stock	(222,998)	(535,350)	(387,617)
Issuance of common stock upon settlement of equity units	-	385,283	-
Issuance of common stock through dividend reinvestment, incentive and benefit plans	94,213	48,153	28,079
Conversion of preferred stock into common stock	378	118	-
Excess tax benefits from share-based compensation	12,034	-	-
Share based compensation and other	10,823	9,397	5,228
Balance at end of year	24,256	129,806	222,205
ACCUMULATED OTHER COMPREHENSIVE LOSS, NET OF TAX			
Balance at beginning of year	(9,619)	(8,334)	-
Effect of adoption of SFAS 158, net of tax (see Note 1)	(97,905)	-	-
Net change in other comprehensive income (loss) (net of reclassification adjustment), net of tax	2,582	(1,285)	(8,334)
Balance at end of year	(104,942)	(9,619)	(8,334)
RETAINED EARNINGS			
Balance at beginning of year	3,358,162	3,055,545	2,750,162
Net income	370,027	334,479	337,244
Repurchase of common stock	(557,758)	-	-
Cumulative effect of adoption of SAB 108 (see Note 1)	9,705	-	-
Cash dividends declared			
Common stock - $.25, $.24 and $.23 per share	(28,823)	(31,466)	(31,462)
Preferred stock	(380)	(396)	(399)
Balance at end of year	3,150,933	3,358,162	3,055,545
UNEARNED ESOP SHARES			
Balance at beginning of year	-	-	(500)
Release of ESOP shares	-	-	500
Balance at end of year	-	-	-
PREFERRED STOCK - NON-REDEEMABLE			
Balance at beginning of year	7,850	7,975	7,975
Conversion of preferred stock into common stock	(400)	(125)	-
Balance at end of year	7,450	7,850	7,975

TOTAL STOCKHOLDERS' EQUITY	$ 3,190,951	3,617,273	3,409,765

See accompanying notes to consolidated financial statements.

CENTURYTEL, INC.
Notes to Consolidated Financial Statements
December 31, 2006

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation - Our consolidated financial statements include the accounts of CenturyTel, Inc. and its majority-owned subsidiaries.

Regulatory accounting - Our regulated telephone operations (except for the properties acquired from Verizon in 2002) 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 by regulators can provide reasonable assurance of the recognition 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. We are monitoring the ongoing applicability of SFAS 71 to our 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 our telephone operations no longer being subject to SFAS 71 in the near future. Our consolidated balance sheet as of December 31, 2006 included regulatory liabilities of approximately $186.4 million related to estimated removal costs embedded in accumulated depreciation (as required to be recorded by regulators). Net deferred income tax assets related to the regulatory assets and liabilities quantified above were $71.3 million.

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 when services are provided or when products are delivered to customers. Revenue that is billed in advance includes monthly recurring network access services, special access services and monthly recurring local line charges. The unearned portion of this revenue is initially deferred as a component of advanced billings and customer deposits on our balance sheet and recognized as revenue over the period that the services are provided. Revenue that is billed in arrears includes nonrecurring network access services, nonrecurring local services and long distance services. The earned but unbilled portion of this revenue is recognized as revenue in the period that the services are provided. Revenues from installation activities (along with the related costs) are deferred and amortized over the estimated life of the customer relationship.

Certain of our telephone subsidiaries' revenues are based on tariffed access charges filed directly with the Federal Communications Commission; the remainder of our telephone subsidiaries participate in revenue sharing arrangements with other telephone companies for interstate revenue (except for broadband related revenues) 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 our estimates.

Allowance for doubtful accounts . In evaluating the collectibility of our accounts receivable, we assess a number of factors, including a specific customer's or carrier's ability to meet its financial obligations to us, the length of time the receivable has been past due and historical collection experience. Based on these assessments, we record both specific and general reserves for uncollectible accounts receivable to reduce the stated amount of applicable accounts receivable to the amount we ultimately expect to collect.

Property, plant and equipment - Telephone plant is stated 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 average rates range from 2% to 20%.

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 two to 35 years.

Intangible assets - Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"), requires goodwill recorded in a business combination to be reviewed for impairment and to be written down only in periods in which the recorded amount of goodwill exceeds its fair value. We test impairment of goodwill at least annually by comparing the fair value of the reporting unit to its carrying value (including goodwill). We base our estimates of the fair value of the reporting unit on valuation models using criterion such as multiples of earnings.

Long-lived assets - 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 (exclusive of goodwill) 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.

Affiliated transactions - Certain of our service subsidiaries provide installation and maintenance services, materials and supplies, and managerial, operational, technical, accounting and administrative services to other 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 our 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 affiliates not subject to SFAS 71 has been eliminated.

Income taxes - We file a consolidated federal income tax return with our eligible subsidiaries. We use 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.

Postretirement and pension plans - We adopted the provisions of Statement of Financial Accounting Standards No. 158, “Employers’ Accounting for Defined Benefit Plans and Other Postretirement Plans” (“SFAS 158”) as of December 31, 2006. SFAS 158 requires us to recognize the overfunded or underfunded status of our defined benefit and postretirement plans as an asset or a liability on our balance sheet, with an adjustment to stockholders’ equity (reflected as an increase or decrease in accumulated other comprehensive income or loss). The incremental effect of applying SFAS 158 on individual line items of our balance sheet as of December 31, 2006 were as follows:

	Before Application of SFAS 158	Adjustments	After Application of SFAS 158
		(Dollars in thousands)	
Other assets	$ 675,215	(64,738)	610,477
Total assets	$ 7,505,745	(64,738)	7,441,007
Accrued expenses and other current liabilities	$ 259,487	(898)	258,589
Deferred credits and other liabilities (excluding deferred income taxes)	$ 447,066	99,512	546,578
Deferred income taxes	$ 738,508	(65,447)	673,061
Total liabilities	$ 4,216,889	33,167	4,250,056
Accumulated other comprehensive loss, net of tax	$ (7,037)	(97,905)	(104,942)
Total stockholders’ equity	$ 3,288,856	(97,905)	3,190,951

Cumulative effect adjustment - In September 2006, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 108, “Considering the Effect of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Results” (“SAB 108”). SAB 108 addresses how the effects of prior year uncorrected misstatements should be considered when quantifying misstatements in current year financial statements. SAB 108 requires companies to quantify misstatements using both a balance sheet approach and income statement approach and to evaluate whether either approach results in quantifying an error that is material in light of the relevant quantitative and qualitative factors.

We identified two misstatements that previously were deemed immaterial using the income statement approach that are now deemed material upon application of the balance sheet approach. Such misstatements relate to (i) the failure to capitalize interest in connection with the development of our billing system, which began in the late 1990's; and (ii) the failure to defer the revenues and costs associated with installation activities related to our service offerings. Using the guidance of SAB 108, we have recorded a net cumulative effect adjustment to retained earnings (as of January 1, 2006), which increased retained earnings approximately $9.7 million (presented on an after-tax basis). Of the $9.7 million net increase to retained earnings, approximately $14.0 million related to the capitalized interest adjustment, which was partially offset by a reduction to retained earnings of approximately $4.3 million related to the installation activities adjustment. We have adjusted our results of operations for the first, second and third quarters of 2006 to reflect the ongoing application of the above. Such adjustments were immaterial to each quarter.

Stock-based compensation - Effective January 1, 2006, we adopted the provisions of Statement of Financial Accounting Standards No. 123 (Revised 2004), "Share-Based Payment", which requires us to measure our cost of awarding employees with equity instruments based upon the fair value of the award on the grant date. Prior to January 1, 2006, we accounted for stock compensation plans using the intrinsic value method in accordance with Accounting Principles Board Opinion No. 25. See Note 14 for additional information.

Derivative financial instruments - We account for derivative instruments and hedging activities in accordance with Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"), as amended. SFAS 133, as amended, requires that all derivative instruments, such as interest rate swaps, be recognized in the financial statements and measured at fair value regardless of the purpose or intent of holding them. On the date a derivative contract is entered into, we designate the derivative as either a fair value or cash flow hedge. A hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment is a fair value hedge. A hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability is a cash flow hedge. We also formally assess, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. If we determine that a derivative is not, or is no longer, highly effective as a hedge, we would discontinue hedge accounting prospectively. We recognize all derivatives on the balance sheet at their fair value. Changes in the fair value of derivative financial instruments are either recognized in income or stockholders' equity (as a component of accumulated other comprehensive income (loss)), depending on whether the derivative is being used to hedge changes in the fair value or cash flows. We do not hold or issue derivative financial instruments for trading or speculative purposes. Management periodically reviews our exposure to interest rate fluctuations and implements strategies to manage the exposure.

Earnings per share - Basic earnings per share amounts are determined on the basis of the weighted average number of common shares outstanding during the applicable accounting period. Diluted earnings per share gives effect to all potential dilutive common shares that were outstanding during the period. See Note 13 for additional information.

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

(2) ACQUISITION

On June 30, 2005, we acquired fiber assets in 16 metropolitan markets from KMC Telecom Holdings, Inc. ("KMC") for approximately $75.5 million. The assets acquired and liabilities assumed have been reflected in our consolidated balance sheet based on a purchase price allocation determined by independent third parties. The vast majority of the purchase price was allocated to property, plant and equipment. See Note 3 for information concerning amounts allocated to certain intangible assets as a result of the KMC acquisition. The results of operations of the KMC properties are included in our results of operations from and after the acquisition date.

(3) GOODWILL AND OTHER ASSETS

Goodwill and other assets at December 31, 2006 and 2005 were composed of the following:

December 31,	2006	2005
	(Dollars in thousands)	
Goodwill	$ 3,431,136	3,432,649
Billing system development costs, less accumulated amortization of $26,752 and $14,899	204,597	193,579
Cash surrender value of life insurance contracts	94,788	94,801
Deferred costs associated with installation activities	73,256	-
Pension asset	16,187	73,360
Intangible assets not subject to amortization	36,690	36,690
Marketable securities	32,235	29,195
Deferred interest rate hedge contracts	23,134	25,624
Investment in debt security	22,209	21,611
Intangible assets subject to amortization		
Customer base, less accumulated amortization of $7,022 and $5,349	18,072	19,745
Contract rights, less accumulated amortization of $3,256 and $1,861	930	2,326
Other	88,379	105,625
	$ 4,041,613	4,035,205

Our goodwill was derived from numerous previous acquisitions whereby the purchase price exceeded the fair value of the net assets acquired. We test for goodwill impairment annually under SFAS 142 and, based on our analysis performed as of September 30, 2006, determined our goodwill was not impaired.

We accounted for the costs to develop an integrated billing and customer care system in accordance with Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." Aggregate capitalized costs (before accumulated amortization) totaled $231.3 million and are being amortized over a twenty-year period. We adjusted the aggregate capitalized costs as of January 1, 2006 to include previously unrecognized capitalized interest. See Note 1 - Cumulative effect adjustment for additional information.

In connection with the application of SAB 108 (see Note 1), we established deferred revenues and costs associated with installation activities effective as of January 1, 2006.

In the third quarter of 2004, we entered into a three-year agreement with EchoStar Communications Corporation ("EchoStar") to provide co-branded satellite television services to our customers. As part of the transaction, we invested $25 million in an EchoStar convertible subordinated debt security, which had a fair value at date of issuance of approximately $20.8 million and matures in 2011. The remaining $4.2 million paid was established as an intangible asset attributable to our contractual right to provide video service and is being amortized over a three-year period.

In connection with the acquisitions of properties from Verizon Communications, Inc. ("Verizon") in 2002, we assigned $35.3 million of the purchase price as an intangible asset associated with franchise costs (which includes amounts necessary to maintain eligibility to provide telecommunications services in its licensed service areas). In 2005, we assigned $1.4 million of the purchase price of our acquisition of KMC fiber assets as an intangible asset. Such assets have an indefinite life and therefore are not subject to amortization currently.

We assigned $22.7 million of the purchase price to a customer base intangible asset in connection with the acquisitions of Verizon properties in 2002. In 2005, $2.4 million of the purchase price of our acquisition of KMC fiber assets was assigned to a customer base intangible asset. Such assets are being amortized over 15 years. In addition, as mentioned above, in 2004 we established an intangible asset related to the contractual rights to provide video service. Total amortization expense for these customer base and contractual right intangible assets for 2006, 2005 and 2004 was $3.1 million, $3.0 million and $2.0 million, respectively, and is expected to be $2.6 million in 2007 and $1.7 million annually thereafter through 2010.

(4) PROPERTY, PLANT AND EQUIPMENT

Net property, plant and equipment at December 31, 2006 and 2005 was composed of the following:

December 31,		2006	2005
		(Dollars in thousands)	
Cable and wire	$	4,224,453	4,123,805
Central office		2,522,940	2,532,034
General support		760,170	768,972
Fiber transport		222,595	188,451
Information origination/termination		62,060	59,838
Construction in progress		59,198	81,532
Other		42,344	46,745
		7,893,760	7,801,377
Accumulated depreciation		(4,784,483)	(4,496,891)
Net property, plant and equipment	$	3,109,277	3,304,486

Depreciation expense was $520.4 million, $528.9 million and $498.9 million in 2006, 2005 and 2004, respectively.

(5) LONG-TERM DEBT

Our long-term debt as of December 31, 2006 and 2005 was as follows:

December 31,		2006	2005
		(Dollars in thousands)	
CenturyTel			
Senior notes and debentures:			
7.20% Series D, due 2025	$	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
6.02% Series J, due 2007		100,908	100,908
4.75% Series K, due 2032		165,000	165,000
7.875% Series L, due 2012		500,000	500,000
5.0% Series M, due 2015		350,000	350,000
Unamortized net discount		(5,640)	(6,578)
Net fair value of derivative instruments:			
Series H senior notes		10,853	13,716
Series L senior notes		(20,593)	(17,645)
Other		-	39
Total CenturyTel		2,365,528	2,370,440
Subsidiaries			
First mortgage debt			
5.34%* notes, payable to agencies of the U. S. government and cooperative lending associations, due in installments through 2028		133,738	146,905
7.98% notes, due through 2016		4,420	4,700
Other debt			
6.6%* unsecured medium-term notes, due through 2008		61,499	122,499
9.40%* notes, due in installments through 2028		971	4,931
5.55%* capital lease obligations, due through 2008		1,708	3,331
Total subsidiaries		202,336	282,366
Total long-term debt		2,567,864	2,652,806
Less current maturities		155,012	276,736
Long-term debt, excluding current maturities	$	2,412,852	2,376,070

* Weighted average interest rate at December 31, 2006

The approximate annual debt maturities for the five years subsequent to December 31, 2006 are as follows: 2007 - $155.0 million; 2008 - $280.6 million; 2009 - $15.5 million; 2010 - $679.2 million; and 2011 - $12.1 million.

Certain of our loan agreements 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, 2006, restricted net assets of subsidiaries were $145.8 million and subsidiaries' retained earnings in excess of amounts restricted by debt covenants totaled $1.6 billion. At December 31, 2006, approximately $2.2 billion of our consolidated retained earnings reflected on the balance sheet was available under our loan agreements for the declaration of dividends.

The senior notes and debentures of CenturyTel referred to above were issued under an indenture dated March 31, 1994. This indenture does not contain any financial covenants, but does include restrictions that limit our ability to (i) incur, issue or create liens upon its property and (ii) consolidate with or merge into, or transfer or lease all or substantially all of its assets to, any other party. The indenture does not contain any provisions that are impacted by our credit ratings, or that restrict the issuance of new securities in the event of a material adverse change to us.

Approximately 15% of our property, plant and equipment is pledged to secure the long-term debt of subsidiaries.

In May 2002, we issued and sold in an underwritten public offering $500 million of equity units, each of which were priced at $25 and consisted initially of a beneficial interest in a CenturyTel senior unsecured note (Series J, due 2007 and remarketable in 2005) with a principal amount of $25 and a contract to purchase shares of CenturyTel common stock no later than May 2005. Each purchase contract generally required the holder to purchase between .6944 and .8741 of a share of CenturyTel common stock on May 16, 2005 in exchange for $25, subject to certain adjustments and exceptions.

In February 2005, we remarketed substantially all of our $500 million of outstanding Series J senior notes due 2007 (the notes described above), at an interest rate of 4.628%. We received no proceeds in connection with the remarketing as all net proceeds were held in trust to secure the equity unit holders' obligation to purchase common stock from us on May 16, 2005. In connection with the remarketing, we purchased and retired approximately $400 million of the notes, resulting in approximately $100 million remaining outstanding. We incurred a pre-tax charge of approximately $6.0 million in the first quarter of 2005 related to purchasing and retiring the notes. Proceeds to purchase such notes came from the February 2005 issuance of $350 million of 5% senior notes, Series M, due 2015 and cash on hand.

Between April 15, 2005 and May 4, 2005, we repurchased and cancelled an aggregate of approximately 4.1 million of our equity units in privately-negotiated transactions with six institutional holders at an average price of $25.18 per unit. The remaining 15.9 million equity units outstanding on May 16, 2005 were settled in stock in accordance with the terms and conditions of the purchase contract that formed a part of such unit. Accordingly, on May 16, 2005, we received proceeds of approximately $398.2 million and issued approximately 12.9 million common shares in the aggregate. See Note 9 for information on our accelerated share repurchase program which mitigated the dilutive impact of issuing these 12.9 million shares.

As of December 31, 2006, we had available a $750 million five-year revolving credit facility, which had no amounts outstanding at December 31, 2006. Our commercial paper program had $23 million outstanding as of December 31, 2006.

In 2002, we issued $165 million of convertible senior debentures, Series K, due 2032 (which bear interest at 4.75% and which may be converted under certain specified circumstances into shares of CenturyTel common stock at a conversion price of $40.455 per share). Holders of the convertible senior debentures will have the right to require us to purchase all or a portion of the debentures on August 1, 2010 and August 1, 2017. In each case, the purchase price payable will be equal to 100% of the principal amount of the debentures to be purchased plus any accrued and unpaid interest to the purchase date. For purchases on or after August 1, 2010, we may choose to pay the purchase price in cash or shares of our common stock, or any combination thereof (except that we will pay any accrued and unpaid interest in cash).

(6) DERIVATIVE INSTRUMENTS

In 2003, we entered into four separate fair value interest rate hedges associated with the full $500 million principal amount of our Series L senior notes, due 2012, that pay interest at a fixed rate of 7.875%. These hedges are “fixed to variable” interest rate swaps that effectively convert our fixed rate interest payment obligations under these notes into obligations to pay variable rates that range from the six-month London InterBank Offered Rate (“LIBOR”) plus 3.229% to the six-month LIBOR plus 3.67%, with settlement and rate reset dates occurring each six months through the expiration of the hedges in August 2012. During 2006, we realized an average interest rate under these hedges of 9.03%. Interest expense was increased by $5.8 million during 2006 as a result of these hedges. The aggregate fair value of such hedges at December 31, 2006 was $20.6 million and is reflected on the accompanying balance sheet as both a liability (included in “Deferred credits and other liabilities”) and as a decrease to our underlying long-term debt.

In late 2004 and early 2005, we entered into several cash flow hedges that effectively locked in the interest rate on a majority of certain anticipated debt transactions that we ultimately completed in February 2005. We locked in the interest rate on (i) $100 million of 2.25-year debt (remarketed in February 2005) at 3.9%; (ii) $75 million of 10-year debt (issued in February 2005) at 5.4%; and (iii) $225 million of 10-year debt (issued in February 2005) at 5.5%. In February 2005, upon settlement of such hedges, we (i) received $366,000 related to the 2.25-year debt remarketing, which is being amortized as a reduction of interest expense over the remaining term of the debt, and (ii) paid $7.7 million related to the 10-year debt issuance, which is being amortized as an increase in interest expense over the 10-year term of the debt.

(7) DEFERRED CREDITS AND OTHER LIABILITIES

Deferred credits and other liabilities at December 31, 2006 and 2005 were composed of the following:

December 31,	2006	2005
	(Dollars in thousands)	
Deferred federal and state income taxes	$ 673,061	670,420
Accrued postretirement benefit costs	327,337	241,153
Deferred revenue	99,669	19,554
Accrued pension costs	36,784	-
Fair value of interest rate swap	20,593	17,645
Additional minimum pension liability	-	11,662
Minority interest	9,226	8,372
Other	52,969	54,328
	$ 1,219,639	1,023,134

In connection with the application of SAB 108 (see Note 1), we established deferred revenues and costs associated with installation activities effective as of January 1, 2006.

(8) REDUCTION IN WORKFORCE

On March 1, 2006 and August 30, 2006, we announced workforce reductions involving an aggregate of approximately 400 jobs, or 6% of our workforce, primarily due to increased competitive pressures and the loss of access lines over the last several years. For 2006, we incurred a net pre-tax charge of approximately $7.5 million (consisting of a $9.4 million charge to operating expenses, net of a $1.9 million favorable revenue impact related to such expenses) in connection with severance and related costs. Of the $9.4 million charged to operating expenses, approximately $8.6 million was reflected in cost of services and products and $845,000 was reflected in selling, general and administrative expenses. The following table reflects additional information regarding the severance-related liability for 2006 (in thousands):

Balance at December 31, 2005	$ -
Amount accrued to expense	9,431
Adjustments to accrual amounts	(529)
Amount paid	(8,445)
Balance at December 31, 2006	$ 457

(9) STOCKHOLDERS' EQUITY

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

December 31,	2006
	(In thousands)
Incentive compensation programs	7,669
Acquisitions	4,064
Employee stock purchase plan	4,552
Dividend reinvestment plan	315
Conversion of convertible preferred stock	406
Other employee benefit plans	1,505
	18,511

In accordance with previously announced stock repurchase programs, we repurchased 21.4 million shares (for $802.2 million), 16.4 million shares (for $551.8 million) and 13.4 million shares (for $401.0 million) in 2006, 2005 and 2004, respectively. The 2006 and 2005 repurchases included 14.36 million and 12.9 million shares, respectively, repurchased (for a total price of $528.4 and $437.5 million, respectively) under accelerated share repurchase agreements (see below for additional information).

On February 21, 2006, our Board of Directors approved a stock repurchase program authorizing us to repurchase up to $1.0 billion of our common stock and terminated the approximately $13 million remaining balance of our existing $200 million share repurchase program approved in February 2005. In February 2006, we repurchased the first $500 million of common stock through accelerated share repurchase agreements entered into with various investment banks, repurchasing and retiring approximately 14.36 million shares of common stock at an average initial price of $34.83 per share. We funded repurchases under these agreements through short-term borrowings and cash on hand. As part of the accelerated share repurchase transactions, we simultaneously entered into forward contracts with the investment banks whereby the investment banks purchased an aggregate of 14.36 million shares of our common stock during the terms of the contracts. At the end of the repurchase period in mid-July 2006, we paid an aggregate of approximately $28.4 million cash to the investment banks to compensate them for the difference between their weighted average purchase price during the repurchase period and the initial average price. We reflected such settlement amount as an adjustment to retained earnings in our financial statements during 2006.

In late May 2005, we entered into accelerated share repurchase agreements with three investment banks whereby we repurchased and retired approximately 12.9 million shares of our common stock for an aggregate of $416.5 million cash (or an initial average price of $32.34 per share). We funded this purchase using the proceeds received from the settlement of the equity units mentioned in Note 5 and from cash on hand. As part of the accelerated share repurchase transactions, we simultaneously entered into forward contracts with the investment banks whereby the investment banks purchased an aggregate of 12.9 million shares of our common stock during the term of the contracts. At the end of the repurchase period, we paid an aggregate of approximately $21.0 million cash to the investment banks to compensate them for the difference between their weighted average purchase price during the repurchase period and the initial average price. We reflected such settlement amount as an adjustment to paid-in capital.

During 2006, our stockholders' equity was reduced by approximately $97.9 million upon the adoption of SFAS 158 and increased approximately $9.7 million upon the application of SAB 108. See Note 1 for additional information.

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, 2006, the holders of 5.0 million shares of common stock were entitled to ten votes per share.

Preferred stock - As of December 31, 2006, we had 2.0 million shares of authorized preferred stock, $25 par value per share. At December 31, 2006 and 2005, there were 298,000 and 314,000 shares, respectively, of outstanding convertible 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 - On November 1, 2006, our 1996 rights agreement (and each preference share purchase right issued thereunder) lapsed in accordance with its stated terms.

(10) POSTRETIREMENT BENEFITS

We sponsor health care plans (which use a December 31 measurement date) that provide postretirement benefits to all qualified retired employees.

In May 2004, the Financial Accounting Standards Board issued Financial Statement Position FAS 106-2, which provides accounting guidance to sponsors of postretirement health care plans that are impacted by the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Act"). We believe that certain drug benefits offered under our postretirement health care plans will qualify for subsidy under Medicare Part D. In the third quarter of 2004, we estimated that the effect of the Act on us would not be material and reflected the effects of the Act as of the December 31, 2004 measurement date. As of this date, we estimated that the reduction in our accumulated benefit obligation attributable to prior service cost was approximately $7 million and reflected such amount as an actuarial gain.

In 2005, in connection with negotiating certain union contracts, we amended certain retiree contribution and retirement eligibility provisions of our plan.

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

December 31,		2006	2005	2004
			(Dollars in thousands)	
Change in benefit obligation				
Benefit obligation at beginning of year	$	353,942	305,720	311,421
Service cost		6,982	6,289	6,404
Interest cost		18,980	16,718	17,585
Participant contributions		1,583	1,637	1,362
Plan amendments		(7,978)	23,289	2,529
Direct subsidy receipts		717	-	-
Actuarial (gain) loss		319	16,391	(18,185)
Benefits paid		(17,128)	(16,102)	(15,396)
Benefit obligation at end of year	$	357,417	353,942	305,720
Change in plan assets				
Fair value of plan assets at beginning of year	$	29,545	29,570	29,877
Return on assets		3,280	1,440	2,377
Employer contributions		12,800	13,000	11,350
Participant contributions		1,583	1,637	1,362
Benefits paid		(17,128)	(16,102)	(15,396)
Fair value of plan assets at end of year	$	30,080	29,545	29,570

Net periodic postretirement benefit cost for 2006, 2005 and 2004 included the following components:

Year ended December 31,		2006	2005	2004
			(Dollars in thousands)	
Service cost	$	6,982	6,289	6,404
Interest cost		18,980	16,718	17,585
Expected return on plan assets		(2,437)	(2,440)	(2,465)
Amortization of unrecognized actuarial loss		3,719	2,916	3,611
Amortization of unrecognized prior service credit		(855)	(1,876)	(3,648)
Net periodic postretirement benefit cost	$	26,389	21,607	21,487

The following table sets forth the amounts recognized as liabilities for postretirement benefits at December 31, 2006, 2005 and 2004.

December 31,		2006	2005	2004
			(Dollars in thousands)	
Benefit obligation	$	(357,417)	(353,942)	(305,720)
Fair value of plan assets		30,080	29,545	29,570
Unamortized prior service credit		-	(1,726)	(26,891)
Unrecognized net actuarial loss		-	82,660	68,185
Accrued benefit cost	$	(327,337)	(243,463)	(234,856)

In accordance with SFAS 158, the unamortized prior service credit ($8.8 million as of December 31, 2006) and unrecognized net actuarial loss ($78.4 million as of December 31, 2006) components have been reflected as a $69.6 million net reduction ($40.1 million after-tax) to accumulated other comprehensive loss within stockholders' equity. The estimated amount of amortization expense (income) of the above unrecognized items that will be amortized from accumulated other comprehensive loss and reflected as a component of net periodic pension cost during 2007 are (i) ($2.0 million) for the prior service credit and (ii) $3.2 million for the net actuarial loss. See Note 1 for additional information.

Assumptions used in accounting for postretirement benefits as of December 31, 2006 and 2005 were:

	2006	2005
Determination of benefit obligation		
Discount rate	5.75%	5.5
Healthcare cost increase trend rates (Medical/Prescription Drug)		
Following year	8.0/11.0%	9.0/14.0
Rate to which the cost trend rate is assumed to decline (the ultimate cost trend rate)	5.0/5.0%	5.0/5.0
Year that the rate reaches the ultimate cost trend rate	2010/2013	2010/2015
Determination of benefit cost		
Discount rate	5.50%	5.75
Expected return on plan assets	8.25%	8.25

We employ a total return investment approach whereby a mix of equities and fixed income investments are used to maximize the long-term return of plan assets for a prudent level of risk. The intent of this strategy is to minimize plan expenses by outperforming plan liabilities over the long term. Risk tolerance is established through careful consideration of plan liabilities, plan funded status and corporate financial condition. We measure and monitor investment risk on an ongoing basis through annual liability measurements, periodic asset studies and periodic portfolio reviews.

Our postretirement benefit plan weighted-average asset allocations at December 31, 2006 and 2005 by asset category are as follows:

	2006	2005
Equity securities	60.1%	60.2
Debt securities	27.9	31.4
Other	12.0	8.4
Total	100.0%	100.0

In determining the expected return on plan assets, we study historical markets and apply the widely-accepted capital market principle that assets with higher volatility and risk generate a greater return over the long term. We evaluate current market factors such as inflation and interest rates before determining long-term capital market assumptions. We also review peer data and historical returns to check for reasonableness.

Assumed health care cost trends have a significant effect on the amounts reported for postretirement benefit plans. 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 annual total of service and interest cost components	$ 243	(312)
Effect on postretirement benefit obligation	$ 3,775	(4,729)

We expect to contribute approximately $16.7 million to our postretirement benefit plan in 2007.

Our estimated future projected benefit payments under our postretirement benefit plan are as follows:

Year	Before Medicare Subsidy	Medicare Subsidy	Net of Medicare Subsidy
		(Dollars in thousands)	
2007	$ 18,067	(1,327)	16,740
2008	$ 20,120	(1,576)	18,544
2009	$ 22,242	(1,814)	20,428
2010	$ 24,393	(1,801)	22,592
2011	$ 26,152	(1,533)	24,619
2012-2016	$ 141,920	(2,781)	139,139

(11) DEFINED BENEFIT AND OTHER RETIREMENT PLANS

We sponsor defined benefit pension plans for substantially all employees. We also sponsor a Supplemental Executive Retirement Plan to provide certain officers with supplemental retirement, death and disability benefits. We use a December 31 measurement date for all our plans.

The following is a reconciliation of the beginning and ending balances for the aggregate benefit obligation and the plan assets for our above-referenced defined benefit plans.

December 31,		2006	2005	2004
			(Dollars in thousands)	
Change in benefit obligation				
Benefit obligation at beginning of year	$	460,599	418,630	390,833
Service cost		17,679	15,332	14,175
Interest cost		25,935	23,992	23,156
Plan amendments		(3,827)	31	428
Actuarial loss		6,789	28,016	16,304
Settlements		(13,232)	-	-
Benefits paid		(19,641)	(25,402)	(26,266)
Benefit obligation at end of year	$	474,302	460,599	418,630
Change in plan assets				
Fair value of plan assets at beginning of year	$	407,367	363,981	348,308
Return on plan assets		46,297	25,453	35,892
Employer contributions		31,503	43,335	6,047
Benefits paid		(32,874)	(25,402)	(26,266)
Fair value of plan assets at end of year	$	452,293	407,367	363,981

Net periodic pension expense for 2006, 2005 and 2004 included the following components:

Year ended December 31,		2006	2005	2004
			(Dollars in thousands)	
Service cost	$	17,679	15,332	14,175
Interest cost		25,935	23,992	23,156
Expected return on plan assets		(32,706)	(29,225)	(28,195)
Settlements		3,344	-	1,093
Recognized net losses		9,670	6,328	5,525
Net amortization and deferral		19	289	279
Net periodic pension expense	$	23,941	16,716	16,033

The following table sets forth the combined plans' funded status and amounts recognized in our consolidated balance sheet at December 31, 2006, 2005 and 2004.

December 31,	2006	2005	2004
		(Dollars in thousands)	
Benefit obligation	$ (474,302)	(460,599)	(418,630)
Fair value of plan assets	452,293	407,367	363,981
Unrecognized transition asset	-	(396)	(648)
Unamortized prior service cost	-	3,109	3,618
Unrecognized net actuarial loss	-	123,879	98,479
Net amount recognized	$ (22,009)	73,360	46,800

In accordance with SFAS 158, the unrecognized transition asset ($144,000 as of December 31, 2006), unamortized prior service credit ($989,000 as of December 31, 2006) and unrecognized net actuarial loss ($104.1 million as of December 31, 2006) components have been reflected as a $102.9 million net reduction ($63.4 million after-tax) to accumulated other comprehensive loss within stockholders' equity. The estimated amount of amortization expense (income) of the above unrecognized amounts that will be amortized from accumulated other comprehensive loss and reflected as a component of net periodic pension cost for 2007 are (i) ($144,000) for the transition asset; (ii) $165,000 for the prior service cost and (iii) $5.9 million for the net actuarial loss.

Amounts recognized on the balance sheet consist of:

December 31,	2006	2005
	(Dollars in thousands)	
Pension asset (reflected in Other Assets)*	$ 16,187	73,360
Accrued expenses and other current liabilities*	(1,412)	-
Other deferred credits*	(36,784)	-
Additional minimum pension liability (reflected in Deferred Credits and Other Liabilities)	-	(11,662)
Accumulated Other Comprehensive Loss	-	11,662
Net amount recognized	$ (22,009)	73,360

* For 2006, in accordance with SFAS 158, those plans that are overfunded are reflected as assets; those plans that are underfunded are reflected as liabilities.

Our aggregate accumulated benefit obligation as of December 31, 2006 and 2005 was $407.2 million and $392.3 million, respectively.

Assumptions used in accounting for the pension plans as of December 2006 and 2005 were:

	2006	2005
Determination of benefit obligation		
Discount rate	5.8%	5.5
Weighted average rate of compensation increase	4.0%	4.0
Determination of benefit cost		
Discount rate	5.5%	5.75
Weighted average rate of compensation increase	4.0%	4.0
Expected long-term rate of return on assets	8.25%	8.25

We employ a total return investment approach whereby a mix of equities and fixed income investments are used to maximize the long-term return of plan assets for a prudent level of risk. The intent of this strategy is to minimize plan expenses by outperforming plan liabilities over the long term. Risk tolerance is established through careful consideration of plan liabilities, plan funded status and corporate financial condition. We measure and monitor investment risk on an ongoing basis through annual liability measurements, periodic asset studies and periodic portfolio reviews.

Our pension plans weighted-average asset allocations at December 31, 2006 and 2005 by asset category are as follows:

	2006	2005
Equity securities	71.7%	69.5
Debt securities	25.8	28.0
Other	2.5	2.5
Total	100.0%	100.0

In determining the expected return on plan assets, we study historical markets and apply the widely-accepted capital market principle that assets with higher volatility and risk generate a greater return over the long term. We evaluate current market factors such as inflation and interest rates before determining long-term capital market assumptions. We also review peer data and historical returns to check for reasonableness.

The amount of the 2007 contribution will be determined based on a number of factors, including the results of the 2007 actuarial valuation report. At this time, the amount of the 2007 contribution is not known.

Our estimated future projected benefit payments under our defined benefit pension plans are as follows: 2007 - $24.3 million; 2008 - $27.1 million; 2009 - $29.0 million; 2010 - $31.4 million; 2011 - $33.9 million; and 2012-2016 - $199.5 million.

Through December 31, 2006, we also sponsored an Employee Stock Ownership Plan (“ESOP”) which covers most employees with one year of service and is funded by our contributions determined annually by the Board of Directors. Our expense related to the ESOP during 2006, 2005 and 2004 was $7.9 million, $7.3 million, and $8.1 million, respectively. At December 31, 2006, the ESOP owned an aggregate of 3.4 million shares of CenturyTel common stock. After 2006, our contribution to the ESOP will be discontinued.

We 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. Our matching contributions to the 401(k) Plans were $8.6 million in 2006, $8.5 million in 2005 and $9.1 million in 2004. Our matching contribution to the 401(k) Plans will increase in 2007, but such increase will be less than the reduction from the discontinuance of the ESOP contributions mentioned above.

(12) INCOME TAXES

Income tax expense included in the Consolidated Statements of Income for the years ended December 31, 2006, 2005 and 2004 was as follows:

Year ended December 31,		2006	2005	2004
			(Dollars in thousands)	
Federal				
Current	$	146,201	139,836	121,374
Deferred		37,687	35,499	59,973
State				
Current		25,236	(6,075)	14,380
Deferred		11,998	34,031	14,401
	$	221,122	203,291	210,128

Income tax expense was allocated as follows:

Year ended December 31,	2006	2005	2004
		(Dollars in thousands)	
Income tax expense in the consolidated statements of income	$ 221,122	203,291	210,128
Stockholders' equity:			
Compensation expense for tax purposes in excess of amounts recognized for financial reporting purposes	(12,034)	(6,261)	(3,244)
Tax effect of the change in accumulated other comprehensive income (loss)	(63,837)	(801)	(5,195)

The following is a reconciliation from the statutory federal income tax rate to our effective income tax rate:

Year ended December 31,	2006	2005	2004
		(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	4.1	3.4	3.4
Other, net	(1.7)	(.6)	-
Effective income tax rate	37.4%	37.8	38.4

The tax effects of temporary differences that gave rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2006 and 2005 were as follows:

December 31,		2006	2005
		(Dollars in thousands)	
Deferred tax assets			
Postretirement and pension benefit costs	$	131,890	65,318
Net state operating loss carryforwards		61,875	56,506
Other employee benefits		24,907	21,176
Other		45,628	42,657
Gross deferred tax assets		264,300	185,657
Less valuation allowance		(61,049)	(54,412)
Net deferred tax assets		203,251	131,245
Deferred tax liabilities			
Property, plant and equipment, primarily due to depreciation differences		(334,521)	(334,011)
Goodwill		(503,126)	(447,850)
Other		(27,010)	(19,804)
Gross deferred tax liabilities		(864,657)	(801,665)
Net deferred tax liability	$	(661,406)	(670,420)

Of the $661.4 million net deferred tax liability as of December 31, 2006, approximately $673.1 million is reflected as a net long-term liability (in “Other deferred credits”) and approximately $11.7 million is reflected as a net current deferred tax asset (in “Other current assets”).

We establish valuation allowances when necessary to reduce the deferred tax assets to amounts we expect to realize. As of December 31, 2006, we had available tax benefits associated with net state operating loss carryforwards, which expire through 2026, of $61.9 million. The ultimate realization of the benefits of the carryforwards is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. We consider our scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. As a result of such assessment, we reserved $61.0 million through the valuation allowance as of December 31, 2006 as it is more likely than not that this amount of net operating loss carryforwards will not be utilized prior to expiration. Income tax expense was reduced by approximately $6.4 million in 2006 due to the resolution of various income tax audit issues. Income tax expense for 2005 was increased by $19.5 million as a result of increasing the valuation allowance related to net state operating loss carryforwards. This increase was primarily due to changes in state income tax laws and other factors which impacted the projections of future taxable income.

(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,		2006	2005	2004
		(Dollars, except per share amounts, and shares in thousands)		
Income (Numerator):				
Net income	$	370,027	334,479	337,244
Dividends applicable to preferred stock		(380)	(396)	(399)
Net income applicable to common stock for computing basic earnings per share		369,647	334,083	336,845
Interest on convertible debentures, net of tax		4,828	4,875	4,829
Dividends applicable to preferred stock		380	396	399
Net income as adjusted for purposes of computing diluted earnings per share	$	374,855	339,354	342,073
Shares (Denominator):				
Weighted average number of shares:				
Outstanding during period		117,363	131,044	137,225
Nonvested restricted stock		(692)	(203)	-
Employee Stock Ownership Plan shares not committed to be released		-	-	(10)
Weighted average number of shares outstanding during period for computing basic earnings per share		116,671	130,841	137,215
Incremental common shares attributable to dilutive securities:				
Shares issuable under convertible securities		4,493	4,511	4,514
Shares issuable upon settlement of accelerated share repurchase agreements		365	378	-
Shares issuable under incentive compensation plans		700	357	415
Number of shares as adjusted for purposes of computing diluted earnings per share		122,229	136,087	142,144
Basic earnings per share	$	3.17	2.55	2.45
Diluted earnings per share	$	3.07	2.49	2.41

In connection with calculating our diluted earnings per share for our accelerated share repurchase program discussed in Note 9, we assumed the accelerated share repurchase market price adjustment would be settled through our issuance of additional shares of common stock, which was allowed (at our discretion) in the agreement. Accordingly, the estimated shares issuable based on the fair value of the forward contract was included in the weighted average shares outstanding for the computation of diluted earnings per share.

The weighted average number of shares of common stock subject to issuance under outstanding options 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 1.0 million for 2006, 1.8 million for 2005 and 2.4 million for 2004.

(14) STOCK COMPENSATION PROGRAMS

Effective January 1, 2006, we adopted the provisions of Statement of Financial Accounting Standards No. 123 (Revised 2004), "Share-Based Payment" ("SFAS 123(R)"). SFAS 123(R) requires us to measure our cost of awarding employees with equity instruments based upon the fair value of the award on the grant date. Such cost will be recognized as compensation expense over the period during which the employee is required to provide service in exchange for the award. Compensation cost is also recognized over the applicable remaining vesting period for any outstanding options that were not fully vested as of January 1, 2006. We did not have any unvested outstanding options as of January 1, 2006 since our Board of Directors accelerated the vesting of all unvested options effective as of December 31, 2005, as described below. We elected the modified prospective transition method as permitted by SFAS 123(R); accordingly, we did not restate prior period results.

We currently maintain programs which allow the Board of Directors, through its Compensation Committee, to grant incentives to certain employees and our outside directors 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, 2006, we had reserved approximately 7.7 million shares of common stock which may be issued in connection with incentive awards made in the future under our current incentive programs. We also offer an Employee Stock Purchase Plan whereby employees can purchase our common stock at a 15% discount based on the lower of the beginning or ending stock price during recurring six-month periods stipulated in such program.

As of December 31, 2005, we had approximately 6.0 million options outstanding from prior grants, all of which were issued with exercise prices either equal to or exceeding the then-current market price. All of these options were exercisable as a result of actions taken by our Board of Directors in December 2005 to accelerate the vesting of all unvested options outstanding, effective as of December 31, 2005, in order to eliminate the recognition of compensation expense which otherwise would have been required upon the effectiveness of SFAS 123(R).

During 2006 we granted 1,007,175 stock options with exercise prices at market value. All of these options expire ten years after the date of grant and have a three-year vesting period. The weighted average fair value of each option was estimated as of the date of grant to be $12.75 using a Black-Scholes option pricing model using the following assumptions: dividend yield - .7%; expected volatility - 30%; weighted average risk free interest rate - 4.65% (rates ranged from 4.28% to 5.22%); and expected term - 7 years (executive officers) and 5 years (all other employees).

During 2005 we granted 1,015,025 stock options with exercise prices at market value. The weighted average fair value of each of the 2005 options was estimated as of the date of grant to be $12.68 using an option-pricing model with the following assumptions: dividend yield - .7%; expected volatility - 30%; weighted average risk-free interest rate - 4.2%; and expected option life - seven years.

During 2004 we granted 952,975 stock options with exercise prices at market value. The weighted average fair value of each of the 2004 options was estimated as of the date of grant to be $10.25 using an option-pricing model with the following assumptions: dividend yield - .7%; expected volatility - 30%; weighted average risk-free interest rate - 3.6%; and expected option life - seven years.

The expected volatility was based on the historical volatility of our common stock over the 7- and 5- year terms mentioned above. The expected term was determined based on the historical exercise and forfeiture rates for similar grants.

Stock option transactions during 2006, 2005 and 2004 were as follows:

	Number of options	Average price	Remaining contractual term (in years)	Aggregate intrinsic value
Outstanding December 31, 2003	6,734,572	$ 28.14		
Granted	952,975	22.96		
Exercised	(827,486)	28.22		
Forfeited/Cancelled	(146,503)	27.90		
Outstanding December 31, 2004	6,713,558	$ 28.79		
Granted	1,015,025	25.04		
Exercised	(1,664,625)	33.69		
Forfeited/Cancelled	(68,500)	31.40		
Outstanding December 31, 2005	5,995,458	$ 30.63		
Granted	1,007,175	35.98		
Exercised	(3,047,918)	29.15		
Forfeited/Cancelled	(58,916)	32.54		
Outstanding December 31, 2006	3,895,799	$ 33.14	6.5	$ 40,967,000
Exercisable December 31, 2006	2,918,724	$ 32.20	5.7	$ 33,452,000

In addition, during 2006, we issued 293,943 shares of restricted stock to certain employees and our outside directors at a weighted-average price of $36.02 per share. During 2005, we issued 286,123 shares of restricted stock at a weighted-average price of $33.47 per share, and during 2004, we issued 227,075 shares of restricted stock at a weighted-average price of $27.63 per share. Such restricted stock vests over a five-year period (for employees) and a three-year period (for outside directors). Nonvested restricted stock transactions during 2006 were as follows:

	Number of shares	Average grant date fair value
Nonvested at January 1, 2006	511,919	$ 30.92
Granted	293,943	36.02
Vested	(80,641)	32.58
Forfeited	(13,133)	30.70
Nonvested at December 31, 2006	712,088	$ 32.84

The total compensation cost for share-based payment arrangements in 2006, 2005 and 2004 was $11.9 million, $4.7 million and $1.3 million, respectively. We recognized a tax benefit related to such arrangements of approximately $4.5 million in 2006, $1.8 million in 2005 and $491,000 in 2004. As of December 31, 2006, there was $22.0 million of total unrecognized compensation cost related to the share-based payment arrangements, which is expected to be recognized over a weighted-average period of 3.0 years.

We received net cash proceeds of $88.8 million during 2006 in connection with option exercises. The total intrinsic value of options exercised (the amount by which the market price of the stock on the date of exercise exceeded the market price of the stock on the date of grant) was $31.0 million during 2006, $16.3 million during 2005 and $8.6 million during 2004. The excess tax benefit realized from stock options exercised and restricted stock released during 2006 was $12.0 million. The total fair value of restricted stock that vested during 2006, 2005 and 2004 was $2.6 million, $208,000 and $1.3 million, respectively.

Prior to January 1, 2006, we accounted for 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” (“SFAS 123”). Options have been granted at a price either equal to or exceeding the then-current market price. Accordingly, we did not recognize compensation cost in connection with issuing stock options prior to January 1, 2006. If compensation cost for our options had been determined consistent with SFAS 123(R), our net income and earnings per share on a pro forma basis for 2005 and 2004 would have been as follows:

Year ended December 31,		2005	2004
		(Dollars in thousands, except per share amounts)	
Net income, as reported	$	334,479	337,244
Add: Stock-based compensation expense reflected in net income, net of tax		96	-
Less: Total stock-based compensation expense determined under fair value based method, net of tax		(12,537)	(9,767)
Pro forma net income	$	322,038	327,477
Basic earnings per share			
As reported	$	2.55	2.45
Pro forma	$	2.46	2.38
Diluted earnings per share			
As reported	$	2.49	2.41
Pro forma	$	2.40	2.34

(15) GAIN ON ASSET DISPOSITIONS

In April 2006, upon dissolution of the Rural Telephone Bank ("RTB"), we received $122.8 million in cash for redemption of our investment in stock of the RTB and recorded a pre-tax gain of approximately $117.8 million in the second quarter of 2006 related to this transaction. In May 2006, we sold the assets of our local exchange operations in Arizona for approximately $5.9 million cash and recorded a pre-tax gain of approximately $866,000 in the second quarter of 2006. Such gains are included in "Other income (expense)" on our Consolidated Statements of Income.

(16) SUPPLEMENTAL CASH FLOW DISCLOSURES

The amount of interest actually paid, net of amounts capitalized of $1.9 million, $2.8 million and $762,000 during 2006, 2005 and 2004, respectively, was $191.9 million, $194.8 million and $207.2 million during 2006, 2005 and 2004, respectively. Income taxes paid were $212.4 million in 2006, $88.8 million in 2005 and $129.9 million in 2004. Income tax refunds totaled $3.0 million in 2006, $4.9 million in 2005 and $8.9 million in 2004.

We have consummated the acquisitions of various operations, along with certain other assets, during the three years ended December 31, 2006. In connection with these acquisitions, the following assets were acquired and liabilities assumed:

Year ended December 31,	2006	2005	2004
		(Dollars in thousands)	
Property, plant and equipment, net	$ -	66,450	-
Goodwill	-	-	5,274
Deferred credits and other liabilities	-	-	(3,381)
Other assets and liabilities, excluding cash and cash equivalents	5,222	9,003	107
Decrease in cash due to acquisitions	$ 5,222	75,453	2,000

(17) FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table presents the carrying amounts and estimated fair values of certain of our financial instruments at December 31, 2006 and 2005.

		Carrying Amount	Fair value
		(Dollars in thousands)	
December 31, 2006			
Financial assets	$	110,134	110,134(2)
Financial liabilities			
Long-term debt (including current maturities)	$	2,567,864	2,522,347(1)
Interest rate swaps	$	20,593	20,593(2)
Other	$	51,614	51,614(2)
December 31, 2005			
Financial assets	$	110,912	228,651(2)
Financial liabilities			
Long-term debt (including current maturities)	$	2,652,806	2,648,843(1)
Interest rate swaps	$	17,645	17,645(2)
Other	$	48,917	48,917(2)

(1) Fair value was estimated by discounting the scheduled payment streams to present value based upon rates currently available to us for similar debt.

(2) Fair value was estimated by us to approximate carrying value or is based on current market information (see below for further information).

Included in Financial Assets at December 31, 2005 was our investment in stock of the RTB. The carrying value of our investment in RTB stock ($5.1 million) was reflected on the balance sheet on the cost basis and did not include the cumulative stock dividends earned. In 2006, upon dissolution of the RTB, we received $122.8 million in cash for redemption of our investment in stock of the RTB and recorded a pre-tax gain of approximately $117.8 million in 2006 related to this transaction.

We believe 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 and have not been reflected in the above table.

(18) BUSINESS SEGMENTS

We are an integrated communications company engaged primarily in providing an array of communications services to our customers, including local exchange, long distance, Internet access and broadband services. We strive to maintain our customer relationships by, among other things, bundling our service offerings to provide our customers with a complete offering of integrated communications services. As a result of increased bundling of our local exchange and long distance service offerings, beginning in 2006, we have combined the revenues of such offerings into a category entitled “Voice”. Prior periods have been restated to insure comparability.

Our operating revenues for our products and services include the following components:

Year ended December 31,		2006	2005	2004
			(Dollars in thousands)	
Voice	$	860,741	892,272	903,025
Network access		878,702	959,838	966,011
Data		351,495	318,770	275,777
Fiber transport and CLEC		149,088	115,454	74,409
Other		207,704	192,918	188,150
Total operating revenues	$	2,447,730	2,479,252	2,407,372

For a description of each of the sources of revenues, see Management’s Discussion and Analysis of Financial Condition and Results of Operations - Operating Revenues.

Interexchange carriers and other accounts receivable on the balance sheets 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 2007 are estimated to be $325 million. We generally do not enter into firm, committed contracts for such activities.

In Barbrasue Beattie and James Sovis, on behalf of themselves and all others similarly situated, v. CenturyTel, Inc. , filed on October 28, 2002, in the United States District Court for the Eastern District of Michigan (Case No. 02-10277), the plaintiffs allege that we unjustly and unreasonably billed customers for inside wire maintenance services, and seek unspecified monetary damages and injunctive relief under various legal theories on behalf of a purported class of over two million customers in our telephone markets. On March 10, 2006, the Court certified a class of plaintiffs and issued a ruling that the billing descriptions we used for these services during an approximately 18-month period between October 2000 and May 2002 were legally insufficient. We have appealed this class certification decision, although we cannot predict the length of time before this appeal will be adjudicated. Our preliminary analysis indicates that we billed less than $9 million for inside wire maintenance services under the billing descriptions and time periods specified in the District Court ruling described above. Should other billing descriptions be determined to be inadequate or if claims are allowed for additional time periods, the amount of our potential exposure could increase significantly. The Court’s order does not specify the award of damages, the scope and amounts of which, if any, remain subject to additional fact-finding and resolution of what we believe are valid defenses to plaintiff's claims. Accordingly, we cannot reasonably estimate the amount or range of possible loss at this time. However, considering the one-time nature of any adverse result, we do not believe that the ultimate outcome of this litigation will have a material adverse effect on our financial position or on-going results of operations.

The Telecommunications Act of 1996 allows local exchange carriers to file access tariffs on a streamlined basis and, if certain criteria are met, deems those tariffs lawful. Tariffs that have been "deemed lawful" in effect nullify an interexchange carrier's ability to seek refunds should the earnings from the tariffs ultimately result in earnings above the authorized rate of return prescribed by the FCC. Certain of our telephone subsidiaries file interstate tariffs with the FCC using this streamlined filing approach. Since July 2004, we have recognized billings from our tariffs as revenue since we believe such tariffs are "deemed lawful". For those billings from tariffs prior to July 2004, we initially recorded as a liability our earnings in excess of the authorized rate of return, and may thereafter recognize as revenue some or all of these amounts at the end of the applicable settlement period or as our legal entitlement thereto becomes certain. As of December 31, 2006, the amount of our earnings in excess of the authorized rate of return reflected as a liability on the balance sheet for the 2003/2004 monitoring period aggregated approximately $43 million. The settlement period related to the 2003/2004 monitoring period lapses on September 30, 2007.

As discussed above in Note 15, we received approximately $122.8 million in cash from the dissolution of the Rural Telephone Bank ("RTB"). Some portion of the gain recognized in connection with the receipt of these proceeds, while not estimable at this time, is currently or may be subject to review by regulatory authorities which may result in us recording a regulatory liability.

In March 2006, we filed a complaint against AT&T Corp. and AT&T Communications, Inc. (collectively, "AT&T") in the United States District Court for the District of New Jersey. This lawsuit currently includes 24 other local exchange company plaintiffs. Our complaint seeks recovery from AT&T of unpaid and underpaid access charges for calls made using AT&T's prepaid calling cards and calls that used Internet Protocol ("IP") for a portion of their transmission. We believe AT&T improperly classified certain of the prepaid calling card calls as interstate traffic rather than intrastate traffic, thereby depriving us of the higher access rates associated with intrastate calls. We also believe that AT&T improperly classified the calls that used IP for a portion of their transmission as local calls, thereby depriving us of access rates entirely. AT&T has filed a counterclaim against us, asserting that we improperly billed AT&T terminating intrastate access charges on certain wireless roaming traffic. At this time, the likely outcome of these cases cannot be predicted, nor can a reasonable estimate of the amount of recovery or payment, if any, be made. Accordingly, we have not recognized any amounts with respect to these matters in our consolidated financial statements.

From time to time, we are involved in other proceedings incidental to our 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. The outcome of these other proceedings is not predictable. However, we do not believe that the ultimate resolution of these other proceedings, after considering available insurance coverage, will have a material adverse effect on our financial position, results of operations or cash flows.

* * * * * * * * *

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

	First quarter	Second quarter	Third quarter	Fourth quarter
	(Dollars in thousands, except per share amounts)			
2006	(unaudited)			
Operating revenues	$ 611,291	608,907	619,837	607,695
Operating income	$ 157,924	164,993	168,942	173,679
Net income	$ 69,260	152,210	76,324	72,233
Basic earnings per share	$ .57	1.32	.66	.63
Diluted earnings per share	$ .55	1.26	.64	.62
2005				
Operating revenues	$ 595,282	606,413	657,085	620,472
Operating income	$ 176,860	185,882	201,242	172,419
Net income	$ 79,616	85,118	91,411	78,334
Basic earnings per share	$ .60	.65	.70	.60
Diluted earnings per share	$ .59	.64	.68	.59
2004				
Operating revenues	$ 593,704	603,555	603,879	606,234
Operating income	$ 183,557	189,911	190,869	189,616
Net income	$ 83,279	83,284	86,192	84,489
Basic earnings per share	$ .58	.60	.64	.63
Diluted earnings per share	$ .57	.59	.63	.62

The first, second and third quarters of 2006 have been adjusted to reflect the application of SAB 108 (see Note 1 for additional information).

The fourth quarter of 2006 included an $11.7 million pre-tax charge related to the impairment of certain non-operating investments.

The second quarter of 2006 included a $117.8 million pre-tax gain recorded upon the redemption of Rural Telephone Bank stock and a $6.4 million net tax benefit due to the resolution of various income tax audit issues.

The fourth quarter of 2005 included a $6.3 million pre-tax charge related to the impairment of a non-operating investment.

The third quarter of 2005 included the following amounts presented on a pre-tax basis: (i) the recognition of $35.9 million of revenue as the settlement period related to the 2001/2002 monitoring period lapsed; (ii) $5.8 million of expenses related to Hurricanes Katrina and Rita; (iii) a $9.9 million charge related to the impairment of a non-operating investment; and (iv) a $3.5 million gain on the sale of a separate non-operating investment.

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

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures. We maintain disclosure controls and procedures designed to provide reasonable assurances that information required to be disclosed by us in the reports we file under the Securities Exchange Act of 1934 is timely recorded, processed, summarized and reported as required. Our Chief Executive Officer, Glen F. Post, III, and our Chief Financial Officer, R. Stewart Ewing, Jr., have evaluated our disclosure controls and procedures as of December 31, 2006. Based on the evaluation, Messrs. Post and Ewing concluded that our disclosure controls and procedures have been effective in providing reasonable assurance that they have been timely alerted of material information required to be filed in this annual report. Since the date of Messrs. Post's and Ewing's most recent evaluation, there have been no significant changes in our internal controls or in other factors that could significantly affect these controls. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events and contingencies, and there can be no assurance that any design will succeed in achieving our stated goals. Because of the inherent limitations in any control system, you should be aware that misstatements due to error or fraud could occur and not be detected.

Reports on Internal Controls Over Financial Reporting. We incorporate by reference into this Item 9A the reports appearing at the forefront of Item 8, "Financial Statements and Supplementary Data".

Item 9B. Other Information

On February 26, 2007, the Compensation Committee of the Board granted equity awards and took other related actions, including establishing for senior management annual bonus targets for 2007 based upon attaining certain specified levels of operating cash flow and end-user revenues.

PART III

I tem 10. Directors and Executive Officers of the Registrant

The name, age and office(s) held by each of our executive officers are shown below. Each of the executive officers listed below serves at the pleasure of the Board of Directors.

Name	Age	Office(s) held with CenturyTel
Glen F. Post, III	54	Chairman of the Board of Directors and Chief Executive Officer
Karen A. Puckett	46	President and Chief Operating Officer
R. Stewart Ewing, Jr.	55	Executive Vice President and Chief Financial Officer
David D. Cole	49	Senior Vice President - Operations Support
Stacey W. Goff	41	Senior Vice President, General Counsel and Secretary
Michael Maslowski	59	Senior Vice President and Chief Information Officer

Each of our executive officers has served as an officer of CenturyTel and one or more of its subsidiaries in varying capacities for more than the past five years.

Prior to being elected to serve as our President and Chief Operating Officer in August 2002, Ms. Puckett served as our Executive Vice President and Chief Operating Officer from July 2000 through August 2002.

Mr. Post has served as Chairman of the Board since June 2002, and previously served as Vice Chairman of the Board from 1993 to 2002 and President from 1990 to 2002.

In August 2003, Mr. Goff was promoted to Senior Vice President, General Counsel and Secretary. He previously served as Vice President and Assistant General Counsel from 2000 to July 2003 and as Director-Corporate Legal from 1998 to 2000.

The balance of the information required by Item 10 is incorporated by reference to our definitive proxy statement relating to our 2007 annual meeting of stockholders (the "Proxy Statement"), which Proxy Statement will be filed pursuant to Regulation 14A within the first 120 days of 2007.

I tem 11. Executive Compensation

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

It em 12. Security Ownership of Certain Beneficial Owners and Management

The following table provides information about shares of CenturyTel common stock authorized for issuance under our existing equity compensation plans as of December 31, 2006.

Plan category	(a) Number of securities to be issued upon conversion of outstanding options	(b) Weighted-average exercise price of outstanding options	(c) Number of securities remaining available for future issuance under plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	3,895,799	$ 33.14	3,773,251
Employee Stock Purchase Plan approved by shareholders	-	-	4,552,448
Equity compensation plans not approved by security holders	-	-	-
Totals	3,895,799	$ 33.14	8,325,699

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

I tem 13. Certain Relationships and Related Transactions

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

I tem 14. Principal Accountant Fees and Services

The information required by Item 14 is incorporated by reference to the Proxy Statement.

PART IV

Item 15. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a). Documents filed as a part of this report

(1) The following Consolidated Financial Statements are included in Part II, Item 8:

Report of Management, including its assessment of the effectiveness of its internal controls over financial reporting

Report of Independent Registered Public Accounting Firm on Consolidated Financial Statements and Financial Statement Schedule

Report of Independent Registered Public Accounting Firm on management's assessment of, and the effective operation of, internal controls over financial reporting

Consolidated Statements of Income for the years ended December 31, 2006, 2005 and 2004

Consolidated Statements of Comprehensive Income for the years ended December 31, 2006, 2005 and 2004

Consolidated Balance Sheets - December 31, 2006 and 2005

Consolidated Statements of Cash Flows for the years ended December 31, 2006, 2005 and 2004

Consolidated Statements of Stockholders' Equity for the years ended December 31, 2006, 2005 and 2004

Notes to Consolidated Financial Statements

Consolidated Quarterly Income Statement Information (unaudited)

(2) The attached Schedule II, Valuation and Qualifying Accounts, is the only applicable schedule that we are required to file.

(3) Exhibits:

3.1 Amended and Restated Articles of Incorporation, dated as of May 6, 1999 (incorporated by reference to Exhibit 3(i) to our Quarterly Report on Form 10-Q for the quarter ended June 30, 1999).

3.2 Bylaws, as amended through August 26, 2003 (incorporated by reference to Exhibit 3.1 of our Current Report on Form 8-K dated August 29, 2003 and filed on September 2, 2003).

3.3 Corporate Governance Guidelines, as amended through February 21, 2006 (incorporated by reference to Exhibit 3.3 of our Annual Report on Form 10-K for the year ended December 31, 2005).

3.4 Charters of Committees of Board of Directors

(a) Charter of the Audit Committee of the Board of Directors, as amended through November 15, 2006, included elsewhere herein.

(b) Charter of the Compensation Committee of the Board of Directors, as amended through February 25, 2004 (incorporated by reference to Exhibit 3.3 of our Annual Report on Form 10-K for the year ended December 31, 2003).

(c) Charter of the Nominating and Corporate Governance Committee of the Board of Directors, as amended through February 25, 2004 (incorporated by reference to Exhibit 3.3 of our Annual Report on Form 10-K for the year ended December 31, 2003).

(d) Charter of the Risk Evaluation Committee of the Board of Directors, as amended through February 25, 2004 (incorporated by reference to Exhibit 3.3 of our Annual Report on Form 10-K for the year ended December 31, 2003).

4.1 Form of common stock certificate (incorporated by reference to Exhibit 4.3 of our Annual Report on Form 10-K for the year ended December 31, 2000).

4.2 Instruments relating to our public senior debt

(a) Indenture dated as of March 31, 1994 between CenturyTel and Regions Bank (formerly First American Bank & Trust of Louisiana), as Trustee (incorporated by reference to Exhibit 4.1 of our Registration Statement on Form S-3, Registration No. 33-52915).

(b) Resolutions designating the terms and conditions of CenturyTel's 7.2% Senior Notes, Series D, due 2025 (incorporated by reference to Exhibit 4.27 to our Annual Report on Form 10-K for the year ended December 31, 1995).

(c) Resolutions designating the terms and conditions of CenturyTel's 6.30% Senior Notes, Series F, due 2008; and 6.875% Debentures, Series G, due 2028, (incorporated by reference to Exhibit 4.9 to our Annual Report on Form 10-K for the year ended December 31, 1997).

(d) Form of 8.375% Senior Notes, Series H, Due 2010, issued October 19, 2000 (incorporated by reference to Exhibit 4.2 of our Quarterly Report on Form 10-Q for the quarter ended September 30, 2000).

(e) First Supplemental Indenture, dated as of May 1, 2002, between CenturyTel and Regions Bank, as Trustee, to the Indenture, dated as of March 31, 1994, between CenturyTel and Regions Bank, as Trustee, relating to CenturyTel's Senior Notes, Series J, due 2007 issued in connection with the equity units (incorporated by reference to Exhibit 4.2(b) to our Registration Statement on Form S-3, File No. 333-84276).

(f) Second Supplemental Indenture, dated as of August 20, 2002, between CenturyTel and Regions Bank (successor-in-interest to First American Bank & Trust of Louisiana and Regions Bank of Louisiana), as Trustee, designating and outlining the terms and conditions of CenturyTel's 4.75% Convertible Senior Debentures, Series K, due 2032 (incorporated by reference to Exhibit 4.3 of our Registration Statement on Form S-3, File No. 333-100481).

(g) Form of 4.75% Convertible Debentures, Series K, due 2032 (included in Exhibit 4.3(f)).

(h) Board resolutions designating the terms and conditions of CenturyTel's 7.875% Senior Notes, Series L, due 2012 (incorporated by reference to Exhibit 4.2 of our Registration Statement on Form S-4, File No. 333-100480).

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

(j) Third Supplemental Indenture dated as of February 14, 2005 between CenturyTel and Regions Bank (successor-in-interest to First American Bank & Trust of Louisiana and Regions Bank of Louisiana), as Trustee, designating and outlining the terms and conditions of CenturyTel's 5% Senior Notes, Series M, due 2015 (incorporated by reference to Exhibit 4.1 of our Current Report on Form 8-K dated February 15, 2005).

(k) Form of 5% Senior Notes, Series M, due 2015 (included in Exhibit 4.3(j)).

4.3 $750 Million Five-Year Revolving Credit Facility, dated December 14, 2006, between CenturyTel and the lenders named therein, included elsewhere herein.

4.4 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 our 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 employees)

(a) CenturyTel Dollars & Sense 401(k) Plan and Trust, as amended and restated as of December 31, 2006, included elsewhere herein.

(b) CenturyTel Union 401(k) Plan and Trust, as amended and restated through December 31, 2006, included elsewhere herein.

(c) Amended and Restated Retirement Plan, effective as of December 31, 2006, included elsewhere herein.

10.2 Stock-based Incentive Plans

(a) 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 our 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 our 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 our 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 our Quarterly Report on Form 10-Q for the quarter ended March 31, 2001), and amendment thereto dated April 17, 2000 (incorporated by reference to Exhibit 10.2(a) to our Annual Report on Form 10-K for the year ended December 31, 2001).

(b) 1995 Incentive Compensation Plan approved by CenturyTel'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 our 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 our Quarterly Report on Form 10-Q for the quarter ended March 31, 1997) and amendment thereto dated May 29, 2003 (incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2003).

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

(ii) Form of Stock Option Agreement, pursuant to 1995 Incentive Compensation Plan and dated as of February 21, 2000, entered into by CenturyTel and its officers (incorporated by reference to Exhibit 10.1 (t) to our Annual Report on Form 10-K for the year ended December 31, 1999).

(c) Amended and Restated 2000 Incentive Compensation Plan, as amended through May 23, 2000 (incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2000) and amendment thereto dated May 29, 2003 (incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2003).

(i) Form of Stock Option Agreement, pursuant to the 2000 Incentive Compensation Plan and dated as of May 21, 2001, entered into by CenturyTel and its officers (incorporated by reference to Exhibit 10.2(e) to our Annual Report on Form 10-K for the year ended December 31, 2001).

(ii) Form of Stock Option Agreement, pursuant to the 2000 Incentive Compensation Plan and dated as of February 25, 2002, entered into by CenturyTel and its officers (incorporated by reference to Exhibit 10.2(d) (ii) of our Annual Report on Form 10-K for the year ended December 31, 2002).

(d) Amended and Restated 2002 Directors Stock Option Plan, dated as of February 25, 2004 (incorporated by reference to Exhibit 10.2(e) of our Annual Report on Form 10-K for the year ended December 31, 2003).

(i) Form of Stock Option Agreement, pursuant to the foregoing plan, entered into by CenturyTel in connection with options granted to the outside directors as of May 10, 2002 (incorporated by reference to Exhibit 10.2 of Registrant’s Quarterly Report on Form 10-Q for the period ended September 30, 2002).

(ii) Form of Stock Option Agreement, pursuant to the foregoing plan, entered into by CenturyTel in connection with options granted to the outside directors as of May 9, 2003 (incorporated by reference to Exhibit 10.2 (e)(ii) of our Annual Report on Form 10-K for the year ended December 31, 2003).

(iii) Form of Stock Option Agreement, pursuant to the foregoing plan, entered into by CenturyTel in connection with options granted to the outside directors as of May 7, 2004 (incorporated by reference to Exhibit 10.2(d)(iii) of our Annual Report on Form 10-K for the year ended December 31, 2005).

(e) Amended and Restated 2002 Management Incentive Compensation Plan, dated as of February 25, 2004 (incorporated by reference to Exhibit 10.2(f) of our Annual Report on Form 10-K for the year ended December 31, 2003).

(i) Form of Stock Option Agreement, pursuant to the foregoing plan, entered into between CenturyTel and certain of its officers and key employees at various dates since May 9, 2002 (incorporated by reference to Exhibit 10.4 of our Quarterly Report on Form 10-Q for the period ended September 30, 2002).

(ii) Form of Stock Option Agreement, pursuant to the foregoing plan and dated as of February 24, 2003, entered into by CenturyTel and its officers (incorporated by reference to Exhibit 10.2(f)(ii) of our Annual Report on Form 10-K for the year ended December 31, 2002).

(iii) Form of Stock Option Agreement, pursuant to the foregoing plan and dated as of February 25, 2004, entered into by CenturyTel and its officers (incorporated by reference to Exhibit 10.2(f)(iii) of our Annual Report on Form 10-K for the year ended December 31, 2003).

(iv) Form of Restricted Stock Agreement, pursuant to the foregoing plan and dated as of February 24, 2003, entered into by CenturyTel and its executive officers (incorporated by reference to Exhibit 10.1 of our Quarterly Report on Form 10-Q for the period ended March 31, 2003).

(v) Form of Restricted Stock Agreement, pursuant to the foregoing plan and dated as of February 25, 2004, entered into by CenturyTel and its executive officers (incorporated by reference to Exhibit 10.2(f)(v) of our Quarterly Report on Form 10-Q for the period ended March 31, 2004).

(vi) Form of Stock Option Agreement, pursuant to the foregoing plan and dated as of February 17, 2005, entered into by CenturyTel and its executive officers (incorporated by reference to Exhibit 10.2(e)(v) of our Annual Report on From 10-K for the year ended December 31, 2004).

(vii) Form of Restricted Stock Agreement, pursuant to the foregoing plan and dated as of February 17, 2005, entered into by CenturyTel and its executive officers (incorporated by reference to Exhibit 10.2(e)(vi) of our Annual Report on Form 10-K for the year ended December 31, 2004).

(f) 2005 Directors Stock Option Plan (incorporated by reference to our 2005 Proxy Statement filed April 15, 2005).

(i) Form of Restricted Stock Agreement, pursuant to the foregoing plan, entered into between CenturyTel and each of its outside directors as of May 13, 2005 (incorporated by reference to Exhibit 10.4 of our Current Report on Form 8-K dated May 13, 2005).

(ii) Form of Restricted Stock Agreement, pursuant to the foregoing plan, entered into between CenturyTel and each of its outside directors as of May 12, 2006.

(g) 2005 Management Incentive Compensation Plan (incorporated by reference to our 2005 Proxy Statement filed April 15, 2005).

(i) Form of Stock Option Agreement, pursuant to the foregoing plan, entered into between CenturyTel and certain officers and key employees at various dates since May 12, 2005 (incorporated by reference to Exhibit 10.2 of our Quarterly Report on Form 10-Q for the period ended September 30, 2005).

(ii) Form of Restricted Stock Agreement, pursuant to the foregoing plan, entered into between CenturyTel and certain officers and key employees at various dates since May 12, 2005 (incorporated by reference to Exhibit 10.3 of our Quarterly Report on Form 10-Q for the period ended September 30, 2005).

(iii) Form of Stock Option Agreement, pursuant to the foregoing plan and dated as of February 21, 2006, entered into between CenturyTel and its executive officers (incorporated by reference to Exhibit 10.2(g)(iii) of our Annual Report on Form 10-K for the year ended December 31, 2005).

(iv) Form of Restricted Stock Agreement, pursuant to the foregoing plan and dated as of February 21, 2006, entered into between CenturyTel and its executive officers (incorporated by reference to Exhibit 10.2(g)(iv) of our Annual Report on Form 10-K for the year ended December 31, 2005).

10.3 Other Non-Qualified Employee Benefit Plans

(a) 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 our 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 our 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 our 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 our Quarterly Report on Form 10-Q for the quarter ended March 31, 2001) and amendment thereto dated April 17, 2000 (incorporated by reference to Exhibit 10.3(a) to our Annual Report on Form 10-K for the year ended December 31, 2001).

(b) Amended and Restated Supplemental Executive Retirement Plan, 2006 Restatement, included elsewhere herein.

(c) Supplemental Dollars & Sense Plan, 2006 Restatement, effective as of January 1, 2005, included elsewhere herein.

(d) Amended and Restated Supplemental Defined Benefit Plan, effective as of January 1, 2005, included elsewhere herein.

(e) Amended and Restated Salary Continuation (Disability) Plan for Officers, dated November 26, 1991 (incorporated by reference to Exhibit 10.16 of our Annual Report on Form 10-K for the year ended December 31, 1991).

(f) 2005 Executive Officer Short-Term Incentive Program (incorporated by reference to our 2005 Proxy Statement filed April 5, 2005).

(g) 2001 Employee Stock Purchase Plan (incorporated by reference to our 2001 Proxy Statement).

10.4 Employment, Severance and Related Agreements

(a) Change of Control Agreement, dated February 22, 2000, by and between Glen F. Post, III and CenturyTel (incorporated by reference to Exhibit 10.1(b) to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2000).

(b) Form of Change of Control Agreement, dated February 22, 2000, by and between CenturyTel and David D. Cole, R. Stewart Ewing and Michael E. Maslowski (incorporated by reference exhibit 10.1(c) to the our Quarterly Report on Form 10-Q for the quarter ended March 31, 2000).

(c) Form of Change of Control Agreement, dated July 24, 2000, by and between CenturyTel and Karen A. Puckett (incorporated by reference to Exhibit 10.1(c) of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2000).

(d) Form of Change of Control Agreement, dated August 26, 2003, by and between CenturyTel and Stacey W. Goff (incorporated by reference to Exhibit 10.1(c) of our Quarterly Report on Form 10-Q for the period ended March 31, 2000).

(e) Form of Indemnification Agreement for Officers and Directors (incorporated by reference to Exhibit 10.4(e) of our Annual Report on Form 10-K for the year ended December 31, 2005).

14 Corporate Compliance Program (incorporated by reference to Exhibit 14 of our Annual Report on Form 10-K for the year ended December 31, 2003).

21 Subsidiaries of CenturyTel, included elsewhere herein.

23 Independent Registered Public Accounting Firm Consent, included elsewhere herein.

31.1 Chief Executive Officer certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, included elsewhere herein.

31.2 Chief Financial Officer certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, included elsewhere herein.

32 Chief Executive Officer and Chief Financial Officer certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, included elsewhere herein.

(b) Reports on Form 8-K.

The following item was reported in Form 8-Ks during the fourth quarter of 2006, which was filed on the date indicated.

November 2, 2006
Items 2.02 and 9.01. Results of Operations and Financial Condition - News release announcing third quarter 2006 operating results.

December 20, 2006
Items 1.01, 8.01 and 9.01. Entry Into a Material Definitive Agreement - Entry into a Stock Purchase Agreement with Madis River Communications Corp.

SIG NATURES

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: February 27, 2007

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

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/ Glen F. Post, III Glen F. Post, III	Chairman of the Board and Chief Executive Officer	February 27, 2007
/s/ R. Stewart Ewing, Jr. R. Stewart Ewing, Jr.	Executive Vice President and Chief Financial Officer	February 27, 2007
/s/ Neil A. Sweasy Neil A. Sweasy	Vice President and Controller	February 27, 2007
/s/ William R. Boles, Jr. William R. Boles, Jr.	Director	February 27, 2007
/s/ Virginia Boulet Virginia Boulet	Director	February 27, 2007
/s/ Calvin Czeschin Calvin Czeschin	Director	February 27, 2007
/s/ James B. Gardner James B. Gardner	Director	February 27, 2007

/s/ W. Bruce Hanks	Director	
W. Bruce Hanks		February 27, 2007
/s/ Gregory J. McCray	Director	
Gregory J. McCray		February 27, 2007
/s/ C. G. Melville, Jr.	Director	
C. G. Melville, Jr.		February 27, 2007
/s/ Fred R. Nichols	Director	
Fred R. Nichols		February 27, 2007
/s/ Harvey P. Perry	Director	
Harvey P. Perry		February 27, 2007
/s/ Jim D. Reppond	Director	
Jim D. Reppond		February 27, 2007
/s/ Joseph R. Zimmel	Director	
Joseph R. Zimmel		February 27, 2007

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
CENTURYTEL, INC.

For the years ended December 31, 2006, 2005 and 2004

Description	Balance at beginning of period	Additions charged to costs and expenses	Deductions from allowance	Other changes	Balance at end of period
			(Dollars in thousands)		
Year ended December 31, 2006					
Allowance for doubtful accounts	$ 21,721	20,199	(21,009)(1)	(6)(3)	20,905
Valuation allowance for deferred tax assets	$ 54,412	6,637	-	-	61,049
Year ended December 31, 2005					
Allowance for doubtful accounts	$ 21,187	30,945	(30,880)(1)	469(3)	21,721
Valuation allowance for deferred tax assets	$ 27,112	27,300	-	-	54,412
Year ended December 31, 2004					
Allowance for doubtful accounts	$ 23,679	42,093	(44,585)(1)	-	21,187
Valuation allowance for deferred tax assets	$ 19,735	7,377	-	-	27,112

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

(2) Change in the valuation allowance allocated to income tax expense.

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

Exhibit 3.4(a)

CenturyTel, Inc.

CHARTER OF AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

(as amended through November 15, 2006)

I. SCOPE OF RESPONSIBILITY

A. General

Subject to the limitations noted in Section VI, the primary function of the Audit Committee is to assist the Board of Directors (the "Board") in fulfilling its oversight responsibilities by (1) overseeing the Company's system of financial reporting, auditing, controls and legal compliance, (2) monitoring the operation of such system and the integrity of the Company's financial statements, and (3) monitoring the qualifications, independence and performance of the outside and internal auditors.

B. Relationship to Other Groups

The management of the Company is responsible primarily for developing the Company's accounting practices, preparing the Company's financial statements, maintaining internal controls, maintaining disclosure controls and procedures, and preparing the Company's disclosure documents in compliance with applicable law. The internal auditors are responsible primarily for objectively assessing the Company's internal controls. The outside auditors are responsible primarily for auditing and attesting to the Company's financial statements and management's assessment of internal controls. Subject to the limitations noted in Section VI, the Audit Committee, as the delegate of the Board, is responsible for overseeing this process and discharging such other functions as are assigned by law, the Company's organizational documents, or the Board. The functions of the Audit Committee are not intended to duplicate, certify or guaranty the activities of management or the internal or outside auditors.

The Audit Committee will strive to maintain an open and free avenue of communication with management, the outside auditors, the internal auditors and the Board, including periodic executive sessions of the Committee with management, the outside auditors and the internal auditors. The outside and internal auditors will report directly to the Audit Committee. The Audit Committee will report regularly to the Board.

II. COMPOSITION

The Audit Committee will be comprised of three or more directors, each of whom will be appointed and replaced by the Board in accordance with the Company's bylaws. Each member of the Audit Committee will meet the standards of independence or other qualifications required from time to time by the New York Stock Exchange, Section 10A(m)(3) of the Securities Exchange Act of 1934 (the "Exchange Act") and the rules and regulations of the Securities and Exchange Commission (the "SEC"), and at least one member will in the judgment of the Board have accounting or related financial management expertise in accordance with New York Stock Exchange listing standards. The Audit Committee's chairperson shall be designated by the Board. The Audit Committee may form and delegate authority to subcommittees consisting of one or more members when appropriate, including the authority to grant preapprovals of audit and permitted non-audit services by the outside auditors, subject to any limitations or reporting requirements established by law or procedures that may be adopted from time to time by the Committee or the Board.

III. MEETINGS

The Audit Committee will meet at least four times annually, or more frequently if the Committee determines it to be necessary. To foster open communications, the Audit Committee may invite to its meetings other directors or representatives of management, the outside auditors, the internal auditors, counsel or other persons whose pertinent advice or counsel is sought by the Committee, and the participation of such guests shall be governed by any guidelines or procedures that may be adopted from time to time by management, the Committee or the Board. The agenda for meetings will be prepared in consultation among the Committee chairperson (with input from Committee members), management, the outside auditors, the internal auditors and counsel. The Audit Committee will maintain written minutes of all its meetings and provide a copy of all such minutes to every member of the Board.

IV. POWERS

The Audit Committee shall have the sole authority to appoint or replace the outside auditors, provided that the Audit Committee may submit its appointment to the Company's shareholders for ratification on terms and conditions acceptable to it. The Audit Committee shall be directly responsible for the compensation and oversight of the work of the outside auditors (including resolution of disagreements between management and the outside auditors regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The Audit Committee shall also have the sole authority to (a) appoint or replace the head of internal auditing, (b) appoint or replace any firm engaged to provide internal auditing services and (c) grant waivers to directors or executive officers from the code of ethics and business conduct contained in the Company's corporate compliance procedures.

The Audit Committee shall have the authority, to the extent it deems necessary or appropriate, to retain independent legal, accounting or other advisors. The Company shall provide appropriate funding, as determined by the Audit Committee, for payment of (a) compensation to the outside auditor or any other advisors employed by the Audit Committee and (b) ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties.

The Audit Committee shall have the power to (a) obtain and review any information that the Audit Committee deems necessary to perform its oversight functions and (b) conduct or authorize investigations into any matters within the Audit Committee's scope of responsibilities. Communications between the Audit Committee and legal counsel in the course of obtaining legal advice will be considered privileged communications of the Company.

The Audit Committee shall have the power to issue any reports or perform any other duties required by (a) the Company's articles of incorporation or bylaws, (b) applicable law or (c) rules or regulations of the SEC, the New York Stock Exchange, or any other self-regulatory organization having jurisdiction over the affairs of the Audit Committee. The Audit Committee may adopt any policies or procedures required under any such articles, bylaws, laws, rules or regulations, or that it, in its discretion, may determine to be advisable in connection with its oversight functions.

The Audit Committee shall have the power to consider and act upon any other matters concerning the financial affairs of the Company as the Audit Committee, in its discretion, may determine to be advisable in connection with its oversight functions.

V. PERIODIC OVERSIGHT TASKS

The Audit Committee, to the extent it deems necessary or appropriate or to the extent required by applicable laws or regulations, will perform the oversight tasks substantially as delineated in the Audit Committee Checklist. The checklist will be reviewed annually and updated as necessary to reflect changes, if any, in regulatory requirements, authoritative guidance, or customary oversight practices. The most recently updated checklist will be considered to be an addendum to this charter.

VI. LIMITATIONS

The Committee's failure to investigate any matter, to resolve any dispute or to take any other actions or exercise any of its powers in connection with the good faith exercise of its oversight functions shall in no way be construed as a breach of its duties or responsibilities to the Company, its directors or its shareholders.

The Audit Committee is not responsible for preparing the Company's financial statements, planning or conducting the audit of such financial statements, determining that such financial statements are complete and accurate or prepared in accordance with generally accepted accounting standards, or assuring compliance with applicable laws or the Company's policies, procedures and controls, all of which are the responsibility of management or the outside auditors. The Audit Committee's oversight functions involve substantially lesser responsibilities than those associated with the audit performed by the outside auditors. In connection with the Audit Committee's oversight functions, the Committee may rely on (i) management's representations that the financial statements have been prepared with integrity and objectivity and in conformity with accounting principles generally accepted in the United States and (ii) the representations of the internal or outside auditors.

In carrying out its oversight functions, the Audit Committee believes its policies and procedures should remain flexible in order to best react to a changing environment.

* * * * * * * * * *

- Originally adopted and approved by the Audit Committee and Board on November 18, 1999.

- Amended by the Board on February 28, 2001, February 26, 2002, February 25, 2003, February 25, 2004, November 18, 2004 and

November 15, 2006, in each case following prior approval thereof by the Audit Committee.

ADDENDUM

AUDIT COMMITTEE CHECKLIST

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	As Needed
Annual Audit Planning					
1. appoint or replace the outside auditors and approve the compensation and other terms of the outside auditors' annual engagement	X				
2. pre-approve all auditing services and, to the extent possible, all other services to be conducted by the outside auditors during the upcoming year	X				X
3. review significant relationships between the outside auditors and the Company, including those described in written statements of the outside auditors furnished under ISB Standard No. 1 and employment relationships proscribed under Rule 2-01(c)(2) of Regulation S-X [1]	X				X
4. discuss the scope and comprehensiveness of the audit plan, including changes from prior years and the coordination of the efforts of the outside and internal auditors		X			X
Review of Financial Reporting					
5. review and discuss with management and the outside auditors the Company's quarterly financial statements and MD&A disclosures prior to their public release	X	X	X	X	
6. discuss with management the Company's financial information and earnings guidance provided to analysts and rating agencies	X	X	X	X	
7. review with management and the outside auditors the Company's financial information, including (a) any report, opinion or review rendered on the financial statements by management or the outside auditors (including under SAS No. 61 or 71), (b) any analysis prepared by management or the outside auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements and (c) the effect of regulatory and accounting initiatives	X	X	X	X	
8. review and discuss reports from the outside auditors on:	X				X
(a) the Company's critical accounting policies					
(b) all alternative treatments of financial information within GAAP that have been discussed with manage-ment, ramifications of					

the use of such alternative treatments, and the treatment preferred by the outside auditors					
(c) other material written communica-tions between the outside auditors and management, such as any management letter or schedule of unadjusted differences					
9. review and discuss reports from the outside auditors on:	X	X	X	X	X
(a) conditions or matters, if any, that must be reported under generally accepted auditing standards (including SAS No. 61), including:					
(i) difficulties or disputes with management or the internal auditors encountered during the audit					
(ii) the outside auditors' views regarding the Company's financial disclosures, the quality of the Company's accounting principles as applied, the underlying estimates and other significant judgments made by management in preparing the financial statements, and the compatibility of the Company's principles and judgments with prevailing practices and standards					
(b) matters, if any, that must be reported under the federal securities laws (including Section 10A of the Exchange Act)					
(c) communications, if any, with the national office of the outside auditors pertaining to the Company's financial affairs					
10. review with management, the internal auditors and the outside auditors:					
(a) the Company's annual assessment of its internal controls and the related written reports required under §404 of the Sarbanes-Oxley Act	X				
(b) the adequacy of the Company's internal controls	X	X	X	X	
(c) reports, no less than quarterly, regarding internal control assessment processes under §404 of the Sarbanes-Oxley Act, including reports on any "material weakness" or "significant deficiency" and the Company's remediation steps	X	X	X	X	X
11. review with management and the outside auditors major issues regarding accounting principles and financial statement presentations, if any, including (a) significant changes in the Company's selection or application of accounting principles, (b) major issues as to the adequacy of the Company's financial reporting and (c) special audit steps adopted in light of material deficiencies	X	X	X	X	
12. discuss with management and the outside auditors the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Company's financial statements	X	X	X	X	

13. discuss the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures			X		X
14. review the accounting implications of significant new transactions, if any	X	X	X	X	X
Conduct of Meetings					
15. in connection with each periodic report of the Company, review:					
(a) management's required disclosure, if any, to the Audit Committee and the outside auditors under §302 of the Sarbanes-Oxley Act, including changes in internal controls over financial reporting					X
(b) the contents of the certifications of the Company's CEO and CFO included in such report, and the process conducted to support the certifications	X	X	X	X	
16. receive reports, if any, regarding (a) non-audit services that the Chairman (or any subcommittee) pre-cleared the outside auditor to perform since the last meeting, (b) letters received by the Chairman under the Company's accounting complaint procedures and (c) any other "whistle blower" reports alleging material violations within the purview of the Audit Committee's functions	X	X	X	X	X
17. review the extent to which the Company has implemented changes in practices or controls that were previously recommended to or approved by the Audit Committee					X
18. receive reports regarding significant changes to GAAP or regulations impacting the Audit Committee					X
19. meet in executive session with the outside auditors, internal auditors and management, as necessary	X	X	X	X	X
Annual Reports					
20. recommend to the Board whether the audited financial statements should be included in the Company's 10-K report	X				
21. approve the annual proxy statement report of the Audit Committee required by the rules of the SEC	X				
22. review the disclosures in each 10-K report regarding management's internal control report required under §404 of the Sarbanes-Oxley Act	X				
23. review the audit reports of the outside auditors to be included in the Company's 10-K report	X				
Oversight of the Company's Outside Auditors					
24. pre-clear the engagement of the outside auditors to conduct					X

any non-audit services not pre-cleared by the Chairman (or a subcommittee)					
25. obtain and review a report from the outside auditors regarding (a) the outside auditor's internal quality-control procedures, (b) any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting any audit engagement, (c) any steps taken to deal with any such issues, and (d) assurances that the outside auditing firm is registered in good standing with the Public Company Accounting Oversight Board				X	
26. review and evaluate the lead audit partner and ensure his rotation as required by law	X				
27. monitor the effectiveness of the Company's hiring policies for employees or former employees of the outside auditors (maintained under Section 10A(l) of the Exchange Act and NYSE Rule 303A(7))				X	
<u>Oversight of the Company's Internal Auditors</u>					
28. review the performance of the head of the internal audit department, and replace if necessary			X		
29. meet, if possible, with the entire internal auditing staff	X				
30. review significant reports to management prepared by the internal auditing department and management's responses	X	X	X	X	X
31. review any difficulties encountered in the course of the work of the internal auditing department	X	X	X	X	X
32. discuss with the outside auditors and management the internal audit department's plans, responsibilities, preliminary budget, independence and staffing for the upcoming year (including the use of third party firms) and any recommended changes thereto				X	
<u>Compliance Oversight Responsibilities</u>					
33. monitor the effectiveness of the Company's procedures for receiving, retaining, and handling confidential, anonymous complaints regarding accounting, controls or auditing matters (maintained under SEC Rule 10A-3)					X
34. discuss any correspondence with regulators or governmental agencies and any published reports which raise material issues regarding the Company's financial statements or accounting policies					X
35. review the adequacy of the Company's disclosure controls and procedures					X
36. review reports on "related party" transactions	X				
37. solicit, as necessary, germane reports or information from					X

other committees with related oversights functions			
38. review periodically the procedures established by the Company to monitor its compliance with debt covenants			X
39. consult periodically with counsel concerning the Audit Committee's responsibilities or legal matters that may have a material impact on the Company's financial statements, controls, or corporate compliance procedures			X
Self Assessment			
40. review annually the Audit Committee's self-review criteria	X		
41. conduct self-review; verify that all Committee members remain eligible to serve		X	
Charter			
42. review this checklist and the related Audit Committee charter annually, and consider, adopt and submit to the Board any proposed changes		X	
43. include a copy of the Audit Committee charter as an appendix to the proxy statement at least once every three years			X
44. periodically review the charter of the internal audit department, and consider and adopt necessary changes			X

[1] The Audit Committee may request verification that no employee of the Company in a financial reporting oversight role is a former partner, principal, shareholder or professional employee of the outside auditors, and may review any additional records or certifications necessary to verify the outside auditors' independence under Regulation S-X.

* * * * * * * * * *

Last Revised: November 15, 2006.

Exhibit 4.3

EXECUTION COPY

$750,000,000

AMENDED AND RESTATED FIVE-YEAR REVOLVING CREDIT AGREEMENT

Dated as of

December 14, 2006

among

CENTURYTEL, INC.,

THE LENDERS NAMED HEREIN,

JPMORGAN CHASE BANK, N.A.

as Administrative Agent,

WACHOVIA BANK, N.A.,

as Syndication Agent,

BANK OF AMERICA, N.A., BANK OF TOKYO-MITSUBISHI UFJ TRUST COMPANY, SUNTRUST BANK, COBANK, ACB, LEHMAN BROTHERS BANK, FSB,
REGIONS BANK and WILLIAM STREET COMMITMENT CORPORATION,

as Co-Documentation Agents

J.P. MORGAN SECURITIES INC. **WACHOVIA CAPITAL MARKETS LLC**

As Joint Bookrunners and Co-Lead Arrangers

Table of Contents

SCHEDULES

EXHIBITS

AMENDED AND RESTATED CREDIT AGREEMENT (this " Agreement "), dated as of December 14, 2006, among CENTURYTEL, INC., a Louisiana corporation (the " Borrower "), the several banks and other financial institutions or entities from time to time parties to this Agreement (the " Lenders "), WACHOVIA BANK, N.A., as syndication agent (in such capacity, the " Syndication Agent "), BANK OF AMERICA, N.A., BANK OF TOKYO-MITSUBISHI UFJ TRUST COMPANY, SUNTRUST BANK, COBANK, ACB, LEHMAN BROTHERS BANK, FSB, REGIONS BANK and WILLIAM STREET COMMITMENT CORPORATION, as co-documentation agents (in such capacity, the " Co-Documentation Agents "), and JPMORGAN CHASE BANK, N.A., as administrative agent (in such capacity, the " Administrative Agent ").

W I T N E S S E T H:

WHEREAS, the Borrower entered into the Credit Agreement, dated as of March 7, 2005 (the " Existing Credit Agreement "), with the several banks and other financial institutions or entities parties thereto, the syndication agent and co-documentation agents named therein and JPMorgan Chase Bank, N.A., as administrative agent;

WHEREAS, the parties hereto have agreed to amend and restate the Existing Credit Agreement as provided in this Agreement, which Agreement shall become effective upon the satisfaction of the conditions precedent set forth in Section 5.1 hereof; and

WHEREAS, it is the intent of the parties hereto that this Agreement not constitute a novation of the obligations and liabilities existing under the Existing Credit Agreement and which remain outstanding or evidence repayment of any of such obligations and liabilities and that this Agreement amend and restate in its entirety the Existing Credit Agreement and re-evidence the obligations of the Borrower outstanding thereunder;

NOW, THEREFORE, in consideration of the above premises, the parties hereto hereby agree that, effective on the Effective Date (as defined below), the Existing Credit Agreement shall be amended and restated in its entirety 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):

"ABR" means, for any day, a rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to the greater of (a) the Prime Rate in effect on such day and (b) the Federal Funds Effective Rate in effect on such day plus ½ of 1%. For purposes hereof: "Prime Rate" shall mean the rate of interest per annum publicly announced from time to time by JPMorgan Chase Bank as its prime rate in effect at its principal office in New York City (the Prime Rate not being intended to be the lowest rate of interest charged by JPMorgan Chase Bank in connection with extensions of credit to debtors). Any change in the ABR due to a change in the Prime Rate or the Federal Funds Effective Rate shall be effective as of the opening of business on the effective day of such change in the Prime Rate or the Federal Funds Effective Rate, respectively.

"ABR Loan" means any Loan the rate of interest applicable to which is based upon the ABR.

"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 4.17 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 business described on Schedule 4.17) 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 and the Co-Documentation Agents.

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

"Applicable Margin" means, at the time of any determination thereof, for purposes of all Eurodollar Loans, the margin of interest over the Eurodollar Rate 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 determined as of the last day of the immediately preceding fiscal quarter of the Borrower, as follows:

Senior Unsecured Long-Term Debt Rating	Applicable Margin
A- or A3 or better	25.0 basis points
BBB+ or Baal	35.0 basis points
BBB or Baa2	45.0 basis points
BBB- or Baa3	55.0 basis points
Below BBB- or Baa3	75.0 basis points

" Application " means an application, in such form as the Issuing Lender may specify from time to time, requesting the Issuing Lender to open a Letter of Credit.

" Approved Fund " is defined in Section 11.18(b)(ii).

" Assignee " is defined in Section 11.18(b)(i).

" Assignment and Assumption " means an Assignment and Assumption, substantially in the form of Exhibit D.

" Attributable Debt " means, in respect of any sale and leaseback transaction, at the time of determination, the present value of the obligation of the lessee for net rental payments during the remaining term of the lease included in such sale and leaseback transaction including any period for which such lease has been extended or may, at the sole option of the lessor, be extended. Such present value shall be calculated using a discount rate equal to the rate of interest implicit in such transaction, determined in accordance with GAAP.

" Available Commitment " means as to any Lender at any time, an amount equal to the excess, if any, of (a) such Lender's Commitment then in effect over (b) the aggregate principal amount of Revolving Extensions of Credit made by such Lender.

" 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 other than a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to close, provided , that with respect to notices and determinations in connection with, and payments of principal and interest on, Eurodollar Loans, such day is also a day for trading by and between banks in Dollar deposits in the interbank eurodollar market.

" Capital Stock " means any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all equivalent ownership interests in a Person (other than a corporation) and any and all warrants, rights or options to purchase any of the foregoing.

" 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).

" CLO " is defined in Section 11.18(b)(ii).

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

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

" Commitment " means, as to any Lender, the obligation of such Lender to make Loans and participate in Letters of Credit in an aggregate principal amount not to exceed the amount set forth under the heading "Commitment" opposite such Lender's name on Schedule 1 or in the Assignment and Assumption pursuant to which such Lender became a party hereto, as the same may be changed from time to time pursuant to the terms hereof. The original amount of the Total Commitments is $750,000,000.

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

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

" Commitment Period " means the period from and including the Effective Date to the Termination Date.

" Commitment Utilization Percentage " means on any day the percentage equivalent of a fraction (a) the numerator of which is the Used Commitment and (b) the denominator of which is the aggregate amount of the Total Commitments. Notwithstanding the foregoing, the Commitment Utilization Percentage shall be deemed to be 100% if any Loans or Letters of Credit remain outstanding after the Commitments hereunder have been terminated.

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

" Conduit Lender " means any special purpose corporation organized and administered by any Lender for the purpose of making Loans otherwise required to be made by such Lender and designated by such Lender in a written instrument; provided , that the designation by any Lender of a Conduit Lender shall not relieve the designating Lender of any of its obligations to fund a Loan under this Agreement if, for any reason, its Conduit Lender fails to fund any such Loan, and the designating Lender (and not the Conduit Lender) shall have the sole right and responsibility to deliver all consents and waivers required or requested under this Agreement with respect to its Conduit Lender, and provided , further , that no Conduit Lender shall (a) be entitled to receive any greater amount pursuant to Section 2.10, 2.12, 2.20, 6.7 or 11.21 than the designating Lender would have been entitled to receive in respect of the extensions of credit made by such Conduit Lender or (b) be deemed to have any Commitment.

" Confidential Information Memorandum " means the Confidential Information Memorandum dated November 2006 and furnished to certain Lenders.

" 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 FASB Statements No. 101 ("Regulated Enterprises-Accounting for the Discontinuation of Application of FASB Statement No. 71"), 106 ("'Employers' Accounting for Postretirement Benefits Other than Pensions"), 142 ("Goodwill and Other Intangible Assets") and 144 ("Accounting for the Impairment or Disposal of Long-Lived Assets") of the Financial Accounting Standards Board.

" Consolidated Total Funded Debt " means, as of the date of determination, the aggregate principal amount of all Funded Debt of the Borrower and its Subsidiaries at such date, determined on a consolidated basis in accordance with GAAP.

" Current Date " means any date after November 15, 2006.

" Current Financials " means the consolidated Financial Statements of the Companies for the fiscal year ended December 31, 2005, and the nine months ended September 30, 2006.

" 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 Swap Agreement.

" 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.

" Dollars " and " $ " means dollars in lawful currency of the United States.

" EBITDA " means for any period, consolidated net income of the Companies for such period plus , without duplication and to the extent reflected as a charge in the statement of such consolidated net income for such period, the sum of (a) income tax expense, (b) interest expense, amortization or write-off of debt discount and debt issuance costs and commissions, discounts and other fees and charges associated with indebtedness (including the Loans), (c) depreciation and amortization, (d) any extraordinary or nonrecurring non-cash expenses or losses, (e) any non-cash charges resulting from requirements to mark-to-market Swap Agreements and (f) non-cash expenses or losses which result from the implementation of FASB statement of Financial Accounting Standards No. 142 ("Goodwill and Other Intangible Assets") and 144 ("Accounting for the Impairment or Disposal of Long-Lived Assets"), and minus , (a) to the extent included in the statement of such consolidated net income for such period, any extraordinary, unusual or non-recurring income or gains (including, whether or not otherwise includable as a separate item in the statement of such consolidated net income for such period, gains on the sales of assets outside of the ordinary course of business) and (b) any cash payments made during such period in respect of items described in clause (d), (e) or (f) above subsequent to the fiscal quarter in which the relevant non-cash expenses or losses were reflected as a charge in the statement of consolidated net income, all as determined on a consolidated basis.

" Effective Date " means the date on which the conditions set forth in Section 5.1 shall have been satisfied, which date is December 14, 2006.

" 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 4.17 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.

" Equity Units " means (i) the $500,000,000 aggregate principal amount of equity units issued by the Borrower on April 29, 2002 and (ii) any subsequent offering of equity units issued by the Borrower the structure, terms and conditions of which are substantially similar to the offering referred to in clause (i) above.

" 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 Reserve Requirements " mean, for any day as applied to a Eurodollar Loan, the aggregate (without duplication) of the maximum rates (expressed as a decimal fraction) of reserve requirements in effect on such day (including basic, supplemental, marginal and emergency reserves) under any regulations of the Board or other Tribunal having jurisdiction with respect thereto dealing with reserve requirements prescribed for eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of the Board) maintained by a member bank of the Federal Reserve System.

" Eurodollar Base Rate " means, with respect to each day during each Interest Period pertaining to a Eurodollar Loan, the rate per annum determined on the basis of the rate for deposits in Dollars for a period equal to such Interest Period commencing on the first day of such Interest Period appearing on Page 3750 of the Telerate screen as of 11:00 A.M., London time, two Business Days prior to the beginning of such Interest Period. In the event that such rate does not appear on Page 3750 of the Telerate screen (or otherwise on such screen), the " Eurodollar Base Rate " shall be determined by reference to such other comparable publicly available service for displaying eurodollar rates as may be selected by the Administrative Agent or, in the absence of such availability, by reference to the rate at which the Administrative Agent is offered Dollar deposits at or about 11:00 A.M., New York City time, two Business Days prior to the beginning of such Interest Period in the interbank eurodollar market where its eurodollar and foreign currency and exchange operations are then being conducted for delivery on the first day of such Interest Period for the number of days comprised therein.

" Eurodollar Loan " means any Loan the rate of interest applicable to which is based upon the Eurodollar Rate.

" Eurodollar Rate " means, with respect to each day during each Interest Period pertaining to a Eurodollar Loan, a rate per annum determined for such day in accordance with the following formula (rounded upward to the nearest 1/100th of 1%):

$$\frac{\text{Eurodollar Base Rate}}{\text{1.00 - Eurocurrency Reserve Requirements}}$$

" Eurodollar Tranche " means the collective reference to Eurodollar Loans the then current Interest Periods with respect to all of which begin on the same date and end on the same later date (whether or not such Loans shall originally have been made on the same day).

" Event of Default " means any of the events described in Section 8, 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 50%.

" Existing Credit Agreement " is defined in the recitals to this Agreement.

" Federal Funds Effective Rate " means, for any day, the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for the day of such transactions received by JPMorgan Chase Bank from three federal funds brokers of recognized standing selected by it.

" 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 C.

" 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 " with respect to any Person, shall mean and include, as of any date as of which the amount thereof is to be determined, (a) indebtedness of such Person for borrowed money, (b) all obligations of such Person for the deferred purchase price of property or services (other than current trade payables incurred in the ordinary course of such Person's business), (c) all obligations of such Person evidenced by notes, bonds, debentures or other similar instruments, (d) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), (e) liabilities secured (or for which the holder thereof 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), (f) obligations of such Person which have been or under GAAP should be capitalized for financial reporting purposes, and (g) Attributable Debt of such Person, but excluding (i) indebtedness secured by or borrowed against the cash surrender value of life insurance policies up to the amount of such cash surrender value and (ii) an amount equal to 80% of the outstanding principal amount of indebtedness under the Equity Units.

" Funding Office " means the office of the Administrative Agent specified in Section 11.6 or such other office as may be specified from time to time by the Administrative Agent as its funding office by written notice to the Borrower and the Lenders.

" 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.

" Increased Facility Activation Notice " means a notice substantially in the form of Exhibit E.

" Increased Facility Closing Date " means any Business Day designated as such in an Increased Facility Activation Notice.

" Indemnified Parties " is defined in Section 11.21.

" Interest Payment Date " means (a) as to any ABR Loan, the last day of each March, June, September and December to occur while such Loan is outstanding and the final maturity date of such Loan, (b) as to any Eurodollar Loan having an Interest Period of three months or less, the last day of such Interest Period, (c) as to any Eurodollar Loan having an Interest Period longer than three months, each day that is three months, or a whole multiple thereof, after the first day of such Interest Period and the last day of such Interest Period (d) as to any Loan (other than any Loan that is an ABR Loan), the date of any repayment or optional prepayment made in respect thereof and (e) as to any Loan, the date of any mandatory prepayment in respect thereof.

" Interest Period " means, as to any Eurodollar Loan, (a) initially, the period commencing on the borrowing or conversion date, as the case may be, with respect to such Eurodollar Loan and ending one, two, three or six months thereafter, as selected by the Borrower in its notice of borrowing or notice of conversion, as the case may be, given with respect thereto; and (b) thereafter, each period commencing on the last day of the next preceding Interest Period applicable to such Eurodollar Loan and ending one, two, three or six months thereafter, as selected by the Borrower by irrevocable notice to the Administrative Agent not later than 11:00 A.M., New York City time, on the date that is three Business Days prior to the last day of the then current Interest Period with respect thereto; provided that, all of the foregoing provisions relating to Interest Periods are subject to the following:

(i) if any Interest Period would otherwise end on a day that is not a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless the result of such extension would be to carry such Interest Period into another calendar month in which event such Interest Period shall end on the immediately preceding Business Day;

(ii) the Borrower may not select an Interest Period that would extend beyond the Termination Date unless the Borrower acknowledges that it will be responsible for any breakage costs owing under Section 2.12 resulting from repayment on the Termination Date;

(iii) any Interest Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of a calendar month; and

(iv) subject to clause (ii) above, the Borrower shall select Interest Periods so as not to require a payment or prepayment of any Eurodollar Loan during an Interest Period for such Loan.

" Issuing Lenders " means JPMorgan Chase Bank, N.A. and Wachovia Bank, N.A. or any respective affiliate thereof, in its capacity as issuer of any Letter of Credit. Each reference herein to "the Issuing Lender" shall be deemed to be a reference to the relevant Issuing Lender with respect to the relevant Letter of Credit.

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

" L/C Commitment " is $150,000,000.

" L/C Obligations " means, at any time, an amount equal to the sum of (a) the aggregate then undrawn and unexpired amount of the then outstanding Letters of Credit and (b) the aggregate amount of drawings under Letters of Credit that have not then been reimbursed pursuant to Section 3.5.

" L/C Participants " means the collective reference to all Lenders other than the Issuing Lenders.

" 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.

" Letters of Credit " is defined in Section 3.1(a).

" 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 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.

" Loans " is defined in Section 2.1(a).

" Majority Lenders " means at any time the Lenders holding at least 51% of the then aggregate Revolving Extensions of Credit or, if no Revolving Extensions of Credit 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 7.7(g), 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 (unless the purchaser of the assets has assumed the obligations to repay such Debt) ; 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.

" New Lender " is defined in Section 2.1(c).

" New Lender Supplement " is defined in Section 2.1(c).

" Non-Excluded Taxes " is defined in Section 2.20(a).

" Non-U.S. Lender " is defined in Section 2.20(d).

" Note " means a promissory note of the Borrower, in substantially the form of Exhibit A 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.

" 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.

" Other Taxes " means any and all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement or any other Loan Paper.

" Participant " is defined in Section 11.18(b).

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

" Permitted Liens " means (a) any Lien securing Debt incurred for the purchase or capital lease of one or more assets, if such Lien encumbers only the assets so purchased or leased; (b) pledges or deposits made to secure payment of workers' compensation, or to participate in any fund in connection with workers' compensation, unemployment insurance, pensions, or other social security programs; (c) good-faith pledges or deposits made to secure performance of bids, tenders, contracts (other than for the repayment of borrowed money), or leases, or to secure statutory obligations, surety or appeal bonds, or indemnity, performance, or other similar bonds in the ordinary course of business; (d) encumbrances and restrictions on the use of real property which do not materially impair such property; (e) (i) Liens for Taxes, (ii) Liens upon, and defects of title to, property, including any attachment of property or other legal process prior to adjudication of a dispute on the merits, (iii) Liens of mechanics, materialmen, warehousemen, carriers, and landlords, and similar Liens, and (iv) adverse judgments on appeal, in each case, with respect to this clause (e), if either (x) no amounts are due and payable and no Lien has been filed or agreed to or (y) the validity or amount thereof is being contested in good faith by the lawful proceedings diligently conducted, reserve or other provision required by GAAP has been made, levy and execution thereon have been (and continue to be) stayed, and neither the value nor use of the property in question are materially affected; (f) Liens in favor of the United States Department of Agriculture, Rural Electrification Administration, the Rural Utilities Service or Rural Telephone Bank or similar lenders such as the Rural Telephone Finance Cooperative; (g) Liens on equity investments in CoBank or any other equity investments in a financial institution which requires any Company to make an equity investment in such institution in order to borrow money; (h) Liens existing on any property of a Subsidiary existing at the time when it became such, which were not created with a view of its becoming a Subsidiary, provided that (i) the principal amount of the Debt secured by each such Lien shall not exceed the cost (which shall be deemed to include the amount of all Debt secured by Liens, including existing Liens, on such property) of such property to such Subsidiary, or the fair value of such property (without deduction of the Debt secured by Liens on such property) at the time of its becoming a Subsidiary, whichever is the lesser, and (ii) the Debt secured by such Liens may not be increased, extended, renewed or continued beyond its original stated maturity if such increase, extensions or renewal would result in a Default under Section 7.14; (i) Liens either on shares of stock of a corporation which, when such Liens arise, concurrently becomes a Subsidiary or on all or substantially all of the assets of a corporation arising in connection with the purchase or acquisition thereof by the Company, provided that the Debt secured by such Liens may not be increased or extended, renewed or continued beyond its original stated maturity if such increase, extensions or renewal would result in a Default under Section 7.14; (j) Liens on property of a Subsidiary (other than on the stock of Subsidiary except to the extent permitted in clause (i) above) securing obligations owing to the Borrower or a wholly-owned Subsidiary or securing indebtedness of such Subsidiary created, assumed or incurred after the date hereof, the creation, assumption or incurrence of which would not create a Default under Section 7.14; (k) except as otherwise prohibited in clause (h) or (i) above, Liens securing extensions and renewals of the Debt originally secured thereby; (l) Liens on accounts receivables and related assets (including without limitation, all collateral, guaranties and contracts associated with such accounts receivables, all of the Receivables Entity's interest in the inventory and goods the sale of which gave rise to the accounts receivable, all lockbox or collection accounts related thereto, all records related thereto, and all proceeds of the foregoing) securing indebtedness incurred pursuant to a Qualified Receivables Transaction; and (m) Liens on assets subject to any sale and leaseback transaction consummated pursuant to Section 7.7(g).

" 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.

" Purchaser " is defined in Section 11.18(c).

" Qualified Receivables Transaction " means any transaction or series of transactions that may be entered into by the Borrower or any of its Subsidiaries pursuant to which the Borrower or any of its Subsidiaries may sell, convey or otherwise transfer to (a) a Receivables Entity (in the case of a transfer by the Borrower or any of its Subsidiaries) or (b) any other Person (in the case of a transfer by a Receivables Entity), or may grant a security interest in, any accounts receivable (whether now existing or arising in the future) of the Borrower or any of its Subsidiaries, and any assets related thereto including, without limitation, all collateral securing such accounts receivable, all contracts and all guarantees or other obligations in respect of such accounts receivable, the proceeds of such receivables and other assets which are customarily transferred, or in respect of which security interests are customarily granted, in connection with asset securitization involving accounts receivable.

" Quarterly Payment Date " means (a) the third Business Day following the last day of each March, June, September and December and (b) the last day of the Commitment Period.

" Receivables Entity " means a Wholly Owned Subsidiary of the Borrower (to which the Borrower or any Subsidiary transfers accounts receivable and related assets pursuant to a Qualified Receivables Transaction) which engages in no activities other than in connection with the financing of accounts receivable and whose assets consist solely of receivables and related assets transferred to such entity in connection with a Qualified Receivables Transaction:

(a) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which:

(i) is guaranteed by the Borrower or any Subsidiary (excluding guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings);

(ii) is recourse to or obligates the Borrower or any Subsidiary in any way other than pursuant to Standard Securitization Undertakings; or

(iii) subjects any property or asset of the Borrower or any Subsidiary, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings;

(b) with which neither the Borrower nor any Subsidiary has any material contract, agreement, arrangement or understanding (except in connection with a Qualified Receivables Transaction) other than on terms no less favorable to the Borrower or such Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Borrower, other than fees payable in the ordinary course of business in connection with servicing accounts receivable; and

(c) to which neither the Borrower nor any Subsidiary has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results (except pursuant to Standard Securitization Undertakings).

Any designation by the Borrower of a Wholly Owned Subsidiary as a Receivables Entity shall be evidenced to the Administrative Agent by delivering to the Administrative Agent a certificate from a Financial Officer of the Borrower certifying that such designation complied with the foregoing conditions.

" Register " is defined in Section 11.18(b)(iv).

" 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.

" Reimbursement Obligation " means the obligation of the Borrower to reimburse the Issuing Lender pursuant to Section 3.5 for amounts drawn under the Letters of Credit.

" 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.

" Revolving Extensions of Credit " means, as to any Lender, an amount equal to the sum of (a) the aggregate principal amount of all Loans held by such Lender then outstanding and (b) such Lender's Revolving Percentage of the L/C Obligations then outstanding.

" Revolving Percentage " means, as to any Lender at any time, the percentage which such Lender's Commitment then constitutes of the Total Commitments or, at any time after the Commitments shall have expired or terminated, the percentage which the aggregate principal amount of such Lender's Loans then outstanding constitutes of the aggregate principal amount of the Loans then outstanding, provided, that, in the event that the Loans are paid in full prior to the reduction to zero of the Revolving Extensions of Credit, the Revolving Percentages shall be determined in a manner designed to ensure that the other outstanding Revolving Extensions of Credit shall be held by the Lenders on a comparable basis.

" 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 7.7(f), (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 from recurring operations of which, for the most recently ended period of twelve consecutive months, equals or exceeds 5% of the net income from recurring operations 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.

" Standard Securitization Undertakings " means representations, warranties, covenants and indemnities entered into by the Borrower or any Subsidiary which are reasonably customary in securitization of accounts receivables transactions (it being understood that in no event shall Standard Securitization Undertakings include any Guaranty in respect of principal or interest on the financing for any Qualified Receivables Transaction).

" 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).

" Swap Agreement " means any agreement with respect to any swap, forward, future or derivative transaction or option or similar agreement involving, or settled by reference to, one or more rates, currencies, commodities, equity or debt instruments or securities, or economic, financial or pricing indices or measures of economic, financial or pricing risk or value or any similar transaction or any combination of these transactions.

" 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 December 14, 2011, subject, however, to termination in whole of the Total Commitments pursuant to Section 2.5.

" Total Commitments " means, at any time, the aggregate amount of the Commitments then in effect.

" 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., an ABR Loan or Eurodollar Loan).

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

" Used Commitment " means the aggregate outstanding principal amount of the Revolving Extensions of Credit.

" 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).

" Wholly Owned Subsidiary " means, as to any Person, any other Person all of the Capital Stock of which (other than directors' qualifying shares required by law) is owned by such Person directly and/or through other Wholly Owned Subsidiaries.

1.2 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, 2005.

1.3 Other Definitional Provisions.

As used herein and in the other Loan Papers, (i) the words “include”, “includes” and “including” shall be deemed to be followed by the phrase “without limitation”, (ii) the word “incur” shall be construed to mean incur, create, issue, assume, become liable in respect of or suffer to exist (and the words “incurred” and “incurrence” shall have correlative meanings), (iii) the words “asset” and “property” shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, capital stock, securities, revenues, accounts, leasehold interests and contract rights, and (iv) references to agreements or other contractual obligations shall, unless otherwise specified, be deemed to refer to such agreements or contractual obligations as amended, supplemented, restated or otherwise modified from time to time.

SECTION 2

FACILITIES.

2.1 Commitments .

(a) Subject to the terms and conditions hereof, each Lender severally agrees to make revolving credit loans (“ Loans ”) to the Borrower from time to time during the Commitment Period in an aggregate principal amount at any one time outstanding which, when added to such Lender’s Revolving Percentage of the L/C Obligations, does not exceed the amount of such Lender’s Commitment. During the Commitment Period, the Borrower may use the Commitments by borrowing, repaying the Loans in whole or in part, and reborrowing, all in accordance with the terms and conditions hereof. The Loans may from time to time be Eurodollar Loans or ABR Loans, as determined by the Borrower and notified to the Administrative Agent in accordance with Sections 2.2 and 2.3.

(b) The Borrower and any one or more Lenders (including New Lenders) may agree that each such Lender shall obtain a Commitment or increase the amount of its existing Commitment, as applicable, in each case by executing and delivering to the Administrative Agent an Increased Facility Activation Notice specifying (i) the amount of such increase and (ii) the Increased Facility Closing Date. No Lender shall have any obligation to participate in any increase described in this paragraph unless it agrees to do so in its sole discretion.

(c) Any additional bank, financial institution or other entity which, with the consent of the Borrower and the Administrative Agent (which consent shall not be unreasonably withheld), elects to become a “Lender” under this Agreement in connection with any transaction described in Section 2.1(b) shall execute a New Lender Supplement (each, a “ New Lender Supplement ”), substantially in the form of Exhibit F, whereupon such bank, financial institution or other entity (a “ New Lender ”) shall become a Lender for all purposes and to the same extent as if originally a party hereto and shall be bound by and entitled to the benefits of this Agreement.

(d) For the purpose of providing that the respective amounts of Loans (and Interest Periods in respect of Eurodollar Loans) held by the Lenders are held by them on a pro rata basis according to their respective Revolving Percentages, unless otherwise agreed by the Administrative Agent, on each Increased Facility Closing Date (i) all outstanding Loans shall be converted into a single Loan that is a Eurodollar Loan (with an interest period to be selected by the Borrower), and upon such conversion the Borrower shall pay any amounts owing pursuant to Section 2.12, if any, (with such conversion being treated as a prepayment of all outstanding Eurodollar Loans for the purposes of Section 2.12), (ii) any new borrowings of Loans on such date shall also be part of such single Loan and (iii) all Lenders (including the New Lenders) shall hold a portion of such single Loan equal to its Revolving Percentage thereof and any fundings on such date shall be made in such a manner so as to achieve the foregoing.

2.2 Procedure for Loan Borrowing .

The Borrower may borrow under the Commitments during the Commitment Period on any Business Day, provided that the Borrower shall give the Administrative Agent irrevocable notice (which notice must be received by the Administrative Agent prior to 11:00 A.M., New York City time, (a) three Business Days prior to the requested Borrowing Date, in the case of Eurodollar Loans, or (b) on the requested Borrowing Date, in the case of ABR Loans), specifying (i) the amount and Type of Loans to be borrowed, (ii) the requested Borrowing Date and (iii) in the case of Eurodollar Loans, the respective amounts of each such Type of Loan and the respective lengths of the initial Interest Period therefor. Any Loans made on the Closing Date shall initially be ABR Loans unless the Borrower has provided the notice for Eurodollar Loans set forth in clause (a) above and has entered into a pre-funding indemnity agreement with respect to such borrowing of Eurodollar Loans on the Effective Date in form and substance reasonably satisfactory to the Administrative Agent. Each borrowing under the Commitments shall be in an amount equal to (x) in the case of ABR Loans, $1,000,000 or a whole multiple thereof (or, if the then aggregate Available Commitments are less than $1,000,000, such lesser amount) and (y) in the case of Eurodollar Loans, $5,000,000 or a whole multiple of $1,000,000 in excess thereof. Upon receipt of any such notice from the Borrower, the Administrative Agent shall promptly notify each Lender thereof. Each Lender will make the amount of its pro rata share of each borrowing available to the Administrative Agent for the account of the Borrower at the Funding Office prior to 12:00 Noon, New York City time, on the Borrowing Date requested by the Borrower in funds immediately available to the Administrative Agent. Such borrowing will then be made available to the Borrower by the Administrative Agent wiring the money in accordance with instructions from the Borrower with the aggregate of the amounts made available to the Administrative Agent by the Lenders and in like funds as received by the Administrative Agent.

2.3 Conversion and Continuation Options.

(a) The Borrower may elect from time to time to convert Eurodollar Loans to ABR Loans by giving the Administrative Agent prior irrevocable notice of such election no later than 11:00 A.M., New York City time, on the proposed conversion date, provided that any such conversion of Eurodollar Loans may only be made on the last day of an Interest Period with respect thereto. The Borrower may elect from time to time to convert ABR Loans to Eurodollar Loans by giving the Administrative Agent prior irrevocable notice of such election no later than 11:00 A.M., New York City time, on the third Business Day preceding the proposed conversion date (which notice shall specify the length of the initial Interest Period therefor), provided that no ABR Loan may be converted into a Eurodollar Loan when any Event of Default has occurred and is continuing and the Administrative Agent or the Majority Lenders have determined in its or their sole discretion not to permit such conversions. Upon receipt of any such notice the Administrative Agent shall promptly notify each relevant Lender thereof.

(b) Any Eurodollar Loan may be continued as such upon the expiration of the then current Interest Period with respect thereto by the Borrower giving irrevocable notice to the Administrative Agent, in accordance with the applicable provisions of the term "Interest Period" set forth in Section 1.1, of the length of the next Interest Period to be applicable to such Loans, provided that no Eurodollar Loan may be continued as such when any Event of Default has occurred and is continuing and the Administrative Agent has or the Majority Lenders have determined in its or their sole discretion not to permit such continuations, and provided , further , that if the Borrower shall fail to give any required notice as described above in this paragraph or if such continuation is not permitted pursuant to the preceding proviso such Loans shall be automatically converted to ABR Loans on the last day of such then expiring Interest Period. Upon receipt of any such notice the Administrative Agent shall promptly notify each relevant Lender thereof.

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 Available Commitment of such Lender during the preceding quarter (or shorter period commencing with the date hereof and/or ending with the Termination Date):

Senior Unsecured Long-Term Debt Rating	**Commitment Fee Percentage**
A- or A3 or better	0.070 percent per annum
BBB+ or Baa1	0.080 percent per annum
BBB or Baa2	0.100 percent per annum
BBB- or Baa3	0.125 percent per annum
Below BBB- or Baa3	0.150 percent per annum

(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 10.0 basis points (0.100%) per annum for each day on which the Commitment Utilization Percentage equals or exceeds 50%, 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 Effective 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.

(c) Other Fees . The Borrower agrees to pay to the Administrative Agent the fees in the amounts and on the dates previously agreed to in writing by the Borrower and the Administrative Agent.

2.5 Optional Termination and Reduction of Commitments.

(a) Subject to Section 2.9(b), the Borrower may permanently terminate, or from time to time in part permanently reduce, the Total Commitments upon at least three Business Days prior written notice to the Administrative Agent (who shall promptly forward a copy thereof to each Lender and which notice may be revocable; provided, that (i) such notice is only revocable during the three Business Day period beginning on the date that such notice is given to the Administrative Agent and ending on the stated date of such Commitment reduction and (ii) the Borrower shall indemnify the Lenders pursuant to Section 2.12 as a result of the Borrower's revocation of such notice). Such notice shall specify the date and the amount of the termination or reduction of the Total Commitments. Each such partial reduction of the Total Commitments 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 Commitments shall be zero.

(c) Each reduction in the Total Commitments 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 Commitments, so terminated or reduced, accrued through the date of such termination or reduction.

2.6 Limitations on Eurodollar Tranches .

Notwithstanding anything to the contrary in this Agreement, all borrowings, conversions and continuations of Eurodollar Loans and all selections of Interest Periods shall be in such amounts and be made pursuant to such elections so that, (a) after giving effect thereto, the aggregate principal amount of the Eurodollar Loans comprising each Eurodollar Tranche shall be equal to $5,000,000 or a whole multiple of $1,000,000 in excess thereof and (b) no more than ten Eurodollar Tranches shall be outstanding at any one time.

2.7 Interest Rates and Payment Dates .

(a) Each Eurodollar Loan shall bear interest for each day during each Interest Period with respect thereto at a rate per annum equal to the Eurodollar Rate determined for such day plus the Applicable Margin.

(b) Each ABR Loan shall bear interest at a rate per annum equal to the ABR.

(c) If all or a portion of the principal amount of any Loan shall not be paid when due (whether at the stated maturity, by acceleration or otherwise), all outstanding Loans shall bear interest at a rate per annum equal to the rate that would otherwise be applicable thereto pursuant to the foregoing provisions of this Section plus 2%, and (ii) if all or a portion of any interest payable on any Loan or any commitment fee or other amount payable hereunder shall not be paid when due (whether at the stated maturity, by acceleration or otherwise), such overdue amount shall bear interest at a rate per annum equal to the rate then applicable to ABR Loans plus 2%, in each case, with respect to clauses (i) and (ii) above, from the date of such non-payment until such amount is paid in full (as well after as before judgment).

(d) Interest shall be payable in arrears on each Interest Payment Date, provided that interest accruing pursuant to paragraph (c) of this Section shall be payable from time to time on demand.

2.8 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 an ABR Loan. Each determination by the Administrative Agent hereunder shall be conclusive absent manifest error.

2.9 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 2.12 and Section 2.13 but otherwise without premium or penalty, but prepayment of Eurodollar Loans shall require at least three 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 and may be revocable; provided , that (i) such notice is only revocable during the three Business Day period beginning on the date that such notice is given to the Administrative Agent and ending on the stated date of such prepayment and (ii) the Borrower shall indemnify the Lenders pursuant to Section 2.12 as a result of the Borrower’s revocation of such notice.

(b) On the date of any termination or reduction of the Total Commitments pursuant to Section 2.5(a), the Borrower shall pay or prepay the Loans or cash collateralize the Letters of Credit in a manner satisfactory to the Administrative Agent to the extent necessary in order that the aggregate Revolving Extensions of Credit outstanding will not exceed the Total Commitments 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 2.12 and Section 2.13.

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

(d) All prepayments of Loans (other than optional prepayments of ABR Loans) under this Section 2.9 shall be accompanied by accrued interest on the principal amount being prepaid to the date of prepayment.

2.10 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 or any Letter of Credit (or participating interest therein), 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).

(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).

(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 2.10, 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 2.10 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 2.10, 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 Persons (other than the Borrower or an Affiliate of the Borrower) 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 2.10 agrees to sell its Commitment, Loans, Notes, and interest in this Agreement and the other Loan Papers to any such Person 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 2.10 and as to which such Lender has delivered the certificate required by Section 2.10(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 2.10, then such Lender will agree to use reasonable efforts to change the jurisdiction of its 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 2.10 shall survive for one year after the termination of this Agreement and/or the payment or assignment of any of the Loans or Notes.

2.11. 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 ABR Loans, in which event (A) all such Eurodollar Loans shall be automatically converted to ABR 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 ABR Loans resulting from the conversion of such Eurodollar Loans.

(b) For purposes of this Section 2.11, 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.

2.12 Indemnity.

The Borrower agrees to indemnify each Lender for, and to hold each Lender harmless from, any loss or expense that such Lender may sustain or incur as a consequence of (a) default by the Borrower in making a borrowing of, conversion into or continuation of Eurodollar Loans after the Borrower has given a notice requesting the same in accordance with the provisions of this Agreement, (b) default by the Borrower in making any prepayment of or conversion from Eurodollar Loans after the Borrower has given a notice thereof in accordance with the provisions of this Agreement or (c) the making of a prepayment of Eurodollar Loans on a day that is not the last day of an Interest Period with respect thereto. Such indemnification may include an amount equal to the excess, if any, of (i) the amount of interest that would have accrued on the amount so prepaid, or not so borrowed, converted or continued, for the period from the date of such prepayment or of such failure to borrow, convert or continue to the last day of such Interest Period (or, in the case of a failure to borrow, convert or continue, the Interest Period that would have commenced on the date of such failure) in each case at the applicable rate of interest for such Loans provided for herein (excluding, however, the Applicable Margin included therein, if any) over (ii) the amount of interest (as reasonably determined by such Lender) that would have accrued to such Lender on such amount by placing such amount on deposit for a comparable period with leading banks in the interbank eurodollar market. A certificate as to any amounts payable pursuant to this Section submitted to the Borrower by any Lender shall be conclusive in the absence of manifest error. This covenant shall survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder.

2.13 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.

1.1. 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 2.10 or Section 2.12) 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 2.14 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.

1.2. Payments.

(a) All payments (including prepayments) to be made by the Borrower hereunder, whether on account of principal, interest, fees or otherwise, shall be made without setoff or counterclaim and shall be made prior to 1:00 P.M., New York City time, on the due date thereof to the Administrative Agent, for the account of the Lenders, at the Funding Office, in Dollars and in immediately available funds. The Administrative Agent shall distribute such payments to the Lenders promptly upon receipt in like funds as received. If any payment hereunder (other than payments on the Eurodollar Loans) becomes due and payable on a day other than a Business Day, such payment shall be extended to the next succeeding Business Day. If any payment on a Eurodollar Loan becomes due and payable on a day other than a Business Day, the maturity thereof shall be extended to the next succeeding Business Day unless the result of such extension would be to extend such payment into another calendar month, in which event such payment shall be made on the immediately preceding Business Day. In the case of any extension of any payment of principal pursuant to the preceding two sentences, interest thereon shall be payable at the then applicable rate during such extension.

(b) Unless the Administrative Agent shall have been notified in writing by any Lender prior to a borrowing that such Lender will not make the amount that would constitute its share of such borrowing available to the Administrative Agent, the Administrative Agent may assume that such Lender is making such amount available to the Administrative Agent, and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower a corresponding amount. If such amount is not made available to the Administrative Agent by the required time on the Borrowing Date therefor, such Lender shall pay to the Administrative Agent, on demand, such amount with interest thereon, at a rate equal to the greater of (i) the Federal Funds Effective Rate and (ii) a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation, for the period until such Lender makes such amount immediately available to the Administrative Agent. A certificate of the Administrative Agent submitted to any Lender with respect to any amounts owing under this paragraph shall be conclusive in the absence of manifest error. If such Lender's share of such borrowing is not made available to the Administrative Agent by such Lender within three Business Days after such Borrowing Date, the Administrative Agent shall also be entitled to recover such amount with interest thereon at the rate per annum applicable to ABR Loans, on demand, from the Borrower.

(c) Unless the Administrative Agent shall have been notified in writing by the Borrower prior to the date of any payment due to be made by the Borrower hereunder that the Borrower will not make such payment to the Administrative Agent, the Administrative Agent may assume that the Borrower is making such payment, and the Administrative Agent may, but shall not be required to, in reliance upon such assumption, make available to the Lenders their respective pro rata shares of a corresponding amount. If such payment is not made to the Administrative Agent by the Borrower within three Business Days after such due date, the Administrative Agent shall be entitled to recover, on demand, from each Lender to which any amount which was made available pursuant to the preceding sentence, such amount with interest thereon at the rate per annum equal to the daily average Federal Funds Effective Rate. Nothing herein shall be deemed to limit the rights of the Administrative Agent or any Lender against the Borrower.

1.3. 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.

1.4. Computation of Interest and Fees.

(a) Interest and fees payable pursuant hereto shall be calculated on the basis of a 360-day year for the actual days elapsed, except that, with respect to (i) ABR Loans the rate of interest on which is calculated on the basis of the Prime Rate and (ii) Commitment Fees payable pursuant to Section 2.4(a), such calculations shall be made on the basis of a 365- (or 366-, as the case may be) day year for the actual days elapsed. The Administrative Agent shall as soon as practicable notify the Borrower and the relevant Lenders of each determination of a Eurodollar Rate. Any change in the interest rate on a Loan resulting from a change in the ABR or the Eurocurrency Reserve Requirements shall become effective as of the opening of business on the day on which such change becomes effective. The Administrative Agent shall as soon as practicable notify the Borrower and the relevant Lenders of the effective date and the amount of each such change in interest rate.

(b) Each determination of an interest rate by the Administrative Agent pursuant to any provision of this Agreement shall be conclusive and binding on the Borrower and the Lenders in the absence of manifest error. The Administrative Agent shall, at the request of the Borrower, deliver to the Borrower a statement showing the quotations used by the Administrative Agent in determining any interest rate pursuant to Section 2.7(a).

1.5. Booking Loans.

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

1.6. 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.

1.7. Taxes

(a) All payments made by the Borrower under this Agreement shall be made free and clear of, and without deduction or withholding for or on account of, any present or future income, stamp or other taxes, levies, imposts, duties, charges, fees, deductions or withholdings, now or hereafter imposed, levied, collected, withheld or assessed by any Tribunal, excluding net income taxes and franchise taxes (imposed in lieu of net income taxes) imposed on the Administrative Agent or any Lender as a result of a present or former connection between the Administrative Agent or such Lender and the jurisdiction of the Tribunal imposing such tax or any political subdivision or taxing authority thereof or therein (other than any such connection arising solely from the Administrative Agent or such Lender having executed, delivered or performed its obligations or received a payment under, or enforced, this Agreement or any other Loan Paper). If any such non-excluded taxes, levies, imposts, duties, charges, fees, deductions or withholdings (" Non-Excluded Taxes ") or Other Taxes are required to be withheld from any amounts payable to the Administrative Agent or any Lender hereunder, the amounts so payable to the Administrative Agent or such Lender shall be increased to the extent necessary to yield to the Administrative Agent or such Lender (after payment of all Non-Excluded Taxes and Other Taxes) interest or any such other amounts payable hereunder at the rates or in the amounts specified in this Agreement, provided , however , that the Borrower shall not be required to increase any such amounts payable to any Lender with respect to any Non-Excluded Taxes (i) that are attributable to such Lender's failure to comply with the requirements of paragraph (d) or (e) of this Section or (ii) that are United States withholding taxes imposed on amounts payable to such Lender at the time such Lender becomes a party to this Agreement, except to the extent that such Lender's assignor (if any) was entitled, at the time of assignment, to receive additional amounts from the Borrower with respect to such Non-Excluded Taxes pursuant to this paragraph.

(b) In addition, the Borrower shall pay any Other Taxes to the relevant Tribunal in accordance with applicable law.

(c) Whenever any Non-Excluded Taxes or Other Taxes are payable by the Borrower, as promptly as possible thereafter the Borrower shall send to the Administrative Agent for its own account or for the account of the relevant Lender, as the case may be, a certified copy of an original official receipt received by the Borrower showing payment thereof. If the Borrower fails to pay any Non-Excluded Taxes or Other Taxes when due to the appropriate taxing authority or fails to remit to the Administrative Agent the required receipts or other required documentary evidence, the Borrower shall indemnify the Administrative Agent and the Lenders for any incremental taxes, interest or penalties that may become payable by the Administrative Agent or any Lender as a result of any such failure.

(d) Each Lender (or Transferee) that is not a "U.S. Person" as defined in Section 7701(a)(30) of the Code (a " Non-U.S. Lender ") shall deliver to the Borrower and the Administrative Agent (or, in the case of a Participant, to the Lender from which the related participation shall have been purchased) two copies of either U.S. Internal Revenue Service Form W-8BEN or Form W-8ECI, or, in the case of a Non-U.S. Lender claiming exemption from U.S. federal withholding tax under Section 871(h) or 881(c) of the Code with respect to payments of "portfolio interest", a statement substantially in the form of Exhibit H and a Form W-8BEN, or any subsequent versions thereof or successors thereto, properly completed and duly executed by such Non-U.S. Lender claiming complete exemption from, or a reduced rate of, U.S. federal withholding tax on all payments by the Borrower under this Agreement and the other Loan Papers. Such forms shall be delivered by each Non-U.S. Lender on or before the date it becomes a party to this Agreement (or, in the case of any Participant, on or before the date such Participant purchases the related participation). In addition, each Non-U.S. Lender shall deliver such forms promptly upon the obsolescence or invalidity of any form previously delivered by such Non-U.S. Lender. Each Non-U.S. Lender shall promptly notify the Borrower at any time it determines that it is no longer in a position to provide any previously delivered certificate to the Borrower (or any other form of certification adopted by the U.S. taxing authorities for such purpose). Notwithstanding any other provision of this paragraph, a Non-U.S. Lender shall not be required to deliver any form pursuant to this paragraph that such Non-U.S. Lender is not legally able to deliver.

(e) A Lender that is entitled to an exemption from or reduction of non-U.S. withholding tax under the law of the jurisdiction in which the Borrower is located, or any treaty to which such jurisdiction is a party, with respect to payments under this Agreement shall deliver to the Borrower (with a copy to the Administrative Agent), at the time or times prescribed by applicable law or reasonably requested by the Borrower, such properly completed and executed documentation prescribed by applicable law as will permit such payments to be made without withholding or at a reduced rate, provided that such Lender is legally entitled to complete, execute and deliver such documentation and in such Lender's judgment such completion, execution or submission would not materially prejudice the legal position of such Lender.

(f) If the Administrative Agent or any Lender determines, in its sole discretion, that it has received a refund of any Non-Excluded Taxes or Other Taxes as to which it has been indemnified by the Borrower or with respect to which the Borrower has paid additional amounts pursuant to this Section 2.20, it shall pay over such refund to the Borrower (but only to the extent of indemnity payments made, or additional amounts paid, by the Borrower under this Section 2.20 with respect to the Non-Excluded Taxes or Other Taxes giving rise to such refund), net of all out-of-pocket expenses of the Administrative Agent or such Lender and without interest (other than any interest paid by the relevant Tribunal with respect to such refund); provided , that the Borrower, upon the request of the Administrative Agent or such Lender, agrees to repay the amount paid over to the Borrower (plus any penalties, interest or other charges imposed by the relevant Tribunal) to the Administrative Agent or such Lender in the event the Administrative Agent or such Lender is required to repay such refund to such Tribunal. This paragraph shall not be construed to require the Administrative Agent or any Lender to make available its tax returns (or any other information relating to its taxes which it deems confidential) to the Borrower or any other Person.

(g) The agreements in this Section shall survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder.

SECTION 2

LETTERS OF CREDIT

2.1. L/C Commitment . (a) Subject to the terms and conditions hereof, the Issuing Lender, in reliance on the agreements of the other Lenders set forth in Section 3.4(a), agrees to issue letters of credit ("Letters of Credit") for the account of the Borrower on any Business Day during the Commitment Period in such form as may be approved from time to time by the Issuing Lender; provided that the Issuing Lender shall have no obligation to issue any Letter of Credit if, after giving effect to such issuance, (i) the L/C Obligations would exceed the L/C Commitment or (ii) any Lender's Revolving Extensions of Credit would exceed such Lender's Commitment. Each Letter of Credit shall (i) be denominated in Dollars and (ii) expire no later than the earlier of (x) the first anniversary of its date of issuance and (y) the date that is five Business Days prior to the Termination Date, provided that any Letter of Credit with a one-year term may provide for the renewal thereof for additional one-year periods (which shall in no event extend beyond the date referred to in clause (y) above).

(b) The Issuing Lender shall not at any time be obligated to issue any Letter of Credit if such issuance would conflict with, or cause the Issuing Lender or the L/C Participant to exceed any limits imposed by, any applicable Law.

2.2. Procedure for Issuance of Letter of Credit . The Borrower may from time to time request that the Issuing Lender issue a Letter of Credit by delivering to the Issuing Lender at its address for notices specified herein an Application therefor, completed to the satisfaction of the Issuing Lender, and such other certificates, documents and other papers and information as the Issuing Lender may reasonably request. Upon receipt of any Application, the Issuing Lender will process such Application and the certificates, documents and other papers and information delivered to it in connection therewith in accordance with its customary procedures and shall promptly issue the Letter of Credit requested thereby (but in no event shall the Issuing Lender be required to issue any Letter of Credit earlier than three Business Days after its receipt of the Application therefor and all such other certificates, documents and other papers and information relating thereto) by issuing the original of such Letter of Credit to the beneficiary thereof or as otherwise may be agreed to by the Issuing Lender and the Borrower. The Issuing Lender shall furnish a copy of such Letter of Credit to the Borrower promptly following the issuance thereof. The Issuing Lender shall promptly furnish to the Administrative Agent, which shall in turn promptly furnish to the Lenders, notice of the issuance of each Letter of Credit (including the amount thereof).

2.3. Fees and Other Charges . (b) The Borrower will pay a fee on all outstanding Letters of Credit at a per annum rate equal to the Applicable Margin then in effect, shared ratably among the Lenders and payable quarterly in arrears on each Quarterly Payment Date and on the Termination Date after the issuance date. In addition, the Borrower shall pay to the Issuing Lender for its own account a fronting fee of 0.125% per annum on the undrawn and unexpired amount of each Letter of Credit, payable quarterly in arrears on each Quarterly Payment Date and on the Termination Date after the issuance date.

(b) In addition to the foregoing fees, the Borrower shall pay or reimburse the Issuing Lender for such normal and customary costs and expenses as are incurred or charged by the Issuing Lender in issuing, negotiating, effecting payment under, amending or otherwise administering any Letter of Credit.

2.4. L/C Participations . (c) The Issuing Lender irrevocably agrees to grant and hereby grants to each L/C Participant, and, to induce the Issuing Lender to issue Letters of Credit, each L/C Participant irrevocably agrees to accept and purchase and hereby accepts and purchases from the Issuing Lender, on the terms and conditions set forth below, for such L/C Participant's own account and risk an undivided interest equal to such L/C Participant's Revolving Percentage in the Issuing Lender's obligations and rights under and in respect of each Letter of Credit and the amount of each draft paid by the Issuing Lender thereunder. Each L/C Participant agrees with the Issuing Lender that, if a draft is paid under any Letter of Credit for which the Issuing Lender are not reimbursed in full by the Borrower in accordance with the terms of this Agreement, such L/C Participant shall pay to the Issuing Lender upon demand at the Issuing Lender's address for notices specified herein an amount equal to such L/C Participant's Percentage of the amount of such draft, or any part thereof, that is not so reimbursed. Each L/C Participant's obligation to pay such amount shall be absolute and unconditional and shall not be affected by any circumstance, including (i) any setoff, counterclaim, recoupment, defense or other right that such L/C Participant may have against the Issuing Lender, the Borrower or any other Person for any reason whatsoever, (ii) the occurrence or continuance of a Default or an Event of Default or the failure to satisfy any of the other conditions specified in Section 5, (iii) any adverse change in the condition (financial or otherwise) of the Borrower, (iv) any breach of this Agreement or any other Loan Document by the Borrower, any other Company or any other L/C Participant or (v) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing.

(b) If any amount required to be paid by any L/C Participant to the Issuing Lender pursuant to Section 3.4(a) in respect of any unreimbursed portion of any payment made by the Issuing Lender under any Letter of Credit is paid to the Issuing Lender within three Business Days after the date such payment is due, such L/C Participant shall pay to the Issuing Lender on demand an amount equal to the product of (i) such amount, times (ii) the daily average Federal Funds Effective Rate during the period from and including the date such payment is required to the date on which such payment is immediately available to the Issuing Lender, times (iii) a fraction the numerator of which is the number of days that elapse during such period and the denominator of which is 360. If any such amount required to be paid by any L/C Participant pursuant to Section 3.4(a) is not made available to the Issuing Lender by such L/C Participant within three Business Days after the date such payment is due, the Issuing Lender shall be entitled to recover from such L/C Participant, on demand, such amount with interest thereon calculated from such due date at the rate per annum applicable to ABR Loans. A certificate of the Issuing Lender submitted to any L/C Participant with respect to any amounts owing under this Section shall be conclusive in the absence of manifest error.

(c) Whenever, at any time after the Issuing Lender has made payment under any Letter of Credit and has received from any L/C Participant its pro rata share of such payment in accordance with Section 3.4(a), the Issuing Lender receives any payment related to such Letter of Credit (whether directly from the Borrower or otherwise, including proceeds of collateral applied thereto by the Issuing Lender), or any payment of interest on account thereof, the Issuing Lender will distribute to such L/C Participant its pro rata share thereof; provided , however , that in the event that any such payment received by the Issuing Lender shall be required to be returned by the Issuing Lender, such L/C Participant shall return to the Issuing Lender the portion thereof previously distributed by the Issuing Lender to it.

2.5. Reimbursement Obligation of the Borrower . If any draft is paid under any Letter of Credit, the Borrower shall reimburse the Issuing Lender for the amount of (a) the draft so paid and (b) any taxes, fees, charges or other costs or expenses incurred by such Issuing Lender in connection with such payment, not later than 12:00 Noon, New York City time, on (i) the Business Day that the Borrower receives notice of such draft, if such notice is received on such day prior to 10:00 A.M., New York City time, or (ii) if clause (i) above does not apply, the Business Day immediately following the day that the Borrower receives such notice. Each such payment may be paid using a Loan to the extent otherwise permitted under this Agreement and shall be made to such Issuing Lender at its address for notices referred to herein in Dollars and in immediately available funds. Interest shall be payable on any such amounts from the date on which the relevant draft is paid until payment in full at the rate set forth in (x) until the Business Day next succeeding the date of the relevant notice, Section 2.7(b) and (y) thereafter, Section 2.7(c).

2.6. Obligations Absolute . The Borrower's obligations under this Section 3 shall be absolute and unconditional under any and all circumstances and irrespective of any setoff, counterclaim or defense to payment that the Borrower may have or have had against the Issuing Lenders, any beneficiary of a Letter of Credit or any other Person. The Borrower also agrees with the Issuing Lenders that the Issuing Lenders shall not be responsible for, and the Borrower's Reimbursement Obligations under Section 3.5 shall not be affected by, among other things, the validity or genuineness of documents or of any endorsements thereon, even though such documents shall in fact prove to be invalid, fraudulent or forged, or any dispute between or among the Borrower and any beneficiary of any Letter of Credit or any other party to which such Letter of Credit may be transferred or any claims whatsoever of the Borrower against any beneficiary of such Letter of Credit or any such transferee. The Issuing Lenders shall not be liable for any error, omission, interruption or delay in transmission, dispatch or delivery of any message or advice, however transmitted, in connection with any Letter of Credit, except for errors or omissions found by a final and nonappealable decision of a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of the Issuing Lenders. The Borrower agrees that any action taken or omitted by the Issuing Lenders under or in connection with any Letter of Credit or the related drafts or documents, if done in the absence of gross negligence or willful misconduct, shall be binding on the Borrower and shall not result in any liability of the Issuing Lender to the Borrower.

2.7. Letter of Credit Payments . If any draft shall be presented for payment under any Letter of Credit, the Issuing Lender shall promptly notify the Borrower of the date and amount thereof. The responsibility of the Issuing Lender to the Borrower in connection with any draft presented for payment under any Letter of Credit shall, in addition to any payment obligation expressly provided for in such Letter of Credit, be limited to determining that the documents (including each draft) delivered under such Letter of Credit in connection with such presentment are substantially in conformity with such Letter of Credit.

2.8. Applications . To the extent that any provision of any Application related to any Letter of Credit is inconsistent with the provisions of this Section 3, the provisions of this Section 3 shall apply.

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 refinance the Existing Credit Agreement and for the working capital needs and general corporate purposes (including Acquisitions and capital expenditures) 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 the 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.

(a) 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.

(b) Since December 31, 2005, there has been no development or event that has had or could reasonably be expected to have a Material Adverse Effect.

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 Subsidiary is, nor will the execution, delivery, performance, or observance of the Loan Papers cause the Borrower or any 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 September 30, 2006 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 4.6 in relation to Litigation would include any actions or proceedings pending or threatened against any Company before any court or Tribunal as to which there is a reasonable possibility of an adverse determination 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 shown to be due and payable thereon have been paid *other than* Taxes for which the criteria for Permitted Liens have been satisfied and Taxes being contested in good faith by proper proceedings and with respect to which such Company shall have, to the extent required by GAAP, set aside on its books adequate reserves.

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 which could result in a Material Adverse Effect. 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 as being owned (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 4.12, 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 and other than transactions between or among entities each of which is either the Borrower or a Wholly Owned Subsidiary. For purposes of this Section 4.12, 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 which could result in a Material Adverse Effect.

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 4.15.

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 4.17.

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 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 opinions, dated the Effective Date and substantially in the form of Exhibit B of:

(i) Jones, Walker, Waechter, Poitevent, Carrere & Denegre, L.L.P., special counsel to the Borrower; and

(ii) Stacey Goff, Senior Vice President, General Counsel and Corporate Secretary of the Borrower.

(e) Officer's Certificate . A certificate, dated the Effective Date and signed by the President, a Vice President or a Financial Officer of the Borrower, confirming compliance, as of the Effective Date, with the conditions set forth in paragraphs (a) and (b) of Section 5.2.

(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 . All accrued unpaid amounts owing under the Existing Credit Agreement shall have been paid.

(h) Financial Statements . The Lenders shall have received (i) audited consolidated financial statements of the Borrower for the 2003, 2004 and 2005 fiscal years and (ii) unaudited interim consolidated financial statements of the Borrower for each fiscal quarter ended after the date of the latest applicable financial statements delivered pursuant to clause (i) of this paragraph as to which such financial statements are available, and such financial statements shall not, in the reasonable judgment of the Lenders, reflect any material adverse change in the consolidated financial condition of the Borrower, as reflected in the financial statements or projections contained in the Confidential Information Memorandum.

(i) Projections . The Lenders shall have received from the Borrower financial projections for the fiscal years 2006 and 2007 in form and substance reasonably satisfactory to the Lenders.

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

4.2. Each Revolving Extension of Credit.

In addition, the Lenders will not be obligated to fund any Loan and the Issuing Lender shall not be obligated to issue any Letter of Credit unless at the time of such funding or issuance(a) the representations and warranties made in the Loan Papers (other than pursuant to Section 4.4(b), which representation shall only be made as of the date of the initial extension of credit) are true and correct in all material respects (except to the extent that the representations and warranties speak to a specific date), (b) no Default or Event of Default shall have occurred and shall be continuing, (c) the funding or issuance of such Loan or Letter of Credit 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 or Letter of Credit.

Each Borrowing by the Borrower hereunder shall constitute a representation and warranty by the Borrower as of the date of such extension of credit that the conditions contained in this Section 5.2 shall have been satisfied.

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 11.14, 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 11.14, all Lenders) specifically waive each such item in writing.

SECTION 5

AFFIRMATIVE 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, 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 and each Lender (through 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 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, proxy statements and filings on Form 8-K furnished by or on behalf of any Company to stockholders generally or filed with 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 4.6, (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 7.14(b).

(g) Within 10 days after execution thereof, copies of any supplements, modifications or amendments to the Equity Units documentation.

(h) Promptly upon the Administrative Agent's or any Lender'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, Taxes for which the criteria for Permitted Liens have been satisfied and Taxes being contested in good faith by proper proceedings and with respect to which such Company shall have, to the extent required by GAAP, set aside on its books adequate reserves. 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 except those being contested in good faith by proper proceedings and with respect to which such Company shall have, to the extent required by GAAP, set aside on its books adequate reserves, 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 reasonable and customary 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. This covenant shall survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder.

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

Except as permitted by Section 7.4, each Company shall at all times (a) 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, (b) 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, (c) 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 (d) maintain either (i) insurance with such insurers, in such amounts, and covering such risks, as shall be ordinary and customary in the industry or (ii) 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. 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 in all material respects.

5.11. Environmental Indemnification.

The 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.

SECTION 6

NEGATIVE 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, the Borrower covenants and agrees with the Agents and the Lenders as follows:

6.1. 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.

6.2. 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.

6.3. Restricted Payments.

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

6.4. Mergers and Consolidations.

No Company will merge or consolidate with any Person other than (a) any merger or consolidation whereby the Borrower (or another Company, if the Borrower is not a party thereto) is the surviving corporation, (b) any merger of any Subsidiary into another Company, (c) any merger of a Subsidiary into another Person (other than the Borrower) if after such merger the surviving entity becomes a Subsidiary, (d) any sale of assets permitted by Section 7.7 that is structured as a merger or consolidation and (e) any Subsidiary that is not a Significant Subsidiary may liquidate or dissolve if the Borrower determines in good faith that such liquidation or dissolution is in the best interests of such Borrower and is not materially disadvantageous to the Lenders; provided , that in any such case, immediately after such merger or consolidation there shall not exist any Default or Event of Default.

6.5. Loans, Advances, and Investments.

Except as permitted by Section 7.4(b), 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 loans and 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) time deposits, banker's acceptances or certificates of deposit issued by any of the Lenders; (e) certificates of deposit, time deposits and banker's acceptances 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-2 or better by Moody's or P-2 or better 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, capital contributions by any Company to 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 7.5; (k) the purchase of equity or debt securities of any Company, including the Borrower (but, in the case of equity securities of the Borrower, only to the extent permitted by Section 7.3), (l) investments in the capital stock or securities of or loans to or Guaranties of the Debt of any Person engaged in the same or a similar line of business as set forth on Schedule 4.17 hereto (or any reasonable extensions or expansions thereof) (i) in which a Company possesses (or will possess, after such investment) an equity ownership interest in such Person or (ii) secured by the borrower's interest in such business; (m) 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; (n) Guaranties of the Debt of the Borrower's Employee Stock Ownership Plan; (o) investments in readily marketable money market funds registered under the Investment Company Act of 1940 with an investment policy to hold at least 90% of its assets in cash and securities of a type described in subsections (c), (d), (e), (f), (g) and (r) of this Section 7.5; (p) investments received in connection with the bankruptcy or reorganization of, or settlement of delinquent accounts and disputes with, customers and suppliers, in each case in the ordinary course of business; (q) investments consisting of non-cash consideration with respect to sale of assets permitted by Section 7.7; (r) overnight repurchase agreements relating to securities described in clauses (c), (d), (e), (f) or (g) of this Section 7.5; (s) any acquisition of stock or assets to the extent that the consideration is paid in capital stock of the Borrower; and (t) 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); provided that this Section 7.5 shall not restrict the investment by any Company of assets held or managed under any Plan.

6.6. Transactions with Affiliates.

No Company will enter into any material transaction with any of its Affiliates, other than (a) transactions between or among entities each of which is either the Borrower or a Wholly Owned Subsidiary, (b) in the case of a transaction between the Borrower and a Subsidiary that is owned by the Borrower or between Subsidiaries one or both of which is not directly or indirectly wholly-owned by the Borrower, if the Borrower has determined that such transaction is in the best interests of the Borrower, and (c) in the case of any other transaction between a Company and a Person that is not a Company, 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 7.6, 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.

6.7. Sale of Assets.

No Company will sell, lease, or otherwise dispose of all or any substantial part of its assets (including a sale by merger of a Subsidiary with or into another Person) other than (a) sales of inventory or investments permitted under Section 7.5(c), (d), (e), (f), (g), (o) and (r) in the ordinary course of business; (b) sales of equipment for a fair and adequate consideration or disposal of obsolete or worn out equipment, provided that if any such equipment is sold or otherwise disposed of, 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; (e) sales of accounts receivable and related assets or an interest therein of the type specified in the definition of "Qualified Receivables Transaction" made in connection with a Qualified Receivables Transaction (provided , that if at any time the aggregate principal amount of all Qualified Receivables Transactions exceeds $150,000,000, the Borrower shall permanently reduce the Total Commitments by the amount of such excess); (f) sales of assets from one Company to another Company; (g) dispositions of assets pursuant to sale and leaseback transactions so long as, after giving effect thereto and the use of proceeds thereof, the aggregate outstanding amount of Attributable Debt of the Companies shall not exceed $75,000,000; (h) other dispositions of assets (other than (i) accounts receivable and related assets or (ii) in connection with sale and leaseback transactions), provided that (i) the Companies shall, within the period of 270 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 (x) make Eligible Reinvestments or (y) permanently reduce the Total Commitments and (ii) notwithstanding the foregoing provisions of this clause (h), 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 Effective Date (it being understood that the Debt Rating by S&P as of the Effective Date is BBB and the Debt Rating by Moody's as of the Effective Date is Baa2), the net book value of all assets disposed of pursuant to this clause (h) (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% of Consolidated Net Worth as set forth in the most recent F inancial Statements delivered pursuant to Section 6.3 of this Agreement; and (i) to the extent not already permitted by another subsection of this Section 7.7, sales, transfers and other dispositions of assets (other than (i) accounts receivable and related assets or (ii) in connection with sale and leaseback transactions) that are not permitted by clauses (a) through (h) above; provided that the cumulative consideration for all assets sold, transferred or otherwise disposed of in reliance upon this clause (i) shall not exceed $200,000,000 or 2-1/2% of the consolidated total assets of the Companies (measured as of the last day of the most recent fiscal quarter for which the relevant financial information is available), whichever is greater, in the aggregate, net of Eligible Reinvestments.

6.8. 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.

6.9. 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 4.17.

6.10. Assignment.

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

6.11. Fiscal Year.

The Borrower will not change its fiscal year without the prior written consent of the Administrative Agent (which shall not be unreasonably withheld).

6.12. 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.

6.13. Amendments to Equity Units Documentation.

The Borrower will not amend, supplement or otherwise modify the terms and conditions of the documentation relating to the Equity Units except any amendment to the Equity Units' purchase contracts to provide for the voluntary settlement by the Borrower of the purchase contracts via cash, stock or a combination thereof or any other amendment, supplement or modification that is not materially adverse to the interests of the Lenders.

6.14. 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 Consolidated Total Funded Debt 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 for the four fiscal quarters ending on the last day of such fiscal quarter), the Borrower shall not permit the ratio of EBITDA of the Companies to the sum of (i) consolidated interest expense of the Companies (less any non-cash amounts attributable to amortization of financing costs paid in a previous period) 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 7.14(b), EBITDA 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 7.14 (b), "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.

(c) 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 7.14 Consolidated Total 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 7.14 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 7

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 11.14, 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):

7.1. 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 so long as such failure to pay is promptly corrected.

7.2. 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 Section 6.3(e)(iii) or Section 7.

(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.

7.3. 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).

7.4. 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.

7.5. 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.

7.6. 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. For the purposes of this paragraph, a default by any Company in the payment of any obligation at its stated maturity date (taking into account any applicable cure period) shall be deemed to have caused such obligation to become due prior to such stated final maturity.

7.7. Misrepresentation.

The 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 the Administrative Agent or any Lender pursuant to the Loan Papers is false, misleading, or erroneous when made, deemed made or delivered in any material respect.

7.8. 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 the 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 the Borrower's outstanding voting securities ordinarily having the right to vote for the election of directors of the Borrower; or

(b) the individuals who, as of September 30, 2006 constituted the Board of Directors of the Borrower (the "Board" generally and as of September 30, 2006 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 the 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 September 30, 2006, 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.

7.9. 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.

7.10. Validity and Enforceability of Loan Papers.

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 8

RIGHTS AND REMEDIES

8.1. Remedies Upon Event of Default.

(a) Should an Event of Default occur and be continuing under Section 8.3, 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 9.1(a), declare the entire unpaid balance of the Obligation (including all amounts of L/C Obligations, whether or not the beneficiaries of the then outstanding Letters of Credit shall have presented the documents required thereunder), 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. With respect to all Letters of Credit with respect to which presentment for honor shall not have occurred at the time of an acceleration pursuant to this paragraph, the Borrower shall at such time deposit in a cash collateral account opened by the Administrative Agent an amount equal to the aggregate then undrawn and unexpired amount of such Letters of Credit. Amounts held in such cash collateral account shall be applied by the Administrative Agent to the payment of drafts drawn under such Letters of Credit, and the unused portion thereof after all such Letters of Credit shall have expired or been fully drawn upon, if any, shall be applied to repay other obligations of the Borrower hereunder. After all such Letters of Credit shall have expired or been fully drawn upon, all Reimbursement Obligations shall have been satisfied and all other obligations of the Borrower hereunder shall have been paid in full, the balance, if any, in such cash collateral account shall be returned to the Borrower (or such other Person as may be lawfully entitled thereto).

8.2. 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.

8.3. 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.

8.4. 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.

8.5. 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 9.

8.6. 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.

8.7. 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.

8.8. 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 2.15.

8.9. 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.

8.10. 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 9

THE AGENTS.

9.1. Appointment.

Each Lender hereby irrevocably designates and appoints the Administrative Agent as the agent of such Lender under this Agreement and the other Loan Papers, and each such Lender irrevocably authorizes the Administrative Agent, in such capacity, to take such action on its behalf under the provisions of this Agreement and the other Loan Papers and to exercise such powers and perform such duties as are expressly delegated to the Administrative Agent by the terms of this Agreement and the other Loan Papers, together with such other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary elsewhere in this Agreement, the Administrative Agent shall not have any duties or responsibilities, except those expressly set forth herein, or any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Paper or otherwise exist against the Administrative Agent.

9.2. Delegation of Duties.

The Administrative Agent may execute any of its duties under this Agreement and the other Loan Papers by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Administrative Agent shall not be responsible for the negligence or misconduct of any agents or attorneys in-fact selected by it with reasonable care.

9.3. Exculpatory Provisions.

Neither any Agent nor any of their respective officers, directors, employees, agents, attorneys-in-fact or affiliates shall be (i) liable for any action lawfully taken or omitted to be taken by it or such Person under or in connection with this Agreement or any other Loan Paper (except to the extent that any of the foregoing are found by a final and nonappealable decision of a court of competent jurisdiction to have resulted from its or such Person's own gross negligence or willful misconduct) or (ii) responsible in any manner to any of the Lenders for any recitals, statements, representations or warranties made by any Company or any officer thereof contained in this Agreement or any other Loan Paper or in any certificate, report, statement or other document referred to or provided for in, or received by the Agents under or in connection with, this Agreement or any other Loan Paper or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Paper or for any failure of any Company a party thereto to perform its obligations hereunder or thereunder. The Agents shall not be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Paper, or to inspect the properties, books or records of any Company.

9.4. Reliance of Administrative Agent.

The Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any instrument, writing, resolution, notice, consent, certificate, affidavit, letter, telecopy, telex or teletype message, statement, order or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including counsel to the Borrower), independent accountants and other experts selected by the Administrative Agent. The Administrative Agent may deem and treat the payee of any Note as the owner thereof for all purposes unless a written notice of assignment, negotiation or transfer thereof shall have been filed with the Administrative Agent. The Administrative Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Loan Paper unless it shall first receive such advice or concurrence of the Majority Lenders (or, if so specified by this Agreement, all Lenders) as it deems appropriate or it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense that may be incurred by it by reason of taking or continuing to take any such action. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement and the other Loan Papers in accordance with a request of the Majority Lenders (or, if so specified by this Agreement, all Lenders), and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders and all future holders of the Loans.

9.5. Notice of Default.

The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default unless the Administrative Agent has received notice from a Lender or the Borrower referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default". In the event that the Administrative Agent receives such a notice, the Administrative Agent shall promptly give notice thereof to the Lenders. The Administrative Agent shall take such action with respect to such Default or Event of Default as shall be reasonably directed by the Majority Lenders (or, if so specified by this Agreement, all Lenders); provided that unless and until the Administrative Agent shall have received such directions, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable in the best interests of the Lenders.

9.6. Non-Reliance on Agents and Other Lenders.

Each Lender expressly acknowledges that neither the Agents nor any of their respective officers, directors, employees, agents, attorneys-in-fact or affiliates have made any representations or warranties to it and that no act by any Agent hereafter taken, including any review of the affairs of a Company or any affiliate of a Company, shall be deemed to constitute any representation or warranty by any Agent to any Lender. Each Lender represents to the Agents that it has, independently and without reliance upon any Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, financial and other condition and creditworthiness of the Companies and their affiliates and made its own decision to make its Loans hereunder and enter into this Agreement. Each Lender also represents that it will, independently and without reliance upon any 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 analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Papers, and to make such investigation as it deems necessary to inform itself as to the business, operations, property, financial and other condition and creditworthiness of the Companies and their affiliates. Except for notices, reports and other documents expressly required to be furnished to the Lenders by the Administrative Agent hereunder, the Administrative Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, operations, property, condition (financial or otherwise), prospects or creditworthiness of any Company or any affiliate of a Company that may come into the possession of the Administrative Agent or any of its officers, directors, employees, agents, attorneys-in-fact or affiliates.

9.7. Indemnification.

The Lenders agree to indemnify each Agent in its capacity as such (to the extent not reimbursed by the Borrower and without limiting the obligation of the Borrower to do so), ratably according to their respective Revolving Percentages in effect on the date on which indemnification is sought under this Section (or, if indemnification is sought after the date upon which the Commitments shall have terminated and the Loans shall have been paid in full, ratably in accordance with such Revolving Percentages immediately prior to such date), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever that may at any time (whether before or after the payment of the Loans) be imposed on, incurred by or asserted against such Agent in any way relating to or arising out of, the Commitments, this Agreement, any of the other Loan Papers or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or any action taken or omitted by such Agent under or in connection with any of the foregoing; provided that no Lender shall be liable for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements that are found by a final and nonappealable decision of a court of competent jurisdiction to have resulted from such Agent's fraud, gross negligence or willful misconduct. The agreements in this Section shall survive the payment of the Loans and all other amounts payable hereunder.

9.8. Agent in its Individual Capacity.

Each Agent and its affiliates may make loans to, accept deposits from and generally engage in any kind of business with any Company as though such Agent were not an Agent. With respect to its Loans made or renewed by it, each Agent shall have the same rights and powers under this Agreement and the other Loan Papers as any Lender and may exercise the same as though it were not an Agent, and the terms "Lender" and "Lenders" shall include each Agent in its individual capacity.

9.9. Successor Administrative Agent.

The Administrative Agent may resign as Administrative Agent upon 10 days' notice to the Lenders and the Borrower. If the Administrative Agent shall resign as Administrative Agent under this Agreement and the other Loan Papers, then the Majority Lenders shall appoint from among the Lenders a successor agent for the Lenders, which successor agent shall (unless an Event of Default under Section 8.1 or Section 8.3 with respect to the Borrower shall have occurred and be continuing) be subject to approval by the Borrower (which approval shall not be unreasonably withheld or delayed), whereupon such successor agent shall succeed to the rights, powers and duties of the Administrative Agent, and the term "Administrative Agent" shall mean such successor agent effective upon such appointment and approval, and the former Administrative Agent's rights, powers and duties as Administrative Agent shall be terminated, without any other or further act or deed on the part of such former Administrative Agent or any of the parties to this Agreement or any holders of the Loans. If no successor agent has accepted appointment as Administrative Agent by the date that is 10 days following a retiring Administrative Agent's notice of resignation, the retiring Administrative Agent's resignation shall nevertheless thereupon become effective, and the Lenders shall assume and perform all of the duties of the Administrative Agent hereunder until such time, if any, as the Majority Lenders appoint a successor agent as provided for above. After any retiring Administrative Agent's resignation as Administrative Agent, the provisions of this Section 10 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement and the other Loan Papers.

9.10. Co-Documentation Agents and Syndication Agent.

Neither the Co-Documentation Agents nor the Syndication Agent shall have any duties or responsibilities hereunder in its capacity as such.

SECTION 10

MISCELLANEOUS.

10.1. 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 7.11, 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.

10.2. 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.

10.3. 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.

10.4. 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.

10.5. 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.

10.6. Notices.

All notices, requests and demands to or upon the respective parties hereto to be effective shall be in writing (including by telecopy), and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when delivered, or three Business Days after being deposited in the mail, postage prepaid, or, in the case of telecopy notice, when received, addressed as follows in the case of the Borrower and the Administrative Agent, and as set forth in an administrative questionnaire delivered to the Administrative Agent in the case of the Lenders, or to such other address as may be hereafter notified by the respective parties hereto:

Borrower:	CenturyTel, Inc. 100 CenturyTel Drive Monroe, LA 71203 Attention: R. Stewart Ewing, Jr. Telecopy: 318-362-1728 Telephone: 318-388-9512
	CenturyTel, Inc. 100 CenturyTel Drive Monroe, LA 71203 Attention: G. Clay Bailey and D. Greg Jones Telecopy: 318-388-9093 Telephone: 318-388-9069
with a copy to:	CenturyTel, Inc. 100 CenturyTel Drive Monroe, LA 71203 Attention: Stacey W. Goff Telecopy: 318-388-9488 Telephone: 318-388-9539
Administrative Agent:	JPMorgan Chase Bank, N.A. Loan and Agency Services Group 1111 Fannin, 10 th Floor Houston, TX 77002 Attention: Gloria Javier Telecopy: 713-750-2878 Telephone: 713-750-7919
with a copy to::	JPMorgan Chase Bank, N.A. 270 Park Avenue, 4 th Floor New York, NY 10017 Attention: Peter Ling Telecopy: 212-270-0213 Telephone: 212-270-4676

provided that any notice, request or demand to or upon the Administrative Agent or the Lenders shall not be effective until received.

Notices and other communications to the Lenders hereunder may be delivered or furnished by electronic communications pursuant to procedures approved by the Administrative Agent; provided that the foregoing shall not apply to notices pursuant to Section 2 unless otherwise agreed by the Administrative Agent and the applicable Lender. The Administrative Agent or the Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; provided that approval of such procedures may be limited to particular notices or communications.

10.7. 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.

10.8. 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.

10.9. Governing Law .

THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

10.10. Submission to Jurisdiction; Waivers.

The Borrower hereby irrevocably and unconditionally:

(a) submits for itself and its property in any legal action or proceeding relating to this Agreement and the other Loan Papers to which it is a party, or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive general jurisdiction of the courts of the State of New York, the courts of the United States for the Southern District of New York, and appellate courts from any thereof;

(b) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to the Borrower, as the case may be at its address set forth in Section 11.6 or at such other address of which the Administrative Agent shall have been notified pursuant thereto;

(d) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction; and

(e) waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this Section any special, exemplary, punitive or consequential damages.

10.11. WAIVERS OF JURY TRIAL.

THE BORROWER, THE ADMINISTRATIVE AGENT AND THE LENDERS HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVE TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN PAPER AND FOR ANY COUNTERCLAIM THEREIN.

10.12. Severability.

Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

10.13. Integration.

This Agreement and the other Loan Papers represent the entire agreement of the Borrower, the Administrative Agent and the Lenders with respect to the subject matter hereof and thereof, and there are no promises, undertakings, representations or warranties by the Administrative Agent or any Lender relative to the subject matter hereof not expressly set forth or referred to herein or in the other Loan Papers.

10.14. Amendments, Etc.

Neither this Agreement, any other Loan Paper, nor any terms hereof or thereof may be amended, supplemented or modified except in accordance with the provisions of this Section 11.14. The Majority Lenders and the Borrower may, or, with the written consent of the Majority Lenders, the Administrative Agent and the Borrower may, from time to time, (a) enter into written amendments, supplements or modifications hereto and to the other Loan Papers for the purpose of adding any provisions to this Agreement or the other Loan Papers or changing in any manner the rights of the Lenders or of the Borrower hereunder or thereunder or (b) waive, on such terms and conditions as the Majority Lenders or the Administrative Agent, as the case may be, may specify in such instrument, any of the requirements of this Agreement or the other Loan Papers or any Default or Event of Default and its consequences; provided , however , that no such waiver and no such amendment, supplement or modification shall (i) forgive or reduce the principal amount or extend the final scheduled date of maturity of any Loan, extend the date of any payment required by Section 2.9(b), reduce the stated rate of any interest, margin or fee payable hereunder (except (x) in connection with the waiver of applicability of any post-default increase in interest rates (which waiver shall be effective with the consent of the Majority Lenders) and (y) that any amendment or modification of defined terms used in the financial covenants in this Agreement shall not constitute a reduction in the rate of interest or fees for purposes of this clause (i)) or extend the scheduled date of any payment thereof, or increase the amount or extend the expiration date of any Lender's Commitment, in each case without the written consent of each Lender directly affected thereby; (ii) eliminate or reduce the voting rights of any Lender under this Section 11.14 without the written consent of such Lender; (iii) reduce any percentage specified in the definition of Majority Lenders or consent to the assignment or transfer by the Borrower of any of its rights and obligations under this Agreement and the other Loan Papers, in each case without the written consent of all Lenders; or (iv) amend, modify or waive any provision of Section 3 or 10 without the written consent of the Issuing Lender or the Administrative Agent, respectively. Any such waiver and any such amendment, supplement or modification shall apply equally to each of the Lenders and shall be binding upon the Borrower, the Lenders, the Administrative Agent and all future holders of the Loans. In the case of any waiver, the Companies, the Lenders and the Administrative Agent shall be restored to their former position and rights hereunder and under the other Loan Papers, and any Default or Event of Default waived shall be deemed to be cured and not continuing; but no such waiver shall extend to any subsequent or other Default or Event of Default, or impair any right consequent thereon.

Notwithstanding the foregoing, this Agreement may be amended (or amended and restated) with the written consent of the Majority Lenders, the Administrative Agent and the Borrower (a) to add one or more additional credit facilities to this Agreement and to permit the extensions of credit from time to time outstanding thereunder and the accrued interest and fees in respect thereof to share ratably in the benefits of this Agreement and the other Loan Papers with the aggregate principal amount of the Loans then outstanding and the accrued interest and fees in respect thereof and (b) to include appropriately the Lenders holding such credit facilities in any determination of the Majority Lenders.

10.15. 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.

10.16. 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.

10.17. Multiple Counterparts.

This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. Delivery of an executed signature page of this Agreement by facsimile transmission shall be effective as delivery of a manually executed counterpart hereof. A set of the copies of this Agreement signed by all the parties shall be lodged with the Borrower and the Administrative Agent.

10.18. Successors and Assigns; Participations; Assignments.

(a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that (i) the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender (and any attempted assignment or transfer by the Borrower without such consent shall be null and void) and (ii) no Lender may assign or otherwise transfer its rights or obligations hereunder except in accordance with this Section.

(b) (i) Subject to the conditions set forth in paragraph (b)(ii) below, any Lender may assign to one or more assignees (each, an " Assignee ") all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitments and the Loans at the time owing to it) with the prior written consent (such consent not to be unreasonably withheld) of:

(A) the Borrower, provided that no consent of the Borrower shall be required for an assignment to a Lender, an affiliate of a Lender, an Approved Fund (as defined below) or, if an Event of Default has occurred and is continuing, any other Person;

(B) the Administrative Agent; and

(C) the Issuing Lender.

(ii) Assignments shall be subject to the following additional conditions:

(A) except in the case of an assignment to a Lender, an affiliate of a Lender or an Approved Fund or an assignment of the entire remaining amount of the assigning Lender's Commitments, the amount of the Commitments of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent) shall not be less than $5,000,000 unless each of the Borrower and the Administrative Agent otherwise consent, provided that (1) no such consent of the Borrower shall be required if an Event of Default has occurred and is continuing and (2) such amounts shall be aggregated in respect of each Lender and its affiliates or Approved Funds, if any;

(B) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of $3,500;

(C) the Assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an administrative questionnaire;

(D) unless otherwise agreed by the Borrower, the Assignee shall either (1) be a "U.S. Person" as defined in Section 7701(a)(30) of the Code or (2) have delivered the documents described in Section 2.20(d) claiming complete exemption from U.S. federal withholding tax on all payments by the Borrower under this Agreement and the other Loan Papers; and

(E) in the case of an assignment to a CLO (as defined below), unless such assignment (or an assignment to a CLO managed by the same manager or an Affiliate of such manager) shall have been approved by the Borrower (the Borrower agreeing that such approval, if requested, will not be unreasonably withheld or delayed) the assigning Lender shall retain the sole right to approve any amendment, modification or waiver of any provision of this Agreement and the other Loan Papers, provided that the Assignment and Assumption between such Lender and such CLO may provide that such Lender will not, without the consent of such CLO, agree to any amendment, modification or waiver that (1) requires the consent of each Lender directly affected thereby pursuant to the proviso to the second sentence of Section 11.14 and (2) directly affects such CLO.

For the purposes of this Section 11.18, the terms "Approved Fund" and "CLO" have the following meanings:

" Approved Fund " means (a) a CLO and (b) with respect to any Lender that is a fund which invests in bank loans and similar extensions of credit, any other fund that invests in bank loans and similar extensions of credit and is managed by the same investment advisor as such Lender or by an affiliate of such investment advisor.

" CLO " means any entity (whether a corporation, partnership, trust or otherwise) that is engaged in making, purchasing, holding or otherwise investing in bank loans and similar extensions of credit in the ordinary course of its business and is administered or managed by a Lender or an affiliate of such Lender.

(iii) Subject to acceptance and recording thereof pursuant to paragraph (b)(iv) below, from and after the effective date specified in each Assignment and Assumption the Assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.10, 2.12, 2.20 and 11.21). Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this Section 11.18 shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (c) of this Section.

(iv) The Administrative Agent, acting for this purpose as an agent of the Borrower, shall maintain at one of its offices a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amount of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the " Register "). The entries in the Register shall be conclusive, and the Borrower, the Administrative Agent, the Issuing Lender and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary.

(v) Upon its receipt of a duly completed Assignment and Assumption executed by an assigning Lender and an Assignee, the Assignee's completed administrative questionnaire (unless the Assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) of this Section and any written consent to such assignment required by paragraph (b) of this Section, the Administrative Agent shall accept such Assignment and Assumption and record the information contained therein in the Register. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this paragraph.

(c) (i) Any Lender may, without the consent of the Borrower or the Administrative Agent, sell participations to one or more banks or other entities (a " Participant ") in all or a portion of such Lender's rights and obligations under this Agreement (including all or a portion of its Commitments and the Loans owing to it); provided that (A) such Lender's obligations under this Agreement shall remain unchanged, (B) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (C) the Borrower, the Administrative Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver that (1) requires the consent of each Lender directly affected thereby pursuant to the proviso to the second sentence of Section 11.14 and (2) directly affects such Participant. Subject to paragraph (c)(ii) of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 2.10, 2.12 and 2.20 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 9.10 as though it were a Lender, provided such Participant shall be subject to Section 2.14 as though it were a Lender.

(ii) A Participant shall not be entitled to receive any greater payment under Section 2.10 or 2.20 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent.

(d) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank, and this Section shall not apply to any such pledge or assignment of a security interest; provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or Assignee for such Lender as a party hereto.

(e) The Borrower, upon receipt of written notice from the relevant Lender, agrees to issue Notes to any Lender requiring Notes to facilitate transactions of the type described in paragraph (d) above.

(f) Notwithstanding the foregoing, any Conduit Lender may assign any or all of the Loans it may have funded hereunder to its designating Lender without the consent of the Borrower or the Administrative Agent and without regard to the limitations set forth in Section 11.18(b). Each of the Borrower, each Lender and the Administrative Agent hereby confirms that it will not institute against a Conduit Lender or join any other Person in instituting against a Conduit Lender any bankruptcy, reorganization, arrangement, insolvency or liquidation proceeding under any state bankruptcy or similar law, for one year and one day after the payment in full of the latest maturing commercial paper note issued by such Conduit Lender; provided , however, that each Lender designating any Conduit Lender hereby agrees to indemnify, save and hold harmless each other party hereto for any loss, cost, damage or expense arising out of its inability to institute such a proceeding against such Conduit Lender during such period of forbearance.

10.19. Confidentiality.

(a) No Lender will use confidential information obtained from the Borrower by virtue of the transactions contemplated hereby or its other relationships with the Borrower in connection with the performance by such Lender of services for other companies that are not affiliates of such Lender, and no Lender will furnish any such information to such other companies. The Borrower acknowledges that no Lender has any obligation to use in connection with the transactions contemplated hereby, or to furnish to the Borrower, confidential information obtained from other companies.

(b) Each Lender agrees to keep confidential, and not to publish, disclose or otherwise divulge to anyone (and to cause their respective officers, directors, employees, agents and representatives to keep confidential, and not to publish, disclose or otherwise divulge to anyone) all information with respect to the Companies, including all financial information and projections or all other information (the " Confidential Information ") except that the Lenders shall be permitted to disclose Confidential Information: (i) to the Administrative Agent, any other Lender or any affiliate thereof; (ii) to their respective officers, directors, employees, agents, advisors, attorneys, accountants and representatives on a "need-to-know" basis in connection with the respective roles of the Lenders described herein, provided that the Lenders implement reasonable precautions to prevent disclosure by any such personnel, (iii) to the extent required by applicable laws and regulations or requested or required in connection with any litigation or other legal process, provided that the Lenders will use reasonable efforts to provide the Borrower with a reasonable opportunity to challenge the disclosure and request confidentiality protection for any Confidential Information that is required to be disclosed, (iv) subject to an agreement to comply with the provisions of this Section, to (A) actual or prospective transferees or (B) any direct or indirect counterparty to any Swap Agreement (or any professional advisor to such counterparty), (v) to the extent requested by any regulatory authority with jurisdiction over any Lender or any Affiliate of any Lender, (vi) to the extent such Confidential Information (A) becomes publicly available other than as a result of a breach of this agreement known to the disclosing Lender, (B) becomes available to such Lender on a non-confidential basis from a source other than the Borrower or (C) was available to such Lender on a non-confidential basis prior to its disclosure by the Borrower, (vii) to the National Association of Insurance Commissioners or any similar organization or any nationally recognized rating agency that requires access to information about a Lender's investment portfolio in connection with ratings issued with respect to such Lender, or (viii) to the extent the Borrower shall have consented to such disclosure. Notwithstanding anything to the contrary contained above, the Lenders shall be entitled to use the Confidential Information in exercising remedies under this Agreement or any other Loan Paper.

10.20. Patriot Act.

Each of the Agents and the Lenders hereby notifies the Borrower that, pursuant to the requirements of the USA Patriot Act, Title III of Pub. L. 107-56 (signed into law on October 26, 2001) (the " Patriot Act "), it is required to obtain, verify and record information that identifies the Borrower, which information includes names and addresses and other information that will allow such Agent or Lender to identify the Borrower in accordance with the Patriot Act

10.21. 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.

10.22. 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.

[Remainder of page left intentionally blank. Signature pages follow.]

EXECUTED as of the day and year first mentioned.

CENTURYTEL, INC.

By: /s/ R. Stewart Ewing, Jr.
Name: R.Stewart Ewing, Jr.
Title:EVP and CFO

JPMORGAN CHASE BANK, N.A.
as the Administrative Agent and a Lender

By: /s/ Peter M. Ling
Name: Peter M. Ling
Title: Managing Director

WACHOVIA BANK, N.A.,
as Syndication Agent and a Lender

By: /s/ Mark L. Cook

Name: Mark L. Cook

Title: Director

BANK OF AMERICA, N.A.,
as a Co-Documentation Agent and a Lender

By: /s/ Stephen Phillips

Name: Stephen Phillips

Title: Vice President

BANK OF TOKYO-MITSUBISHI UFJ TRUST COMPANY,
as a Co-Documentation Agent and a Lender

By: _____

Name: _____

Title: _____

SUNTRUST BANK,
as a Co-Documentation Agent and a Lender

By: /s/ Kip Hurd

Name: Kip Hurd

Title: Director

COBANK, ACB,
as a Co-Documentation Agent and a Lender

By: /s/ Thomas Meyer

Name: Thomas Meyer

Title: Vice President

LEHMAN BROTHERS BANK, FSB,
as a Co-Documentation Agent and a Lender

By: /s/ Gary Taylor

Name: Gary Taylor

Title: Senior Vice President

REGIONS BANK,
as a Co-Documentation Agent and a Lender

By: /s/ C. Ted Gibson

Name: C. Ted Gibson

Title: Commercial Relationship Mgr-Sr

WILLIAM STREET COMMITMENT CORPORATION,
as a Co-Documentation Agent and a Lender

By: /s/ Mark Walton

Name: Mark Walton

Title: Assistant Vice President

BARCLAYS BANK PLC

By: /s/ Nicholas Bell

Name: Nicholas Bell

Title: Director

UNION BANK OF CALIFORNIA, N.A.

By: /s/ Matthew H. Fleming

Name: Matthew H. Fleming

Title: Vice President

CITIBANK, N.A.

By: /s/ John N. Judge

Name: John N. Judge

Title: VP

U.S. BANK NATIONAL ASSOCIATION

By: /s/ Gregory D. Knudsen

Name: Gregory D. Knudsen

Title: Senior Vice President

FIFTH THIRD BANK

By: s/ Sean Devillers

Name: Sean Devillers

Title: Officer

PROGRESSIVE BANK

By: /s/ Gary Perkins

Name: Gary Perkins

Title: Sr. Vice President

Exhibit 10.1

CENTURYTEL DOLLARS & SENSE

401(k) PLAN AND TRUST

As Amended and Restated
Through December 31, 2006

CENTURYTEL DOLLARS & SENSE 401(K) PLAN AND TRUST

As Amended and Restated
Effective December 31, 2006

CenturyTel, Inc. (the "Company") established the CenturyTel Dollars & Sense 401(k) Plan (formerly the CenturyTel, Inc. Dollars & Sense Plan and Trust) (the "Plan"), for the exclusive benefit of eligible employees of the Company and its participating affiliates on May 1, 1986.

The Plan holds the assets of the Telephone USA of Wisconsin, LLC 401(k) Plan and Trust, which merged into the Plan effective December 31, 2006. Further, the CenturyTel, Inc. Employee Stock Ownership Plan ("ESOP") was amended to fully vest active participants and permit 100% diversification of Company Stock as of November 6, 2006 and to merge its assets into the Plan effective December 31, 2006. The Plan was amended effective December 31, 2006 to create an employee stock ownership plan within the Plan, represented by the ESOP assets held in the form of Company Stock. The Plan also holds the assets of the CenturyTel Security Systems, Inc. 401(k) Plan and Trust, which will merge into the Plan effective January 1, 2007. Appendices A and B attached hereto identify other plans that have been merged into this Plan. The Plan is intended to constitute a qualified profit sharing plan, as described in Code Section 401(a), which includes a qualified cash or deferred arrangement, as described in Code Section 401(k) and an employee stock ownership plan, as described in Code Section 4975(e)(7).

The assets of the ESOP Accounts are held in the CenturyTel, Inc. Employee Stock Ownership Trust I and the assets of the PAYSOP Accounts and the Stock Bonus Accounts are held in the CenturyTel, Inc. Employee Stock Ownership Trust II (the "ESOP Trusts"), each ESOP Trust is incorporated herein as Appendix D and E, respectively. The Trustee of the ESOP Trusts is Sterne, Agee & Leach, Inc. The remaining assets of the Plan, including assets transferred from CenturyTel Security Systems, Inc. 401(k) Plan and Trust and the Telephone USA of Wisconsin, LLC 401(k) Plan and Trust, are held in the CenturyTel Dollars & Sense 401(k) Trust ("Dollars & Sense Trust"). The Dollars and Sense Trust is incorporated herein as Appendix F. The Trustee of the Dollars & Sense Trust is T. Rowe Price Trust Company. Each Trust is intended to be tax exempt, as described in Code Section 501(a). The assets of each Trust shall be available to pay all benefits under the Plan, from any account thereunder.

The Plan is intended to comply with the qualification requirements of the Economic Growth and Tax Relief Reconciliation Act of 2001 ("EGTRRA"), and other legal and regulatory changes since the last restatement, including requirements to adopt "good faith" amendments applicable to Cycle A filers in IRS Notice 2005-101, and is intended to comply in operation therewith. The Plan is also restated in good faith compliance with the final Treasury Regulations that were issued under Code Sections 401(k) and 401(m) and such provisions are effective January 1, 2006. To the extent that the Plan, as set forth below, is subsequently determined to be insufficient to comply with such requirements and any regulations issued, the Plan shall later be amended to so comply.

The Plan constitutes an amendment and restatement of the CenturyTel, Inc. Dollars & Sense Plan and Trust, and each recently merged plan, effective December 31, 2006, unless stated otherwise herein. The Plan name is being changed to the CenturyTel Dollars & Sense 401(k) Plan and Trust with this amendment and restatement.

TABLE OF CONTENTS

ARTICLE 1
DEFINITION S

1.1 **Accrued Benefit .** The balance in a Participant's or Beneficiary's account. including contributions, distributions, forfeitures, income, expenses, gains and losses (whether or not realized) allocated or attributable thereto. Said account balance shall be determined as of the most recent Valuation Date. Each Accrued Benefit shall be divided into one or more of the following subaccounts, to the extent applicable:

(a)	Additional Match Account;
(b)	Discretionary Match Account;
(c)	Elective Deferral Account;
(d)	Employer Match Account;
(e)	ESOP Account;
(f)	ESOP Transfer Account;
(g)	Frozen After-Tax Account;
(h)	Frozen Prior Match Account;
(i)	Frozen Pre-Tax Account;
(j)	Frozen Rollover Account;
(k)	PAYSOP Account;
(l)	Prior Match Account;
(m)	Profit Sharing Account;
(n)	Qualified Non-Elective Contribution Account;
(o)	Qualified Matching Contribution Account;
(p)	Rollover Account;
(q)	Stock Bonus Account; and
(r)	Voluntary After-Tax Account

The foregoing accounts, which are designated as functional accounts, are derived from the source of the funds contributed thereto.

1.2 **A dditional Match Account.** The portion of a Participant's Accrued Benefit which consists of Additional Match Contributions made to the Plan by the Employer and, if applicable, amounts transferred from the Predecessor Plans as set forth on Appendix A.

1.3 **A dditional Match Contributions .** Matching Contributions made to the Plan by the Employer pursuant to Section 3.3 of the Plan.

1.4 **A dministrator or Plan Administrator .** The CenturyTel Retirement Committee.

1.5 **A ffiliated Employer .** The Employer and any corporation which is a member of a controlled group of corporations (as defined in Section 414(b) of the Code) which includes the Employer, any trade or business (whether or not incorporated) which is under common control (as defined in Section 414(c) of the Code) with the Employer, any organization (whether or not incorporated) which is a member of an affiliated service group (as defined in Section 414(m) of the Code) which includes the Employer, and any other entity required to be aggregated with the Employer pursuant to regulations under Section 414(o) of the Code.

1.6 **Beneficiary .** The person or persons so designated by the Participant to receive his benefits under the Plan in the event of his death, pursuant to Section 8.1 of the Plan.

1.7 **Board or Board of Directors .** The Board of Directors of the Company.

1.8 **Catch-Up Contributio ns .** Contributions made to the Plan by the Employer at the election of the Participant who has attained the age of 50 before the close of the Plan Year in lieu of cash compensation, pursuant to Section 3.1(d) of the Plan. These contributions are held in the Elective Deferral Account.

1.9 **Code .** The Internal Revenue Code of 1986, as amended.

1.10 **Committee .** The committee designated by the Board of Directors or the Compensation Committee of the Board, pursuant to Section 13.1 of the Plan to control and manage the operation and administration of the Plan to the extent set forth herein.

1.11 **Company .** CenturyTel, Inc. or any successor by merger, purchase or otherwise.

1.12 **Company Stock .** Shares of voting common stock, $1.00 par value, issued by the Company.

1.13 **Compensation .**

(a) Compensation . All of each Participant's W-2 earnings, plus Elective Deferrals, including Catch-Up Contributions, made pursuant to Section 3.1, Contributions to Code Section 125 plans, and contributions to pay for qualified transportation fringe benefits under Code Section 132(f)(2), and excluding (a) overtime, (b) completion bonuses and Christmas bonuses, (c) restricted stock awards under the Company's Restricted Stock Plan or Key Employee Incentive Compensation Plan, (d) severance pay or termination allowance in any form, and (e) reimbursements or other expense allowances, cash and non-cash fringe benefits, moving expenses, deferred compensation and welfare benefits. The exclusions are not made to the Compensation of the Employees of CenturyTel Security Systems, Inc.

Effective January 1, 2007, Compensation shall mean, for all Participating Employers, the total amounts paid to a Participant by an Employer reported on Form W-2 of the Participant plus Elective Deferrals, including Catch-up Contributions, made pursuant to Section 3.1(d) of the Plan, contributions to Code Section 125 plans, and contributions to pay for qualified transportation fringe benefits under Code Section 132(f)(2), and excluding the following unless stated otherwise:

(i) Overtime; however, if an Employee has fewer than 80 hours of standard pay in his two week payroll period, overtime pay is converted to standard pay until the Employee has 80 hours for Plan purposes;

(ii) Back-pay awards;

(iii) Premium pay;

(iv) Broad-based bonuses not included under the Employer's normal compensation programs, such as completion bonuses, referral bonuses, relocation bonuses, and Christmas bonuses, points & awards gross-up, prizes & awards, (team performance awards and individual performance bonuses are included);

(v) Reimbursements or other expense allowances, such as meal allowances, imputed income, special credits for waiver of benefits, executive cash allowance, tax gross-up compensation, housing allowance, moving expenses, and all other cash and non-cash fringe benefits;

(vi) Deferred compensation, employee stock purchase plan, stock appreciation rights, stock options, and welfare benefits;

(vii) Restricted stock awards under the Company's Restricted Stock Plan or Key Employee Incentive Compensation Plan; and

(viii) Severance pay or termination pay in any form.

(b) Section 415 Compensation. Section 415 Compensation shall mean the total amounts paid to a Participant by an Employer reported on Form W-2 of the Participant plus Elective Deferrals, including Catch-up Contributions, made pursuant to Section 3.1 (d) of the Plan, contributions to Code Section 125 plans, and contributions to pay for qualified transportation fringe benefits under Code Section 132(f)(2). The Employer can elect any other alternative definition of compensation as prescribed by the Code or Treasury Regulations provided the definition of compensation does not by design favor Highly Compensated Employees.

(c) Total Compensation . Total Compensation shall mean Section 415 Compensation. However, the Employer can elect any alternative definition of compensation as prescribed by the Code or Treasury Regulations provided the definition of compensation does not favor Highly Compensated Employees.

A Participant's Compensation taken into account under the Plan for any Plan Year shall not exceed the limit that applies under Code Section 401(a)(17)(B) for that year, which limit is $225,000 for the 2007 Plan Year. Compensation shall include only the Compensation paid to the Employee while a Participant in this Plan.

1.14 **Discretionary Match Account .** Matching Contributions made to the Plan by the Employer in former Plan Years.

1.15 **Effective Date .** The effective date of this amendment and restatement shall be December 31, 2006.

1.16 **Elective Deferral Account .** The portion of a Participant's Accrued Benefit which consists of Elective Deferrals made to the Plan by the Employer on behalf of the Participant and, if applicable, amounts transferred from the Predecessor Plans as set forth on Appendix A.

1.17 **Elective Deferrals .** Contributions made to the Plan by the Employer at the election of the Participant in lieu of cash compensation, pursuant to Section 3.1 of the Plan, including contributions made pursuant to a salary reduction agreement.

1.18 **Employee .** Any person employed by the Employer maintaining the Plan or any other Employer required to be aggregated with such Employer under Section 414(b), (c), (m) or (o) of the Code and including Leased Employees within the meaning of Section 414(n)(2) or (o) of the Code. Notwithstanding the foregoing, if such Leased Employees constitute less than twenty percent of the Employer's non-highly compensated work force within the meaning of Section 414(n)(5)(C)(ii) of the Code, the term "Employee" shall not include those Leased Employees covered by a plan described in Section 414(n)(5) of the Code unless otherwise provided by the terms of the Plan.

1.19 **Employer .** The entity that establishes or maintains the Plan and any successor to such entity and any Affiliated Employer which is a Participating Employer under the Plan.

1.20 **Employer Contribution Accounts .** The portion of a Participant's Accrued Benefit consisting of Discretionary Match Account, his Employer Match Account and his Additional Match Account.

1.21 **Employer Match Account .** The portion of a Participant's Accrued Benefit which consists of Employer Match Contributions made to the Plan by the Employer.

1.22 **Employer Match Contributions .** Matching Contributions made to the Plan by the Employer pursuant to Section 3.2 of the Plan.

1.23 **ERISA .** The Employee Retirement Income Security Act of 1974, as amended.

1.24 **ESOP Account .** The portion of a Participant's Accrued Benefit that consists of the ESOP account of the Participant under the CenturyTel, Inc. Employee Stock Ownership Plan which was merged into this Plan effective December 31, 2006.

1.25 **ESOP Transfer Account .** The portion of a Participant's Accrued Benefit which consists of amounts transferred to the Plan prior to December 31, 2006 and from the CenturyTel, Inc. Employee Stock Ownership Plan and Trust pursuant to diversification elections with respect to such plan under Section 401(a)(20) of the Code and from the Participant's ESOP Account pursuant to diversification elections described in Section 10.3 of this Plan.

1.26 **Frozen Accounts .** Collectively, a Participant's Frozen After-Tax Account, Frozen Prior Match Account, Frozen Pre-Tax Account, and Frozen Rollover Account.

1.27 **Frozen Prior Match Account .** The portion of a Participant's Accrued Benefit which consists of amounts transferred from the Frozen Predecessor Plans as set forth on Appendix B.

1.28 **Frozen Plan .** The CenturyTel, Inc. Frozen Savings Plan, which was merged into this Plan effective September 1, 2000.

1.29 **Frozen Predecessor Plans .** Plans which were merged, in whole or in part, into the Frozen Plan, which were:

(a) Kingsley Telephone Company's Retirement Savings Plan, a qualified profit sharing plan, as described in Code Section 401(a), which included a qualified cash or deferred arrangement, as described in Code Section 401(k), originally effective January 1, 1988 and merged into the Frozen Plan effective on or about October 1, 1997;

(b) Lake Dallas Telephone Company, Inc. 401(k) Profit Sharing Plan, a qualified profit sharing plan, as described in Code Section 401(a), which included a qualified cash or deferred arrangement, as described in Code Section 401 (k), originally effective January 1, 1985 and merged into the Frozen Plan effective on or about October 1, 1997; and

(c) Savings Plan for Employees of the National Telephone Cooperative Association and its Member Systems, a qualified profit sharing plan, as described in Code Section 401(a), which included a qualified cash or deferred arrangement, as described in Code Section 401(k), originally effective September 1, 1977 and merged into the Frozen Plan, in part, effective on or about October 1, 1997.

1.30 **Frozen Pre-Tax Account .** The portion of a Participant's Accrued Benefit which consists of amounts attributable to "Employee Deferral Account" amounts as such term was defined under the Frozen Plan prior to October 1, 1997 and amounts transferred from the Frozen Predecessor Plans as set forth on Appendix B.

1.31 **Frozen Rollover Account .** The portion of a Participant's Accrued Benefit which consists of amounts attributable to "Rollover Account" amounts as such term was defined under the Frozen Plan prior to October 1, 1997 and amounts transferred from the Frozen Predecessor Plans as set forth on Appendix B.

1.32 **Highly Compensated Employee .** The term Highly Compensated Employee includes active Highly Compensated Employees and former Highly Compensated Employees.

An active Highly Compensated Employee includes any Employee who:

(a) was a five-percent (5%) owner (as defined in Section 416(i)(1)(B)(i) of the Code) at any time during the year or the preceding year, or

(b) for the preceding year had compensation within the meaning of Section 415(c)(3) of the Code from the Employer in excess of $100,000 (as adjusted under Code Section 415(d)). (Employees earning $100,000 in 2006 will be considered Highly Compensated Employees in 2007). The applicable year of the Plan for which a determination is being made is called a determination year and the preceding twelve (12) month period is called a look-back year.

A former Highly Compensated Employee is determined based on the rules applicable to determining Highly Compensated Employee status as in effect for the determination year, in accordance with Treasury Regulations Section 1.414(q)-lT, A-4, and Notice 97-45.

1.33 **Investment Options .** Any regulated investment companies registered under the Investment Company Act of 1940, any common trust fund or collective investment fund of T. Rowe Price Associates, Inc. qualified under Sections 401 and 501 of the Code, and any other funding vehicle that the Committee permits. The Committee may change the available Investment Options from time to time.

1.34 **Leased Employee .** Any person (other than an Employee of the recipient) who, pursuant to an agreement between the recipient and any other person ("leasing organization"), has performed services for the recipient (or for the recipient and related persons determined in accordance with Section 414(n)(6) of the Code) on a substantially full time basis for a period of at least one (1) year, and such services are performed under primary direction by the recipient employer.

Any Leased Employee shall be treated as an Employee of the recipient Employer. However, contributions or benefits provided by the leasing organization which are attributable to service performed for the recipient Employer shall be treated as provided by the recipient Employer. The preceding sentence shall not apply to any Leased Employee if Leased Employees do not constitute more than twenty percent (20%) of the Employer's non-highly compensated work force, and if such Employee is covered by a money purchase pension plan providing: (a) a nonintegrated Employer contribution rate of at least ten percent (10%) of Total Compensation, but including amounts contributed by the Employer pursuant to a salary reduction agreement which are excludible from the Employee's gross income under Section 125, 402(e)(3), 402 (h)(1)(B) or 403(b) of the Code, (b) full and immediate vesting, and (c) each employee of the leasing organization (other than employees who perform substantially all of their services for the leasing organization) immediately participate in the plan. Item (c) shall not apply to any individual whose Total Compensation from the leasing organization in each Plan Year during the 4-year period ending with the Plan Year is less than $1,000.

1.35 **Matching Contributions .** Contributions to the Plan made by the Employer and allocated to a Participant's account by

reason of the Participant's Elective Deferrals.

1.36 **Non-Highly Compensated Employee .** An Employee of the Employer who is not a Highly Compensated Employee.

1.37 **Normal Retirement Age .** Normal Retirement Age is the Participant's fifty-fifth (55 th) birthday.

1.38 **Participant .** An Employee of the Employer who has met the eligibility requirements as specified in Article II, and any former Employee on whose behalf an Accrued Benefit continues to be maintained in the Plan.

1.39 **Participating Employer .** All Affiliated Employers participate in the Plan; however, CenturyTel Security Systems, Inc. does not become a Participating Employer until January 1, 2007. Notwithstanding, if an entity becomes an Affiliated Employer pursuant to an acquisition such entity will automatically become a Participating Employer if (a) the entity becomes an Affiliated Employer pursuant to a stock transaction with the Employer and the entity does not sponsor a defined contribution plan with 401(k) features, or (b) the entity becomes an Affiliated Employer pursuant to an asset transaction with the Employer and (i) the entity does not transfer sponsorship of a defined contribution plan with 401(k) features, or (ii) the entity sponsors only a frozen defined contribution plan with 401(k) features. All other entities that become an Affiliated Employer pursuant to an acquisition must adopt the Plan in accordance with Article XIV.

1.40 **PAYSOP Account .** The portion of a Participant's Accrued Benefit that consists of the account balance of the Participant under the PAYSOP portion of the CenturyTel, Inc. Stock Bonus Plan and PAYSOP as of its merger into the Employee Stock Ownership Plan on September 18, 2001 with adjustment for investment gain or loss or expenses. The PAYSOP Account became an account under this Plan when the CenturyTel, Inc. Employee Stock Ownership Plan was merged into this Plan effective December 31, 2006.

1.41 **Plan .** The CenturyTel Dollars & Sense 401(k) Plan.

1.42 **Plan Year .** The calendar year.

1.43 **Predecessor Plans .** Plans which were merged, in whole or in part, into the Plan as stated effective date: San Marcos Telephone Company, Inc. and SM Telecorp Companies Retirement Plan, effective July 1, 1993; PacifiCorp K Plus Employee Savings Plan, effective January 10, 1998; Spectra Communications Group LLC 401(k) Plan and Trust, effective September 30, 2003; CenturyTel Fiber Company II, LLC 401(k) Plan and Trust ("Light Core"), effective October 1, 2005; Telephone USA of Wisconsin, LLC 401(k) Plan and Trust, effective December 31, 2006; the CenturyTel Employee Stock Ownership Plan, effective December 31, 2006 ; and CenturyTel Security Systems, Inc. 401(k) Plan and Trust Savings Plan, effective January 1, 200 7.

1.44 **Prior Match Account .** The portion of a Participant's Accrued Benefit which consists of amounts transferred from the Predecessor Plans as set forth on Appendix A.

1.45 **Profit Sharing Account .** That portion of a Participant's Accrued Benefit which consists of Profit Sharing Contributions made to the Plan for a Plan Year by the Employer pursuant to Section 3.4.

1.46 **Profit Sharing Contributions .** Discretionary Profit Sharing Contributions made to the Plan by the Employer pursuant to Section 3. 4.

1.47 **Qualified Matching Contribution Account .** The portion of a Participant's Accrued Benefit which consists of Qualified Matching Contributions made to the Plan by the Employer.

1.48 **Qualified Matching Contributions .** Matching Contributions made by the Employer and satisfies special requirements such as immediate vesting, nondiscrimination and subject to withdrawal restrictions that are applicable to Elective Deferrals and which the Employer elects to treat as Qualified Matching Contributions.

1.49 **Qualified Non-Elective Contribution Account .** The portion of a Participant's Accrued Benefit which consists of Qualified Non-Elective Contributions made to the Plan by the Employer.

1.50 **Qualified Non-Elective Contributions .** Contributions (other than Matching Contributions or Qualifying Matching Contributions) made by the Employer and satisfies special requirements such as immediate vesting, nondiscrimination, and subject to withdrawal restrictions that are applicable to Elective Deferrals and which the Employer elects to treat as Qualified Non-Elective Contributions.

1.51 **Rollover Account .** The portion of a Participant's Accrued Benefit established in accordance with Section 3.7 of the Plan.

1.52 **Stock Bonus Account .** The portion of a Participant's Accrued Benefit that consists of the account balance of the Participant under the Stock Bonus portion of the CenturyTel, Inc. Stock Bonus Plan and PAYSOP as of the effective date of the merger into the CenturyTel, Inc. Employee Stock Ownership Plan on September 18, 2001 with adjustment for investment gain or losses and expenses. The Stock Bonus Account became an account under this Plan when the CenturyTel, Inc. Employee Stock Ownership Plan was merged into this Plan effective December 31, 2006.

1.53 **Trust Agreement s .** The agreements between the Employer and the Trustees under which the assets of the Plan are held, administered and managed.

1.54 **Trustee .** The individual or corporate Trustee or Trustees under the Trust Agreements as they may be constituted from time to time.

1.55 **Valuation Date .** The last day of each Plan Year and such other dates as may be necessary for the proper administration of the Plan.

1.56 **Voluntary After-Tax Account .** That portion of a Participant's Accrued Benefit attributable to amounts transferred from the Predecessor Plans as set forth on Appendix A.

ARTICLE I
ELIGIBILITY AND PARTICIPATION

2.1 **Active Participation .** Each Employee shall be eligible to participate in the Plan upon his date of employment or reemployment.

2.2 **Exclusion of Certain Employees .** The following Employees are excluded from participation in the Plan:

(a) Employees whose compensation and conditions of employment are covered by a collective bargaining agreement to which the Employer is a party unless the agreement calls for the Employee's participation in the Plan;

(b) Temporary Employees hired specifically to fill temporary or occasional needs;

(c) Employees who are non-resident aliens and who receive no Earned Income from the Employer which constitutes income from sources within the United States; and

(d) Employees of any Affiliated Employer which is not a Participating Employer under the Plan.

In the event an Employee who is not a member of an eligible class of Employees becomes a member of the eligible class, such Employee shall be eligible to participate immediately. In the event a Participant is no longer a member of an eligible class of Employees and becomes ineligible to participate, such Employee shall be eligible to participate immediately upon returning to an eligible class of Employees.

2.3 **Rights of Returning Veterans .** Notwithstanding any of the provisions of the Plan to the contrary, rights of Employees with respect to Service in the Uniformed Services will be provided in accordance with Code Section 414(u).

ARTICLE I
CONTRIBUTIONS

3.1 **E lective Deferral s** .

(a) Participant Election . A Participant may elect to defer Compensation that would otherwise be paid to him but for the deferral of such Compensation, in an amount expressed as a whole percentage from one percent (1%) to twenty-five percent (25%) of his Compensation as he shall elect in the manner prescribed by the Employer. The Employer may change from time to time, in writing, without the necessity of amending the Plan, the minimum and maximum percentages of Compensation that a Participant can elect to defer hereunder. Such salary deferral contributions shall

be accomplished through the direct reduction of Compensation in each payroll period during which the election is in effect. A Participant may elect to increase, decrease or discontinue his salary deferral contributions by submitting a request to the Employer in the manner prescribed by the Employer. In addition, a Participant with an existing contribution rate of at least one percent (1%) may elect, in the manner prescribed by the Employer and under such procedures as are determined by the Employer, for his salary deferral contributions to be automatically increased according to a pre-determined schedule. A Participant shall at all times have a nonforfeitable interest in his Elective Deferral Account.

(b) Elective Deferrals . With respect to any taxable year, a Participant's Elective Deferrals are the sum of all Employer contributions made on behalf of such Participant pursuant to an election to defer under Section 3.1(a) of the Plan.

(c) Limitation on Elective Deferrals . No Participant may make Elective Deferrals under this Plan, or any other qualified plan maintained by the Employer during any taxable year, in excess of the dollar limitation in Code Section 402(g) in effect for such taxable year, except to the extent permitted under Section 3.1(d) of this Plan and Code Section 414(v), if applicable. Notwithstanding any other provisions of the Plan, the Employer may distribute to the Participant, not later than April 15 following the calendar year to which the deferral is attributable, any deferral in excess of the aforesaid limit together with any earnings allocable thereto. A Participant is deemed to notify the Committee of any Excess Deferrals that arise under this Plan and any other plans of this Employer. The Employer may also distribute to the Participant any deferrals, together with any income allocable thereto, which the Participant has advised the Employer in writing by March 1 represent excess deferrals because of amounts deferred in the preceding year by the Participant under any other plans or arrangements described in Section 401(k), 408(k) or 403(b) of the Code.

For purposes of the above, "Excess Deferrals" shall mean those Elective Deferrals that are includible in a Participant's gross income under Section 402(g) of the Code to the extent such Participant's Elective Deferrals for a taxable year exceed the dollar limitation under such Code Section. Excess Deferrals shall be treated as Annual Additions under the Plan, unless such amounts are distributed no later than the first April 15 following the close of Participant's taxable year.

Determination of Earnings : Excess Deferrals shall be adjusted for any earnings up to the date of distribution. The amount of earnings allocable to Excess Deferrals is the sum of (1) income or loss allocable to the Participant's Elective Deferral Account for the Plan Year multiplied by a fraction, the numerator of which is such Participant's Excess Deferrals for the Plan Year and the denominator is the Participant's account balance attributable to Elective Deferrals as of the beginning of the Plan Year plus the Participant's Elective Deferrals for the Plan Year and (2) 10 percent of the amount determined under (1) multiplied by the number of whole calendar months between the end of the Plan Year and the date of distribution, counting the month of distribution if distribution occurs after the 15th day of such month. Notwithstanding, the Committee may use any reasonable method for computing the income allocable to Excess Deferrals, provided the method is used consistently for all Participants and for all corrective distributions under the Plan for the Plan Year, and is used by the Plan for allocating income to Participants' accounts. The plan will not fail to use a reasonable method of computing the income allocable to Excess Deferrals merely because the income allocable to Excess Deferrals is determined on a date that is no more than seven days before the distribution.

(d) Catch-Up Contributions . All Participants who have attained age 50 before the close of the Plan Year shall be eligible to make Catch-Up Contributions in an amount expressed as a stated dollar amount, in the manner prescribed by the Employer and in accordance with, and subject to the limitations of, Code Section 414(v). For 2007 the Catch-Up Contribution Limit is $5,000. Such Catch-Up Contributions shall not be taken into account for purposes of the provisions of the Plan implementing the required limitations of Code Sections 402(g) and 415. The Plan shall not be treated as failing to satisfy the provisions of the Plan implementing the requirements of Code Sections 401(k)(3), 401(k)(11), 401(k)(12), 410(b), or 416, as applicable, by reason of the making of such Catch-Up Contributions.

3.2 E mployer Match Contributions .

(a) Employer Match Contributions may be made in the form of Company Stock or cash. However, Employer Match Contributions can only be made in cash for Participants who are employed by Telephone USA of Wisconsin, LLC.

(b) Except as stated in Section 3.2(f) below, effective January 1, 2006, each Participant will receive an Employer Match

Contribution in an amount equal to 60% of the amount of the Participant's Elective Deferrals that do not exceed 6% of the Participant's Compensation.

(c) Effective January 1, 2007, each Participant, except as stated in Sections 3.2(e) and (f) below, will receive an Employer Match Contribution in an amount equal to the sum of -

(1) 100% of the amount of the Participant's Elective Deferrals that do not exceed 3% of the Participant's Compensation; and

(2) 50% of the amount of the Participant's Elective Deferrals that exceed 3% of the Participant's Compensation but that do not exceed 5% of the Participant's Compensation; and

(3) 25% of the amount of the Participant's Elective Deferrals that exceed 5% of the Participant's Compensation but that do not exceed 7% of the Participant's Compensation.

(d) Effective January 1, 2008, each Participant, except as stated in Sections 3.2(e) and (f) below, will receive an Employer Match Contribution in an amount equal to the sum of -

(1) 100% of the amount of the Participant's Elective Deferrals that do not exceed 3% of the Participant's Compensation; and

(2) 50% of the amount of the Participant's Elective Deferrals that exceed 3% of the Participant's Compensation but that do not exceed 5% of the Participant's Compensation.

(e) Century Marketing Solutions, LLC Match . Notwithstanding the Match Contribution formula at Sections 3.2(c) and (d) each Participant who is employed with Century Marketing Solutions, LLC will receive an Employer Match Contribution in an amount equal to 60% of the amount of the Participant's Elective Deferrals that do not exceed 6% of the Participant's Compensation.

(f) CenturyTel Security Systems, Inc. Match . Notwithstanding the Match Contribution formula at Sections 3.2(b), (c) and (d) each Participant who is employed with CenturyTel Security Systems, Inc. and its subsidiaries will receive an Employer Match Contribution in an amount equal to 10% of the amount of the Participant's Elective Deferrals that do not exceed 6% of the Participant's Compensation.

(g) Employer Match Contributions will be calculated on a payroll period basis. No contributions will be made to "true up" the Employer Match Contributions after the end of the Plan Year.

(h) Employer Match Contributions made on behalf of a Participant, as adjusted for withdrawals thereof, investment gain and losses, and income or expenses, shall be credited to such Participant's Employer Match Account.

(i) Any Employer Match Contributions that are attributable to Excess Deferrals shall be forfeited and applied to reduce Employer Contributions to the Plan.

(j) Any Employer Match Contribution with respect to Excess Contributions that are distributed shall be forfeited.

(k) Employer Match Contributions shall be fully vested at all times except as provided in paragraphs (i) and (j) above.

(l) The Employer Match Contribution formula shall continue in effect until otherwise changed by resolution of the Employer's Board of Directors.

3.3 **A dditional Match Contributions .** The Employer may make an Additional Match Contribution to the Additional Match Accounts in the Plan in such amount as the Employer, in its discretion, may determine. Any such Additional Match Contribution shall be made on behalf of each Participant who (i) was an active Participant in the Plan at any time during the Plan Year and (ii) was an Employee on the last day of the Plan Year. The Additional Match Contribution shall be allocated to each such Participant's Additional Match Account in the same proportion as the Employer Match Contributions on behalf of such Participant bears to the Employer Match Contributions on behalf of all Participants that qualify for Additional Match Contributions. Additional Match Contributions shall be fully vested at all times.

3.4 **P rofit Sharing Contributions .** For any Plan Year, the Employer may make discretionary Profit Sharing Contributions to the Plan. Profit Sharing Contributions shall be fully vested at all times.

3.5 **Forfeitures .** Forfeitures shall be used to reduce Employer obligations to make Employer Match Contributions or Profit Sharing Contributions or, at the discretion of the Committee, applied toward Plan expenses.

3.6 **Payment of Contributions; Timing .** The Employer Match Contributions, Additional Match Contributions and Profit Sharing Contributions made pursuant to this Article III of the Plan shall become due on the last day in such Plan Year, unless actually paid prior thereto. The Employer shall pay to the Trustee all Employer contributions not later than the due date (including extensions) of the Employer's federal income tax return for the taxable year ending with or within the Plan Year.

3.7 **Rollovers and Transfers .** A Participant may pay over to the Dollars & Sense Trust an amount which constitutes a qualified rollover contribution under Section 402(c) or 408(d)(3) of the Code.

(a) The Plan will accept, in addition to the rollovers described in the previous paragraph, an eligible rollover distribution from an annuity contract described in Section 403(b) of the Code, excluding after-tax employee contributions, and distributions from an eligible plan under Section 457(b) of the Code that is maintained by a State, political subdivision of a state or any agency or instrumentality of a state or political subdivision of a state.

(b) The Trustee may accept a direct transfer of funds, pursuant to Section 401(a)(31) of the Code from a plan which the Committee reasonably believes to be qualified under Section 40l(a) of the Code, in which a Participant was a participant.

(c) The Trustee of the Dollars & Sense Trust may accept a transfer of funds from the ESOP Trusts pursuant to diversification elections of Participants under Section 401(a)(28) of the Code and Section 10.3 of the Plan.

(d) Any such rollover or transfer to the Plan shall constitute a part of the Participant's Accrued Benefit under the Plan, shall be accounted for separately and shall be fully vested at all times.

3.8 **Restoration of Forfeiture .** If a Participant forfeited employer contributions as a participant in the ESOP or CenturyTel Fiber Company II, LLC 401(k) Plan and Trust ("LightCore Plan"), and returns to service prior to incurring five (5) "Breaks in Service," the dollar amount forfeited shall be restored to the applicable account at the time of reemployment. Notwithstanding, if either plan required the reemployed Participant to return the vested employer contributions before the dollar amount forfeited will be restored, such requirement is incorporated herein.

The definitions of "Breaks in Service," and "Years of Service," vesting provisions, and reemployment provisions of the ESOP and LightCore Plan are incorporated herein to determine whether a Participant is entitled to a restoration of forfeitures and to determine the vesting of such amounts based upon future services.

Prior to November 6, 2006, the employer contributions in the ESOP vested after five (5) Years of Service. On November 6, 2006, the ESOP was amended to fully vest active Participants. Prior to the merger of the LightCore Plan into the Plan, the employer contributions in the LightCore Plan vested in accordance with a three (3) year graded vesting schedule: Less than 1 year - 0%; 1 year but less than 2 years -33%; 2 years but less than 3 years - 67%; and 3 or more years - 100%.

The funds for such restoration shall be taken from any available forfeited amounts at the time the Participant is reemployed or, if such forfeited amounts are insufficient to provide the restoration, shall be provided by an Employer contribution. If any restored amounts are later forfeited, such forfeitures shall be used to reduce Employer obligations to make Employer Match Contributions or Profit Sharing Contributions or, as the direction of the Committee, to pay Plan expenses.

3.9 **Average Actual Deferral Percentage Test Under Section 401(k) of the Code .**

(a) General Tests . Notwithstanding any other provisions in the Plan, for any Plan Year, the Employer shall be permitted to impose an administrative limit on Elective Deferrals for any Highly Compensated Employee, to the extent necessary to ensure that the Plan satisfies one of the following tests:

(1) The Average Actual Deferral Percentage for eligible Highly Compensated Employees for the Plan Year shall not exceed the Average Actual Deferral Percentage for eligible Non-Highly Compensated Employees for the Plan Year multiplied by 1.25; or

(2) the Average Actual Deferral Percentage for eligible Highly Compensated Employees for the Plan Year shall not exceed the Average Actual Deferral Percentage for eligible Non-Highly Compensated Employees for the Plan Year multiplied by two (2), provided that the Average Actual Deferral Percentage for eligible Highly Compensated Employees does not exceed the Average Actual Deferral Percentage for eligible Non-Highly Compensated Employees by more than two (2) percentage points.

At the Committee's election the test described above may be performed in accordance with the alternatives described in Treasury Regulation Section 1.401(k)-2(a)(1)(iii) for plans that permit participation prior to the minimum age and service period described in Section 410(a)(1)(A) of the Code.

(b) Testing Method . The Company elects to use the current year testing method for determining the Actual Deferral Percentage for the Non-Highly Compensated Participants. This method has been used by the Plan and each Merged Plan for the prior five years. The Company may elect to change to the prior year method as provided for in Internal Revenue Service Notice 98-1 or its subsequent modification and Treasury Regulation Section 1.401(k)-2.

(c) Definitions . For purposes of this Section 3.9 of the Plan, the following definitions shall apply:

(1) Actual Deferral Percentage (ADP) shall mean, for a group of Participants for a Plan Year, the average deferral ratio ("ADR") (calculated separately for each Participant in such group) of (i) the amount of Employer contributions actually paid over to the Trust on behalf of such Participant for the Plan Year to (ii) the Total Compensation of the Participant for such Plan Year. Employer contributions on behalf of any Participant shall include: (i) any Elective Deferrals made pursuant to the Participant's deferral election (including Excess Deferrals of Highly Compensated Employees), and (ii) at the election of the Committee, and provided the requirements described in Treasury Regulation Section 1.401(k)-2(a)(6) are satisfied, Qualified Non-Elective Contributions and Qualified Matching Contributions, but excluding (A) Catch-Up Contributions, (B) Excess Deferrals of Non-Highly Compensated Employees that arise solely from Elective Deferrals made under the Plan or plans of this Employer, (C) Elective Deferrals that are taken into account in the Contribution Percentage Test (provided the ADP test is satisfied both with and without exclusion of these Elective Deferrals); and (D) Elective Deferrals made under Code Section 414(u) by reason of a Participant's qualified military service. If no Elective Deferrals, Qualified Non-Elective Contributions and Qualified Matching Contributions are taken into account with respect to an Employee for the year, the ADR of the Employee is zero.

(2) Average Actual Deferral Percentage shall mean the average (expressed as a percentage) of the Actual Deferral Percentages of either eligible Highly Compensated Employees or Non-Highly Compensated Employees.

(d) Special Rules . The following special rules shall apply for purposes of this Section 3.9:

(1) The Actual Deferral Percentage for any eligible Highly Compensated Employee for the Plan Year and who is eligible to have Elective Deferrals or Qualified Non-Elective Contributions or Qualified Matching Contributions allocated to his account under two or more plans, or arrangements, described in Section 401 (k) of the Code that are maintained by the Employer or an Affiliated Employer shall be determined as if all such Elective Deferrals, Qualified Non-Elective Contributions and Qualified Matching Contributions were made under a single arrangement. If a Highly Compensated Employee participates in two or more cash or deferred arrangements that have different Plan Years, all cash or deferred arrangements ending with or within the same calendar year shall be treated as a single arrangement. Notwithstanding the foregoing, certain plans will be treated as separately if mandatorily disaggregated under regulations under Section 401 (k) of the Code.

(2) In the event that this Plan satisfies the requirements of Section 401(k), 401(a)(4) or 410(b) of the Code only if aggregated with one or more other plans, or if one or more other plans satisfy the requirements of Sections 401(a)(4) and 410(b) of the Code only if aggregated with this Plan, then this Section shall be applied by determining the ADP of Employees as if all such plans were a single plan. Plans may be aggregated in order to satisfy Section 401(k) of the Code only if they have the same Plan Year and use the same ADP testing method.

(3) For purposes of determining the ADP test, Elective Deferrals, Qualified Non-Elective Contributions and Qualified Matching Contributions must be made before the last day of the 12-month period immediately following the Plan Year to which contributions relate.

(4) The Employer shall maintain records sufficient to demonstrate satisfaction of the ADP test and the amount of Qualified Non-Elective Contributions or Qualified Matching Contributions, or both, used in such test.

(5) Treasury Regulations Sections 1.401(k)-1 and 1.401(k)-2 are incorporated herein for determining the Elective Deferrals, Qualified Non-Elective Contributions, Qualified Matching Contributions and Actual Deferral Percentage of any Participant.

(e) Distribution of Excess Contributions . Notwithstanding any other provisions of this Plan, Excess Contributions (defined below), plus any income and minus any loss allocable thereto, shall be distributed no later than the last day of each Plan Year to Participants to whose accounts such Excess Contributions were allocated for the preceding Plan Year except to the extent the Excess Contributions are classified as Catch-Up Contributions. If such excess amounts are distributed more than 2 ½ months after the last day of the Plan Year in which such excess amounts arose, a ten percent (10%) excise tax will be imposed on the Employer maintaining the Plan with respect to such amounts. Excess Contributions are allocated to the Highly Compensated Employees with the largest amounts of Employer contributions taken into account in calculating the ADP test for the year in which the excess arose, beginning with the Highly Compensated Employee with the largest amount of such Employer contributions and continuing in descending order until all the Excess Contributions have been allocated. For purposes of the preceding sentence, the "largest amount" is determined after distribution of any Excess Contributions. See paragraphs (i) and (j) of Section 3.2 regarding forfeiture of the Employer Matching Contribution.

Excess Contributions (including the amounts recharacterized) shall be treated as Annual Additions under the Plan.

Determination of Income or Loss . Excess Contributions shall be adjusted for any income (gain or loss) up to the date of distribution. The income or loss allocable to Excess Contributions allocated to each Participant is the sum of (1) income or loss allocable to the Participant's Elective Deferral Account (and, if applicable, the Qualified Non-Elective Contribution Account or the Qualified Matching Contribution Account or both) for the Plan Year multiplied by a fraction, the numerator of which is such Participant's Excess Contributions for the year and the denominator of which is the Participant's account balance attributable to Elective Deferrals (and Qualified Non-Elective Contributions or Qualified Matching Contributions, or both, if any of such contributions are included in the ADP test) without regard to any income or loss occurring during such Plan Year, and (2) 10 percent of the amount determined under (1) multiplied by the number of whole calendar months between the end of the Plan Year and the date of distribution, counting the month of distribution if distribution occurs after the 15 th day of such month. Notwithstanding, the Committee may use any reasonable method for computing the income allocable to Excess Contributions, provided the method is used consistently for all Participants and for all corrective distributions under the Plan for the Plan Year, and is used by the Plan for allocating income to Participants' accounts. The Plan will not fail to use a reasonable method merely because the income allocable to Excess Contributions is determined on a date that is no more than seven days before the distribution.

Accounting for Excess Contributions . Excess Contributions allocated to a Participant shall be distributed from the Participant's Elective Deferral Account and Qualified Matching Contribution Account (if applicable) in proportion to the Participant's Elective Deferrals and Qualified Matching Contributions (to the extent used in the ADP test) for the Plan Year. Excess Contributions shall be distributed from the Participant's Qualified Non-Elective Contribution Account only to the extent that such Excess Contributions exceed the balance in the Participant's Elective Deferral Account and Qualified Matching Contribution Account.

For purposes of this Section, "Excess Contributions" shall mean the excess of Elective Deferrals on behalf of Highly Compensated Employees for a Plan Year over the maximum amount of such deferrals permitted under the ADP test.

3.10 Limitations on Employee Contributions and Employer Matching Contributions .

(a) General Tests . Notwithstanding any other provisions in the Plan, for any Plan Year, the Employer shall be permitted to impose an administrative limit on Elective Deferrals, as described in Section 3.1 of the Plan, for any

Highly Compensated Employee to the extent necessary to ensure that the Plan satisfies one of the following tests:

(1) the Average Contribution Percentage for eligible Highly Compensated Employees for the Plan Year shall not exceed the Average Contribution Percentage for eligible Non-Highly Compensated Employees for the Plan Year multiplied by 1.25; or

(2) the Average Contribution Percentage for eligible Highly Compensated Employees for the Plan Year shall not exceed the Average Contribution Percentage for eligible Non-Highly Compensated Employees for the Plan Year multiplied by two (2), provided that the Average Contribution Percentage for eligible Highly Compensated Employees does not exceed the Average Contribution Percentage for eligible Non-Highly Compensated Employees by more than two (2) percentage points.

At the Committee's election, the test described above may be performed in accordance with the alternatives described in Treasury Regulation Section 1.401(k)-2(a)(1)(iii) for plans that permit participation prior to the minimum age and service period described in Section 410(a)(1)(A) of the Code.

(b) Testing Method . The Company elects to use the current year testing method for determining the Actual Contribution Percentage for the Non-Highly Compensated Participants. This method has been used by the Plan and each Merged Plan for the prior five years. The Company may elect to change to the prior year method as provided for in Internal Revenue Service Notice 98-1 or its subsequent modification, and Treasury Regulation Section 1.401 (m)-2.

(c) Definitions . For purposes of this Section 3.10 of the Plan, the following definitions shall apply:

(1) Average Contribution Percentage (ACP) shall mean the average (expressed as a percentage) of the Contribution Percentage Amounts for a group of Participants (either Highly Compensated Employees or Non-Highly Compensated Employees) for the Plan Year.

(2) Contribution Percentage shall mean the ratio (expressed as a percentage) of the Participant's Contribution Percentage Amounts to the Compensation of the Participant. Sections 1.401(m)-1 and 1.401(m)-2 of the Treasury Regulations are incorporated herein for determining the Contribution Percentage.

(3) Aggregate Limit shall mean the sum of (i) 125% of the greater of the Average Deferral Percentage of the Non-Highly Compensated Employees for the Plan Year or the Average Contribution Percentage of Non-Highly Compensated Employees under the Plan subject to Section 401(m) of the Code for the Plan Year beginning with or within the Plan Year of the CODA and (ii) the lesser of 200% or two plus the lesser of such Average Deferral Percentage or Average Contribution Percentage.

(4) Contribution Percentage Amounts shall mean the sum of the Employee Contributions, Matching Contributions and Qualified Matching Contributions (to the extent not taken into account for purposes of the Average Deferral Percentage test) made under the Plan on behalf of the Participant for the Plan Year. Such Contribution Percentage Amounts shall not include Matching Contributions that are forfeited because the contributions to which they relate are Excess Deferrals, Excess Contributions or Excess Aggregate Contributions or additional Employee Contributions or Matching Contributions made under Code Section 414(u) by reason of a Participant's qualified military service. The Employer may include Qualified Non-Elective Contributions in the Contribution Percentage Amounts. The Employer also may elect to use Elective Deferrals in the Contribution Percentage Amounts so long as the Average Deferral Percentage test is met before the Elective Deferrals are used in the Actual Contribution Percentage test and continues to be met following the exclusion of those Elective Deferrals that are used to meet the Actual Contribution Percentage test. If no Employee Contributions, Matching Contributions, Elective Contributions, or Qualified Non-Elective Contributions are taken into account under this paragraph with respect to a Participant for the year, the Contribution Percentage Amount is zero.

(5) Employee Contribution shall mean any contribution made to the plan by or on behalf of a Participant that is included in the Participant's gross income in the year in which made and that is maintained under a separate account to which earnings and losses are allocated.

(6) Matching Contribution shall mean an Employer contribution made to this or any other defined contribution plan on behalf of a Participant on account of a Participant's Employee Contribution or Elective Deferral.

(d) Special Rules . The following special rules shall apply for purposes of this Section 3.10:

(1) For purposes of this Section, the Contribution Percentage for any eligible Highly Compensated Employee for the Plan Year and who is eligible to have Contribution Percentage Amounts allocated to his or her account under two or more plans described in Section 401(a) of the Code or arrangements described in Section 401(k) of the Code that are maintained by the Employer or an Affiliated Employer shall be determined as if the total of such Contribution Percentage Amounts was made under each plan. If a Highly Compensated Employee participates in two or more cash or deferred arrangements that have different Plan Years, all cash or deferred arrangements ending with or within the same calendar year shall be treated as a single arrangement. Notwithstanding the foregoing, certain plans shall be treated as separate if mandatorily disaggregated under regulations under Section 401(m) of the Code.

(2) In the event that this Plan satisfies the requirements of Section 401(m), 401(a)(4) or 410(b) of the Code only if aggregated with one or more other plans, or if one or more other plans satisfy the requirements of Sections 401(a)(4) and 410(b) of the Code only if aggregated with this Plan, then this Section 3.10 of the Plan shall be applied by determining the contribution percentages of Participants as if all such plans were a single plan. Plans may be aggregated in order to satisfy Section 401(m) of the Code only if they have the same Plan Year and use the same ACP testing method.

(3) For purposes of determining the Contribution Percentage test, Employee Contributions are considered to have been made in the Plan Year in which contributed to the Trust. Matching Contributions and Qualified Non-Elective Contributions will be considered made before the last day of the 12-month period immediately following the Plan Year to which contributions relate.

(4) The Employer shall maintain records sufficient to demonstrate satisfaction of the ACP test and the amount of Qualified Non-Elective Contributions or Qualified Matching Contributions or both, used in such test.

(5) Targeted Matching Contribution Limit . An Employer Match Contribution for a Plan Year is not taken into account under the test for a Non-Highly Compensated Employee (NHCE) to the extent it exceeds the greatest of: (a) five percent (5%) of the NHCE's Total Compensation for the Plan Year; (b) the NHCE's Elective Deferrals for the Plan Year; and (c) the product of two (2) times the Plan's "representative matching rate" and the NHCE's Elective Deferrals for the Plan Year. The Plan's "representative matching rate" is the lowest "matching rate" for any eligible NHCE among a group of NHCEs that consists of half of all eligible NHCEs in the Plan for the Plan Year who make Elective Contributions for the Plan Year (or, if greater, the lowest "matching rate" for all eligible NHCEs in the Plan who are employed by the Employer on the last day of the Plan Year and who make Elective Contributions for the Plan Year). The "matching rate" for an Employee generally is the Employer Match Contributions made for such Employee divided by the Employee's Elective Deferrals for the Plan Year. If the matching rate is not the same for all levels of Elective Deferrals for an Employee, then the Employee's "matching rate" is determined assuming that an Employee's Elective Deferrals are equal to six percent (6%) of Total Compensation.

(6) Treasury Regulations Sections 1.401(m)-1 and 1.40(m)-2 are incorporated herein for determining Employer Match Contribution, Qualified Matching Contribution and Actual Contribution Percentage of any Participant.

(e) Distribution of Excess Aggregate Contributions . Notwithstanding any other provision of this Plan, Excess Aggregate Contributions, plus any income and minus any loss allocable thereto, shall be forfeited, if forfeitable, or if not forfeitable, shall be distributed no later than the last day of each Plan Year to Participants to whose accounts such Excess Aggregate Contributions were allocated for the preceding Plan Year. If such Excess Aggregate Contributions are distributed more than 2½ months after the last day of the Plan Year in which such excess amounts arose, a ten percent (10%) excise tax will be imposed on the Employer maintaining the Plan with respect to those amounts. Excess Aggregate Contributions are allocated to the Highly Compensated Employees with the largest Contribution Percentage Amounts taken into account in calculating the ACP test for the year in which the excess arose, beginning with the Highly Compensated Employee with the largest amount of such Contribution Percentage Amounts and continuing in descending order until all the Excess Aggregate Contributions have been allocated. For purposes of the preceding sentence, the "largest amount" is determined after distribution of any Excess Aggregate Contributions. Excess Aggregate Contributions shall be treated as Annual Additions under the Plan.

Determination of Income or Loss : Excess Aggregate Contributions shall be adjusted for any income (gain or loss) up to the date of distribution. The income or loss allocable to Excess Aggregate Contributions allocated to each Participant is the sum of (1) income or loss allocable to the Participant's Employee Contributions and Matching Contributions and other amounts taken into account under this Section 3.10 (including the contributions for the year), by a fraction, the numerator of which is such Participant's Excess Aggregate Contributions for the year and the denominator of which is the Participant's account balance attributable to Elective Employee Contributions and Matching Contributions and other amounts taken into account under this Section 3.10 as of the beginning of the Plan Year and any additional such contributions for the year and (2) 10 percent of the amount determined under (1) multiplied by the number of whole calendar months between the end of the Plan Year and the date of distribution, counting the month of distribution if distribution occurs after the 15 th day of such month. Notwithstanding, the Committee may use any reasonable method for computing the income allocable to Excess Aggregate Contributions, provided the method is used consistently for all Participants and for all corrective distributions under the Plan for the Plan Year, and is used by the Plan for allocating income to Participants' accounts. The Plan will not fail to use a reasonable method merely because the income allocable to Excess Aggregate Contributions is determined on a date that is no more than seven days before the distribution.

(f) Accounting for Excess Aggregate Contributions : Excess Aggregate Contributions allocated to a Participant shall be forfeited, if forfeitable, or distributed on a pro rata basis from the Matching Contribution Account and Qualified Matching Contribution Account (and, if applicable, the Participant's Qualified Non-Elective Contribution Account or Elective Deferral Account, or both).

For purposes of this Section, "Excess Aggregate Contributions" shall mean, with respect to any Plan Year, the excess of:

(1) The aggregate Contribution Percentage Amounts taken into account in computing the numerator of the Contribution Percentage actually made on behalf of Highly Compensated Employees for such Plan Year, over

(2) The maximum Contribution Percentage Amounts permitted by the ACP test (determined by hypothetically reducing contributions made on behalf of Highly Compensated Employees in order of their Contribution Percentages beginning with the highest of such percentages).

Such determination shall be made after first determining Excess Deferrals pursuant to Section 3.1 and then determining Excess Contributions pursuant to Section 3.9.

3.11 **Corrective Contributions .** In lieu of distributing Excess Contributions as provided in Section 3.9(e) above, the Employer may make contributions on behalf of Non-Highly Compensated Employees that are sufficient to satisfy the ADP test, provided such amount does not exceed the Target Contribution Limit. In addition, in lieu of distributing Excess Aggregate Contributions as provided in Section 3.10 (e) of the Plan, the Employer may make contributions on behalf of Non-Highly Compensated Employees that are sufficient to satisfy the ACP test, provided such amount does not exceed the Targets Contribution Limit.

Targeted Contribution Limit . For purposes of either the ADP or ACP test, a Qualified Non-Elective Contributions cannot be taken into account for a Non-Highly Compensated Employee ("NHCE") to the extent such contributions exceed the product of that Non-Highly Compensated Employee's Total Compensation and the greater of five percent (5%) or two (2) times the Plan's "representative contribution rate." The Plan's "representative contribution rate" is the lowest "applicable contribution rate" (i.e., the sum of the Qualified Non-Elective Contributions made and Qualified Matching Contributions taken into account for an eligible NHCE employee divided by the eligible NHCE's Total Compensation) among a group of eligible NHCEs that consists of half of all the eligible NHCEs for the Plan Year (or, if greater, the lowest contribution rate among any eligible NHCE in the group of all eligible NHCEs for the Plan Year who is employed by the Employer on the last day of the Plan Year).

Contribution only used once . Any Qualified Non-Elective Contribution or Qualified Matching Contribution taken into account under an ACP test, is not permitted to be taken into account for purposes of satisfying the ADP test. Qualified Matching Contributions which are taken into account for the ADP test are not taken into account for the purpose of satisfying the ACP test. Further, Qualified Non-Elective Contributions that are taken into account under a current year testing method may not be taken into account under the prior year testing method in the next year.

ARTICLE IV

ALLOCATION OF FUNDS

4.1 **Allocation of Employer Contributions .** Employer Match Contributions made pursuant to Section 3.2 of the Plan shall be allocated to the Employer Match Accounts of the Participants for whom such contributions are made. Additional Match Contributions made pursuant to Section 3.3 of the Plan shall be allocated to the Additional Match Accounts of the Participants for whom such contributions are made.

4.2 **Allocation of Profit Sharing Contributions .**

(a) Eligibility . The Board of Directors or the Compensation Committee of the Board in its discretion may designate one or more Employees to receive a Profit Sharing Contribution for that year.

(b) Profit Sharing Contribution . A Participant is entitled to a Profit Sharing Contribution if the Participant's name is included on the list of Participants at Appendix C to the Plan for the identified Plan Year. The Profit Sharing Contribution shall be equal to the amount indicated on Appendix C and shall be allocated to the Participant's Profit Sharing Account. A new Appendix C, if any, that identifies the Participants who will receive a Profit Sharing Contribution for the applicable year must be made and delivered to the Trustee no later than the last day of the Plan Year.

(c) Limitations . Further, if, as a result of a reasonable error in determining the maximum profit sharing contribution that may be made to an eligible Participant's account under the nondiscrimination tests described in Section 401(a)(4) of the Treasury Regulations, the excess contribution will be forfeited.

4.3 **Allocation of Net Earnings or Losses of the Trust .** As of each Valuation Date, the net earnings or losses of each Trust, including capital gains and losses whether or not realized, since the preceding Valuation Date shall be allocated to the Accrued Benefit of all Participants (or Beneficiaries) in accordance with the ratio which the Accrued Benefit of each Participant bears to the aggregate of all such Accrued Benefits; provided, however, that earnings or losses of accounts for which Participants direct investment shall be specifically allocated to such accounts.

4.4 **Valuations .** In determining the earnings or losses of the Trust as of each Valuation Date, the Trust shall be valued at fair market value.

4.5 **Accounting for Distributions .** All withdrawals of Participant contributions, all distributions made to a Participant or his Beneficiary, and any transfers to another qualified plan shall be charged to the appropriate subaccount of the Participant's Accrued Benefit.

4.6 **Separate Accounts** . A separate account shall be established and maintained to reflect the Accrued Benefit for each Participant, with subaccounts to separately show the divisions described in Section 1.1 of the Plan.

4.7 **Investment of Funds .**

(a) Investment Control . Subject to the provisions of paragraphs (b), (c), (d) and (e) below, and only to the extent accepted by the Trustees, the management and control of the Trusts shall be vested in the Trustee.

(b) Investment Limitations . The Trustees shall invest all funds received from the Employer and all Fund earnings in the Investment Options in the manner from time to time directed in writing by the Committee.

(c) Participant Directed Investments . Participants, subject to such reasonable restrictions as the Committee may impose for administrative convenience, may designate what percentage of all contributions and all accounts will be invested in the Investment Options.

(d) Participant Election . If a Participant does not make a written designation of an Investment Option, the Committee shall direct the Trustees to invest all amounts held or received on account of such Participant in the Investment Option designated by the Committee to hold such amounts.

(e) Company Stock . The Participants shall have the right to direct that any assets in any of their accounts that are invested in Company Stock be transferred to another Investment Option, in a manner satisfactory to the Committee. The Plan shall include Company Stock as an Investment Option for assets that are invested in Company Stock as of December 31, 2006, however, once Company Stock in the Plan is transferred to another Investment Option, it

cannot be reinvested in Company Stock.

(f) Facilitation . Notwithstanding any instruction from any Participant for investment of funds in an Investment Option as provided for herein, the Trustees shall have the right to hold uninvested any amounts intended for investment until such time as investment may be made in accordance with this Section 4.7 and the Trust Agreements.

(g) Liability for Investment Directions . This Plan is intended to constitute a plan described in Section 404(c) of ERISA, and Title 29 of the Code of Federal Regulations Section 2550.404c-1. Fiduciaries of the Plan may be relieved of liability for any losses which are the direct and necessary result of investment instructions given by each Participant or Beneficiary. Neither the Employer, the Trustees nor the Committee shall be responsible for any loss which may result from a Participant's exercise of control over the investment of his Accrued Benefit.

(h) Each Participant shall have exclusive responsibility for and control over the investment of amounts allocated to his Accrued Benefit. Neither the Employers, the Trustees nor the Committee shall have any duty, responsibility or right to question a Participant's investment directions or to advise a Participant with respect to the investment of his Individual Accounts. The Committee will be obligated to follow the Participant's investment directions except when the instructions:

(1) are not in accordance with this Plan document and instruments governing this Plan insofar as such documents and instruments are consistent with the provisions of Title I of ERISA;

(2) would result in a prohibited transaction described in ERISA Section 406 or Code Section 4975 that is not otherwise exempted by statute or regulation;

(3) would generate income that would be taxable to this Plan;

(4) would cause a fiduciary to maintain the indicia of ownership of any assets of the Plan outside the jurisdiction of the district courts of the United States other than as permitted by Section 404(b) of ERISA and related regulations;

(5) would jeopardize the Plan's tax qualified status under the Code; or

(6) could result in a loss in excess of the individual account balances.

ARTICLE V
MAXIMUM CONTRIBUTIONS AND BENEFITS

5.1 **Defined Contribution Limitation .** Contributions made on behalf of any Participant during any Plan Year to all defined contribution plans of the Employer or any Affiliated Employer shall be subject to the limits of Code Section 415(c)(1) as set forth in paragraph (a) below:

(a) Annual Addition Limit . The Annual Addition (as defined below in paragraph (c)), that may be contributed or allocated to a Participant's account under the Plan for any limitation year shall not exceed the lesser of:

(1) $40,000, as adjusted for increases in the cost-of-living under Section 415(d) of the Code, or

(2) 100 percent of the Participant's Section 415 Compensation for the limitation year.

(3) The Compensation limit referred to in (2) shall not apply to any contribution for medical benefits after separation from service (within the meaning of Section 401(h) or Section 419A(f)(2) of the Code) which is otherwise treated as an Annual Addition.

(b) Correction of Excess Annual Additions . If, as a result of the allocation of forfeitures, a reasonable error in estimating the Participant's Section 415 Compensation, or a reasonable error in estimating the amount of Elective Deferrals that may be made with respect to any Participant under the limits of Section 415 of the Code or under other facts and circumstances permitted by the Commissioner of the Internal Revenue Service, Annual Additions exceed the limitation set forth in Section 5.1(a), the excess will be disposed of as follows:

(1) If the Participant is covered by the Plan as of the end of the Plan Year in which the excess occurs, the Excess Deferrals shall be used to reduce Employer contributions (including any allocation of forfeitures) for such Member in the next Plan Year, and each succeeding Plan Year, if necessary.

(2) If, after the application of Section 5.1(b)(1) an Excess Deferral amount still exists, the excess amount shall be held unallocated in a suspense account. The suspense account shall be applied to reduce future Employer contributions for all remaining Participants in the next Plan year, and the next succeeding Plan Year.

(3) If a suspense account is in existence at any time during a Plan Year pursuant to this Section, it will not participate in the allocation of the gains and losses of the Trusts. If a suspense account is in existence at any time during a particular Plan Year, all amounts in the suspense account must be allocated and reallocated to Participants' accounts before any Employer or Elective Deferrals may be made to the Plan for that Plan Year. Excess amounts may not be distributed to Participants.

(4) This Section 5.1 shall be satisfied prior to satisfying the Actual Deferral Percentage test in Section 3.9 of the Plan.

(c) Annual Addition . Annual Addition means the sum credited to Participant's Accounts for any Limitation Year of: (i) Employer Contributions, Elective Deferrals, except for Catch-Up Contributions, and forfeitures; (ii) Amounts allocated to an individual medical account described in Section 415(l)(1) of the Code that is part of a pension or annuity plan maintained by the Employer; (iii) Amounts attributable to post-retirement medical benefits allocated to the separate account of a key employee (as described in Section 419A(d)(3) of the Code); and (iv) Excess Contributions and Excess Aggregate Contributions returned to a Participant in accordance with Sections 3.9 and 3.10. Limitation Year means calendar year, unless the Company elects a different twelve (12) consecutive month period as provided by Treasury Regulation Section 1.415-2(b).

ARTICLE VI
ENTITLEMENT TO BENEFITS

6.1 **Distribution Events .** Upon a Participant's termination of employment by reason of retirement, Disability, or for any other reason (other than death), the Participant is entitled to receive a benefit funded by the accounts. A Participant is entitled to receive a benefit during employment for Disability, Hardship or the attainment of age 59½.

6.2 **Disability .** In the event that a Participant, at any time prior to his retirement or other termination of employment with the Employer, shall become totally and permanently disabled, and if proof of such disability satisfactory to the Employer is furnished (which proof shall include a determination of approval for Social Security benefits or, if such is not available, a written statement of a licensed physician appointed or approved by the Employer), then such Participant shall be entitled to the full value of his Accrued Benefit which shall be one hundred percent (100%) vested and nonforfeitable. For purposes of this Section 6.2, total and permanent disability shall mean the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or to last for a continuous period of at least twelve (12) months. The distribution will be made in cash unless the Participant elects to receive the value of his ESOP, PAYSOP, and Stock Bonus account balances, and any other amount invested in Company Stock, in the form of Company Stock.

6.3 **Death .** In the event of the death of a Participant prior to his retirement, disability, or termination of employment with the Employer, the full value of his Accrued Benefit, which shall be one hundred percent (100%) vested and nonforfeitable shall become payable (according to the provisions of Article VII of the Plan), to his designated Beneficiary, upon submission of proof of death satisfactory to the Employer.

6.4 **Other Permitted Distributions .**

(a) Hardship . By filing the required form, a Participant may withdraw on account of hardship all or a portion of his vested Accrued Benefit except for: (1) earnings allocated after December 31, 1988 on Elective Deferrals, Frozen Pre-Tax Account and any "Employer Contribution Account" in a Frozen Other Contribution Account; (2) any portion of his Accrued Benefit held in his Qualified Non-Elective Contribution Account and Qualified Matching Contribution Account; (3) any portion of his Accrued Benefit held in his ESOP Account, PAYSOP Account, and Stock Bonus Account and (4) any assets held in Company Stock. The amount distributed will be withdrawn pro rata across eligible money types.

(1) Hardship withdrawals are permitted only for one of the following immediate and heavy financial needs:

(i) medical expenses described in Section 213(d) of the Code incurred by the Employee, the Employee's spouse, or any dependent of the Employee; or

(ii) purchase (excluding mortgage payments) of a principal place of residence of the Employee; or

(iii) payment of tuition, related educational fees, and room and board expenses, for the next twelve months of post secondary education for the Employee, his or her spouse, children, or dependents (as defined in Code Section 152 without regard to Section 152(b)(1), (b)(2) and (d)(1)(B)); or

(iv) the need to prevent the eviction of the Employee from his or her principal residence or foreclosure on the mortgage of the Employee's principal residence ; or

(v) payments for burial or funeral expenses for the employee's deceased parent, spouse, children or dependents (as defined in Code Section 152(b) without regard to Section 152(d)(1)(B)); or

(vi) expense for repair of damage to the employee's principal residence that would qualify for a casualty deduction on the employee's tax return (without regard to whether the loan exceeds 10% of adjusted gross income).

Provided however, if the Commissioner of Internal Revenue expands the list of deemed, immediate and heavy financial needs as provided above through publication of revenue rulings, notices or other documents of general applicability, then such deemed immediate and heavy financial needs may be included at the direction of the Committee in the list of needs for which hardship withdrawals may be made.

(2) In order to obtain a hardship withdrawal, a Participant must satisfy the following requirements which are deemed to be necessary to satisfy an immediate and heavy financial need:

(i) The distribution must not be in excess of the amount of the immediate and heavy financial need of the Participant;

(ii) The Participant must have obtained all currently available distributions, all nontaxable loans currently available under all Plans maintained by the Employer (unless such loan would disqualify the Participant from obtaining other necessary financing); and

(iii) The financial need can not be relieved from other resources; the Participant's resources are deemed to include those assets of the Participant's spouse and minor children that are reasonably available to the Participant, such as a vacation home.

(3) The Committee may rely upon the Participant's representation (made in writing or such other form as may be prescribed by the Commissioner of the Internal Revenue Service) that the Participant can not relieve the immediate and heavy financial need from other resources that are available to the Participant, unless the Committee has actual knowledge to the contrary, that the need cannot reasonably be relieved—

(i) Through reimbursement or compensation by insurance or otherwise;

(ii) By liquidation of the Participant's assets;

(iii) By cessation of elective contributions or employee contributions under the Plan;

(iv) By other currently available distributions and nontaxable loans, under plans maintained by the Employer or by any other employer; or

(v) By borrowing from commercial sources on reasonable commercial terms in an amount sufficient to satisfy the need.

A Participant who receives a distribution on account of hardship shall be prohibited from making Elective Deferrals and employee contributions under this and all other plans of the Employer for six (6) months after receipt of the distribution.

(4) There is no minimum amount for a hardship withdrawal, and there is no restriction on the number of hardship withdrawals permitted to a Participant.

(b) Attainment of Age 59½. On or after the attainment of age 59½, a Participant shall be permitted to withdraw all or a portion of his vested Accrued Benefit under the Plan at any time. The distribution will be made in cash unless the participant elects to receive the value of his ESOP, PAYSOP, and Stock Bonus account balances, and any other amount invested in Company Stock, in the form of Company Stock.

(c) Rollover Account . A Participant may withdraw any amount from his Rollover Account at such times as permitted by the Committee by submitting a written request to the Committee specifying the amount to be withdrawn.

(d) Voluntary After-Tax and Frozen After-Tax Accounts **.** A Participant may withdraw any amount from his Voluntary After-Tax Account and Frozen After-Tax Account at such times as permitted by the Committee by submitting a request to the Committee specifying the amount to be withdrawn. A distribution from either such account shall be calculated on a pro-rata basis; thus, such distribution shall be considered in part a return of contributions and in part earnings on such contributions. However, if on May 5, 1986, Voluntary After-Tax Accounts and/or Frozen After-Tax Accounts were available for distribution under the terms of the Plan, the Frozen Plan, a Predecessor Plan, or a Frozen Predecessor Plan, prior to separation of service, then the pro-rata rules will not apply to after-tax contributions made to such accounts prior to January 1, 1987. The Participant may designate whether the distribution is to be made from pre-1987 or post-1986 contributions.

ARTICLE VII
DISTRIBUTION OF BENEFITS

7.1 **General .** The requirements of this Article shall apply to any distribution of a Participant's interest and will take precedence over any inconsistent provisions of this Plan. All distributions required under this Article shall be determined and made in accordance with the Treasury Regulations under Code Section 401(a)(9).

7.2 **Method of Distribution .** A Participant may elect to have his Accrued Benefit distributed in the following manner:

(a) a single lump sum;

(b) a portion paid in a lump sum, and the remainder paid later (partial payment); or

(c) periodic installments over a period not to exceed fifteen (15) years.

In the absence of an election by the Participant, distribution will be made in a lump sum payment in cash. See Article X for special rules relating to ESOP Accounts.

7.3 **Installment Payments .** If all or any portion of a Participant's Accrued Benefit is to be paid in installments, the Participant shall determine the period over which such installments shall be paid. The total amount to be so distributed shall continue to be invested in those assets currently retained in the Trust, and any income, gain or loss attributable thereto (but not Employer contributions or forfeitures) shall be reflected in the installment distributions.

7.4 **Commencement of Benefits .**

(a) Unless the Participant elects otherwise, distribution of benefits will begin no later than the 60th day after the latest of the close of the Plan Year in which:

(1) the Participant attains age 65 (or the Normal Retirement Age specified in the Plan, if earlier);

(2) occurs the 10th anniversary of the year in which the Participant commenced participation in the Plan; or

(3) the Participant terminates Service with the Employer.

(b) Notwithstanding the foregoing, the failure of a Participant to consent to a distribution while a benefit is immediately distributable, shall be deemed to be an election to defer commencement of payment of any benefit sufficient to satisfy this Section.

7.5 **Minimum Required Distributions .**

(a) Required Beginning Date . The entire interest of a Participant must be distributed or begin to be distributed no later than the Participant's Required Beginning Date.

(b) Limits on Distribution Periods . As of the first distribution calendar year, distributions, if not made in a single sum, may only be made over one of the following periods (or a combination thereof):

(1) a period certain not extending beyond the life expectancy of the Participant, or

(2) a period certain not extending beyond the joint life and last survivor expectancy of the Participant and a designated Beneficiary.

(c) Minimum Amounts to be Distributed .

(1) If a Participant's interest is to be distributed in other than a single-sum, the minimum amount that will be distributed for each distribution calendar year is the lesser of:

(i) the quotient obtained by dividing the Participant's account balance by the distribution period in the Uniform Lifetime Table set forth in Section 1.401(a)(9)-9 of the Treasury regulations, using the Participant's age as of the Participant's birthday in the distribution calendar year; or

(ii) if the Participant's sole designated beneficiary for the distribution calendar year is the Participant's spouse, the quotient obtained by dividing the Participant's account balance by the number in the Joint and Last Survivor Table set forth in Section 1.401(a)(9)-9 of the Treasury regulations, using the Participant's and spouse's attained ages as of the Participant's and spouse's birthdays in the distribution calendar year.

(2) Required minimum distributions will be determined under this Section 7.5 beginning with the first distribution calendar year and up to and including the distribution calendar year that includes the Participant's date of death.

(3) The minimum distribution required for the Participant's first distribution calendar year must be made on or before the Participant's Required Beginning Date. The minimum distribution for other calendar years, including the minimum distribution for the distribution calendar year in which the Participant's Required Beginning Date occurs, must be made on or before December 31 of that distribution calendar year.

7.6 **Distribution of Death Benefits .**

(a) Method of Distribution . Upon the death of a Participant, the following distribution provisions shall take effect:

(1) If the Participant dies after the date distribution begins, the remaining portion of the Participant's interest will continue to be distributed at least as rapidly as under the method of distribution being used prior to the Participant's death. Notwithstanding the preceding sentence, the following shall apply:

(i) If there is a designated beneficiary, the minimum amount that will be distributed for each distribution calendar year after the year of the Participant's death is the quotient obtained by dividing the Participant's account balance by the longer of the remaining life expectancy of the Participant or the remaining life expectancy of the Participant's designated beneficiary, determined as follows:

(A) the Participant's remaining life expectancy is calculated using the age of the Participant in the year of death, reduced by one for each subsequent year.

(B) if the Participant's surviving spouse is the Participant's sole designated beneficiary, the remaining life expectancy of the surviving spouse is calculated for each distribution calendar year after the year of the Participant's death using the surviving spouse's age as of the spouse's birthday in that year. For distribution calendar years after the year of the surviving spouse's death, the remaining life expectancy of the surviving spouse is calculated using the age of the surviving spouse as of the spouse's birthday in the calendar year of the spouse's death, reduced by one for each subsequent calendar year.

(C) if the Participant's surviving spouse is not the Participant's sole designated beneficiary, the designated beneficiary's remaining life expectancy is calculated using the age of the beneficiary in the year following the year of the Participant's death, reduced by one for each subsequent year.

(ii) If there is no designated beneficiary as of September 30 of the year after the year of the Participant's death, the minimum amount that will be distributed for each distribution calendar year after the year of the Participant's death is the quotient obtained by dividing the Participant's account balance by the Participant's remaining life expectancy calculated using the age of the Participant in the year of death, reduced by one for each subsequent year.

(2) If the Participant dies before the date distributions begin, the following provisions shall apply:

(i) If the Participant's surviving spouse is the Participant's sole designated beneficiary, distributions to the surviving spouse will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died, or by December 31 of the calendar year in which the Participant would have attained age 70½, if later. If the Participant's surviving spouse is the Participant's sole designated beneficiary and the surviving spouse dies after the Participant but before distributions to the surviving spouse begin, the provisions of this Section 7.6(a)(2), other than the preceding sentence, will apply as if the surviving spouse were the Participant.

(ii) If the Participant's surviving spouse is not the Participant's sole designated beneficiary, distributions to the designated beneficiary will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died.

(iii) If there is a designated beneficiary (spouse or other), the minimum amount that will be distributed for each distribution calendar year after the year of the Participant's death is the quotient obtained by dividing the Participant's account balance by the remaining life expectancy of the Participant's designated beneficiary, determined as provided in Section 7.6(a)(1)(i).

(iv) If there is no designated beneficiary as of September 30 of the year following the year of the Participant's death, distribution of the Participant's entire interest will be completed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

(v) For purposes of this Section 7.6(a)(2), distributions are considered to begin on the Participant's Required Beginning Date (or, if the second sentence of Section 7.6(a)(2)(i) above applies, distributions are considered to begin on the date distributions are required to begin to the surviving spouse under such provision).

(b) Definitions . For purposes of this Section 7.6, the following definitions shall apply:

(1) Designated Beneficiary . The individual who is designated as the Beneficiary under Section 8.1 of the Plan and is the designated beneficiary under Code Section 401(a)(9) and Treasury Regulation Section 1.401(a)(9)-1, Q&A-4.

(2) Distribution Calendar Year . A calendar year for which a minimum distribution is required. For distributions beginning before the Participant's death, the first distribution calendar year is the calendar

year immediately preceding the calendar year which contains the Participant's Required Beginning Date. For distributions beginning after the Participant's death, the first distribution calendar year is the calendar year in which distributions are required to begin pursuant to this Section 7.6. The required minimum distribution for the Participant's first distribution calendar year will be made on or before the Participant's Required Beginning Date. The required minimum distribution for other distribution calendar years, including the required minimum distribution for the distribution calendar year in which the Participant's Required Beginning Date occurs, will be made on or before December 31 of that distribution calendar year.

(3) Life Expectancy . Life expectancy as computed by use of the Single Life Table in Section 1.401(a)(9)-9 of the Treasury Regulations.

(4) Participant's Account Balance . The account balance as of the last Valuation Date in the calendar year immediately preceding the distribution calendar year (valuation calendar year) increased by the amount of any contributions or forfeitures allocated to the account balance as of dates in the valuation calendar year after the Valuation Date and decreased by distributions made in the valuation calendar year after the Valuation Date. The account balance for the valuation calendar year includes any amounts rolled over or transferred to the Plan.

(5) Required Beginning Date . The Required Beginning Date of a Participant other than a 5% owner (as defined in Code Section 416(i)(1)(B)(1) is the later of April 1 of the calendar year following the calendar year in which the Participant attains the age of 70½ or terminates employment with all Affiliated Employers. For 5% owners, Required Beginning Date means April 1 st of the calendar year in which a Participant attains age 70½.

7.7 **Distribution Upon Termination of Employment and Restrictions on Immediate Distribution** . If the value of a Participant's vested account balance derived from employer and employee contributions exceeds (or at the time of any prior distribution exceeded) $1,000 (for distributions made prior to March 28, 2005, this amount was $5,000), and the account balance is immediately distributable, the Participant must consent to any distribution of such account balance. If the value of a Participant's nonforfeitable account balance as so determined is $1,000 or less, the Plan may immediately distribute the Participant's entire nonforfeitable account balance. The consent of the Participant shall not be required to the extent that a distribution is required to satisfy Section 401(a)(9) or 415 of the Code.

7.8 **Direct Rollover** .

(a) Applicability . Notwithstanding any provision of the Plan to the contrary that would otherwise limit a distributee's election under this Article, a distributee may elect, at the time and in the manner prescribed by the Committee, to have any portion of an eligible rollover distribution paid directly to an eligible retirement plan specified by the distributee in a direct rollover.

(b) Definitions .

(1) Eligible Rollover Distribution . An eligible rollover distribution is any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee's designated Beneficiary, or for a specified period of ten years or more; any distribution to the extent such distribution is required under Section 401(a)(9) of the Code; any amount distributed on account of a hardship distribution; and the portion of any distribution that is not includible in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to employer securities).

A portion of a distribution shall not fail to be an eligible rollover distribution merely because the portion consists of after-tax employee contributions which are not includable in gross income. However, such portion may be transferred only to an individual retirement account or annuity described in Code Section 408(a) or (b), or to a qualified defined contribution plan described in Code Section 401(a) or 403(a) that agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includable in gross income and the portion of such distribution which is not so includable.

(2) Eligible Retirement Plan . An eligible retirement plan is an individual retirement account described in Section 408(a) of the Code, an individual retirement annuity described in Section 408(b) of the Code, an annuity plan described in Section 403(a) of the Code, or a qualified trust described in Section 401(a) of the Code, that accepts the distributee's eligible rollover distribution. However, in the case of an eligible rollover distribution to the surviving spouse, an eligible retirement plan is an individual retirement account or individual retirement annuity.

An eligible retirement plan shall also mean an annuity contract described in Code Section 403(b) and an eligible plan under Code Section 457(b) which is maintained by a state, political subdivision of a state, or any agency or any instrumentality of a state or political subdivision of a state and which agrees to separately account for amounts transferred into such plan from this Plan. The definition of eligible retirement plan shall also apply in the case of a distribution to a surviving spouse, or to a spouse or former spouse who is the alternate payee under a qualified domestic relations order, as defined in Code Section 414(p).

(3) Distributee . A distributee includes an Employee or former Employee. In addition, the Employee's or former Employee's surviving spouse and the Employee's or former Employee's spouse or former spouse who is the alternate payee under a qualified domestic relations order, as described in Section 414(p) of the Code, are distributees with regard to the interest of the spouse or former spouse.

(4) Direct Rollover . A direct rollover is a payment by the plan to the eligible retirement plan specified by the distributee.

(5) Non-Spouse Beneficiary . Effective January 1, 2007, a direct trustee-to-trustee transfer may be made to an individual retirement account established for the purpose of receiving a distribution from a designated beneficiary who is not the spouse of the Employee or former Employee.

7.9 **Qualified Domestic Relations Order .** All rights and benefits, including election rights, provided to Participants pursuant to this Plan, are subject to the rights afforded to any "alternate payee", as defined in Section 414(p)(8) of the Code, pursuant to a "qualified domestic relations order", as defined in Section 414(p) of the Code.

Payment to an "alternate payee" pursuant to a "qualified domestic relations order" shall be made at such time as determined or permitted pursuant to the qualified domestic relations order, including distributions before the Participant reaches his earliest retirement age as defined in Code Section 414(p)(4)(B). The Committee shall establish procedures to determine the status of a judgment, decree or order as a qualified domestic relations order and to administer Plan distributions in accordance with any such qualified domestic relations order.

Upon receipt of any judgment, decree or order (including approval of a property settlement agreement) relating to the provision of payment by the Plan to an alternate payee pursuant to a state domestic relations law, the Committee shall promptly notify the affected Participant and any alternate payee of the receipt of such judgment, decree or order and shall notify the affected Participant and any alternate payee of the Committee's procedure for determining whether or not the judgment, decree or order is a qualified domestic relations order.

ARTICLE VIII
BENEFICIARY AND PARTICIPANT INFORMATION

8.1 **Designation of Beneficiary .**

(a) Each Participant from time to time may designate any person or persons (who may be named contingently or successively) to receive any benefits payable under the Plan upon or after his death, and any such designation may be changed from time to time by the Participant by filing a new designation. Each designation will revoke all prior designations made by the Participant, shall be in writing in the form prescribed by the Employer and shall be effective only when the written designation is filed with the Employer during his lifetime.

(b) The Beneficiary of a Participant who is married at the time of his death shall be his surviving spouse unless his surviving spouse consents in writing on the form provided for that purpose by the Committee to the designation of another beneficiary. A consent by a Participant's spouse shall not be effective unless such consent is witnessed by one of the members of the Committee or a Notary Public.

(c) In the absence of a valid Beneficiary designation (except in conjunction with the election of a form of benefit payment which does not require the designation of a specific Beneficiary) or if, at the time any benefit becomes payable to a Beneficiary, there is no living Beneficiary properly designated by the Participant to receive the benefit, the Committee shall direct the Trustee to distribute such benefit to the Participant's spouse, if then living. If there is no surviving spouse, then the benefit shall be paid to the Participant's then living descendants, if any, by root, otherwise to the Participant's then living parent or parents, equally, otherwise to the Participant's estate.

8.2 **Information to be Furnished by Participant and Beneficiaries .** Any communications addressed to a Participant or Beneficiary at his last post office address filed with the Committee shall be binding on the Participant or Beneficiary for all purposes of the Plan. Except for the Committee's sending of a registered letter to the last known address, neither the Trustees nor the Committee shall be obliged to search for any Participant or Beneficiary.

ARTICLE IX
LOANS TO PARTICIPANTS

9.1 **Loans** . The Committee shall establish a loan program under which:

(a) Loans shall be made available to all active Participants and Participants on long-term disability on a reasonably equivalent basis.

(b) Loans shall not be made available to Highly Compensated Employees (as defined in Section 414(q) of the Code) in an amount greater, or on terms otherwise more favorable, than the amount or terms applicable to loans made available to other Employees.

(c) Loans must be adequately secured and bear a reasonable interest rate.

(d) No loan to any Participant can be made to the extent that such loan when added to the outstanding balance of all other loans to the Participant or Beneficiary would exceed the lesser of (a) $50,000 reduced by the excess (if any) of (the highest outstanding balance of loans during the one year period ending on the day before the loan is made, over the outstanding balance of loans from the Plan on the date the loan is made), or (b) 50% of the Participant's vested Accrued Benefit.

(e) A Participant is not required to obtain the consent of his or her spouse, if any, to use of the account balance as security for the loan.

(f) Loan repayments will be suspended under the Plan as permitted under Code Section 414(u)(4).

(g) Loans will be funded with assets withdrawn pro rata across all money types except for the portion of a Participant's Accrued Benefit held in his ESOP Account, PAYSOP Account, and Stock Bonus Account and any other assets invested in company stock.

Notwithstanding any other provision of this Plan, the portion of the Participant's vested account balance used as a security interest held by the Plan by reason of a loan outstanding to the Participant shall be taken into account for purposes of determining the amount of the account balance payable at the time of death or distribution, but only if the reduction is used as repayment of the loan. If less than 100% of the Participant's vested account balance (determined without regard to the preceding sentence) is payable to the surviving spouse, then the account balance shall be adjusted by first reducing the vested account balance by the amount of the security used as repayment of the loan, and then determining the benefit payable to the surviving spouse.

For the purpose of the above limitation, all loans from all plans of the Employer and all Affiliated Employers are aggregated. Furthermore, any loan shall by its terms require that repayment (principal and interest) be amortized in level payments, not less frequently than quarterly, over a period not extending beyond five years from the date of the loan, unless such loan is used to acquire a dwelling unit which within a reasonable time (determined at the time the loan is made) will be used as the principal residence of the Participant.

9.2 **Participant Loan Program** . The Committee may prescribe such additional rules and procedures as it may deem appropriate, including, without limitation, rules and procedures by which the making of loans to Participants may be terminated, suspended, or restricted, if any, to the extent deemed by the Committee to be necessary or desirable in order to effect compliance with applicable laws or

regulations (the "Participant Loan Program"). The rules and procedures reported in the Loan-by-Phone guidelines are incorporated in the Participant Loan Program. To the extent the Participant Loan Program conflicts with the terms of the Plan, the terms of the Participant Loan Program shall prevail, as long as such Program does not conflict with the Code, ERISA, or other applicable laws or regulations.

ARTICLE X
ESOP PROVISIONS

10.1 **Status of ESOP .** The Company adopted the CenturyTel, Inc. Stock Bonus Plan and PAYSOP on October 1, 1975 and the CenturyTel, Inc. Employee Stock Ownership Plan ("ESOP") on January 1, 1987. By merger agreement dated September 18, 2001, the CenturyTel, Inc. Stock Bonus Plan and PAYSOP was merged into the ESOP. The Accounts of Participants who were actively employed with the Employer on November 6, 2006 are fully vested. Effective December 31, 2006, the ESOP was merged into this Plan.

10.2 **Trust or Trusts .** The assets of the ESOP Account are held in the CenturyTel, Inc. Employee Stock Ownership Trust I and the assets of the PAYSOP Account and the Stock Bonus Account are held in the CenturyTel, Inc. Employee Stock Ownership Trust II (the "ESOP Trusts"). The Trustee of the ESOP Trusts is Sterne, Agee & Leach, Inc..

10.3 **Investment Diversification .** Each Participant in the Plan is permitted to diversify the investment of 100% of his ESOP Account, Stock Bonus Account, and PAYSOP Account at any time. The net cash proceeds realized from the sale by the Plan of the shares of Company Stock for which diversification is elected shall be transferred to the Participant's ESOP Transfer Account and invested in the Investment Options designated.

10.4 **Company Stock Distributions .**

(a) Notwithstanding the provisions of Article VII, distributions of Company Stock from Participants' ESOP Account, Stock Bonus Account, and PAYSOP Account shall be made in accordance with this Section 10.4, unless the application of Article VII would result in an earlier distribution date.

(b) Unless the Participant (or his beneficiary, if the Participant is deceased) elects otherwise, if a Participant retires, dies or becomes disabled while employed by the Employer, distribution of Company Stock in his ESOP Account, Stock Bonus Account, and PAYSOP Account will be made or commenced as soon as practicable following the date on which the Participant retires, dies or becomes disabled, but not later than the sixtieth (60th) day next following the close of the Plan Year during which the Participant retires, dies or becomes disabled.

(c) Unless the Participant elects otherwise, upon termination of employment of the Participant with the Employer for reasons other than retirement, death or disability, distribution of Company Stock in his ESOP Account, Stock Bonus Account, and PAYSOP Account will be made not later than the later of:

(1) one (1) year after the close of the Plan Year which is the fifth (5th) Plan Year following the Plan Year in which his employment terminates, unless the Participant is reemployed by the Employer before the end of such year; or

(2) the sixtieth (60th) day following the end of the Plan Year in which the Participant attains Normal Retirement Age.

(d) Any distribution hereunder shall comply with the consent requirements contained in Section 7.7.

10.5 **Optional Methods of Payment Available at Retirement .** Upon actual retirement at or after age 55 ("Normal Retirement Date"), a Participant shall be entitled to receive the full amount credited to his ESOP Account as of the Valuation Date immediately preceding the month in which payment is to be made, which amount shall be paid to the Participant in one lump sum within the later of: (i) sixty (60) days after the close of the Plan Year in which the Participant retires, or (ii) sixty (60) days after the distributable amount has been determined, unless prior to the date of his retirement he elects, in the manner prescribed by the Committee, any one of the following method or methods:

(a) Payment of the entire amount of the Participant's Account in one lump sum at some future date, not later than one year after Normal Retirement Date;

(b) Payment in substantially equal annual, quarterly or monthly installments (including net investment income, gain or loss) until the value of such Participant's ESOP Account is exhausted. Unless the Participant elects otherwise, the payment period for a Participant's ESOP Account shall not exceed five (5) years. This five (5) year payment period

for ESOP Accounts shall be extended by one (1) year, up to five (5) additional years, for each $100,000 (or fraction thereof) by which such Participant's Account balance exceeds $500,000 (the dollar amounts herein are subject to cost of living adjustments prescribed by the Secretary of the Treasury; for the 2006 Plan Year these amounts are $175,000 and $885,000, and for the 2007 Plan Year these amounts are $180,000 and $915,000 respectively); or

(c) Any combination of the foregoing.

Notwithstanding anything contained in this Section 10.5, lump sum, installment or any other benefits may not be paid directly from the Plan in any form of a life annuity or through the distribution of property in any form of a life annuity.

In addition, if the Participant's spouse is not the designated beneficiary, the method of distribution selected must assure that at least fifty percent (50%) of the present value of the amount available for distribution is paid within the life expectancy of the Participant.

All distributions required under this Section shall be determined and made in accordance with Section 7.5. Any distribution under this Section 10.5 shall comply with the consent requirements contained in Section 7.7.

10.6 **Payment in Shares or Cash .** Any distributions from an ESOP Account, Stock Bonus Account, and PAYSOP Account shall be made in cash unless the Participant elects to receive the value of such Accounts in the form of Company Stock. Any distributions of Company Stock from the ESOP Account, Stock Bonus Account, and PAYSOP Account shall be make by distributing whole shares of Company Stock, as determined by the Trustee of ESOP Trusts I and II, at the market value of such shares on a national securities exchange or a national quotation system, with the value of any fractional shares paid in cash.

10.7 **Dividends .** Cash dividends on shares of Company Stock allocated to Accounts of Participants who are entitled to receive distributions from the Plan may be paid to Participants currently, or at such time as payment is otherwise due under Article VII, as determined in the sole discretion of the Committee, exercised in a uniform and nondiscriminatory manner.

ARTICLE XI
VOTING PROVISIONS

11.1 **Voting Rights of Company Stock .** Each Participant, including their beneficiaries and alternate payees (individually, "Participant" and collectively, "Participants") is, for purposes of this Section, hereby designated a "named fiduciary" within the meaning of ERISA Section 403(a)(1) and shall be entitled to direct the Plan and Trustee as to the manner in which Company Stock allocated to such Participant's accounts is to be voted on each matter brought before an annual or special stockholders' meeting of the Company. Company Stock may be held in different accounts, including the ESOP Accounts, PAYSOP Accounts and Stock Bonus Accounts. Company Stock allocated to ESOP Accounts shall be voted as provided below by the Trustee of CenturyTel Employer Stock Ownership Trust I. Company Stock allocated to Stock Bonus Accounts and PAYSOP accounts shall be voted as provided below by the Trustee of CenturyTel Employer Stock Ownership Trust II. Company Stock allocated to all other accounts in the Plan shall be voted as provided below by the Trustee of the Dollars & Sense Trust.

The Committee shall determine the total number of shares of Company Stock allocated to each Participant's accounts as of the record date and such shares shall be voted in accordance with directions of such Participant. Upon timely receipt of such directions, the Trustee shall on each such matter, vote as directed the number of votes attributable to such Participant.

The number of votes attributable to each Participant shall be determined as follows:

(a) First, the total number of votes attributable to Company Stock held in a Trust shall be determined;

(b) Second, the number of votes determined under (a), above, shall be attributed to each Participant, in the ratio which the number of shares of Company Stock allocated to such Participant's accounts in a Trust as of the record date bears to the total number of shares of Company Stock held in a Trust as of such date.

Each Participant, as a named fiduciary, shall be entitled to separately direct the vote of a portion of the number of votes with respect to which a signed voting-direction instrument is not timely received from other Participants in a Trust ("Undirected Votes"). Such direction with respect to each Participant who timely elects to direct the vote of Undirected Votes in a Trust as a named fiduciary shall be with respect to a number of Undirected Votes in a Trust equal to the total number of Undirected Votes in a Trust multiplied by a fraction, the numerator of which is the total number of votes attributable to such Participant in a Trust and the denominator of which is the total number of votes

attributable to all Participants who timely elect to vote Undirected Votes as a named fiduciary in a Trust.

1.1 **Responding to Tender and Exchange Offers** . Each Participant is, for purposes of this Section, hereby designated a "named fiduciary" within the meaning of Section 403(a)(1) of ERISA and shall have the right, to the extent of the number of shares of Company Stock allocated to the Participant's accounts in the Trust, to direct the Trustee in writing as to the manner in which to respond to such tender or exchange offer with respect to shares of Company Stock. The Committee shall use its best efforts to timely distribute or cause to be distributed to each Participant such information as will be distributed to stockholders of the Company in connection with any such tender or exchange offer. Upon timely receipt of such instructions, the Trustee shall respond as instructed with respect to shares of Common Stock in the Trust allocated to such Participant's accounts. If the Trustee shall not receive timely instructions from a Participant as to the manner in which to respond to such a tender or exchange offer, the Trustee shall not tender or exchange any shares of Company Stock held in the Participant's account. In effecting the foregoing, to the extent possible, the Trustee shall tender or exchange shares of Company Stock entitled to one vote per share prior to shares of Company Stock having greater than one vote per share.

1.2 **Confidentiality** . Any instructions received by the Trustee from Participants (or, if applicable, Beneficiaries) pursuant to this Article XI shall be held by the Trustee in strict confidence and no officer or Employee of the Company or an Affiliated Employer shall ask the Trustee to divulge or release such instructions to any officer or Employee of the Company or Affiliated Employer; provided, however, that to the extent necessary for the operation of the Plan, such instructions may be relayed by the Trustee to a recordkeeper, auditor or other person providing services to the Plan if such person (1) is not the Company, an Affiliated Employer or any Employee, officer or director thereof, and (2) agrees not to divulge such directions to any other person, including Employees, officers and directors of the Compan y and its Affiliated Employers.

ARTICLE XII
TOP HEAVY PROVISIONS

12.1 **Applicability .** Notwithstanding any other provisions of the Plan if for any Plan Year the Plan becomes a Top Heavy Plan, the requirements of this Article XII of the Plan shall be applied for such Plan Year.

12.2 **Definitions .** The following terms shall have the following meanings in the determination of whether or not the Plan is a Top Heavy Plan:

(a) Determination Date . The term "Determination Date" means, with respect to any Plan Year, the last day of the preceding Plan Year, or in case of the first Plan Year, the last day of such year.

(b) Employer . The Employer who adopted this Plan and any other Employer some or all of whose Employees participate in this Plan or in a retirement plan which is aggregated with this Plan as part of a permissive or required aggregation group.

(c) Employer Group . A group of Employers who, for purposes of Section 416 of the Code, are treated as a single Employer under Section 414(b), (c) or (m) of the Code.

(d) Key Employee . Any Employee or former Employee (including any deceased Employee) who at any time during the Plan Year that includes the determination date was an officer of the Employer having annual Compensation greater than $130,000 (as adjusted under Code Section 416(i)(1)), a 5-percent owner of the Employer, or a 1-percent owner of the Employer having annual Compensation of more than $150,000. For this purpose, annual compensation means compensation within the meaning of Code Section 415(c)(3). The determination of who is a Key Employee will be made in accordance with Code Section 416(i)(1) and the applicable regulations and other guidance of general applicability issued thereunder.

(e) Non-Key Employee . Any Employee or former Employee (or Beneficiaries of such Employee) who is not considered to be a Key Employee.

(f) Permissive Aggregation Group . The Committee may treat any plan not required to be included in the Required Aggregation Group as defined herein as being part of such group if the group would continue to satisfy the requirements of Sections 401(a)(4) and 410 of the Code with such plan being taken into account.

(g) Required Aggregation Group . (1) Each qualified plan of the Employer in which at least one Key Employee participates or participated at any time during the determination period (regardless of whether the plan has terminated), and (2) any other qualified plan of the Employer which enables a plan described in (1) to meet the

requirements of Section 401(a)(4) or 410 of the Code.

(h) Top Heavy Plan . For any Plan Year, this Plan is Top Heavy if any of the following conditions exist:

(1) If the Top Heavy Ratio for this Plan exceeds 60%, provided this Plan is not part of any required aggregation group or permissive aggregation group of plans.

(2) If this Plan is a part of a required aggregation group of plans, but not part of a permissive aggregation group, the Top Heavy Ratio for the group of plans exceeds 60%.

(3) If this Plan is a part of a required aggregation group and part of a permissive aggregation group of plans and the Top Heavy Ratio for the entire group exceeds 60%.

(i) Top Heavy Ratio .

(1) If the Employer maintains one or more defined contribution plans (including any Simplified Employee Pension Plan) and the Employer has not maintained any defined benefit plan which during the 5-year period ending on the determination date(s) has or has had Accrued Benefits, the Top Heavy Ratio for this Plan alone or for the required or permissible aggregation group as appropriate is a fraction, the numerator of which is the sum of the account balances of all Key Employees as of the determination date(s) and the denominator of which is the sum of all account balances for all Participants, both computed in accordance with Section 416 of the Code and the regulations thereunder. Both the numerator and denominator of the Top Heavy Ratio are increased to reflect any contribution not actually made as of the determination date, but which is required to be taken into account on that date under Section 416 of the Code and the regulations thereunder.

The present value of accrued benefits and the sum of all account balances shall be increased by the aggregate distribution made with respect to an Employer in the 1-year period ending on the determination date; however, substitute “5-year period” for “1-year period” in the case of any distribution by reason other than severance from employment, death, or disability).

(2) If the Employer maintains one or more defined contribution plans (including any Simplified Employee Pension Plan) and the Employer maintains or has maintained one or more defined benefit plans which during the 5-year period ending on the determination date(s) has or has had any accrued benefits, the Top Heavy Ratio for any required or permissive aggregation group as appropriate is a fraction, the numerator of which is the sum of account balances under the aggregated defined contribution plan or plans for all Key Employees, determined in accordance with paragraph (1) above, and the present value of accrued benefits under the aggregated defined benefit plan or plans for all Key Employees as of the determination date, and the denominator of which is the sum of the account balances under the aggregated defined contribution plan or plans for all Participants, determined in accordance with paragraph (1) above, and the present value of accrued benefits under the defined benefit plan or plans for all Participants, determined in accordance with paragraph (1) above, and the present value of accrued benefits under the defined benefit plan or plans for all Participants as of the determination date, all determined in accordance with Section 416 of the Code and the regulations thereunder.

The accrued benefit of a Non-Key Employee under any defined benefit plan shall be determined under the method, if any, that uniformly applies for accrual purposes under all defined benefit plans maintained by the Employer, or if there is no such method, as if such benefit accrued not more rapidly than the slowest accrual rate permitted under Section 411(b)(1)(C) of the Code.

(3) For purposes of (1) and (2) above, the value of account balances and the present value of accrued benefits will be determined as of the most recent Valuation Date that falls within or ends with the twelve (12) month period ending on the determination date, except as provided in Section 416 of the Code and the regulations thereunder for the first and second plan years of a defined benefit plan. The account balances and accrued benefits of a Participant (i) who is a Non-Key Employee but who was a Key Employee in a prior year, any accrued benefit for such employee (and the account of such employee shall be disregarded).

(4) The accrued benefits and accounts of any individual who has not performed services during the 1-year

period ending on the determination date shall not be taken into account. The calculation of the Top Heavy Ratio, and the extent to which distributions, rollovers and transfers are taken into account will be made in accordance with Section 416 of the Code and the regulations thereunder. Deductible employee contributions will not be taken into account for purposes of computing the Top Heavy Ratio. When aggregating plans, the value of account balances and accrued benefits will be calculated with reference to the determination dates that fall within the same calendar year.

(j) Valuation Date . December 31 in each Plan Year, the date as of which account balances or Accrued Benefits are valued for purposes of calculating the Top Heavy Ratio.

(k) Present Value . For purposes of establishing the present value of accrued benefits under defined benefit plans required to be aggregated with this Plan to compute the Top Heavy Ratio, any benefit shall be discounted only for mortality and interest based on the mortality assumptions and interest rate specified in such defined benefit plan.

(l) Alternative Methods of Meeting Top-Heavy Requirements . Effective January 1, 2008, the term Top Heavy Plan shall not include a plan which consists solely of __.

(1) a cash or deferred arrangement which meets the requirements of Section 401(k)(12) or 401(k)(13), and

(2) matching contributions with respect to which the requirements of Section 401(m)(11) or 401(m)(12) are met.

If, but for this paragraph, a plan would be treated as a Top-Heavy Plan because it is a member of an aggregation group which is a top-heavy group, contributions under the Plan may be taken into account in determining whether any other plan in the group has provided the minimum benefit described in Section 12.3 of the Plan.

12.3 **Minimum Allocation .**

(a) Except as otherwise provided in (c) and (d) below, the Employer contributions and forfeitures allocated on behalf of any Participant who is not a Key Employee shall not be less than the lesser of three percent of such Participant's Total Compensation or in the case where the Employer has no defined benefit plan which designates this Plan to satisfy Section 401 of the Code, the largest percentage of Employer contributions (including any salary deferral contribution) and forfeitures, as a percentage of the Key Employee's Total Compensation, as limited by Section 401 (a)(l7) of the Code, allocated on behalf of any Key Employee for that year. The minimum allocation is determined without regard to any Social Security contribution. This minimum allocation shall be made even though under other plan provisions, the Participant would not otherwise be entitled to receive an allocation, would have received a lesser allocation for the year because of (1) the Participant's failure to complete 1,000 hours of service (or any equivalent provided in the Plan), (2) the Participant's failure to make mandatory employee contributions (including Elective Deferrals) to the Plan, or (3) Compensation less than a stated amount.

Matching Contributions shall be taken into account for purposes of satisfying the minimum contribution requirements of Code Section 416(c)(2) and the Plan. The preceding sentence shall apply with respect to matching contributions under the Plan or, if the Plan provides that the minimum contribution requirement shall be met in another plan, such other plan. Matching Contributions that are used to satisfy the minimum contribution requirements shall be treated as matching contributions for purposes of the actual contribution percentage test and other requirements of Code Section 401(m). Elective deferrals may not be taken into account for the purpose of satisfying the minimum Top Heavy contribution requirements. Catch-Up Contributions for the current year are not counted as Key Employee contributions, but prior-year Catch-Up Contributions are used to determine whether the Plan is Top Heavy.

(b) For purposes of computing the minimum allocation, Compensation will mean Total Compensation, as limited by Section 40l(a)(17) of the Code.

(c) The provision in (a) above shall not apply to any Participant who was not employed by the Employer on the last day of the Plan Year.

(d) If an Employee participates in both a defined benefit plan and a defined contribution plan, the minimum benefit

shall be provided under the defined benefit plan. If an Employee participates in another defined contribution plan, the minimum benefit shall be provided under the other defined contribution plan.

12.4 **Vesting .** For any Plan Year in which this Plan is Top Heavy, each Employee's Interest in his or her Accrued Benefit attributable to Employer contributions shall be fully vested and nonforfeitable. The minimum vesting schedule applies to all benefits accrued as of the date the Plan became Top Heavy and to all benefits accrued thereafter to which this Article applies. Further, no decrease in a Participant's non forfeitable percentage may occur in the event the Plan's status as Top Heavy changes for any Plan Year. However, this Section does not apply to the account balances of any Employee who does not have an hour of service after the Plan has initially become Top Heavy and such Employee's Accrued Benefit attributable to Employer contributions and forfeitures will be determined without regard to this Section.

ARTICLE XIII
ADMINISTRATION OF THE PLAN

13.1 **Plan Committee .** The CenturyTel Retirement Committee (the "Committee"), also known as the CenturyTel, Inc. Retirement Committee, shall serve as the Administrator, as defined in ERISA Section 3(16)(A). The Committee is also the Named Fiduciary, as defined in ERISA Section 402(a)(2), except where the Participant is the Named Fiduciary. The Committee shall be charged with the full power and the responsibility for administering the Plan in accordance with the terms and delegations stated in the Plan and the Charter of the CenturyTel Retirement Committee (the "Charter"), except as the Board of Directors of the Company shall otherwise expressly determine.

13.2 **Duties and Responsibilities of Fiduciaries** . A fiduciary to the Plan shall have only those specific powers, duties, responsibilities and obligations as are explicitly given him under the Charter, Plan and Trust Agreement and shall not be responsible for any act or failure to act of another fiduciary. In general, the Employer shall have the sole responsibility for making contributions to the Plan required under Article III of the Plan, appointing the Trustee and the members of the Committee, and determining the funds available for investment under the Plan. The Committee shall have the sole responsibility for the administration of the Plan, as more fully described in Section 13.3 of the Plan.

13.3 **Powers and Responsibilities of the Plan Administrator .**

(a) Administration of the Plan . The Committee shall have the responsibility for the management of the Plan and shall have the sole, final and absolute right to reconcile any inconsistency in the Plan, to interpret and construe the provisions of the Plan in all particulars, in such manner and to such extent as it deems proper, and to make all decisions and determinations necessary under the Plan. In addition, the Committee shall have the following powers, rights, and duties:

(1) The Committee may adopt suitable rules and regulations for the administration of the Plan.

(2) Decisions of the Committee may be conveyed to third persons by any of its members. Third persons shall be entitled to assume that the decision so conveyed is given with the consent of the majority of the Committee.

(3) The Committee shall cause to be kept all such records and other data as may be necessary for the performance of its duties.

(4) The members of the Committee shall serve without compensation for their services as such. The Committee and the members thereof shall be free of any liability, joint or several, for their acts or failures to act as members or officers of such Committee in connection with this Plan, except that any member of the Committee shall be liable for his own willful misconduct or gross negligence.

(5) The Committee shall not exercise any powers conferred upon it in such a way as to result in discrimination in favor of any Participant who is a Highly-Compensated Employee.

(b) Records and Reports . The Committee shall be responsible for maintaining sufficient records to reflect the Compensation of each Participant for purposes of determining the amount of contributions that may be made by or on behalf of the Participant under the Plan. The Committee shall be responsible for submitting all required reports and notification relating to the Plan to Participants or their Beneficiaries, the Internal Revenue Service, and the Department of Labor.

(c) Furnishing Trustee with Instructions . The Committee shall be responsible for furnishing the Trustee with written instructions regarding all contributions to the Trust, all distributions to Participants and all loans to Participants. In addition, the Committee shall be responsible for furnishing the Trustee with any further information respecting the Plan which the Trustee may request for the performance of its duties or for the purpose of making any returns to the Internal Revenue Service or Department of Labor as may be required of the Trustee under the terms of the Trust Agreement.

(d) Rules and Decisions . The Committee may adopt such rules as it deems necessary, desirable or appropriate in the administration of the Plan. All rules and decisions of the Committee shall be applied uniformly and consistently to all Participants in similar circumstances. When making a determination of calculation, the Committee shall be entitled to rely upon information furnished by a Participant or Beneficiary, the Employer, and the legal counsel of the Employer or the Trustee.

(e) Application and Forms for Benefits . The Committee may require a Participant or Beneficiary to complete and file with it an application for a benefit, and to furnish all pertinent information requested by it. The Committee may rely upon all such information so furnished to it, including the Participant's or Beneficiary's current mailing address.

13.4 **Allocation of Duties and Responsibilities .** The Committee may by written instrument allocate among its members or employees any of its duties and responsibilities not already allocated under the Charter or Plan or may carry out any of the Committee's duties and responsibilities under the Plan. Any such duties or responsibilities thus allocated must be described in the written instrument. If a person other than an Employee of the Employer is so designated, such person must acknowledge in writing his acceptance of the duties and responsibilities allocated to him.

13.5 **Expenses .** Except as provided below, the Employer shall pay all expenses authorized and incurred by the Plan in the administration of the Plan (including Trustee's fees) except to the extent such expenses are paid from the Trust. The Committee may direct the Trustee to charge reasonable administrative expenses of the Plan to Participants' Accounts, including but not limited to fees to process domestic relations orders, but only to the extent that the Committee has determined that such charges to Participants' Accounts are consistent with ERISA and interpretative guidance thereunder issued by the DOL.

13.6 **Liabilities .** The Committee and each person to whom duties and responsibilities have been allocated pursuant to Section 13.4 of the Plan may be indemnified and held harmless by the Employer with respect to any alleged breach of responsibilities performed or to be performed hereunder.

13.7 **Claims Procedure .**

(a) Filing a Claim . Any Participant or Beneficiary under the Plan may file a written claim for a Plan benefit with the Committee or with a person named by the Committee to receive claims under the Plan.

(b) Notice of Denial of Claim . In the event of a denial or limitation of any benefit or payment due to or requested by any Participant or Beneficiary under the Plan ("Claimant"), Claimant shall be given a written notification containing specific reasons for the denial or limitation of his benefit. The written notification shall contain specific reference to the pertinent Plan provisions on which the denial or limitation of his benefit is based. In addition, it shall contain a description of any other material or information necessary for the Claimant to perfect a claim, and an explanation of why such material or information is necessary. The notification shall further provide appropriate information as to the steps to be taken if the Claimant wishes to submit his claim for review. This written notification shall be given to a Claimant within 90 days after receipt of his claim by the Committee unless special circumstances require an extension of time for processing the claim. If such an extension of time for processing is required, written notice of the extension shall be furnished to the Claimant prior to the termination of said 90-day period, and such notice shall indicate the special circumstances which make the postponement appropriate.

(c) Right of Review . In the event of denial or limitation of his benefit, the Claimant or his duly authorized representative shall be permitted to review pertinent documents and to submit to the Committee issues and comments in writing. In addition, the Claimant or his duly authorized representative may make a written request for a full and fair review of his claim and its denial by the Committee; provided, however, that such written request must be received by the Committee (or its delegate to receive such requests) within 60 days after receipt by the Claimant of written notification of the denial or limitation of the claim. The 60-day requirement may be waived by the Committee in appropriate cases.

(d) Decision on Review . A decision shall be rendered by the Committee within 60 days after the receipt of the request

for review, provided that where special circumstances require an extension of time for processing the decision, it may be postponed on written notice to the Claimant (prior to the expiration of the initial 60-day period) for an additional 60 days after the receipt of such request for review. Any decision by the Committee shall be furnished to the Claimant in writing and shall set forth the specific reasons for the decision and the specific Plan provisions on which the decision is based.

(e) Court Action . No Participant, Beneficiary or other Claimant shall have the right to seek judicial review of a denial of benefits, or to bring any action in any court to enforce a claim for benefits prior to filing a claim for benefits or exhausting his rights to review under this Section 13.7.

(f) Notification . The Committee shall provide a Claimant with written or electronic notification. Electronic notification must comply with the standards imposed by 29 CFR 2520.104b-1(c)(1)(i), (ii), (iii), and (iv).

ARTICLE I
AMENDMENT, TERMINATION AND MERGER

14.1 **Adoption of Plan .** If an entity became an Affiliated Employer pursuant to an acquisition and according to Section 1.39 of the Plan is not automatically a Participating Employer, such entity will be deemed to have adopted the Plan upon execution of an agreement that merges its defined contribution plan with 401(k) features in this Plan. Also, any entity which is an Affiliated Employer and is not automatically a Participating Employer, may, with the permission of the Board of Directors or Compensation Committee, elect to adopt this Plan and Trust.

14.2 **Amendments.**

(a) The Employer expressly reserves the right to amend this Plan and Trust at any time and from time to time, and to any extent and in any manner that the Employer may deem advisable. The Board of Directors delegates to the Committee the right to amend the Plan and Trust to comply with changes in laws and regulations governing them. The Board also delegates to the Committee to right to incorporate prior amendments authorized by the Board or adopted by the Committee and current amendments adopted by the Committee into one Plan and Trust. Each amendment shall be authorized by the Committee and shall be set forth in an instrument in writing executed on behalf of the Employer by any one member of the Committee.

(b) No amendment to the Plan (a) shall have the effect of vesting in the Employer any interest in the Trust; or (b) shall cause or permit the Trust or any part thereof to be diverted to purposes other than the exclusive benefit of the present or future Participants and their Beneficiaries and Alternate Payees; or (c) shall increase the duties or obligations of the Trustee without its written consent.

14.3 **Plan Termination: Discontinuance of Employer Contributions .**

(a) The Employer has established the Plan with the bona fide intention and expectation that from year to year it will make its contributions to the Trust under the Plan as herein provided. However, the Employer is not and shall not be under any obligation or liability whatsoever to continue its contributions or to maintain the Plan for any given length of time, and the Employer reserves the right, in its sole and absolute discretion, to terminate the Plan at any time without any liability whatsoever to any Employee, Participant, Beneficiary or Alternate Payee for such termination.

(b) Upon the complete or partial termination of the Plan or the complete discontinuance of Employer contributions under the Plan, the Accrued Benefit of all active Participants affected thereby shall become fully vested and nonforfeitable, and the Committee shall direct the Trustee to distribute assets remaining in the Trust, after payment of any expenses properly chargeable thereto, to Participants or their Beneficiaries.

14.4 **Successor Employer .** In the event of the dissolution, merger, consolidation or reorganization of the Employer, provision may be made by which the Plan and Trust shall be continued by a successor Employer, in which case such successor Employer shall be substituted for the Employer under the Plan. The substitution of the successor Employer shall constitute an assumption of Plan liabilities by the successor Employer, and the successor Employer shall have all powers, duties and responsibilities of the Employer under the Plan.

14.5 **Merger, Consolidation or Transfer .** The Plan may be merged or consolidated with, or its assets and liabilities may be transferred to, any other plan only if the benefits which would be received by a Participant in the event of a termination of the Plan

immediately after such transfer, merger or consolidation are at least equal to the benefits such Participant would have received if the Plan had terminated immediately prior to the transfer, merger or consolidation.

ARTICLE XV
MISCELLANEOUS PROVISIONS

15.1 **Exclusive Benefit of Participants and Beneficiaries** .

(a) All assets of the Trusts shall be retained for the exclusive benefit of Participants and their Beneficiaries, and shall be used only to pay benefits to such persons or to pay reasonable fees and expenses of the Trusts and of the administration of the Plan. The assets of the Trusts shall not revert to the benefit of the Employer, except as otherwise specifically provided in Section 15.1(b) of the Plan.

(b) Contributions to the Trusts under this Plan are subject to the following conditions:

(1) If a contribution or any part thereof is made to the Trusts by the Employer under a mistake of fact, such contribution or part thereof shall be returned to the Employer within one year after the date the contribution is made;

(2) Contributions to the Trusts are specifically conditioned on their deductibility under Section 404 of the Code and, to the extent a deduction is disallowed for any such contribution, such amount shall be returned to the Employer within one year after the date of the disallowance of the deduction.

15.2 **Nonguarantee of Employment .** Nothing contained in this Plan shall be construed as a contract of employment between the Employer and any Employee, or as a right of any Employee to be continued in the employment of the Employer, or as a limitation of the right of the Employer to discharge any of its Employees, with or without cause.

15.3 **Rights to Trust Assets .** No Employee, Participant or Beneficiary shall have any right to, or interest in, any assets of the Trusts upon termination of employment or otherwise, except as provided under the Plan. All payments of benefits under the Plan shall be made solely out of the assets of the Trusts.

15.4 **Nonalienation of Benefits .** Except as provided under Article IX of the Plan with respect to Plan loans, benefits payable under the Plan shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, charge, garnishment, execution or levy of any kind, voluntary or involuntary; provided, however, that the Committee shall not be hereby precluded from complying with a qualified domestic relations order described in Section 414(p) of the Code. Any attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber, charge or otherwise dispose of any right to benefits payable hereunder shall be void. The Trust shall not in any manner be liable for, or subject to, the debts, contracts, liabilities, engagements or torts of any person entitled to benefits hereunder.

15.5 **Gender .** The use of the masculine pronoun shall extend to and include the feminine gender wherever appropriate, the use of the singular shall include the plural and the use of the plural shall include the singular wherever appropriate.

15.6 **Titles and Headings .** The titles or headings of the respective Articles and Sections are inserted merely for convenience and shall be given no legal effect.

THUS DONE AND SIGNED this 22nd day of December, 2006.

WITNESSES:

/s/ Vickie Sartor

/s/ Sandra B. Post

CENTURYTEL, INC.

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

Exhibit 10.1(b)

CENTURYTEL

UNION 401(k) PLAN AND TRUST

As Amended and Restated
Through December 31, 2006

CENTURYTEL UNION 401(k) PLAN AND TRUST

(formerly the CenturyTel, Inc. Union Group Incentive Plan and Trust)

As Amended and Restated Effective December 31, 2006

The CenturyTel Union 401(k) Plan and Trust (formerly the CenturyTel, Inc. Union Group Incentive Plan and Trust) ("Plan") is the product of the merger of the CenturyTel, Inc. Union Retirement Savings Plan and Trust ("Retirement Savings Plan") and the Telephone USA of Wisconsin, LLC Union 401(k) Plan and Trust ("Telephone USA Union Plan") into the CenturyTel, Inc. Union Group Incentive Plan and Trust ("Group Incentive Plan"), which merger was effective December 31, 2006.

Pacific Telecom, Inc. established the Group Incentive Plan for the exclusive benefit of eligible employees of Pacific Telecom, Inc. and its participating affiliates, originally effective June 1, 1983. The Group Incentive Plan was adopted by CenturyTel, Inc. (the "Company") as of January 1, 1999, and was last amended and restated effective September 1, 2000.

CenturyTel, Inc. (the "Company") established the Retirement Savings Plan for the exclusive benefit of eligible employees of the Company and its participating affiliates, originally effective April 1, 1992, and was last amended and restated effective September 1, 2000.

Telephone USA of Wisconsin, LLC ("Telephone USA") established the Telephone USA Union Plan for the exclusive benefit of eligible employees of Telephone USA and its participating affiliates, originally effective October 1, 2000. The Telephone USA Union Plan has not been amended and restated since its original effective date.

The Plan, the Group Incentive Plan, the Retirement Savings Plan, and the Telephone USA Union Plan are intended to constitute qualified profit sharing plans, as described in Code Section 401(a), and include qualified cash or deferred arrangements, as described in Code Section 401(k). Participants in the former Group Incentive Plan and Telephone USA Union Plan are "Group A Participants" under the Plan (see Appendix A), and Participants in the former Retirement Savings Plan are "Group B Participants under the Plan (see Appendix B).

The assets of the Plan are held in the Union 401(k) Trust. The Union 401(k) Trust is incorporated herein as Appendix C. The Trustee of the Union 401(k) Trust is T. Rowe Price Trust Company. The Trust is intended to be tax exempt, as described in Code Section 501(a).

The Plan is intended to comply with the qualification requirements of the Economic Growth and Tax Relief Reconciliation Act of 2001 ("EGTRRA") and other legal and regulatory changes since the last restatement, including requirements to adopt "good faith" amendments applicable to Cycle A filers in IRS Notice 2005-101, and is intended to comply in operation therewith. The Plan is also restated in good faith compliance with the final Treasury Regulations that were issued under Code Sections 401(k) and 401(m) and such provisions are effective January 1, 2006. To the extent that the Plan, as set forth below, is subsequently determined to be insufficient to comply with such requirements and any regulations issued, the Plan shall later be amended to so comply.

The Plan, as set forth in this document, is hereby amended and restated effective December 31, 2006, unless stated otherwise herein. The Plan name is being changed to the CenturyTel Union 401(k) Plan and Trust with this amendment and restatement.

TABLE OF CONTENTS

ARTICLE I
DEFINITIONS

1.1 **Accrued Benefit**. The balance in a Participant's or Beneficiary's account, including contributions, distributions, forfeitures, income, expenses, gains and losses (whether or not realized) allocated or attributable thereto. Said account balance shall be determined as of the most recent Valuation Date. Each Accrued Benefit shall be divided into one or more of the following subaccounts, to the extent applicable :

(a) Additional Match Account;
(b) Elective Deferral Account;
(c) Employer Match Account;
(d) Profit Sharing Account;
(e) Rollover/Transfer Account;
(f) Qualified Non-Elective Contribution Account;
(g) Qualified Matching Contribution Account; and
(h) Voluntary After-Tax Account.

The foregoing accounts, which are designated as functional accounts, are derived from the source of the funds contributed thereto.

1.2 **Additional Match Account**. The portion of a Participant's Accrued Benefit which consists of Additional Match Contributions made to the Plan by the Employer.

1.3 **Additional Match Contributions**. Matching Contributions made to the Plan by the Employer pursuant to Section 3.3 of the Plan.

1.4 **Administrator or Plan Administrator**. The CenturyTel Retirement Committee.

1.5 **Affiliated Employer**. The Employer and any corporation which is a member of a controlled group of corporations (as defined in Section 414(b) of the Code) which includes the Employer, any trade or business (whether or not incorporated) which is under common control (as defined in Section 414(c) of the Code) with the Employer, any organization (whether or not incorporated) which is a member of an affiliated service group (as defined in Section 414(m) of the Code) which includes the Employer, and any other entity required to be aggregated with the Employer pursuant to regulations under Section 414(o) of the Code.

1.6 **Beneficiary**. The person or persons so designated by the Participant to receive his benefits under the Plan in the event of his death, pursuant to Section 8.1 of the Plan.

1.7 **Board or Board of Directors**. The Board of Directors of the Company.

1.8 **Break in Service**. A Vesting Computation Period in which an Employee fails to complete more than 500 Hours of Service with the Employer.

1.9 **Catch-Up Contributions**. Contributions made to the Plan by the Employer at the election of the Participant who has attained the age of 50 before the close of the Plan Year in lieu of cash compensation, pursuant to Section 3.1(d) of the Plan. These contributions are held in the Elective Deferral Account.

1.10 **Code**. The Internal Revenue Code of 1986, as amended.

1.11 **Committee**. The committee designated by the Board of Directors or the Compensation Committee of the Board, pursuant to Section 12.1 of the Plan to control and manage the operation and administration of the Plan to the extent set forth herein.

1.12 **Company**. CenturyTel, Inc. or any successor by merger, purchase or otherwise.

1.13 **Company Stock**. Shares of voting common stock, $1.00 par value, issued by the Company.

1.14 **Compensation**.

(a) Compensation. All of each Participant's W-2 earnings, including any amount which is contributed by the Employer pursuant to a salary reduction agreement and which is not includible in the gross income of the Employee under Section 125, 402(e)(3), 402(h)(1)(B), 403(b), 408(p)(2)(A)(i) or 457 of the Code, and excluding (a) severance pay or termination allowance in any form, (b) reimbursements or other expense allowances, cash and non-cash fringe benefits, moving expenses, deferred compensation and welfare benefits, and (c) for Group B Participants only, overtime, completion bonuses, Christmas bonuses, and restricted stock awards under the Company's Restricted Stock Plan or Key Employee Incentive Compensation Plan.

Effective January 1, 2007, Compensation shall mean the total amounts paid to a Participant by an Employer reported on Form W-2 of the Participant plus Elective Deferrals, including Catch-up Contributions, made pursuant to Section 3.1(d) of the Plan, contributions to Code Section 125 plans, and contributions to pay for qualified transportation fringe benefits under Code Section 132(f)(2), and excluding the following unless stated otherwise:

(1) Overtime (for Group B Participants only). However, if a Group B Participant has fewer than 80 hours of standard pay, in such Employee's payroll period, overtime pay is converted to standard pay until the Employee has 80 hours for Plan purposes (40 hours if on a weekly payroll);

(2) Reimbursements or other expense allowances, such as meal allowances, imputed income, special credits for waiver of benefits, housing allowance, moving expenses, and all other cash and non-cash fringe benefits;

(3) Deferred compensation, and welfare benefits; and

(4) Severance pay or termination pay in any form.

(b) Section 415 Compensation . Section 415 Compensation shall mean the total amounts paid to a Participant by an Employer reported on Form W-2 of the Participant plus Elective Deferrals, including Catch-up Contributions, made pursuant to Section 3.1(d) of the Plan, contributions to Code Section 125 plans, and contributions to pay for qualified transportation fringe benefits under Code Section 132(f)(2). The Employer can elect any other alternative definition of compensation as prescribed by the Code or Treasury Regulations provided the definition of compensation does not by design favor Highly Compensated Employees.

(c) Total Compensation . Total Compensation shall mean Section 415 Compensation. However, the Employer can elect any alternative definition of compensation as prescribed by the Code or Treasury Regulations provided the definition of compensation does not favor Highly Compensated Employees.

A Participant's Compensation taken into account under the Plan for any Plan Year shall not exceed the limit that applies under Code Section 401(a)(17)(B) for that year, which limit is $225,000 for the 2007 Plan Year. Compensation shall include only the Compensation paid to an Employee while a Participant in the Plan.

1.15 **Early Retirement Date** . The later of the date on which a Participant reaches age fifty-five (55) or completes five (5) Years of Service.

1.16 **Effective Date** . The effective date of this amendment and restatement shall be December 31, 2006.

1.17 **Elective Deferral Account** . The portion of a Participant's Accrued Benefit which consists of Elective Deferrals made to the Plan by the Employer on behalf of the Participant.

1.18 **Elective Deferrals** . Contributions made to the Plan by the Employer at the election of the Participant in lieu of cash compensation, pursuant to Section 3.1 of the Plan, including contributions made pursuant to a salary reduction agreement.

1.19 **Employee** . Any person employed by the Employer maintaining the Plan or any other Employer required to be aggregated with such Employer under Section 414(b), (c), (m) or (o) of the Code and including Leased Employees within the meaning of Section 414(n)(2) or (o) of the Code. Notwithstanding the foregoing, if such Leased Employees constitute less than twenty percent of the Employer's non-highly compensated work force within the meaning of Section 414(n)(5)(C)(ii) of the Code, the term "Employee" shall not include those Leased Employees covered by a plan described in Section 414(n)(5) of the Code unless otherwise provided by the terms of the Plan.

1.20 **Employer** . The entity that establishes or maintains the Plan and any successor to such entity, as reflected in the lists of employers entering into collective bargaining agreements with Employees listed in Appendices A and B. Such lists of Employers shall change when an Employer enters into a collective bargaining agreement and attaches a revised Appendix A or B hereto, without the necessity of amending the Plan.

1.21 **Employer Contribution Accounts**. The portion of a Participant's Accrued Benefit consisting of his Employer Match Account and his Additional Match Account.

1.22 **Employer Match Account.** The portion of a Participant's Accrued Benefit which consists of Employer Match Contributions made to the Plan by the Employer.

1.23 **Employer Match Contributions**. Matching Contributions made to the Plan by the Employer pursuant to Section 3.2 of the Plan.

1.24 **ERISA**. The Employee Retirement Income Security Act of 1974, as amended.

1.25 **Group A Participant**. A Group A Participant is one who participates in the Plan pursuant to a collective bargaining agreement, as set forth on Appendix A to the Plan. Group A Participants include those who participated in the Group Incentive Plan or the Telephone USA Union Plan prior to December 31, 2006 (prior to its merger with the Plan).

1.26 **Group B Participant**. A Group B Participant is one who participates in the Plan pursuant to a collective bargaining agreement, as set forth on Appendix B to the Plan. Group B Participants include those who participated in the Retirement Savings Plan prior to December 31, 2006 (prior to its merger with the Plan).

1.27 **Group Incentive Plan**. The CenturyTel, Inc. Union Group Incentive Plan and Trust, into which the Retirement Savings Plan and Telephone USA Union Plans merged effective December 31, 2006.

1.28 **Highly Compensated Employee**. The term Highly Compensated Employee includes active Highly Compensated Employees and former Highly Compensated Employees.

An active Highly Compensated Employee includes any Employee who:

(a) was a five-percent (5%) owner (as defined in Section 416(i)(1)(B)(i) of the Code) at any time during the year or the preceding year, or

(b) for the preceding year had compensation within the meaning of Section 415(c)(3) of the Code from the Employer in excess of $100,000 (as adjusted under Code Section 415(d)). (Employees earning $100,000 in 2006 will be considered Highly Compensated Employees in 2007). The applicable year of the Plan for which a determination is being made is called a determination year and the preceding twelve (12) month period is called a look-back year.

A former Highly Compensated Employee is determined based on the rules applicable to determining Highly Compensated Employee status as in effect for the determination year, in accordance with Treasury Regulations Section 1.414(q)-lT, A-4, and Notice 97-45.

1.29 **Hour of Service .**

(a) An Hour of Service shall mean and include each hour for which an Employee is compensated by the Employer, or is entitled to be so compensated, for Service rendered by him to the Employer. These hours will be credited to the Employee for the computation period in which the duties are performed.

(b) An Hour of Service shall also mean and include each hour for which an Employee is compensated by the Employer, or is entitled to be so compensated, on account of a period of time during which no Services are rendered by him to the Employer (regardless of whether the Employee shall have ceased to be an Employee) due to vacation, holiday, illness, incapacity (including disability), layoff, jury duty, military duty or leave of absence. No more than five hundred and one (501) Hours of Service shall be credited pursuant to this subparagraph (b) on account of any single continuous period during which an Employee renders no Services to the Employer (whether or not such period occurs in a single computation period). Hours under this paragraph will be calculated and credited pursuant to Section 2530.200b-2 of the Department of Labor Regulations, which are incorporated herein by this reference.

(c) An Hour of Service shall also mean and include each hour for which back pay, without regard to mitigation of damages, has been awarded or agreed to by the Employer. The same Hours of Service shall not be credited both under subparagraph (a) or subparagraph (b), whichever shall be applicable, and also under this subparagraph (c). The hours will be credited to the Employee for the computation period or periods to which the award or agreement pertains rather than the computation period in which the award, agreement or payment is made.

Hours of Service will be credited for employment with any Employer or Affiliated Employer. Hours of Service will also be credited for any individual considered an Employee under Section 414(n) or (o) of the Code, and Treasury Regulations thereunder.

Solely for purposes of determining whether a Break in Service for participation and vesting purposes has occurred in a computation period, an individual who is absent from work for maternity or paternity reasons shall receive credit for the Hours of Service which would otherwise have been credited to such individual but for such absence, or in any case in which such hours cannot be determined, eight (8) Hours of Service per day of such absence. For purposes of this paragraph, an absence from work for maternity or paternity reasons means an absence (i) by reason of the pregnancy of the individual, (ii) by reason of a birth of a child of the individual, (iii) by reason of the placement of a child with the individual in connection with the adoption of such child by such individual, or (iv) for purpose of caring for such child for a period beginning immediately following such birth or placement. The House of Service credited under this paragraph shall be credited only (i) in the computation period in which the absence begins if the crediting is necessary to prevent a Break in Service in that period, or (ii) in all other cases, in the following computation period.

1.30 **Investment Options** . Any regulated investment companies registered under the Investment Company Act of 1940, any common trust fund or collective investment fund of T. Rowe Price Associates, Inc. qualified under Sections 401 and 501 of the Code, and any other funding vehicle that the Committee permits. The Committee may change the available Investment Options from time to time.

1.31 **Leased Employee** . Any person (other than an Employee of the recipient) who, pursuant to an agreement between the recipient and any other person ("leasing organization"), has performed services for the recipient (or for the recipient and related persons determined in accordance with Section 414(n)(6) of the Code) on a substantially full time basis for a period of at least one (1) year, and such services are performed under primary direction by the recipient employer.

Any Leased Employee shall be treated as an Employee of the recipient Employer. However, contributions or benefits provided by the leasing organization which are attributable to service performed for the recipient Employer shall be treated as provided by the recipient Employer. The preceding sentence shall not apply to any Leased Employee if Leased Employees do not constitute more than twenty percent (20%) of the Employer's non-highly compensated work force, and if such Employee is covered by a money purchase pension plan providing: (a) a nonintegrated Employer contribution rate of at least ten percent (10%) of Total Compensation, but including amounts contributed by the Employer pursuant to a salary reduction agreement which are excludible from the Employee's gross income under Section 125, 402(e)(3), 402 (h)(1)(B) or 403 (b) of the Code, (b) full and immediate vesting, and (c) each employee of the leasing organization (other than employees who perform substantially all of their services for the leasing organization) immediately participate in the plan. Item (c) shall not apply to any individual whose Total Compensation from the leasing organization in each Plan Year during the 4-year period ending with the Plan Year is less than $1,000.

1.32 **Matching Contributions** . Contributions to the Plan made by the Employer and allocated to a Participant's account by reason of the Participant's Elective Deferrals.

1.33 **Non-Highly Compensated Employee** . An Employee of the Employer who is not a Highly Compensated Employee.

1.34 **Normal Retirement Age** . Normal Retirement Age is the Participant's sixty-fifth (65th) birthday.

1.35 **Participant** . An Employee of the Employer who has met the eligibility requirements as specified in Article II, and any former Employee on whose behalf an Accrued Benefit continues to be maintained in the Plan.

1.36 **Plan** . The CenturyTel Union 401(k) Plan and Trust.

1.37 **Plan Year** . The calendar year.

1.38 **Profit Sharing Account**. The portion of a Participant's Accrued Benefit which consists of Employer Contributions made to the Plan in prior years.

1.39 **Qualified Matching Contribution Account**. The portion of a Participant's Accrued Benefit which consists of Qualified Matching Contributions made to the Plan by the Employer.

1.40 **Qualified Matching Contributions**. Matching Contributions made by the Employer and satisfies special requirements such as immediate vesting, nondiscrimination, and subject to withdrawal restrictions that are applicable to Elective Deferrals and which the Employer elects to treat as Qualified Matching Contributions.

1.41 **Qualified Non-Elective Contribution Account**. The portion of a Participant's Accrued Benefit which consists of Qualified Non-Elective Contributions made to the Plan by the Employer.

1.42 **Qualified Non-Elective Contributions**. Contributions (other than Matching Contributions or Qualifying Matching Contributions) made by the Employer and satisfies special requirements such as immediate vesting, nondiscrimination, and subject to withdrawal restrictions that are applicable to Elective Deferrals and which the Employer elects to treat as Qualified Non-Elective Contributions.

1.43 **Retirement Savings Plan**. The CenturyTel, Inc. Union Retirement Savings Plan and Trust, which merged into the Plan effective December 31, 2006.

1.44 **Rollover Account**. The portion of a Participant's Accrued Benefit established in accordance with Section 3.6 of the Plan.

1.45 **Telephone USA Union Plan**. The Telephone USA of Wisconsin, LLC Union 401(k) Plan, which merged into the Plan effective December 31, 2006.

1.46 **Trust Agreement**. The agreement between the Employer and the Trustee under which the assets of the Plan are held, administered and managed.

1.47 **Trustee.** The individual or corporate Trustee or Trustees under the Trust Agreement as they may be constituted from time to time.

1.48 **Valuation Date**. The last day of each Plan Year and such other dates as may be necessary for the proper administration of the Plan.

1.49 **Vesting Computation Period**. For purpose of computing an Employee's nonforfeitable right to the account balance derived from Employer contributions, Years of Service and Breaks in Service will be measured by the Plan Year.

1.50 **Voluntary After-Tax Account.** For Group B Participants only, that portion of a Participant's Accrued Benefit, if any, attributable to amounts contributed by the Participant to the Plan as Employee After-Tax Contributions prior to September 1, 2000.

1.51 **Year of Service**. A Vesting Computation Period or Plan Year, whichever is applicable, during which an Employee completes at least one thousand (l,000) Hours of Service (whether or not continuous). A Year of Service shall also be credited under this Plan to each Participant who was a participant in the Telephone USA Union Plan who was employed by the Employer as of October 1, 2000, for each year of service credited, as of October 1, 2000, under the GTE Savings Plan and the GTE Hourly Savings Plan.

ARTICLE II
ELIGIBILITY AND PARTICIPATION

2.1 **Active Participation**. Each Employee who is included in a unit of Employees covered by a collective bargaining agreement between Employee representatives and the Employer which provides for participation in this Plan by such Employees, as reflected in Appendices A and B, shall be eligible to participate in the Plan upon his date of employment or reemployment.

2.2 **Exclusion of Certain Employees**. The following Employees are excluded from participation in the Plan:

(a) Employees whose compensation and conditions of employment are covered by a collective bargaining agreement to which the Employer is a party and which does not call for the Employee's participation in the Plan;

(b) Temporary Employees hired specifically to fill temporary or occasional needs;

(c) Employees who are non-resident aliens and who receive no Earned Income from the Employer which constitutes income from sources within the United States; and

(d) Employees whose compensation and conditions of employment are not covered by a collective bargaining agreement.

In the event an Employee who is not a member of an eligible class of Employees becomes a member of the eligible class, such Employee shall be eligible to participate immediately. In the event a Participant is no longer a member of an eligible class of Employees and becomes ineligible to participate, such Employee shall be eligible to participate immediately upon returning to an eligible class of Employees.

2.3 **Rights of Returning Veterans**. Notwithstanding any of the provisions of the Plan to the contrary, rights of Employees with respect to Service in the Uniformed Services will be provided in accordance with Code Section 414(u).

ARTICLE III
CONTRIBUTIONS

3.1 **Elective Deferrals .**

(a) Participant Election . A Participant may elect to defer Compensation that would otherwise be paid to him but for the deferral of such Compensation, in an amount expressed as a whole percentage from one percent (l%) to twenty-five percent (25%) of his Compensation as he shall elect in the manner prescribed by the Employer. The Employer may change from time to time, in writing, without the necessity of amending the Plan, the minimum and maximum percentages of Compensation that a Participant can elect to defer hereunder. Such salary deferral contributions shall be accomplished through the direct reduction of Compensation in each payroll period during which the election is in effect. A Participant may elect to increase, decrease or discontinue his salary deferral contributions by submitting a request to the Employer in the manner prescribed by the Employer. In addition, a Participant with an existing contribution rate of at least one percent (1%) may elect, in the manner prescribed by the Employer and under such procedures as are determined by the Employer, for his salary deferral contributions to be automatically increased according to a pre-determined schedule. A Participant shall at all times have a nonforfeitable interest in his Elective Deferral Account.

(b) Elective Deferrals. With respect to any taxable year, a Participant's Elective Deferrals are the sum of all Employer contributions made on behalf of such Participant pursuant to an election to defer under Section 3.1(a) of the Plan.

(c) Limitation on Elective Deferrals. No Participant may make Elective Deferrals under this Plan, or any other qualified plan maintained by the Employer during any taxable year, in excess of the dollar limitation in Code Section 402(g) in effect for such taxable year, except to the extent permitted under Section 3.1(d) of this Plan and Code Section 414 (v), if applicable. Notwithstanding any other provisions of the Plan, the Employer may distribute to the Participant, not later than April 15 following the calendar year to which the deferral is attributable, any deferral in excess of the aforesaid limit together with any earnings allocable thereto. A Participant is deemed to notify the Committee of any Excess Deferrals that arise under this Plan and any other plans of this Employer. The Employer may also distribute to the Participant any deferrals, together with any income allocable thereto, which the Participant has advised the Employer (in writing by March 1) represent excess deferrals because of amounts deferred in the preceding year by the Participant under any other plans or arrangements described in Section 401(k), 408(k) or 403(b) of the Code.

For purposes of the above, "Excess Deferrals" shall mean those Elective Deferrals that are includible in a Participant's gross income under Section 402(g) of the Code to the extent such Participant's Elective Deferrals for a taxable year exceed the dollar limitation under such Code Section. Excess Deferrals shall be treated as Annual Additions under the Plan, unless such amounts are distributed no later than the first April l5 following the close of Participant's taxable year.

Determination of Earnings : Excess Deferrals shall be adjusted for any earnings up to the date of distribution. The amount of earnings allocable to Excess Deferrals is the sum of (1) income or loss allocable to the Participant's Elective Deferral Account for the Plan Year multiplied by a fraction, the numerator of which is such Participant's Excess Deferrals for the Plan Year and the denominator is the Participant's account balance attributable to Elective Deferrals as of the beginning of the Plan Year plus the Participant's Elective Deferrals for the Plan Year and (2) 10 percent of the amount determined under (1) multiplied by the number of whole calendar months between the end of the Plan Year and the date of distribution, counting the month of distribution if distribution occurs after the 15 th day of such month. Notwithstanding, the Committee may use any reasonable method for computing the income allocable to Excess Deferrals, provided the method is used consistently for all Participants and for all corrective distributions under the Plan for the Plan Year, and is used by the Plan for allocating income to Participants' accounts. The plan will not fail to use a reasonable method of computing the income allocable to Excess Deferrals merely because the income allocable to Excess Deferrals is determined on a date that is no more than seven days before the distribution.

(d) Catch-Up Contributions . All Participants who have attained age 50 before the close of the Plan Year shall be eligible to make Catch-Up Contributions in an amount expressed as a stated dollar amount, in the manner prescribed by the Employer and in accordance with, and subject to the limitations of, Code Section 414(v). For 2007 the Catch-Up Contribution Limit is $5,000. Such Catch-Up Contributions shall not be taken into account for purposes of the provisions of the Plan implementing the required limitations of Code Sections 402(g) and 415. The Plan shall not be treated as failing to satisfy the provisions of the Plan implementing the requirements of Code Sections 401(k)(3), 401(k)(11), 401(k)(12), 410(b), or 416, as applicable, by reason of the making of such Catch-Up Contributions.

(e) After-Tax Contributions . Retirement Savings Plan Participants were allowed to make Employee After-Tax Contributions to the Retirement Savings Plan prior to September 1, 2000. Such contributions were disallowed on and after September 1, 2000. No other After-Tax Contributions are allowed.

3.2 **Employer Match Contributions .**

(a) Subject to the limitation on Annual Additions as described in Article V of the Plan, for any Plan Year, the Employer shall contribute to the Employer Match Accounts in the Plan on behalf of each Participant, in the form of Matching Contributions, an amount equal to a percentage of such Participant's Elective Deferrals as established by the Employer. Employer Match Contributions will be calculated on a payroll period basis. No contributions will be made to "true up" the Participant's Match Contribution after the end of the Plan Year.

(b) The Employer Match Contribution to be made by the Employer for each period shall be such percentage of a Participant's Elective Deferrals, as is specified for such Participant's union local on Appendices A and B hereof, provided that Employer Match Contributions shall be made based solely upon a Participant's Elective Deferrals that do not exceed six percent (6%) of the Participant's Compensation for such period. The percentage matching rate and percentage of considered Compensation as stated in the preceding sentence shall continue in effect until otherwise changed pursuant to the applicable union collective bargaining agreement or by resolution of the Employer's Board of Directors, which change shall be effectuated by attaching a revised Appendix A or B hereto, without the necessity of amending the Plan. Any Matching Contributions made under this Section 3.2 on behalf of a Participant during the Plan Year that are attributable to Excess Deferrals, shall be deemed forfeited.

(c) Matching Contributions for Group A Participants shall be vested in accordance with the following schedule:

YEARS OF SERVICE	VESTED PERCENTAGE
0	0%
1	20%
2	40%
3	60%
4	80%
5	100%

Matching Contributions for Group B Participants shall be vested in accordance with the following schedule:

YEARS OF SERVICE	VESTED PERCENTAGE
Less than 3	0%
3 or more	100%

In any event, Matching Contributions shall be fully vested at a Participant's Early or Normal Retirement Date, upon the complete or partial termination of the Plan, or upon the complete discontinuance of Employer contributions to the Plan.

Matching Contributions attributable to Excess Deferrals will be forfeited and applied to reduce Employer Contributions to the Plan. Any Employer Match Contribution with respect to Excess Contributions that are distributed shall be forfeited.

(d) Notwithstanding the above vesting schedule, an Employee's right to his or her Employer Match Account balance shall fully vest and become nonforfeitable automatically upon the occurrence of any of the following events, each of which shall constitute a "Change of Control": (i) the acquisition by any person of beneficial ownership of 30% or more of the outstanding shares of the Company 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 Company Stock directly from the Company, (b) any acquisition of Company Stock by the Company or its subsidiaries, (c) any acquisition of Company 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 Company 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 (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 Company 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 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.

3.3 **Additional Match Contributions**. The Employer may make an Additional Match Contribution to the Additional Match Accounts in the Plan in such amount as the Employer, in its discretion, may determine. Any such Additional Match Contribution shall be made on behalf of each Participant who (i) was an active Participant in the Plan at any time during the Plan Year and (ii) was an Employee on the last day of the Plan Year. The Additional Match Contribution shall be allocated to each such Participant's Additional Match Account in the same proportion as the Employer Match Contributions on behalf of such Participant bears to the Employer Match Contributions on behalf of all Participants that qualify for Additional Match Contributions. Additional Match Contributions shall be vested in accordance with the Vesting Schedules set forth in Section 3.2.

3.4 **Payment of Contributions: Timing** . The Employer Match Contributions and Additional Match Contributions made pursuant to this Article III of the Plan shall become due on the last day in such Plan Year, unless actually paid prior thereto. The Employer shall pay to the Trustee all Employer contributions not later than the due date (including extensions) of the Employer's federal income tax return for the taxable year ending with or within the Plan Year.

3.5 **Forfeitures** . Forfeitures shall be used to reduce Employer obligations to make Employer Match Contributions or, at the discretion of the Committee, applied toward Plan expenses.

3.6 **Rollovers and Transfers .**

(a) A Participant may pay over to the Trust an amount which constitutes a qualified rollover contribution under Section 402(c) or 408(d)(3) of the Code.

(b) The Plan will accept, in addition to the rollovers described in the previous paragraph, an eligible rollover distribution from an annuity contract described in Section 403(b) of the Code, excluding after-tax employee contributions, and distributions from an eligible plan under Section 457(b) of the Code that is maintained by a State, political subdivision of a state or any agency or instrumentality of a state or political subdivision of a state.

(c) The Trustee may accept a direct transfer of funds, pursuant to Section 401(a)(31) of the Code from a plan which the Committee reasonably believes to be qualified under Section 401(a) of the Code in which a Participant was a participant.

(d) Any such rollover or transfer to the Plan shall constitute a part of the Participant's Accrued Benefit under the Plan, shall be accounted for separately and shall be fully vested at all times.

3.7 **Average Actual Deferral Percentage Test Under Section 401(k) of the Code** .

(a) General Tests . Notwithstanding any other provisions in the Plan, for any Plan Year, the Employer shall be permitted to impose an administrative limit on Elective Deferrals for any Highly Compensated Employee, to the extent necessary to ensure that the Plan satisfies one of the following tests:

(1) The Average Actual Deferral Percentage for eligible Highly Compensated Employees for the Plan Year shall not exceed the Average Actual Deferral Percentage for eligible Non-Highly Compensated Employees for the Plan Year multiplied by 1.25; or

(2) the Average Actual Deferral Percentage for eligible Highly Compensated Employees for the Plan Year shall not exceed the Average Actual Deferral Percentage for eligible Non-Highly Compensated Employees for the Plan Year multiplied by two (2), provided that the Average Actual Deferral Percentage for eligible Highly Compensated Employees does not exceed the Average Actual Deferral Percentage for eligible Non-Highly Compensated Employees by more than two (2) percentage points.

At the Committee's election, the test described above may be performed in accordance with the alternatives described in Treasury Regulation Section 1.401(k)-2(a)(1)(iii) for plans that permit participation prior to the minimum age and service period described in Section 410(a)(1)(A) of the Code.

(b) Testing Method . The Company elects to use the current year testing method for determining the Actual Deferral Percentage for the Non-Highly Compensated Participants. This method has been used by the Plan, the Group Incentive Plan, the Retirement Savings Plan, and the Telephone USA Union Plan for the prior five years. The Company may elect to change to the prior year method as provided for in Internal Revenue Service Notice 98-1 or its subsequent modification and Treasury Regulation Section 1.401(k)-2.

(c) Definitions . For purposes of this Section 3.7 of the Plan, the following definitions shall apply:

(1) Actual Deferral Percentage (ADP) shall mean, for a group of Participants for a Plan Year, the average deferral ratio ("ADR") (calculated separately for each Participant in such group) of (i) the amount of Employer contributions actually paid over to the Trust on behalf of such Participant for the Plan Year to (ii) the Total Compensation of the Participant for such Plan Year. Employer contributions on behalf of any Participant shall include: (i) any Elective Deferrals made pursuant to the Participant's deferral election (including Excess Deferrals of Highly Compensated Employees), and (ii) at the election of the Committee, and provided the requirements described in Treasury Regulation Section 1.401(k)-2(a)(6) are satisfied, Qualified Non-Elective Contributions and Qualified Matching Contributions, but excluding (A) Catch-Up Contributions, (B) Excess Deferrals of Non-Highly Compensated Employees that arise solely from Elective Deferrals made under the Plan or plans, of this Employer, (C) Elective Deferrals that are taken into account in the Contribution Percentage Test (provided the ADP test is satisfied both with and without exclusion of these Elective Deferrals); and (D) Elective Deferrals made under Code Section 414(u) by reason of a Participant's qualified military service. If no Elective Deferrals, Qualified Non-Elective Contributions and Qualified Matching Contributions are taken into account with respect to an Employee for the year, the ADR of the Employee is zero.

(2) Average Actual Deferral Percentage shall mean the average (expressed as a percentage) of the Actual Deferral Percentages of either eligible Highly Compensated Employees or Non-Highly Compensated Employees.

(d) Special Rules . The following special rules shall apply for purposes of this Section 3.7:

(1) The Actual Deferral Percentage for any eligible Highly Compensated Employee for the Plan Year and who is eligible to have Elective Deferrals or Qualified Non-Elective Contributions or Qualified Matching Contributions allocated to his account under two or more plans, or arrangements, described in Section 401 (k) of the Code that are maintained by the Employer or an Affiliated Employer shall be determined as if all such Elective Deferrals, Qualified Non-Elective Contributions and Qualified Matching Contributions were made under a single arrangement. If a Highly Compensated Employee participates in two or more cash or deferred arrangements that have different Plan Years, all cash or deferred arrangements ending with or within the same calendar year shall be treated as a single arrangement. Notwithstanding the foregoing, certain plans will be treated as separately if mandatorily disaggregated under regulations under Section 401 (k) of the Code.

(2) In the event that this Plan satisfies the requirements of Section 401(k), 401(a)(4) or 410(b) of the Code only if aggregated with one or more other plans, or if one or more other plans satisfy the requirements of Sections 401(a)(4) and 410(b) of the Code only if aggregated with this Plan, then this Section shall be applied by determining the ADP of Employees as if all such plans were a single plan. Plans may be aggregated in order to satisfy Section 401(k) of the Code only if they have the same Plan Year and use the same ADP testing method.

(3) For purposes of determining the ADP test, Elective Deferrals, Qualified Non-Elective Contributions and Qualified Matching Contributions must be made before the last day of the 12-month period immediately following the Plan Year to which contributions relate.

(4) The Employer shall maintain records sufficient to demonstrate satisfaction of the ADP test and the amount of Qualified Non-Elective Contributions or Qualified Matching Contributions, or both, used in such test.

(5) Treasury Regulations Sections 1.401(k)-1 and 1.401(k)-2 are incorporated herein for determining the Elective Deferrals, Qualified Non-Elective Contributions, Qualified Matching Contributions and Actual Deferral Percentage of any Participant.

(e) Distribution of Excess Contributions . Notwithstanding any other provisions of this Plan, Excess Contributions (defined below), plus any income and minus any loss allocable thereto, shall be distributed no later than the last day of each Plan Year to Participants to whose accounts such Excess Contributions were allocated for the preceding Plan Year except to the extent the Excess Contributions are classified as Catch-Up Contributions. If such excess amounts are distributed more than 2 ½ months after the last day of the Plan Year in which such excess amounts arose, a ten percent (10%) excise tax will be imposed on the Employer maintaining the Plan with respect to such amounts. Excess Contributions are allocated to the Highly Compensated Employees with the largest amounts of Employer contributions taken into account in calculating the ADP test for the year in which the excess arose, beginning with the Highly Compensated Employee with the largest amount of such Employer contributions and continuing in descending order until all the Excess Contributions have been allocated. For purposes of the preceding sentence, the "largest amount" is determined after distribution of any Excess Contributions. Employer Match Contributions with respect to Excess Contributions that are distributed shall be forfeited.

Excess Contributions (including the amounts recharacterized) shall be treated as Annual Additions under the Plan.

Determination of Income or Loss : Excess Contributions shall be adjusted for any income (gain or loss) up to the date of distribution. The income or loss allocable to Excess Contributions allocated to each Participant is the sum of (1) income or loss allocable to the Participant's Elective Deferral Account (and, if applicable, the Qualified Non-Elective Contribution Account or the Qualified Matching Contribution Account or both) for the Plan Year multiplied by a fraction, the numerator of which is such Participant's Excess Contributions for the year and the denominator of which is the Participant's account balance attributable to Elective Deferrals (and Qualified Non-Elective Contributions or Qualified Matching Contributions, or both, if any of such contributions are included in the ADP test) without regard to any income or loss occurring during such Plan Year, and (2) 10 percent of the amount determined under (1) multiplied by the number of whole calendar months between the end of the Plan Year and the date of distribution, counting the month of distribution if distribution occurs after the 15th day of such month. Notwithstanding, the Committee may use any reasonable method for computing the income allocable to Excess Contributions, provided the method is used consistently for all Participants and for all corrective distributions under the Plan for the Plan Year, and is used by the Plan for allocating income to Participants' accounts. The Plan will not fail to use a reasonable method merely because the income allocable to Excess Contributions is determined on a date that is no more than seven days before the distribution.

Accounting for Excess Contributions : Excess Contributions allocated to a Participant shall be distributed from the Participant's Elective Deferral Account and Qualified Matching Contribution Account (if applicable) in proportion to the Participant's Elective Deferrals and Qualified Matching Contributions (to the extent used in the ADP test) for the Plan Year. Excess Contributions shall be distributed from the Participant's Qualified Non-Elective Contribution Account only to the extent that such Excess Contributions exceed the balance in the Participant's Elective Deferral Account and Qualified Matching Contribution Account.

For purposes of this Section, "Excess Contributions" shall mean the excess of Elective Deferrals on behalf of Highly Compensated Employees for a Plan Year over the maximum amount of such deferrals permitted under the ADP test.

3.8 **Limitations on Employee Contributions and Employer Matching Contributions** .

(a) General Tests . Notwithstanding any other provisions in the Plan, for any Plan Year, the Employer shall be permitted to impose an administrative limit on Elective Deferrals, as described in Section 3.1 of the Plan, for any Highly Compensated Employee to the extent necessary to ensure that the Plan satisfies one of the following tests:

(1) the Average Contribution Percentage for eligible Highly Compensated Employees for the Plan Year shall not exceed the Average Contribution Percentage for eligible Non-Highly Compensated Employees for the Plan Year multiplied by 1.25; or

(2) the Average Contribution Percentage for eligible Highly Compensated Employees for the Plan Year shall not exceed the Average Contribution Percentage for eligible Non-Highly Compensated Employees for the Plan Year multiplied by two (2), provided that the Average Contribution Percentage for eligible Highly Compensated Employees does not exceed the Average Contribution Percentage for eligible Non-Highly Compensated Employees by more than two (2) percentage points.

At the Committee's election the test described above may be performed in accordance with the alternatives described in Treasury Regulation Section 1.401(k)-2(a)(1)(iii) for plans that permit participation prior to the minimum age and service period described in Section 410(a)(1)(A) of the Code.

(b) Testing Method . The Company elects to use the current year testing method for determining the Actual Contribution Percentage for the Non-Highly Compensated Participants. This method has been used by the Plan, the Group Incentive Plan, the Retirement Savings Plan, and the Telephone USA Union Plan for the prior five years. The Company may elect to change to the prior year method as provided for in Internal Revenue Service Notice 98-1 or its subsequent modification, and Treasury Regulation Section 1.401(m)-2.

(c) Definitions . For purposes of this Section 3.8 of the Plan, the following definitions shall apply:

(1) Average Contribution Percentage (ACP) shall mean the average (expressed as a percentage) of the Contribution Percentage Amounts for a group of Participants (either Highly Compensated Employees or Non-Highly Compensated Employees) for the Plan Year.

(2) Contribution Percentage shall mean the ratio (expressed as a percentage) of the Participant's Contribution Percentage Amounts to the Compensation of the Participant. Sections 1.401(m)-1 and 1.401(m)-2 of the Treasury Regulations are incorporated herein for determining the Contribution Percentage.

(3) Aggregate Limit shall mean the sum of (i) 125% of the greater of the Average Deferral Percentage of the Non-Highly Compensated Employees for the Plan Year or the Average Contribution Percentage of Non-Highly Compensated Employees under the Plan subject to Section 401(m) of the Code for the Plan Year beginning with or within the Plan Year of the CODA and (ii) the lesser of 200% or two plus the lesser of such Average Deferral Percentage or Average Contribution Percentage.

(4) Contribution Percentage Amounts shall mean the sum of the Employee Contributions, Matching Contributions and Qualified Matching Contributions (to the extent not taken into account for purposes of the Average Deferral Percentage test) made under the Plan on behalf of the Participant for the Plan Year. Such Contribution Percentage Amounts shall not include Matching Contributions that are forfeited because the contributions to which they relate are Excess Deferrals, Excess Contributions or Excess Aggregate Contributions or additional Employee Contributions or Matching Contributions made under Code Section 414(u) by reason of a Participant's qualified military service. The Employer may include Qualified Non-Elective Contributions in the Contribution Percentage Amounts. The Employer also may elect to use Elective Deferrals in the Contribution Percentage Amounts so long as the Average Deferral Percentage test is met before the Elective Deferrals are used in the Actual Contribution Percentage test and continues to be met following the exclusion of those Elective Deferrals that are used to meet the Actual Contribution Percentage test. If no Employee Contributions, Matching Contributions, Elective Contributions, or Qualified Non-elective Contributions are taken into account under this paragraph with respect to a Participant for the year, the Contribution Percentage Amount is zero.

(5) Employee Contribution shall mean any contribution made to the plan by or on behalf of a Participant that is included in the Participant's gross income in the year in which made and that is maintained under a separate account to which earnings and losses are allocated.

(6) Matching Contribution shall mean an Employer contribution made to this or any other defined contribution plan on behalf of a Participant on account of a Participant's Employee Contribution or Elective Deferral.

(d) Special Rules . The following special rules shall apply for purposes of this Section 3.8:

(1) For purposes of this Section, the Contribution Percentage for any eligible Highly Compensated Employee for the Plan Year and who is eligible to have Contribution Percentage Amounts allocated to his or her account under two or more plans described in Section 401(a) of the Code or arrangements described in Section 401(k) of the Code that are maintained by the Employer or an Affiliated Employer shall be determined as if the total of such Contribution Percentage Amounts was made under each plan. If a Highly Compensated Employee participates in two or more cash or deferred arrangements that have different Plan Years, all cash or deferred arrangements ending with or within the same calendar year shall be treated as a single arrangement. Notwithstanding the foregoing, certain plans shall be treated as separate if mandatorily disaggregated under regulations under Section 401(m) of the Code.

(2) In the event that this Plan satisfies the requirements of Section 401(m), 401(a)(4) or 410(b) of the Code only if aggregated with one or more other plans, or if one or more other plans satisfy the requirements of Sections 401(a)(4) and 410(b) of the Code only if aggregated with this Plan, then this Section 3.8 of the Plan shall be applied by determining the contribution percentages of Participants as if all such plans were a single plan. Plans may be aggregated in order to satisfy Section 401(m) of the Code only if they have the same Plan Year and use the same ACP testing method.

(3) For purposes of determining the Contribution Percentage test, Employee Contributions are considered to have been made in the Plan Year in which contributed to the Trust. Matching Contributions and Qualified Non-Elective Contributions will be considered made before the last day of the 12-month period immediately following the Plan Year to which contributions relate.

(4) The Employer shall maintain records sufficient to demonstrate satisfaction of the ACP test and the amount of Qualified Non-Elective Contributions or Qualified Matching Contributions, or both, used in such test.

(5) Targeted Matching Contribution Limit . An Employer Match Contribution for a Plan Year is not taken into account under the test for a Non-Highly Compensated Employee (NHCE) to the extent it exceeds the greatest of: (a) five percent (5%) of the NHCE's Total Compensation for the Plan Year; (b) the NHCE's Elective Deferrals for the Plan Year; and (c) the product of two (2) times the Plan's "representative matching rate" and the NHCE's Elective Deferrals for the Plan Year. The Plan's "representative matching rate" is the lowest "matching rate" for any eligible NHCE among a group of NHCEs that consists of half of all eligible NHCEs in the Plan for the Plan Year who make Elective Contributions for the Plan Year (or, if greater, the lowest "matching rate" for all eligible NHCEs in the Plan who are employed by the Employer on the last day of the Plan Year and who make Elective Contributions for the Plan Year). The "matching rate" for an Employee generally is the Employer Match Contributions made for such Employee divided by the Employee's Elective Deferrals for the Plan Year. If the matching rate is not the same for all levels of Elective Deferrals for an Employee, then the Employee's "matching rate" is determined assuming that an Employee's Elective Deferrals are equal to six percent (6%) of Total Compensation.

(6) Treasury Regulations Sections 1.401(m)-1 and 1.40(m)-2 are incorporated herein for determining Employer Match Contribution, Qualified Matching Contribution and Actual Contribution Percentage of any Participant.

(e) Distribution of Excess Aggregate Contributions . Notwithstanding any other provision of this Plan, Excess Aggregate Contributions, plus any income and minus any loss allocable thereto, shall be forfeited, if forfeitable, or if not forfeitable, shall be distributed no later than the last day of each Plan Year to Participants to whose accounts such Excess Aggregate Contributions were allocated for the preceding Plan Year. If such Excess Aggregate Contributions are distributed more than 2 ½ months after the last day of the Plan Year in which such excess amounts arose, a ten percent (10%) excise tax will be imposed on the Employer maintaining the Plan with respect to those amounts. Excess Aggregate Contributions are allocated to the Highly Compensated Employees with the largest Contribution Percentage Amounts taken into account in calculating the ACP test for the year in which the excess arose, beginning with the Highly Compensated Employee with the largest amount of such Contribution Percentage Amounts and continuing in descending order until all the Excess Aggregate Contributions have been allocated. For purposes of the preceding sentence, the "largest amount" is determined after distribution of any Excess Aggregate Contributions. Excess Aggregate Contributions shall be treated as Annual Additions under the Plan.

(f) Determination of Income or Loss : Excess Aggregate Contributions shall be adjusted for any income (gain or loss) up to the date of distribution. The income or loss allocable to Excess Aggregate Contributions allocated to each Participant is the sum of (1) income or loss allocable to the Participant's Employee Contributions and Matching Contributions and other amounts taken into account under this Section 3.8 (including the contributions for the year), by a fraction, the numerator of which is such Participant's Excess Aggregate Contributions for the year and the denominator of which is the Participant's account balance attributable to Elective Employee Contributions and Matching Contributions and other amounts taken into account under this Section 38 as of the beginning of the Plan Year and any additional such contributions for the year and (2) 10 percent of the amount determined under (1) multiplied by the number of whole calendar months between the end of the Plan Year and the date of distribution, counting the month of distribution if distribution occurs after the 15 th day of such month. Notwithstanding, the Committee may use any reasonable method for computing the income allocable to Excess Aggregate Contributions, provided the method is used consistently for all Participants and for all corrective distributions under the Plan for the Plan Year, and is used by the Plan for allocating income to Participants' accounts. The Plan will not fail to use a reasonable method merely because the income allocable to Excess Aggregate Contributions is determined on a date that is no more than seven days before the distribution.

(g) Accounting for Excess Aggregate Contributions : Excess Aggregate Contributions allocated to a Participant shall be forfeited, if forfeitable, or distributed on a pro rata basis from the Matching Contribution Account and Qualified Matching Contribution Account (and, if applicable, the Participant's Qualified Non-Elective Contribution Account or Elective Deferral Account, or both).

For purposes of this Section, "Excess Aggregate Contributions" shall mean, with respect to any Plan Year, the excess of:

(1) The aggregate Contribution Percentage Amounts taken into account in computing the numerator of the Contribution Percentage actually made on behalf of Highly Compensated Employees for such Plan Year, over

(2) The maximum Contribution Percentage Amounts permitted by the ACP test (determined by hypothetically reducing contributions made on behalf of Highly Compensated Employees in order of their Contribution Percentages beginning with the highest of such percentages).

Such determination shall be made after first determining Excess Deferrals pursuant to Section 3.1 and then determining Excess Contributions pursuant to Section 3.7.

3.9 **Corrective Contributions** . In lieu of distributing Excess Contributions as provided in Section 3.7(e) above, the Employer may make contributions on behalf of Non-Highly Compensated Employees that are sufficient to satisfy the ADP test, provided such amount does not exceed the Target Contribution Limit. In addition, in lieu of distributing Excess Aggregate Contributions as provided in Section 3.8(e) of the Plan, the Employer may make contributions on behalf of Non-Highly Compensated Employees that are sufficient to satisfy the ACP test, provided such amount does not exceed the Targets Contribution Limit.

Targeted Contribution Limit . For purposes of either the ADP or ACP test, a Qualified Non-Elective Contributions cannot be taken into account for a Non-Highly Compensated Employee ("NHCE") to the extent such contributions exceed the product of that Non-Highly Compensated Employee's Total Compensation and the greater of five percent (5%) or two (2) times the Plan's "representative contribution rate." The Plan's "representative contribution rate" is the lowest "applicable contribution rate" (i.e., the sum of the Qualified Non-Elective Contributions made and Qualified Matching Contributions taken into account for an eligible NHCE employee divided by the eligible NHCE's Total Compensation) among a group of eligible NHCEs that consists of half of all the eligible NHCEs for the Plan Year (or, if greater, the lowest contribution rate among any eligible NHCE in the group of all eligible NHCEs for the Plan Year who is employed by the Employer on the last day of the Plan Year).

Contribution only used once . Any Qualified Non-Elective Contribution or Qualified Matching Contribution taken into account under an ACP test, is not permitted to be taken into account for purposes of satisfying the ADP test. Qualified Matching Contributions which are taken into account for the ADP test are not taken into account for the purpose of satisfying the ACP test. Further, Qualified Non-Elective Contributions that are taken into account under a current year testing method may not be taken into account under the prior year testing method in the next year.

ARTICLE IV
ALLOCATION OF FUNDS

4.1 **Allocation of Employer Contributions** . Employer Match Contributions made pursuant to Section 3.2 of the Plan shall be allocated to the Employer Match Accounts of the Participants for whom such contributions are made. Additional Match Contributions made pursuant to Section 3.3 of the Plan shall be allocated to the Additional Match Accounts of the Participants for whom such contributions are made.

4.2 **Allocation of Net Earnings or Losses of the Trust** . As of each Valuation Date, the net earnings or losses of the Trust, including capital gains and losses whether or not realized, since the preceding Valuation Date shall be allocated to the Accrued Benefit of all Participants (or Beneficiaries) in accordance with the ratio which the Accrued Benefit of each Participant bears to the aggregate of all such Accrued Benefits; provided, however, that earnings or losses of accounts for which Participants direct investment shall be specifically allocated to such accounts.

4.3 **Valuations .** In determining the earnings or losses of the Trust as of each Valuation Date, the Trust shall be valued at fair market value.

4.4 **Accounting for Distributions** . All withdrawals of Participant contributions, all distributions made to a Participant or his Beneficiary, and any transfers to another qualified plan shall be charged to the appropriate subaccount of the Participant's Accrued Benefit.

4.5 **Separate Accounts** . A separate account shall be established and maintained to reflect the Accrued Benefit for each Participant, with subaccounts to separately show the divisions described in Section 1.1 of the Plan.

4.6 **Investment of Funds** .

(a) Investment Control . Subject to the provisions of paragraphs (b), (c), (d) and (e) below, and only to the extent accepted by the Trustee, the management and control of the Trust shall be vested in the Trustee.

(b) Investment Limitations . The Trustee shall invest all funds received from the Employer and all Fund earnings in the Investment Options in the manner from time to time directed in writing by the Committee.

(c) Participant Directed Investments . Participants, subject to such reasonable restrictions as the Committee may impose for administrative convenience, may designate what percentage of all contributions and all accounts will be invested in the Investment Options.

(d) Participant Election . If a Participant does not make a written designation of an Investment Option, the Committee shall direct the Trustee to invest all amounts held or received on account of such Participant in the Investment Option designated by the Committee to hold such amounts.

(e) Employer Securities . The Participants shall have the right to direct that any assets in any of their accounts that are invested in Company Stock be transferred to another Investment Option, in a manner satisfactory to the Committee. The Plan shall include Company Stock as an Investment Option for assets that are invested in Company Stock as of December 31, 2006, however, once Company Stock in the Plan is transferred to another Investment Option, it cannot be reinvested in Company Stock.

(f) Facilitation . Notwithstanding any instruction from any Participant for investment of funds in an Investment Option as provided for herein, the Trustee shall have the right to hold uninvested any amounts intended for investment until such time as investment may be made in accordance with this Section 4.6 and the Trust Agreement.

(g) Liability for Investment Directions . This Plan is intended to constitute a plan described in Section 404(c) of ERISA, and Title 29 of the Code of Federal Regulations Section 2550.404c-1. Fiduciaries of the Plan may be relieved of liability for any losses which are the direct and necessary result of investment instructions given by each Participant or Beneficiary. Neither the Employer, the Trustee nor the Committee shall be responsible for any loss which may result from a Participant's exercise of control over the investment of his Accrued Benefit.

(h) Each Participant shall have exclusive responsibility for and control over the investment of amounts allocated to his Accrued Benefit. Neither the Employers, the Trustee nor the Committee shall have any duty, responsibility or right to question a Participant's investment directions or to advise a Participant with respect to the investment of his Individual Accounts. The Committee will be obligated to follow the Participant's investment directions except when the instructions:

(1) are not in accordance with this Plan document and instruments governing this Plan insofar as such documents and instruments are consistent with the provisions of Title I of ERISA;

(2) would result in a prohibited transaction described in ERISA Section 406 or Code Section 4975 that is not otherwise exempted by statute or regulation;

(3) would generate income that would be taxable to this Plan;

(4) would cause a fiduciary to maintain the indicia of ownership of any assets of the Plan outside the jurisdiction of the district courts of the United States other than as permitted by Section 404(b) of ERISA and related regulations;

(5) would jeopardize the Plan's tax qualified status under the Code; or

(6) could result in a loss in excess of the individual account balances.

ARTICLE V
MAXIMUM CONTRIBUTIONS AND BENEFITS

5.1 **Defined Contribution Limitation** . Contributions made on behalf of any Participant during any Plan Year to all defined contribution plans of the Employer or any Affiliated Employer shall be subject to the limits of Code Section 415(c)(1) as set forth in paragraph (a) below:

(a) Annual Addition Limit . The Annual Addition (as defined below in paragraph (c)) that may be contributed or allocated to a Participant's account under the Plan for any limitation year shall not exceed the lesser of:

(1) $40,000, as adjusted for increases in the cost-of-living under Section 415(d) of the Code, or

(2) 100 percent of the Participant's Section 415 Compensation, for the limitation year.

The Compensation limit referred to in (2) shall not apply to any contribution for medical benefits after separation from service (within the meaning of Section 401(h) or Section 419A(f)(2) of the Code) which is otherwise treated as an Annual Addition.

(b) Correction of Excess Annual Additions . If, as a result of the allocation of forfeitures, a reasonable error in estimating the Participant's Section 415 Compensation, or a reasonable error in estimating the amount of Elective Deferrals that may be made with respect to any Participant under the limits of Section 415 of the Code or under other facts and circumstances permitted by the Commissioner of the Internal Revenue Service, Annual Additions exceed the limitation set forth in Section 5.1(a), the excess will be disposed of as follows:

(1) If the Participant is covered by the Plan as of the end of the Plan Year in which the excess occurs, the Excess Deferrals shall be used to reduce Employer contributions (including any allocation of forfeitures) for such Member in the next Plan Year, and each succeeding Plan Year, if necessary.

(2) If, after the application of Section 5.1(b)(1) an Excess Deferrals still exists, the excess amount shall be held unallocated in a suspense account. The suspense account shall be applied to reduce future Employer contributions for all remaining Participants in the next Plan year, and the next succeeding Plan Year.

(3) If a suspense account is in existence at any time during a Plan Year pursuant to this Section, it will not participate in the allocation of the gains and losses of the Trust. If a suspense account is in existence at any time during a particular Plan Year, all amounts in the suspense account must be allocated and reallocated to Participants' accounts before any Employer or Elective Deferrals may be made to the Plan for that Plan Year. Excess amounts may not be distributed to Participants.

(4) This Section 5.1 shall be satisfied prior to satisfying the Actual Deferral Percentage test in Section 3.7 of the Plan.

(c) Annual Addition . Annual Addition means the sum credited to Participant's Accounts for any Limitation Year of: (i) Employer Contributions, Elective Deferrals, except for Catch-Up Contributions, and forfeitures; (ii) Amounts allocated to an individual medical account described in Section 415(l)(1) of the Code that is part of a pension or annuity plan maintained by the Employer; (iii) Amounts attributable to post-retirement medical benefits allocated to the separate account of a key employee (as described in Section 419A(d)(3) of the Code); and (iv) Excess Contributions and Excess Aggregate Contributions returned to a Participant in accordance with Sections 3.7 and 3.8. Limitation Year means calendar year, unless the Company elects a different twelve (12) consecutive month period as provided by Treasury Regulation Section 1.415-2(b).

ARTICLE VI
ENTITLEMENT TO BENEFITS

6.1 **Distribution Events** . Upon a Participant's termination of employment by reason of retirement, Disability, or for any other reason (other than death), the Participant is entitled to receive a benefit funded by the accounts. A Participant is deemed to have retired if he terminates employment on or after reaching age 55 with 5 Years of Service or on or after the Normal Retirement Age under the Plan (age 65). A Participant is entitled to receive a benefit during employment for Disability, Hardship or the attainment of age 59½.

6.2 **Disability** . In the event that a Participant, at any time prior to his retirement or other termination of employment with the Employer, shall become totally and permanently disabled, and if proof of such disability satisfactory to the Employer is furnished (which proof shall include a determination of approval for Social Security benefits or, if such is not available, a written statement of a licensed physician appointed or approved by the Employer), then such Participant shall be entitled to the full value of his Accrued Benefit, which shall be one hundred percent (100%) vested and nonforfeitable. For purposes of this Section 6.2, total and permanent disability shall mean the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or to last for a continuous period of at least twelve (12) months.

6.3 **Death Benefits** . In the event of the death of a Participant prior to his retirement, disability, or termination of employment with the Employer, the full value of his Accrued Benefit, which shall be one hundred percent (100%) vested and nonforfeitable shall become payable (according to the provisions of Article VII of the Plan), to his designated Beneficiary, upon submission of proof of death satisfactory to the Employer.

6.4 **Retirement** . A Participant shall be deemed to have reached retirement upon his termination of employment on or after reaching his Early or Normal Retirement Date. As of his termination date, a retired Participant shall be entitled to the full value of his Accrued Benefit, which shall be deemed to be one hundred percent (100%) vested and nonforfeitable upon reaching his Early or Normal Retirement Date whether or not the Participant continues his employment with the Employer beyond such date.

6.5 **Termination of Employment** . In the event a Participant terminates employment with the Employer for any reason other than retirement, disability or death, such Participant shall become entitled to the vested portion of his Accrued Benefit, payable according to the provisions of Article VII of the Plan, which shall be determined as follows:

(a) A Participant shall at all times be one hundred percent (100%) vested in the portion of his Accrued Benefit derived from his Elective Deferral Account, Qualified Non-Elective Contribution Account, Qualified Matching Contribution Account and Rollover or Transfer Account, and Voluntary After-Tax Account.

(b) A Participant's vested and nonforfeitable interest in the portion of his Accrued Benefit derived from his Employer Contribution Accounts shall be determined in accordance with the vesting schedules set forth in Section 3.2.

(c) In the event of a termination of employment as described in this Section 6.5 at a time when a Participant's vested interest in his Employer Contribution Accounts is less than 100%, then, as of the forfeiture date set forth in Section 7.8 of the Plan, the non-vested portion shall be forfeited and used to reduce Employer Contributions to the Plan.

(d) The Hours of Service method of crediting service shall be utilized (for Group B Participants, the elapsed time method (as defined in the Retirement Savings Plan as of December 31, 2006) was used to credit service prior to January 1, 2001). In order to determine the vested interest of a Participant after a Break in Service for purposes of the vesting schedules set forth in Section 3.2, the crediting of Service shall be determined as follows:

(1) In the case of a Participant who has five (5) consecutive l-year Breaks in Service, all Years of Service after such Breaks in Service shall be disregarded for purposes of determining the Participant's vested Accrued Benefit derived from Employer contributions which accrued before such breaks, but both pre-break and post-break Service shall count for purposes of determining the Participant's vested Accrued Benefit derived from Employer contributions accruing after such breaks. Both accounts shall share in the earnings and losses of the Trust;

(2) In the case of a Participant who does not have five (5) consecutive 1-year Breaks in Service, both the pre-break and post-break Service shall count in determining both the Participant's pre-break and post-break vested Accrued Benefit derived from Employer contributions.

(e) If a Participant's vesting schedule is amended, or the Plan is amended in any way that directly or indirectly affects the computation of the Participant's nonforfeitable percentage or if the Plan is deemed amended by an automatic change to or from a Top Heavy vesting schedule, each Participant affected by the amendment with at least three (3) Years of Service with the Employer may elect to have the nonforfeitable percentage computed under the Plan without regard to such amendment or change.

The period during which the election may be made shall commence with the date the amendment is adopted or deemed to be made and shall end on the latest of:

(1) 60 days after the amendment is adopted;

(2) 60 days after the amendment becomes effective; or

(3) 60 days after the Participant is issued written notice of the amendment by the Employer or Plan Administrator

6.6 **Other Permitted Distributions** .

(a) Hardship . By filing the required form, a Participant may withdraw on account of hardship all or a portion of his vested Accrued Benefit. Notwithstanding the preceding, earnings allocated after December 31, 1988 on Elective Deferrals are excluded. Further, amounts attributable to Qualified Non-Elective Contributions and Qualified Matching Contributions may not be distributed merely on account of hardship. The amount distributed will be withdrawn pro rata across money types.

(1) Hardship withdrawals are permitted only for one of the following immediate and heavy financial needs:

(i) medical expenses described in Section 213(d) of the Code incurred by the Employee, the Employee's spouse, or any dependent of the Employee; or

(ii) purchase (excluding mortgage payments) of a principal place of residence of the Employee; or

(iii) payment of tuition, related educational fees, and room and board expenses, for the next twelve months of post secondary education for the Employee, his or her spouse, children, or dependents (as defined in Code Section 152 without regard to Section 152(b)(1), (b)(2) and (d)(1)(B)); or

(iv) the need to prevent the eviction of the Employee from his or her principal residence or foreclosure on the mortgage of the Employee's principal residence ; or

(v) payments for burial or funeral expenses for the employee's deceased parent, spouse, children or dependents (as defined in Code Section 152(b) without regard to Section 152(d)(1)(B)); or

(vi) expense for repair of damage to the employee's principal residence that would qualify for a casualty deduction on the employee's tax return (without regard to whether the loan exceeds 10% of adjusted gross income).

Provided however, if the Commissioner of Internal Revenue expands the list of deemed, immediate and heavy financial needs as provided above through publication of revenue rulings, notices or other documents of general applicability, then such deemed immediate and heavy financial needs may be included at the direction of the Committee in the list of needs for which hardship withdrawals may be made.

(2) In order to obtain a hardship withdrawal, a Participant must satisfy the following requirements which are deemed to be necessary to satisfy an immediate and heavy financial need:

(i) The distribution must not be in excess of the amount of the immediate and heavy financial need of the Participant;

(ii) The Participant must have obtained all currently available distributions, all nontaxable loans currently available under all Plans maintained by the Employer (unless such loan would disqualify the Participant from obtaining other necessary financing); and

(iii) The financial need can not be relieved from other resources; the Participant's resources are deemed to include those assets of the Participant's spouse and minor children that are reasonably available to the Participant, such as a vacation home.

(3) The Committee may rely upon the Participant's representation (made in writing or such other form as may be prescribed by the Commissioner of the Internal Revenue Service) that the Participant can not relieve the immediate and heavy financial need from other resources that are available to the Participant, unless the Committee has actual knowledge to the contrary, that the need cannot reasonably be relieved—

(i) Through reimbursement or compensation by insurance or otherwise;

(ii) By liquidation of the Participant's assets;

(iii) By cessation of elective contributions or employee contributions under the Plan;

(iv) By other currently available distributions and nontaxable loans, under plans maintained by the Employer or by any other employer; or

(v) By borrowing from commercial sources on reasonable commercial terms in an amount sufficient to satisfy the need.

A Participant who receives a distribution on account of hardship shall be prohibited from making Elective Deferrals and employee contributions under this and all other plans of the Employer for six (6) months after receipt of the distribution.

(4) There is no minimum amount for a hardship withdrawal, and there is no restriction on the number of hardship withdrawals permitted to a Participant.

(b) Attainment of Age 59½. On or after the attainment of age 59½ a Participant shall be permitted to withdraw all or a portion of his vested Accrued Benefit under the Plan at any time.

(c) Rollover Account . A Group B Participant may withdraw any amount from his Rollover Account at such times as permitted by the Committee by submitting a written request to the Committee specifying the amount to be withdrawn.

(d) Voluntary After-Tax Account . A Group B Participant may withdraw any amount from his Voluntary After-Tax Account at such times as permitted by the Committee by submitting a written request to the Committee specifying the amount to be withdrawn. A distribution from such account shall be calculated on a pro-rata basis; thus, such distribution shall be considered in part a return of contributions and in part earnings on such contributions.

ARTICLE VII
DISTRIBUTION OF BENEFITS

7.1 **General**. The requirements of this Article shall apply to any distribution of a Participant's interest and will take precedence over any inconsistent provisions of this Plan. All distributions required under this Article shall be determined and made in accordance with the Treasury Regulations under Code Section 401(a)(9).

7.2 **Method of Distribution**. A Participant may elect to have his Accrued Benefit distributed in the following manner:

(a) a single lump sum;

(b) a portion paid in a lump sum, and the remainder paid later (partial payment); or

(c) periodic installments over a period not to exceed fifteen (15) years.

In the absence of an election by the Participant, distribution will be made in a lump sum payment in cash.

7.3 **Installment Payments**. If all or any portion of a Participant's Accrued Benefit is to be paid in installments, the Participant shall determine the period over which such installments shall be paid. The total amount to be so distributed shall continue to be invested in those assets currently retained in the Trust and any income, gain or loss attributable thereto (but not Employer contributions or forfeitures) shall be reflected in the installment distributions.

7.4 **Commencement of Benefits**.

(a) Unless the Participant elects otherwise, distribution of benefits will begin no later than the 60th day after the latest of the close of the Plan Year in which:

(1) the Participant attains age 65 (or the Normal Retirement Age specified in the Plan, if earlier);

(2) occurs the 10th anniversary of the year in which the Participant commenced participation in the Plan; or

(3) the Participant terminates Service with the Employer.

(b) Notwithstanding the foregoing, the failure of a Participant to consent to a distribution while a benefit is immediately distributable shall be deemed to be an election to defer commencement of payment of any benefit sufficient to satisfy this Section.

7.5 **Minimum Required Distributions** .

(a) Required Beginning Date . The entire interest of a Participant must be distributed or begin to be distributed no later than the Participant's Required Beginning Date.

(b) Limits on Distribution Periods . As of the first distribution calendar year, distributions, if not made in a single sum, may only be made over one of the following periods (or a combination thereof):

(1) a period certain not extending beyond the life expectancy of the Participant, or

(2) a period certain not extending beyond the joint life and last survivor expectancy of the Participant and a designated Beneficiary.

(c) Minimum Amounts to be Distributed .

(1) If a Participant's interest is to be distributed in other than a single sum, the minimum amount that will be distributed for each distribution calendar year is the lesser of:

(i) the quotient obtained by dividing the Participant's account balance by the distribution period in the Uniform Lifetime Table set forth in Section 1.401(a)(9)-9 of the Treasury regulations, using the Participant's age as of the Participant's birthday in the distribution calendar year; or

(ii) if the Participant's sole designated beneficiary for the distribution calendar year is the Participant's spouse, the quotient obtained by dividing the Participant's account balance by the number in the Joint and Last Survivor Table set forth in Section 1.401(a)(9)-9 of the Treasury regulations, using the Participant's and spouse's attained ages as of the Participant's and spouse's birthdays in the distribution calendar year.

(2) Required minimum distributions will be determined under this Section 7.5 beginning with the first distribution calendar year and up to and including the distribution calendar year that includes the Participant's date of death.

(3) The minimum distribution required for the Participant's first distribution calendar year must be made on or before the Participant's Required Beginning Date. The minimum distribution for other calendar years, including the minimum distribution for the distribution calendar year in which the Participant's Required Beginning Date occurs, must be made on or before December 31 of that distribution calendar year.

7.6 **Distribution of Death Benefits** .

(a) Method of Distribution . Upon the death of a Participant, the following distribution provisions shall take effect:

(1) If the Participant dies after the date distribution begins, the remaining portion of the Participant's interest will continue to be distributed at least as rapidly as under the method of distribution being used prior to the Participant's death. Notwithstanding the preceding sentence, the following shall apply:

(i) If there is a designated beneficiary, the minimum amount that will be distributed for each distribution calendar year after the year of the Participant's death is the quotient obtained by dividing the Participant's account balance by the longer of the remaining life expectancy of the Participant or the remaining life expectancy of the Participant's designated beneficiary, determined as follows:

(A) the Participant's remaining life expectancy is calculated using the age of the Participant in the year of death, reduced by one for each subsequent year.

(B) if the Participant's surviving spouse is the Participant's sole designated beneficiary, the remaining life expectancy of the surviving spouse is calculated for each distribution calendar year after the year of the Participant's death using the surviving spouse's age as of the spouse's birthday in that year. For distribution calendar years after the year of the surviving spouse's death, the remaining life expectancy of the surviving spouse is calculated using the age of the surviving spouse as of the spouse's birthday in the calendar year of the spouse's death, reduced by one for each subsequent calendar year.

(C) if the Participant's surviving spouse is not the Participant's sole designated beneficiary, the designated beneficiary's remaining life expectancy is calculated using the age of the beneficiary in the year following the year of the Participant's death, reduced by one for each subsequent year.

(ii) If there is no designated beneficiary as of September 30 of the year after the year of the Participant's death, the minimum amount that will be distributed for each distribution calendar year after the year of the Participant's death is the quotient obtained by dividing the Participant's account balance by the Participant's remaining life expectancy calculated using the age of the Participant in the year of death, reduced by one for each subsequent year.

(2) If the Participant dies before the date distributions begin, the following provisions shall apply:

(i) If the Participant's surviving spouse is the Participant's sole designated beneficiary, distributions to the surviving spouse will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died, or by December 31 of the calendar year in which the Participant would have attained age 70½, if later. If the Participant's surviving spouse is the Participant's sole designated beneficiary and the surviving spouse dies after the Participant but before distributions to the surviving spouse begin, the provisions of this Section 7.6(a)(2), other than the preceding sentence, will apply as if the surviving spouse were the Participant.

(ii) If the Participant's surviving spouse is not the Participant's sole designated beneficiary, distributions to the designated beneficiary will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died.

(iii) If there is a designated beneficiary (spouse or other), the minimum amount that will be distributed for each distribution calendar year after the year of the Participant's death is the quotient obtained by dividing the Participant's account balance by the remaining life expectancy of the Participant's designated beneficiary, determined as provided in Section 7.6(a)(1)(i).

(iv) If there is no designated beneficiary as of September 30 of the year following the year of the Participant's death, distribution of the Participant's entire interest will be completed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

(v) For purposes of this Section 7.6(a)(2), distributions are considered to begin on the Participant's Required Beginning Date (or, if the second sentence of Section 7.6(a)(2)(i) above applies, distributions are considered to begin on the date distributions are required to begin to the surviving spouse under such provision).

(b) Definitions . For purposes of this Section 7.6, the following definitions shall apply:

(1) Designated Beneficiary . The individual who is designated as the Beneficiary under Section 8.1 of the Plan and is the designated beneficiary under Code Section 401(a)(9) and Treasury Regulation Section 1.401(a)(9)-1, Q&A-4.

(2) Distribution Calendar Year . A calendar year for which a minimum distribution is required. For distributions beginning before the Participant's death, the first distribution calendar year is the calendar year immediately preceding the calendar year which contains the Participant's Required Beginning Date. For distributions beginning after the Participant's death, the first distribution calendar year is the calendar year in which distributions are required to begin pursuant to this Section 7.6. The required minimum distribution for the Participant's first distribution calendar year will be made on or before the Participant's Required Beginning Date. The required minimum distribution for other distribution calendar years, including the required minimum distribution for the distribution calendar year in which the Participant's Required Beginning Date occurs, will be made on or before December 31 of that distribution calendar year.

(3) Life Expectancy . Life expectancy as computed by use of the Single Life Table in Section 1.401(a)(9)-9 of the Treasury Regulations.

(4) Participant's Account Balance . The account balance as of the last Valuation Date in the calendar year immediately preceding the distribution calendar year (valuation calendar year) increased by the amount of any contributions or forfeitures allocated to the account balance as of dates in the valuation calendar year after the Valuation Date and decreased by distributions made in the valuation calendar year after the Valuation Date. The account balance for the valuation calendar year includes any amounts rolled over or transferred to the Plan.

(5) Required Beginning Date . The Required Beginning Date of a Participant other than a 5% owner (as defined in Code Section 416(i)(1)(B)(1)) is the later of April 1 of the calendar year following the calendar year in which the Participant attains the age of 70½ or terminates employment with all Affiliated Employers. For 5% owners, Required Beginning Date means April 1 of the calendar year in which a Participant attains age 70½.

7.7 **Distribution Upon Termination of Employment and Restrictions on Immediate Distribution** . If the value of a Participant's vested account balance derived from employer and employee contributions exceeds (or at the time of any prior distribution exceeded) $1,000 (for distributions made prior to March 28, 2005, this amount was $5,000), and the account balance is immediately distributable, the Participant must consent to any distribution of such account balance. If the value of a Participant's nonforfeitable account balance as so determined is $1,000 or less, the Plan may immediately distribute the Participant's entire nonforfeitable account balance. The consent of the Participant shall not be required to the extent that a distribution is required to satisfy Section 401(a)(9) or 415 of the Code.

An account balance is immediately distributable if any part of the account balance could be distributed to the Participant (or surviving spouse) before the Participant attains (or would have attained if not deceased) Normal Retirement Age.

In the absence of an election to receive an immediate distribution, the Participant's Accrued Benefit shall remain invested in the Trust. The following provisions shall apply to termination benefits:

(a) The distribution of benefits to a Participant who has reached his distribution date by reason of a termination of employment other than retirement, disability or death shall be deferred until the first date the Participant would have been eligible for retirement under the Plan unless the Participant elects to commence distribution of such benefits at an earlier date. Prior to the commencement of benefits, the deferred benefits shall, in the discretion of the Employer, remain invested in the commingled Trust assets or be transferred to a segregated account.

(b) If the vested portion of the Accrued Benefit of a Participant who terminates employment for reasons other than retirement, disability or death is less than 100%, so that his distribution date does not coincide with the date on which he ceases to be an Employee, such Accrued Benefit shall, in the discretion of the Employer, remain invested in the commingled Trust assets or be transferred to a segregated account pending distribution. A Participant may elect to receive the vested portion of his Accrued Benefit at any time after separation from service.

(c) If a Participant separates from service before satisfying his Early Retirement Date, but has satisfied the service requirement of the Early Retirement Date, the Participant will be entitled to elect an early retirement benefit upon satisfaction of such age requirements.

7.8 **Forfeiture and Special Vesting Formula** . If the vested portion of the Accrued Benefit of a Participant who terminates employment for reasons other than retirement, disability or death, as described in Article VI of the Plan, is less than 100% and such Participant receives a distribution of the vested portion of his Accrued Benefit, forfeiture of the nonvested portion of his Accrued Benefit shall occur (subject to restoration pursuant to Section 7.9 of the Plan) as of the date on which the distribution is made. If upon termination of employment, a Participant has no vested interest in his Accrued Benefit, forfeiture of his entire Accrued Benefit shall occur (subject to restoration pursuant to Section 7.9 of the Plan) as of the date of termination of employment. In any other case involving a termination described in Section 7.7, forfeiture of the nonvested portion of the terminated Participant's Accrued Benefit shall occur as of the earliest of: (a) his date of death following termination of employment, or (b) the last day of the Plan Year in which he incurs five (5) consecutive one (1) year Breaks in Service.

If a Participant terminates employment, and the value of the Participant's vested account balance derived from Employer and Participant contributions is not greater than $1,000, the Participant will receive a distribution of the value of the entire vested portion of such account balance and the nonvested portion will be treated as a forfeiture. If an Employee would have received a distribution under the preceding sentence but for the fact that the Employee's vested account balance exceeded $1,000 when the Employee terminated employment and if at a later time such account balance is reduced such that it is not greater than $1,000, the Employee will receive a distribution of such account balance and the nonvested portion will be treated as a forfeiture.

For purposes of Section 6.5, if a distribution is made at a time when a Participant has a nonforfeitable right to less than 100% of the account balance derived from Employer contributions and the Participant may increase the nonforfeitable percentage in the account, a separate account shall be established for the Participant's Employer Contributions Accounts as of the time of the distribution, and at any relevant time the vested portion of the separate account shall be equal to an amount determined by the formula:

$$P (AB + (R X D)) - (R X D)$$

For purposes of applying the formula, P is the vested percentage at the relevant time, AB is the separate account balance at the relevant time, D is the amount of the distribution, R is the ratio of the separate account balance at the relevant time to the separate account balance after distribution, and the relevant time is the Participant's termination date.

7.9 **Restoration of Forfeiture** . If a re-employed Participant: (a) was less than 100% vested in his Employer Contribution Accounts when he terminated employment, (b) received a distribution of the vested portion, if any, of his Employer Contribution Accounts pursuant to Section 7.7(b) of the Plan, and (c) resumed his status as an active Participant before having incurred five (5) consecutive 1-year Breaks in Service, then the full amount of the forfeiture (unadjusted for gains or losses in the interim) pursuant to Section 7.8 of the Plan shall be restored to his Accrued Benefit. If the Participant had no vested interest in his Employer Contribution Accounts, the restoration shall be made as of the date of resumption of status as an active Participant. Notwithstanding any other Plan provisions regarding utilization of forfeitures, the restored forfeiture shall be derived from forfeitures arising in the Plan Year in which the restoration occurs. However, the Employer may, and in the absence of available forfeitures shall, make a separate contribution to the Plan for the purpose of restoring the forfeiture, which contribution shall be made not later than the end of the Plan Year following the Plan Year in which the resumption of employment by the Participant occurred. The restoration shall not be deemed to be an Annual Addition for purposes of Article V of the Plan.

7.10 **Direct Rollover** .

(a) Applicability . Notwithstanding any provision of the Plan to the contrary that would otherwise limit a distributee's election under this Article, a distributee may elect, at the time and in the manner prescribed by the Committee to have any portion of an eligible rollover distribution paid directly to an eligible retirement plan specified by the distributee in a direct rollover.

(b) Definitions .

(1) Eligible Rollover Distribution . An eligible rollover distribution is any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee's designated Beneficiary, or for a specified period of ten years or more; any distribution to the extent such distribution is required under Section 401(a)(9) of the Code; any amount distributed on account of a hardship distribution; and the portion of any distribution that is not includible in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to employer securities).

A portion of a distribution shall not fail to be an eligible rollover distribution merely because the portion consists of after-tax employee contributions which are not includable in gross income. However, such portion may be transferred only to an individual retirement account or annuity described in Code Section 408(a) or (b), or to a qualified defined contribution plan described in Code Section 401(a) or 403(a) that agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includable in gross income and the portion of such distribution which is not so includable.

(2) Eligible Retirement Plan . An eligible retirement plan is an individual retirement account described in Section 408(a) of the Code, an individual retirement annuity described in Section 408(b) of the Code, an annuity plan described in Section 403(a) of the Code, or a qualified trust described in Section 401(a) of the Code, that accepts the distributee's eligible rollover distribution. However, in the case of an eligible rollover distribution to the surviving spouse, an eligible retirement plan is an individual retirement account or individual retirement annuity.

An eligible retirement plan shall also mean an annuity contract described in Code Section 403(b) and an eligible plan under Code Section 457(b) which is maintained by a state, political subdivision of a state, or any agency or any instrumentality of a state or political subdivision of a state and which agrees to separately account for amounts transferred into such plan from this Plan. The definition of eligible retirement plan shall also apply in the case of a distribution to a surviving spouse, or to a spouse or former spouse who is the alternate payee under a qualified domestic relations order, as defined in Code Section 414(p).

(3) Distributee . A distributee includes an Employee or former Employee. In addition, the Employee's or former Employee's surviving spouse and the Employee's or former Employee's spouse or former spouse who is the alternate payee under a qualified domestic relations order, as described in Section 414(p) of the Code, are distributees with regard to the interest of the spouse or former spouse.

(4) Direct Rollover . A direct rollover is a payment by the plan to the eligible retirement plan specified by the distributee.

(5) Non-Spouse Beneficiary . Effective January 1, 2007, a direct trustee-to-trustee transfer may be made to an individual retirement account established for the purpose of receiving a distribution from a designated beneficiary who is not the spouse of the Employee or former Employee.

7.11 **Qualified Domestic Relations Order** . All rights and benefits, including election rights, provided to Participants pursuant to this Plan, are subject to the rights afforded to any "alternate payee", as defined in Section 414(p)(8) of the Code, pursuant to a "qualified domestic relations order", as defined in Section 414(p) of the Code.

Payment to an "alternate payee" pursuant to a "qualified domestic relations order" shall be made at such time as determined or permitted pursuant to the qualified domestic relations order, including distributions before the Participant reaches his earliest retirement age as defined in Code Section 414(p)(4)(B). The Committee shall establish procedures to determine the status of a judgment, decree or order as a qualified domestic relations order and to administer Plan distributions in accordance with any such qualified domestic relations order.

Upon receipt of any judgment, decree or order (including approval of a property settlement agreement) relating to the provision of payment by the Plan to an alternate payee pursuant to a state domestic relations law, the Committee shall promptly notify the affected Participant and any alternate payee of the receipt of such judgment, decree or order and shall notify the affected Participant and any alternate payee of the Committee's procedure for determining whether or not the judgment, decree or order is a qualified domestic relations order.

ARTICLE VIII
BENEFICIARY AND PARTICIPANT INFORMATION

8.1 **Designation of Beneficiary** .

(a) Each Participant from time to time may designate any person or persons (who may be named contingently or successively) to receive any benefits payable under the Plan upon or after his death, and any such designation may be changed from time to time by the Participant by filing a new designation. Each designation will revoke all prior designations made by the Participant, shall be in writing in the form prescribed by the Employer and shall be effective only when the written designation is filed with the Employer during his lifetime.

(b) The Beneficiary of a Participant who is married at the time of his death shall be his surviving spouse unless his surviving spouse consents in writing on the form provided for that purpose by the Committee to the designation of another beneficiary. A consent by a Participant's spouse shall not be effective unless such consent is witnessed by one of the members of the Committee or a Notary Public.

(c) In the absence of a valid Beneficiary designation (except in conjunction with the election of a form of benefit payment which does not require the designation of a specific Beneficiary) or if, at the time any benefit becomes payable to a Beneficiary, there is no living Beneficiary properly designated by the Participant to receive the benefit, the Committee shall direct the Trustee to distribute such benefit to the Participant's spouse, if then living. If there is no surviving spouse, then the benefit shall be paid to the Participant's then living descendants, if any, by root, otherwise to the Participant's then living parent or parents, equally, otherwise to the Participant's estate.

8.2 **Information to be Furnished by Participant and Beneficiaries** . Any communications addressed to a Participant or Beneficiary at his last post office address filed with the Committee shall be binding on the Participant or Beneficiary for all purposes of the Plan. Except for the Committee's sending of a registered letter to the last known address, neither the Trustee nor the Committee shall be obliged to search for any Participant or Beneficiary.

ARTICLE IX
LOANS TO PARTICIPANTS

9.1 **Loans** . The Committee shall establish a loan program under which:

(a) Loans shall be made available to all active Participants and Participants on long-term disability on a reasonably equivalent basis.

(b) Loans shall not be made available to Highly Compensated Employees (as defined in Section 414(q) of the Code) in an amount greater, or on terms otherwise more favorable, than the amount or terms applicable to loans made available to other Employees.

(c) Loans must be adequately secured and bear a reasonable interest rate.

(d) No loan to any Participant can be made to the extent that such loan when added to the outstanding balance of all other loans to the Participant or Beneficiary would exceed the lesser of (a) $50,000 reduced by the excess (if any) of (the highest outstanding balance of loans during the one year period ending on the day before the loan is made, over the outstanding balance of loans from the Plan on the date the loan is made), or (b) 50% of the Participant's vested Accrued Benefit.

(e) A Participant is not required to obtain the consent of his or her spouse, if any, to use of the account balance as security for the loan.

(f) Loan repayments will be suspended under the Plan as permitted under Code Section 414(u)(4).

(g) Loans will be funded with assets withdrawn pro-rata across all money types and funds.

Notwithstanding any other provision of this Plan, the portion of the Participant's vested account balance used as a security interest held by the Plan by reason of a loan outstanding to the Participant shall be taken into account for purposes of determining the amount of the account balance payable at the time of death or distribution, but only if the reduction is used as repayment of the loan. If less than 100% of the Participant's vested account balance (determined without regard to the preceding sentence) is payable to the surviving spouse, then the account balance shall be adjusted by first reducing the vested account balance by the amount of the security used as repayment of the loan, and then determining the benefit payable to the surviving spouse.

For the purpose of the above limitation, all loans from all plans of the Employer and all Affiliated Employers are aggregated. Furthermore, any loan shall by its terms require that repayment (principal and interest) be amortized in level payments, not less frequently than quarterly, over a period not extending beyond five years from the date of the loan, unless such loan is used to acquire a dwelling unit which within a reasonable time (determined at the time the loan is made) will be used as the principal residence of the Participant.

9.2 **Participant Loan Program** . The Committee may prescribe such additional rules and procedures as it may deem appropriate, including, without limitation, rules and procedures by which the making of loans to Participants may be terminated, suspended, or restricted, if any, to the extent deemed by the Committee to be necessary or desirable in order to effect compliance with applicable laws or regulations (the "Participant Loan Program"). The rules and procedures reported in the Loan-by-Phone guidelines are incorporated in the Participant Loan Program. To the extent the Participant Loan Program conflicts with the terms of the Plan, the terms of the Participant Loan Program shall prevail, as long as such Program does not conflict with the Code, ERISA, or other applicable laws or regulations.

ARTICLE X
VOTING PROVISIONS

10.1 **Voting Rights of Company Stock .** Each Participant, including their beneficiaries and alternate payees (individually, "Participant" and collectively, "Participants") is, for purposes of this Section hereby designated a "named fiduciary" within the meaning of ERISA Section 403(a)(1) and shall be entitled to direct the Plan and Trustee as to the manner in which Company Stock allocated to such Participant's accounts is to be voted on each matter brought before an annual or special stockholders' meeting of the Company. Company Stock may be held in different accounts and shall be voted as provided below by the Trustee.

The Committee shall determine the total number of shares of Company Stock allocated to each Participant's accounts as of the record date and such shares shall be voted in accordance with directions of such Participant. Upon timely receipt of such directions, the Trustee shall on each such matter, vote as directed the number of votes attributable to such Participant.

The number of votes attributable to each Participant shall be determined as follows:

(a) First, the total number of votes attributable to Company Stock held in the Trust shall be determined;

(b) Second, the number of votes determined under (a), above, shall be attributed to each Participant, in the ratio which the number of shares of Company Stock allocated to such Participant's accounts in the Trust as of the record date bears to the total number of shares of Company Stock held in the Trust as of such date.

Each Participant as a named fiduciary, shall be entitled to separately direct the vote of a portion of the number of votes with respect to which a signed voting-direction instrument is not timely received from other Participants in the Trust ("Undirected Votes"). Such direction with respect to each Participant who timely elects to direct the vote of Undirected Votes in the Trust as a named fiduciary shall be with respect to a number of Undirected Votes in the Trust equal to the total number of Undirected Votes in the Trust multiplied by a fraction, the numerator of which is the total number of votes attributable to such Participant in the Trust and the denominator of which is the total number of votes attributable to all Participants who timely elect to vote Undirected Votes as a named fiduciary in the Trust.

10.2 **Responding to Tender and Exchange Offers** . Each Participant is, for purposes of this Section, hereby designated a "named fiduciary" within the meaning of Section 403(a)(1) of ERISA and shall have the right, to the extent of the number of shares of Company Stock allocated to the Participant's accounts in the Trust, to direct the Trustee in writing as to the manner in which to respond to such tender or exchange offer with respect to shares of Company Stock. The Committee shall use its best efforts to timely distribute or cause to be distributed to each Participant such information as will be distributed to stockholders of the Company in connection with any such tender or exchange offer. Upon timely receipt of such instructions, the Trustee shall respond as instructed with respect to shares of Common Stock in the Trust allocated to such Participant's accounts. If the Trustee shall not receive timely instructions from a Participant as to the manner in which to respond to such a tender or exchange offer, the Trustee shall not tender or exchange any shares of Company Stock held in the Participant's account. In effecting the foregoing, to the extent possible, the Trustee shall tender or exchange shares of Company Stock entitled to one vote per share prior to shares of Company Stock having greater than one vote per share.

10.3 **Confidentiality** . Any instructions received by the Trustee from Participants (or, if applicable, Beneficiaries), pursuant to this Article X shall be held by the Trustee in strict confidence and no officer or Employee of the Company or an Affiliated Employer shall ask the Trustee to divulge or release such instructions to any officer or Employee of the Company or an Affiliated Employer; provided, however, that to the extent necessary for the operation of the Plan, such instructions may be relayed by the Trustee to a recordkeeper, auditor or other person providing services to the Plan if such person (1) is not the Company, an Affiliated Employer or any Employee, officer or director thereof, and (2) agrees not to divulge such directions to any other person, including Employees, officers and directors of the Compan y and its Affiliated Employers.

ARTICLE XI
TOP HEAVY PROVISIONS

11.1 **Applicability** . Notwithstanding any other provisions of the Plan, if for any Plan Year the Plan becomes a Top Heavy Plan, the requirements of this Article XI of the Plan shall be applied for such Plan Year.

11.2 **Definitions** . The following terms shall have the following meanings in the determination of whether or not the Plan is a Top Heavy Plan:

(a) Determination Date . The term "Determination Date" means, with respect to any Plan Year, the last day of the preceding Plan Year, or in case of the first Plan Year, the last day of such year.

(b) Employer . The Employer who adopted this Plan and any other Employer some or all of whose Employees participate in this Plan or in a retirement plan which is aggregated with this Plan as part of a permissive or required aggregation group.

(c) Employer Group . A group of Employers who, for purposes of Section 416 of the Code, are treated as a single Employer under Section 414(b), (c) or (m) of the Code.

(d) Key Employee . Any Employee or former Employee (including any deceased Employee) who at any time during the Plan Year that includes the determination date was an officer of the Employer having annual Compensation greater than $130,000 (as adjusted under Code Section 416(i)(1)), a 5-percent owner of the Employer, or a 1-percent owner of the Employer having annual Compensation of more than $150,000. For this purpose, annual compensation means compensation within the meaning of Code Section 415(c)(3). The determination of who is a Key Employee will be made in accordance with Code Section 416(i)(1) and the applicable regulations and other guidance of general applicability issued thereunder.

(e) Non-Key Employee . Any Employee or former Employee (or Beneficiaries of such Employee) who is not considered to be a Key Employee.

(f) Permissive Aggregation Group . The Committee may treat any plan not required to be included in the Required Aggregation Group (as defined herein) as being part of such group if the group would continue to satisfy the requirements of Sections 401 (a)(4) and 410 of the Code with such plan being taken into account.

(g) Required Aggregation Group . (1) Each qualified plan of the Employer in which at least one Key Employee participates or participated at any time during the determination period (regardless of whether the plan has terminated), and (2) any other qualified plan of the Employer which enables a plan described in (1) to meet the requirements of Section 401(a)(4) or 410 of the Code.

(h) Top Heavy Plan . For any Plan Year, this Plan is Top Heavy if any of the following conditions exist:

(1) If the Top Heavy Ratio for this Plan exceeds 60%, provided this Plan is not part of any required aggregation group or permissive aggregation group of plans.

(2) If this Plan is a part of a required aggregation group of plans, but not part of a permissive aggregation group, the Top Heavy Ratio for the group of plans exceeds 60%.

(3) If this Plan is a part of a required aggregation group and part of a permissive aggregation group of plans and the Top Heavy Ratio for the entire group exceeds 60%.

(i) Top Heavy Ratio .

(1) If the Employer maintains one or more defined contribution plans (including any Simplified Employee Pension Plan) and the Employer has not maintained any defined benefit plan which during the 5-year period ending on the determination date(s) has or has had Accrued Benefits, the Top Heavy Ratio for this Plan alone or for the required or permissible aggregation group as appropriate is a fraction, the numerator of which is the sum of the account balances of all Key Employees as of the determination date(s) and the denominator of which is the sum of all account balances for all Participants, both computed in accordance with Section 416 of the Code and the regulations thereunder. Both the numerator and denominator of the Top Heavy Ratio are increased to reflect any contribution not actually made as of the determination date, but which is required to be taken into account on that date under Section 416 of the Code and the regulations thereunder.

The present value of accrued benefits and the sum of all account balances shall be increased by the aggregate distribution made with respect to an Employer in the 1-year period ending on the determination date; however, substitute "5-year period" for "1-year period" in the case of any distribution by reason other than severance from employment, death, or disability).

(2) If the Employer maintains one or more defined contribution plans (including any Simplified Employee Pension Plan) and the Employer maintains or has maintained one or more defined benefit plans which during the 5-year period ending on the determination date(s) has or has had any accrued benefits, the Top Heavy Ratio for any required or permissive aggregation group as appropriate is a fraction, the numerator of which is the sum of account balances under the aggregated defined contribution plan or plans for all Key Employees, determined in accordance with paragraph (1) above, and the present value of accrued benefits under the aggregated defined benefit plan or plans for all Key Employees as of the determination date, and the denominator of which is the sum of the account balances under the aggregated defined contribution plan or plans for all Participants, determined in accordance with paragraph (1) above, and the present value of accrued benefits under the defined benefit plan or plans for all Participants, determined in accordance with paragraph (1) above, and the present value of accrued benefits under the defined benefit plan or plans for all Participants as of the determination date, all determined in accordance with Section 416 of the Code and the regulations thereunder.

The accrued benefit of a Non-Key Employee under any defined benefit plan shall be determined under the method, if any, that uniformly applies for accrual purposes under all defined benefit plans maintained by the Employer, or if there is no such method, as if such benefit accrued not more rapidly than the slowest accrual rate permitted under Section 411(b)(1)(C) of the Code.

(3) For purposes of (1) and (2) above, the value of account balances and the present value of accrued benefits will be determined as of the most recent Valuation Date that falls within or ends with the twelve (12) month period ending on the determination date, except as provided in Section 416 of the Code and the regulations thereunder for the first and second plan years of a defined benefit plan. The account balances and accrued benefits of a Participant (i) who is a Non-Key Employee but who was a Key Employee in a prior year, any accrued benefit for such employee (and the account of such employee shall be disregarded).

(4) The accrued benefits and accounts of any individual who has not performed services during the 1-year period ending on the determination date shall not be taken into account. The calculation of the Top Heavy Ratio, and the extent to which distributions, rollovers and transfers are taken into account will be made in accordance with Section 416 of the Code and the regulations thereunder. Deductible employee contributions will not be taken into account for purposes of computing the Top Heavy Ratio. When aggregating plans, the value of account balances and accrued benefits will be calculated with reference to the determination dates that fall within the same calendar year.

(j) Valuation Date . December 31 in each Plan Year, the date as of which account balances or Accrued Benefits are valued for purposes of calculating the Top Heavy Ratio.

(k) Present Value . For purposes of establishing the present value of accrued benefits under defined benefit plans required to be aggregated with this Plan to compute the Top Heavy Ratio, any benefit shall be discounted only for mortality and interest based on the mortality assumptions and interest rate specified in such defined benefit plan.

(l) Alternative Methods of Meeting Top-Heavy Requirements . Effective January 1, 2008, the term Top Heavy Plan shall not include a plan which consists solely of □

(1) a cash or deferred arrangement which meets the requirements of Section 401(k)(12) or 401(k)(13), and

(2) matching contributions with respect to which the requirements of Section 401(m)(11) or 401(m)(12) are met.

If, but for this paragraph, a plan would be treated as a Top-Heavy Plan because it is a member of an aggregation group which is a top-heavy group, contributions under the Plan may be taken into account in determining whether any other plan in the group has provided the minimum benefit described in Section 11.3 of the Plan.

11.3 **Minimum Allocation** .

(a) Except as otherwise provided in (c) and (d) below, the Employer contributions and forfeitures allocated on behalf of any Participant who is not a Key Employee shall not be less than the lesser of three percent of such Participant's Total Compensation or in the case where the Employer has no defined benefit plan which designates this Plan to satisfy Section 401 of the Code, the largest percentage of Employer contributions (including any salary deferral contribution) and forfeitures, as a percentage of the Key Employee's Total Compensation, as limited by Section 401 (a)(l7) of the Code, allocated on behalf of any Key Employee for that year. The minimum allocation is determined without regard to any Social Security contribution. This minimum allocation shall be made even though under other plan provisions, the Participant would not otherwise be entitled to receive an allocation, would have received a lesser allocation for the year because of (1) the Participant's failure to complete 1,000 hours of service (or any equivalent provided in the Plan), (2) the Participant's failure to make mandatory employee contributions (including Elective Deferrals) to the Plan, or (3) Compensation less than a stated amount.

Matching Contributions shall be taken into account for purposes of satisfying the minimum contribution requirements of Code Section 416(c)(2) and the Plan. The preceding sentence shall apply with respect to matching contributions under the Plan or, if the Plan provides that the minimum contribution requirement shall be met in another plan, such other plan. Matching Contributions that are used to satisfy the minimum contribution requirements shall be treated as matching contributions for purposes of the actual contribution percentage test and other requirements of Code Section 401(m). Elective deferrals may not be taken into account for the purpose of satisfying the minimum Top Heavy contribution requirements.

Catch-Up Contributions for the current year are not counted as Key Employee contributions, but prior-year Catch-Up Contributions are used to determine whether the Plan is Top Heavy.

(b) For purposes of computing the minimum allocation, Compensation will mean Total Compensation, as limited by Section 40l(a)(17) of the Code.

(c) The provision in (a) above shall not apply to any Participant who was not employed by the Employer on the last day of the Plan Year.

(d) If an Employee participates in both a defined benefit plan and a defined contribution plan, the minimum benefit shall be provided under the defined benefit plan. If an Employee participates in another defined contribution plan, the minimum benefit shall be provided under the other defined contribution plan.

11.4 **Vesting** . For any Plan Year in which this Plan is Top Heavy, each Employee's Interest in his or her Accrued Benefit attributable to Employer contributions shall be fully vested and nonforfeitable. The minimum vesting schedule applies to all benefits accrued as of the date the Plan became Top Heavy and to all benefits accrued thereafter to which this Article applies. Further, no decrease in a Participant's non forfeitable percentage may occur in the event the Plan's status as Top Heavy changes for any Plan Year. However, this Section does not apply to the account balances of any Employee who does not have an hour of service after the Plan has initially become Top Heavy and such Employee's Accrued Benefit attributable to Employer contributions and forfeitures will be determined without regard to this Section.

ARTICLE XII
ADMINISTRATION OF THE PLAN

12.1 **Plan Committee .** The CenturyTel Retirement Committee (the "Committee"), also known as the CenturyTel, Inc. Retirement Committee, shall serve as the Administrator, as defined in ERISA Section 3(16)(A). The Committee is also the Named Fiduciary, as defined in ERISA Section 402(a)(2), except where the Participant is the Named Fiduciary. The Committee shall be charged with the full power and the responsibility for administering the Plan in accordance with the terms and delegations stated in the Plan and the Charter of the CenturyTel Retirement Committee (the "Charter"), except as the Board of Directors of the Company shall otherwise expressly determine.

12.2 **Duties and Responsibilities of Fiduciaries** . A fiduciary to the Plan shall have only those specific powers, duties, responsibilities and obligations as are explicitly given him under the Charter, Plan and Trust Agreement and shall not be responsible for any act or failure to act of another fiduciary. In general, the Employer shall have the sole responsibility for making contributions to the Plan required under Article III of the Plan, appointing the Trustee and the members of the Committee, and determining the funds available for investment under the Plan. The Committee shall have the sole responsibility for the administration of the Plan, as more fully described in Section 12.3 of the Plan.

12.3 **Powers and Responsibilities of the Plan Administrator** .

(a) Administration of the Plan . The Committee shall have the responsibility for the management of the Plan and shall have the sole, final and absolute right to reconcile any inconsistency in the Plan, to interpret and construe the provisions of the Plan in all particulars, in such manner and to such extent as it deems proper, and to make all decisions and determinations necessary under the Plan. In addition, the Committee shall have the following powers, rights, and duties:

(1) The Committee may adopt suitable rules and regulations for the administration of the Plan.

(2) Decisions of the Committee may be conveyed to third persons by any of its members. Third persons shall be entitled to assume that the decision so conveyed is given with the consent of the majority of the Committee.

(3) The Committee shall cause to be kept all such records and other data as may be necessary for the performance of its duties.

(4) The members of the Committee shall serve without compensation for their services as such. The Committee and the members thereof shall be free of any liability, joint or several, for their acts or failures to act as members or officers of such Committee in connection with this Plan, except that any member of the Committee shall be liable for his own willful misconduct or gross negligence.

(5) The Committee shall not exercise any powers conferred upon it in such a way as to result in discrimination in favor of any Participant who is a Highly-Compensated Employee.

(b) Records and Reports . The Committee shall be responsible for maintaining sufficient records to reflect the Compensation of each Participant for purposes of determining the amount of contributions that may be made by or on behalf of the Participant under the Plan. The Committee shall be responsible for submitting all required reports and notification relating to the Plan to Participants or their Beneficiaries, the Internal Revenue Service, and the Department of Labor.

(c) Furnishing Trustee with Instructions . The Committee shall be responsible for furnishing the Trustee with written instructions regarding all contributions to the Trust, all distributions to Participants and all loans to Participants. In addition, the Committee shall be responsible for furnishing the Trustee with any further information respecting the Plan which the Trustee may request for the performance of its duties or for the purpose of making any returns to the Internal Revenue Service or Department of Labor as may be required of the Trustee under the terms of the Trust Agreement.

(d) Rules and Decisions . The Committee may adopt such rules as it deems necessary, desirable or appropriate in the administration of the Plan. All rules and decisions of the Committee shall be applied uniformly and consistently to all Participants in similar circumstances. When making a determination of calculation, the Committee shall be entitled to rely upon information furnished by a Participant or Beneficiary, the Employer, and the legal counsel of the Employer or the Trustee.

(e) Application and Forms for Benefits . The Committee may require a Participant or Beneficiary to complete and file with it an application for a benefit, and to furnish all pertinent information requested by it. The Committee may rely upon all such information so furnished to it, including the Participant's or Beneficiary's current mailing address.

12.4 **Allocation of Duties and Responsibilities .** The Committee may by written instrument allocate among its members or employees any of its duties and responsibilities not already allocated under the Charter or Plan or may carry out any of the Committee's duties and responsibilities under the Plan. Any such duties or responsibilities thus allocated must be described in the written instrument. If a person other than an Employee of the Employer is so designated, such person must acknowledge in writing his acceptance of the duties and responsibilities allocated to him.

12.5 **Expenses** . Except as provided below, the Employer shall pay all expenses authorized and incurred by the Plan in the administration of the Plan (including Trustee's fees) except to the extent such expenses are paid from the Trust. The Committee may direct the Trustee to charge reasonable administrative expenses of the Plan to Participants' Accounts, including but not limited to fees to process domestic relations orders, but only to the extent that the Committee has determined that such charges to Participants' Accounts are consistent with ERISA and interpretative guidance thereunder issued by the DOL.

12.6 **Liabilities** . The Committee and each person to whom duties and responsibilities have been allocated pursuant to Section 12.4 of the Plan may be indemnified and held harmless by the Employer with respect to any alleged breach of responsibilities performed or to be performed hereunder.

12.7 **Claims Procedure** .

(a) Filing a Claim . Any Participant or Beneficiary under the Plan may file a written claim for a Plan benefit with the Committee or with a person named by the Committee to receive claims under the Plan.

(b) Notice of Denial of Claim . In the event of a denial or limitation of any benefit or payment due to or requested by any Participant or Beneficiary under the Plan ("Claimant"), Claimant shall be given a written notification containing specific reasons for the denial or limitation of his benefit. The written notification shall contain specific reference to the pertinent Plan provisions on which the denial or limitation of his benefit is based. In addition, it shall contain a description of any other material or information necessary for the Claimant to perfect a claim, and an explanation of why such material or information is necessary. The notification shall further provide appropriate information as to the steps to be taken if the Claimant wishes to submit his claim for review. This written notification shall be given to a Claimant within 90 days after receipt of his claim by the Committee unless special circumstances require an extension of time for processing the claim. If such an extension of time for processing is required, written notice of the extension shall be furnished to the Claimant prior to the termination of said 90-day period, and such notice shall indicate the special circumstances which make the postponement appropriate.

(c) Right of Review . In the event of denial or limitation of his benefit, the Claimant or his duly authorized representative shall be permitted to review pertinent documents and to submit to the Committee issues and comments in writing. In addition, the Claimant or his duly authorized representative may make a written request for a full and fair review of his claim and its denial by the Committee; provided, however, that such written request must be received by the Committee (or its delegate to receive such requests) within 60 days after receipt by the Claimant of written notification of the denial or limitation of the claim. The 60-day requirement may be waived by the Committee in appropriate cases.

(d) Decision on Review . A decision shall be rendered by the Committee within 60 days after the receipt of the request for review, provided that where special circumstances require an extension of time for processing the decision, it may be postponed on written notice to the Claimant (prior to the expiration of the initial 60-day period) for an additional 60 days after the receipt of such request for review. Any decision by the Committee shall be furnished to the Claimant in writing and shall set forth the specific reasons for the decision and the specific Plan provisions on which the decision is based.

(e) Court Action . No Participant, Beneficiary or other Claimant shall have the right to seek judicial review of a denial of benefits, or to bring any action in any court to enforce a claim for benefits prior to filing a claim for benefits or exhausting his rights to review under this Section 12.7.

(f) Notification . The Committee shall provide a Claimant with written or electronic notification. Electronic notification must comply with the standards imposed by 29 CFR 2520.104b-1(c)(1)(i), (ii), (iii), and (iv).

ARTICLE XIII
AMENDMENT, TERMINATION AND MERGER

13.1 **Amendments** .

(a) The Employer expressly reserves the right to amend this Plan and Trust at any time and from time to time, and to any extent and in any manner that the Employer may deem advisable. The Board of Directors delegates to the Committee the right to amend the Plan and Trust to comply with changes in laws and regulations governing them. The Board also delegates to the Committee to right to incorporate prior amendments authorized by the Board or adopted by the Committee and current amendments adopted by the Committee into one Plan and Trust. Each amendment shall be authorized by the Committee and shall be set forth in an instrument in writing executed on behalf of the Employer by any one member of the Committee.

(b) No amendment to the Plan (a) shall have the effect of vesting in the Employer any interest in the Trust; or (b) shall cause or permit the Trust or any part thereof to be diverted to purposes other than the exclusive benefit of the present or future Participants and their Beneficiaries and Alternate Payees; or (c) shall increase the duties or obligations of the Trustee without its written consent.

13.2 **Plan Termination: Discontinuance of Employer Contributions** .

(a) The Employer has established the Plan with the bona fide intention and expectation that from year to year it will make its contributions to the Trust under the Plan as herein provided. However, the Employer is not and shall not be under any obligation or liability whatsoever to continue its contributions or to maintain the Plan for any given length of time, and the Employer reserves the right, in its sole and absolute discretion, to terminate the Plan at any time without any liability whatsoever to any Employee, Participant, Beneficiary or Alternate Payee for such termination.

(b) Upon the complete or partial termination of the Plan or the complete discontinuance of Employer contributions under the Plan, the Accrued Benefit of all active Participants affected thereby shall become fully vested and nonforfeitable, and the Committee shall direct the Trustee to distribute assets remaining in the Trust, after payment of any expenses properly chargeable thereto, to Participants or their Beneficiaries.

13.3 **Successor Employer** . In the event of the dissolution, merger, consolidation or reorganization of the Employer, provision may be made by which the Plan and Trust shall be continued by a successor Employer, in which case such successor Employer shall be substituted for the Employer under the Plan. The substitution of the successor Employer shall constitute an assumption of Plan liabilities by the successor Employer, and the successor Employer shall have all powers, duties and responsibilities of the Employer under the Plan.

13.4 **Merger, Consolidation or Transfer** . The Plan may be merged or consolidated with, or its assets and liabilities may be transferred to, any other plan only if the benefits which would be received by a Participant in the event of a termination of the Plan immediately after such transfer, merger or consolidation are at least equal to the benefits such Participant would have received if the Plan had terminated immediately prior to the transfer, merger or consolidation.

ARTICLE XIV
MISCELLANEOUS PROVISIONS

14.1 **Exclusive Benefit of Participants and Beneficiaries** .

(a) All assets of the Trust shall be retained for the exclusive benefit of Participants and their Beneficiaries, and shall be used only to pay benefits to such persons or to pay reasonable fees and expenses of the Trust and of the administration of the Plan. The assets of the Trust shall not revert to the benefit of the Employer, except as otherwise specifically provided in Section 14.1(b) of the Plan.

(b) Contributions to the Trust under this Plan are subject to the following conditions:

(1) If a contribution or any part thereof is made to the Trust by the Employer under a mistake of fact, such contribution or part thereof shall be returned to the Employer within one year after the date the contribution is made;

(2) Contributions to the Trust are specifically conditioned on their deductibility under Section 404 of the Code and, to the extent a deduction is disallowed for any such contribution, such amount shall be returned to the Employer within one year after the date of the disallowance of the deduction.

14.2 **Nonguarantee of Employment** . Nothing contained in this Plan shall be construed as a contract of employment between the Employer and any Employee, or as a right of any Employee to be continued in the employment of the Employer, or as a limitation of the right of the Employer to discharge any of its Employees, with or without cause.

14.3 **Rights to Trust Assets** . No Employee, Participant or Beneficiary shall have any right to, or interest in, any assets of the Trust upon termination of employment or otherwise, except as provided under the Plan. All payments of benefits under the Plan shall be made solely out of the assets of the Trust.

14.4 **Nonalienation of Benefits .** Except as provided under Article IX of the Plan, with respect to Plan loans, benefits payable under the Plan shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, charge, garnishment, execution or levy of any kind, voluntary or involuntary; provided, however, that the Committee shall not be hereby precluded from complying with a qualified domestic relations order described in Section 414(p) of the Code. Any attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber, charge or otherwise dispose of any right to benefits payable hereunder shall be void. The Trust shall not in any manner be liable for, or subject to, the debts, contracts, liabilities, engagements or torts of any person entitled to benefits hereunder.

14.5 **Gender** . The use of the masculine pronoun shall extend to and include the feminine gender wherever appropriate, the use of the singular shall include the plural and the use of the plural shall include the singular wherever appropriate.

14.6 **Titles and Headings** . The titles or headings of the respective Articles and Sections are inserted merely for convenience and shall be given no legal effect.

THUS DONE AND SIGNED THIS 22nd day of December, 2006.

CENTURYTEL, INC.

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

APPENDIX A
GROUP A PARTICIPANTS, EMPLOYERS AND
EMPLOYER MATCH CONTRIBUTIONS

Group A Participants participate in this Plan (or participated in the Group Incentive Plan or Telephone USA Union Plan) pursuant to collective bargaining agreements between the following Employers and Communications Workers of America ("CWA") or International Brotherhood of Electrical Workers ("IBEW") union locals, at the following Employer Match Contribution levels:

Employer	**Union Local #**	**Match (as % of First 6% of Compensation deferred as an Elective Deferral**
CenturyTel of Alabama LLC	CWA 3971 CWA 3972 CWA 3974	82% 82% 82%
CenturyTel of Central Wisconsin	CWA 4671 CWA 4672 CWA 4674	70% 70% 70%
Telephone USA of Wisconsin LLC	CWA 4675	70%
CenturyTel of Northwest Arkansas LLC	CWA 6171 (NW)	70% 70%
CenturyTel of Central Arkansas LLC	CWA 6171	70% 70%
CenturyTel Holdings Missouri, Inc.	CWA 6301 CWA 6310 CWA 6311 CWA 6312 CWA 6373	82% 82% 82% 82% 82%
CenturyTel of Missouri LLC	IBEW 257	70%
CenturyTel of Washington, Inc.	CWA 7818 IBEW 89	60% 60%
CenturyTel of Oregon, Inc.	IBEW 89	60%
CenturyTel of Oregon, Inc. (except for Aurora, Knappa and Scappose areas	CWA 7906 IBEW 89	60% 60%
CenturyTel of Eastern Oregon, Inc. (except Chiloquin and Lakeview areas)	CWA 7906	60% 60%
CenturyTel of Upper Michigan, Inc.	IBEW 1106	66%
CenturyTel. of Montana	IBEW 768	60%

APPENDIX B
GROUP B PARTICIPANTS, EMPLOYERS AND
EMPLOYER MATCH CONTRIBUTIONS

Group B Participants participate in this Plan (or participated in the Retirement Savings Plan) pursuant to collective bargaining agreements between the following Employers and the Communications Workers of America ("CWA") union locals, at the following Employer Match Contribution levels:

Employer	**Union Local #**	**Match (as % of first 6% of Compensation Deferred as an Elective Deferral**
CenturyTel of Ohio, Inc.	CWA 4370	60%

Exhibit 10.1(c)

CENTURYTEL RETIREMENT PLAN

As Amended and Restated effective December 31, 2006

CenturyTel, Inc. (the "Company") previously established the CenturyTel Retirement Plan ("Plan") for the exclusive benefit of eligible employees of the Company and other adopting employers, and last amended and restated the Plan on February 28, 2002. The Plan provides benefits for Employees of the Company and adopting employers and former employees of other companies which were acquired by the Company directly or indirectly. Effective December 31, 2006, the CenturyTel, Inc. Plan for Salaried Employees' Pensions ("Salaried Plan"), the CenturyTel, Inc. Plan for Hourly-Paid Employees' Pensions ("Hourly Plan") and the CenturyTel, Inc. Pension Plan for Bargaining Unit Employees ("Ohio Plan") (collectively "Constituent Plans") were merged into the Plan. Effective December 31, 2006, the Constituent Plans and the Plan constitute a single plan under Code Section 414(l), and all of the assets of the former Constituent Plans and the Plan held by all Trusts under the Plan shall be available to pay all benefits under the Plan. The benefits for certain employees of certain Affiliates and Adopting Entities and benefits attributable to transfers of assets from the Constituent Plans and other plans to this Plan are determined in accordance with Schedules 6.1(f)-1 through 6.1(f)-4. Where a provision of the Plan is superceded or modified by a provision in the Hourly, Salaried or Ohio Plan portions of the Plan (for Participants receiving a benefit under such portions of the Plan), the following notations are included at the end of the applicable section of the Plan: ∑ (Salaried Plan), # (Hourly Plan), or Ω (Ohio Plan).

The provisions of the Plan and Trust relating to the Trustee constitute the trust agreement which is entered into by and between CenturyTel, Inc., the adopting employers and Prudential Bank & Trust FSB. The Trust is intended to be tax exempt, pursuant to Code Section 501(a).

The Plan is intended to comply with the qualification requirements of the Economic Growth and Tax Relief Reconciliation Act of 2001 ("EGTRRA"), and other legal and regulatory changes since the last restatement, including requirements to adopt "good faith" amendments applicable to Cycle A filers in IRS Notice 2005-101, and is intended to comply in operation therewith. To the extent that the Plan, as set forth below, is subsequently determined to be insufficient to comply with such requirements and any regulations issued, the Plan shall later be amended to so comply.

The Plan constitutes an amendment and restatement of the CenturyTel Retirement Plan and each Constituent Plan, effective December 31, 2006, unless stated otherwise herein.

Table of Contents

ARTICLE I
EFFECTIVE DATE AND APPLICATION

1.1 **Effective Date** . The effective date of this Amendment and Restatement of the Plan shall be December 31, 2006, except as otherwise indicated in specific Sections hereof.

1.2 **Qualification** . It is the intention of the Company that the Plan shall satisfy the requirements of ERISA, that the Plan shall be qualified under Section 401(a) of the Code, and that the Trust established under the Plan shall be exempt from taxation under Section 501(a) of the Code. If the Commissioner of Internal Revenue determines that the Plan as restated does not qualify under Section 401(a) of the Code, the Plan may be retroactively amended to so qualify.

1.3 **Sponsoring and Adopting Employers** . The Company is the adopting sponsor of the Plan. Any Affiliate or Adopting Entity approved by the Company may also adopt the Plan, by a statement in writing, signed by the Affiliate or Adopting Entity and approved by the Company. The statement shall include the effective date of adoption of the Plan by the adopting Affiliate or Adopting Entity and may include any special provisions applicable only to employees of such adopting Affiliate or Adopting Entity.

1.4 **Incorporation of Trust Agreement** . The Trust Agreement(s) established under the Plan shall be incorporated into, and made a part of, the Plan in accordance with Section 9.2.

ARTICLE II
DEFINITIONS

The following terms, when used with an initial capital letter in this Plan, shall have the following meanings unless the context clearly requires a different meaning.

2.1 **Accrued Benefit** means, for any Participant as of any determination date, the amount of monthly retirement income (whether or not vested) that would be payable to the Participant as a Single Life Annuity at his Normal Retirement Date in accordance with the provisions of Section 6.1, based on the Participant's Credited Service and Final Average Pay as of the date of determination. **Σ # Ω**

2.2 **Actuarial Equivalency** or **Actuarial Equivalent** means a benefit under which the present value of the expected payments is equal to the present value of the expected benefit otherwise payable under the Plan, determined on the basis of the following mortality and interest assumptions:

Mortality:	UP - 1984 Morality Table
Interest Rate:	8% per annum

For all such determinations to be made on or after January 1, 2007 with respect to both pre-2007 and post-2006 benefit accruals, use the following mortality and interest assumptions:

Participant mortality: RP2000 Combined Healthy Mortality projected to 2010 using Projection Scale AA, using blend of 70% male rates and 30% female rates.

Beneficiary mortality: RP2000 Combined Healthy Mortality projected to 2010 using Projection Scale AA, using blend of 30% male rates and 70% female rates.

Interest rate: 8% per annum

Notwithstanding the foregoing, for determinations of lump sum amounts and for purposes of Section 7.7(e), interest shall be the annual rate of interest on 30 year Treasury securities for the September preceding the year in which the lump sum amount is paid and mortality shall be as provided in the mortality table prescribed by the Commissioner of Internal Revenue under Section 417(e)(3)(A)(ii)(I) of the Internal Revenue Code.

For valuing benefits accrued on or before December 31, 1987, the Consumer Price Index shall be assumed to increase at least two percent (2%) per annum.

When the term **Actuarial Value** is used herein, it shall mean the present value of a benefit computed using the factors and assumptions provided in this Section 2.2.

If the actuarial factors for determining equivalent benefits are changed by Plan amendment, the benefit actually paid in any form shall not be less than the amount determined for the same form by applying the prior factors to the Participant's Accrued Benefits as of the date the change is adopted or is effective, whichever is later.

Notwithstanding any other Plan provision to the contrary, effective for distributions with annuity starting dates on or after January 1, 2003, the applicable mortality table used for purposes of adjusting any benefit or limitation under Code Section 415(b)(2)(B), (C), or (D) set forth in this Plan and the applicable mortality table used for purposes of satisfying the requirements of Code Section 417(e) set forth in this Plan is the table prescribed in IRS Revenue Ruling 2001-62. **Ω**

2.3 **Adopting Entity** means an entity that, with approval of the Company, adopts this Plan for the benefit of its eligible employees.

2.4 **Affiliate** means:

(a) any corporation that is a member of a controlled group of corporations (as defined in Section 1563(a) of the Code, without regard to Sections 1563(a) (4) and 1563(e)(3)(C) of the Code) with the Company;

(b) any unincorporated business under common control with the Company, as determined under Section 414(c) of the Code and, to the extent not inconsistent therewith, under such rules as may be adopted by the Board;

(c) a member of any affiliated service group that includes the Company, as determined under Section 414(m) of the Code; or

(d) except to the extent otherwise provided in Treasury Regulations, a leasing organization with respect to the periods of service performed by any individual who is a leased employee (within the meaning of Section 414(n) of the Code) with respect to an Affiliate (determined without regard to this paragraph (e)) or any related person (within the meaning of Section 144(a)(3) of the Code).

A corporation, unincorporated business, or other organization shall qualify as an Affiliate only with respect to the period during which it satisfies one or more of the applicable descriptions in paragraphs (a) through (d), above. Except as otherwise specifically provided in the Plan, the employment of an individual with an Affiliate for purposes of the Plan shall not include any period with respect to which the corporation, unincorporated business, or other organization constituting the Affiliate fails to satisfy one or more of the applicable descriptions in paragraphs (a) through (d), above, and an individual's employment with an Affiliate shall be considered terminated for purposes of the Plan no later than the date on which the corporation, unincorporated business, or other organization constituting the Affiliate ceases to satisfy any of the applicable descriptions in paragraphs (a) through (d), above. Paragraphs (c) and (d), above, shall apply solely for purposes of determining an individual's Eligibility Service and Vesting Service, and shall not apply for any other purpose under the Plan, including, without limitation, for purposes of determining his Credited Service.

2.5 **Alternative Joint and Survivor Annuity** means an optional form of benefit payment provided under Section 7.7(a), which may be elected by a Participant (with Spousal consent) pursuant to Section 7.3.

2.6 **Annuity Starting Date** has the same meaning as in Code Section 417(f), i.e., the first day of the first period for which an amount is payable as an annuity or, in the case of a benefit not payable in the form of an annuity, the first day on which all events have occurred which entitle the Participant to payment of such benefit.

2.7 **Beneficiary** means any individual designated by a Participant or former Participant to receive a benefit under the Plan after the death of the Participant or former Participant.

2.8 **Benefit Computation Period** means the period determined under Section 4.3(a).

2.9 **Board** means the Board of Directors of the Company, the executive committee of the Board, and any other committee of the Board authorized to act on its behalf.

2.10 **Break in Service** means a Computation Period in which an Employee fails to complete more than five hundred (500) Hours of Service with the Employer. **Ω**

2.11 **Code** means the Internal Revenue Code of 1986, as amended.

2.12 **Committee** means the CenturyTel Retirement Committee, also known as the CenturyTel, Inc. Retirement Committee, which is the committee appointed by the Board or the Compensation Committee of the Board to administer the Plan pursuant to Article X.

2.13 **Company** means CenturyTel, Inc.

2.14 **Compensation** means the sum of (a) and (b), as adjusted under (c), (d), and (e) and after applying the provisions of (f) as determined on the basis of the amounts actually paid to or for the benefit of a Participant during a calendar month while actively employed:

(a) All nondeferred compensation reportable on Form W-2 except the following:

(1) overtime or premium pay.

(2) Imputed income from expense reimbursements or fringe benefits.

(3) Prizes and awards (such as employee recognition awards and safety awards).

(4) Payment for termination of employment (such as retirement bonuses, disability benefits and severance pay).

(5) Long-term incentive compensation (such as stock options, restricted stock and stock appreciation rights).

(b) Salary reduction amounts elected by the Participant under a qualified cash or deferred arrangement or a cafeteria plan.

(c) During periods of reduced compensation because of such causes as illness, disability or leave of absence, compensation shall be figured at the last regular rate before the start of the period.

(d) For Plan Years beginning prior to December 31, 2001, the maximum amount of annual compensation taken into account for any year for a Participant shall be $150,000 plus any cost-of-living adjustment authorized for the year by applicable regulations. For the Plan Years beginning before January 1, 1997, for purposes of this limit, the following shall apply to any Participant who is a highly compensated employee (as defined in Internal Revenue Code Section 414(q) and related Treasury Regulations) and is either a five percent owner or one of the 10 highest paid employees:

(1) The Participant's compensation shall be aggregated with any compensation paid by the Employer to the Participant's spouse and to the Participant's lineal descendants under age 19.

(2) If the $150,000 limit is exceeded in the aggregate, pay counted for each aggregated employee shall be reduced pro rata to stay within the limit.

For Plan Years beginning after December 31, 2001, the annual compensation of each Participant taken into account in determining allocations for any Plan Year beginning after December 31, 2001, shall not exceed $200,000 as adjusted for cost-of-living increases in accordance with Code Section 401(a)(17)(B) (for 2007, the limit is $225,000). Annual compensation means compensation during the Plan Year or such other consecutive 12-month period over which compensation is otherwise determined under the Plan (the determination period). The cost-of-living adjustment in effect for a calendar year applies to annual compensation for the determination period that begins with or within such calendar year.

(e) The reduction in the maximum compensation under (d) shall be made by providing a Participant with the greater of the following (formula with extended wear-away):

(1) The Participant's benefit accrued under the Plan as of December 31, 1993 based on compensation up to the maximum permitted amount of compensation in each earlier year, plus the benefit accrued on the basis of service after that date and on compensation at the reduced level.

(2) The Participant's benefit accrued on the basis of service before and after December 31, 1993 and on compensation at the reduced level.

(f) For purposes of the definition of compensation contained in this Section 2.14, and Sections 5.7 and 16.2(c) of the Plan, compensation paid or made available during such years shall include elective amounts that are not includable in the gross income of the Employee by reason of Code Sections 125 or 132(f).

2.15 **Computation Period** means an Eligibility Computation Period, Vesting Computation Period or Benefit Computation Period, as is appropriate in the context in which used. Years of Service and Breaks in Service will be measured on the same Computation Period (Eligibility, Vesting or Benefit, as applicable).

2.16 **Constituent Plans** means the Hourly Plan, the Salaried Plan, and the Ohio Plan.

2.17 **Credited Service** means the number of Years of Credited Service credited to a Participant for benefit accrual purposes pursuant to Section 4.3.

2.18 **Disability or Disabled** means the total disability of an Employee as evidenced by the Employee's inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or to last for a continuous period of at least twelve (12) months. An Employee shall only be considered disabled after proof of such disability satisfactory to the Employer is furnished (which proof shall include a determination of approval for Social Security disability benefits or, if such is not available, a written statement of a licensed physician appointed or approved by the Employer).

2.19 **Early Retirement Date** means any date prior to his Normal Retirement Date on which an Employee actually retires or is retired pursuant to Section 5.2.

2.20 **Eligibility Computation Period** means the period determined under Section 4.1(a).

2.21 **Eligible Employee** means an Employee described in Section 3.1.

2.22 **Employee** means any person regularly employed by the Employer, including employees of any other employer required to be aggregated with the Employer under Section 414(b), (c), (m) or (o) of the Code. The term Employee shall not include any leased employee deemed to be an employee of the Employer as provided in Sections 414(n) or (o) of the Code, any owner-employee, as defined in Code Section 401(c)(3), or any self-employed individual, as defined in Code Section 401(c)(1).

The term Employee shall not include an individual who is retained by the Employer pursuant to a contract or agreement that specifies that the individual is not eligible to participate in the Plan, an individual whose basic compensation for services rendered is not paid by or on behalf of the Employer, or an individual who is not classified as a common-law employee by the Employer, regardless of any subsequent reclassification of such individual as a "common-law employee" of the Employer by the Employer, any governmental agency, or any court. **Σ # Ω**

2.23 **Employer** means the Company, any Affiliate that has adopted the Plan, and any Adopting Entity. This Plan is a single plan maintained by multiple employers in which all of the Plan assets are available to pay benefits for all Participants in the Plan. **Ω**

2.24 **ERISA** means the Employee Retirement Income Security Act of 1974, as amended.

2.25 **Final Average Pay** means, effective January 1, 2007, the Participant's average Monthly Compensation over the sixty (60) consecutive full calendar months of highest Monthly Compensation in the last one hundred twenty (120) full calendar months of employment with the Employer. Months separated by a period when the Employee is not in such employment shall be treated as consecutive. If an Employee has fewer than sixty (60) months of compensation, all months shall be used. Notwithstanding the above, the month in which a Participant is hired and the month in which a Participant terminates shall be counted as a full calendar month for purposes of computing the last 120 full calendar months, and, if either of such months is or both of such months are among the 60 consecutive months of highest Monthly Compensation, such month or months shall be counted among the 60 consecutive full calendar months. For purposes of computing Final Average Pay, Compensation for Employees of CenturyTel, Inc., any Affiliate or any Adopting Entity (not including former employees of Pacific Telecom, Inc. who became employees of CenturyTel, Inc. or an Affiliate thereof as of the date of acquisition of Pacific Telecom, Inc. by CenturyTel, Inc. or an Affiliate thereof) shall only be counted beginning with the 1999 Plan Year. Final Average Pay (formerly known as Final Average Compensation) prior to January 1, 2007 is defined in previous Plan documents.

2.26 **Hour of Service** means:

(a) Each hour for which an Employee is compensated by the Employer, or is entitled to be so compensated, for service rendered by him to the Employer. These hours will be credited to the Employee for the computation period in which the duties are performed.

(b) Each hour for which an Employee is compensated by the Employer, or is entitled to be so compensated, on account of a period of time during which no services are rendered by him to the Employer (irrespective of whether the employment relationship has terminated) due to vacation, holiday, illness, incapacity (including disability), layoff, jury duty, military duty or leave of absence. No more than five hundred and one (501) Hours of Service shall be credited pursuant to this subparagraph (b) on account of any single continuous period during which an Employee renders no services to the Employer (whether or not such period occurs in a single computation period). Hours under this paragraph will be calculated and credited pursuant to Section 2530.200b-2 of the Department of Labor Regulations, which are incorporated herein by this reference.

(c) Each hour for which back pay, without regard to mitigation of damages, has been awarded or agreed to by the Employer. The same Hours of Service shall not be credited both under subparagraph (a) or subparagraph (b), whichever shall be applicable, and also under this subparagraph (c). The hours will be credited to the Employee for the computation period or periods to which the award or agreement pertains rather than the computation period in which the payment is made.

An Employee whose compensation is not determined on an hourly basis or for whom hourly employment records are not maintained shall be credited with forty-five (45) Hours of Service per week.

Hours of Service will be credited for eligibility, participation and vesting purposes for employment with other members of an affiliated service group (under Section 414(m) of the Code), a controlled group of corporations (under Section 414(b) of the Code), or a group of trades or businesses under common control (under Section 414(c) of the Code), of which the Employer is a member, and any other entity required to be aggregated with the Employer pursuant to Section 414(o) of the Code and the regulations thereunder. Hours of Service for purposes of determining Years of Credited Service shall only include Hours of Service with the Employer. Hours of Service will be credited for eligibility, participation and vesting purposes for periods during which an Eligible Employee is on Layoff or a Leave of Absence. Hours of Service will also be credited for any individual considered an Employee under Section 414(n) or (o) of the Code, and regulations thereunder.

Solely for purposes of determining whether a Break in Service for participation and vesting purposes has occurred in a computation period, an individual who is absent from work for maternity or paternity reasons shall receive credit for the Hours of Service that would otherwise have been credited to such individual but for such absence, or in any case in which such hours cannot be determined, eight (8) Hours of Service per day of such absence. For purposes of this paragraph, an absence from work for maternity or paternity reasons means an absence (i) by reason of the pregnancy of the individual, (ii) by reason of a birth of a child of the individual, (iii) by reason of the placement of a child with the individual in connection with the adoption of such child by such individual, or (iv) for purpose of caring for such child for a period beginning immediately following such birth or placement. The Hours of Service credited under this paragraph shall be credited only (i) in the computation period in which the absence begins if the crediting is necessary to prevent a Break in Service in that period, or (ii) in all other cases, in the following computation period. **Σ**

2.27 **Hourly Plan** means the CenturyTel, Inc. Plan for Hourly-Paid Employees' Pensions, which was merged into the Plan effective December 31, 2006. Special provisions set forth in Schedule 6.1(f)-3 govern the accrued benefits as of December 31, 2006 of Nonrepresented Participants (as defined in such Schedule) who were active Participants in the Hourly Plan on or before December 31, 2006, and all benefits of Represented Participants (as defined in such Schedule) who were active Participants in or who will become Participants in the Hourly Portion of the Plan on January 1, 2007 and new Represented Participants in the Hourly Plan portion of the Plan. Where a Section of the Plan is superceded by a provision in the Hourly Plan portion of the Plan, the **#** symbol will be present at the end of such section of the Plan. The provisions of the Plan shall not increase or duplicate benefits provided by the Hourly Plan portion of the Plan.

2.28 **Layoff** means the termination of employment due to the reduction of the Employer's work force. An Employee shall continue as laid off until (i) the Employee retires, dies or resumes employment at the request of the Employer, (ii) the Employer notifies the Employee that employment has been terminated, (iii) the Employee elects to terminate employment, or the employee fails to return to work when recalled, or (iv) twelve (12) months have elapsed since the date of the Layoff. Termination of a Layoff under (ii), (iii) or (iv) above, shall be effective as of the date of the Layoff.

2.29 **Leave of Absence** means (i) a leave authorized by the Employer if the Employee returns within the time prescribed by the Employer and otherwise fulfills all the conditions of the leave imposed by the Employer, (ii) absence because of Disability, or (iii) periods of military service if the Employee returns with employment rights protected by law. If a person on Leave of Absence fails to meet the conditions of the leave or fails to return to work when required, employment shall terminate and termination of the Leave of Absence shall be effective as of the date the leave began unless the failure is due to death or retirement. In authorizing Leaves of Absence, the Employer shall treat all Employees similarly situated alike as much as possible.

2.30 **LTD Plan** means the CenturyTel, Inc. Long-Term Disability Plan.

2.31 **Monthly Compensation** means the actual Compensation paid to or for the benefit of a Participant during a calendar month. **Σ #**

2.32 **Normal Form** means the form of benefit payable to a Participant pursuant to Section 7.2 of this Plan.

2.33 **Normal Retirement Age** means age sixty-five (65). **Σ #**

2.34 **Normal Retirement Date** means the first day of the calendar month coinciding with or following the date the Participant attains Normal Retirement Age.

2.35 **Ohio Plan** means the CenturyTel, Inc. Pension Plan for Bargaining Unit Employees, which was merged into the Plan effective December 31, 2006. Special provisions within Schedule 6.1(f)-4 apply to any Participants who were active Participants in the Ohio Plan on or before December 31, 2006 who become Participants in the Plan on or after January 1, 2007 and to continuing Participants and new Participants in the Ohio Plan portion of the Plan. Where a section of the Plan is superceded by a provision in the Ohio Plan portion of the Plan, the **Ω** symbol will be present at the end of such section of the Plan. The provisions of the Plan shall not increase or duplicate benefits provided by the Ohio Plan Portion of the Plan.

2.36 **Participant** means an Employee participating in the Plan in accordance with the provisions of Article III. **#**

2.37 **Plan** means the CenturyTel Retirement Plan.

2.38 **Plan Administrator** means the Committee.

2.39 **Plan Year** means the calendar year, except that the first Plan Year with respect to each Employer shall mean the period from the Effective Date with respect to such Employer to December 31 of such year.

2.40 **Prior Plan** means the Pacific Telecom Retirement Plan. **Σ # Ω**

2.41 **Qualified Domestic Relations Order or QDRO** means a "qualified domestic relations order" within the meaning of ERISA Section 206(d).

2.42 **Qualified Joint and Survivor Annuity or QJSA** means, for any Participant who has a Spouse at his retirement date, an annuity payable monthly for the lifetime of the Participant and a survivor annuity payable monthly to the Spouse (if living) upon the Participant's death that is fifty-percent (50%) of the amount of the annuity payable during the lifetime of the Participant.

2.43 **Required Beginning Date** means

(a) General Rule . The required beginning date of a Participant is the later of the April 1 of the calendar year following the calendar year in which the Participant attains age 70 ½ or retires except that benefit distributions to a 5-percent owner must commence by the April 1 of the calendar year following the calendar year in which the Participant attains age 70 ½.

(b) Deferral or Cessation of Distributions .

(1) Any Participant attaining age 70 ½ in years after 1995 may elect by April 1 of the calendar year following the year in which the Participant attained age 70 ½ (or by December 31, 1997 in the case of a Participant attaining age 70 ½ in 1996) to defer distributions until the calendar year following the calendar year in which the Participant retires. If no such election is made the Participant will begin receiving distributions by the April 1 of the calendar year following the year in which the Participant attained age 70 ½ (or by December 31, 1997 in the case of a Participant attaining age 70 ½ in 1996).

(2) Any Participant attaining age 70 ½ in years prior to 1997 may elect to stop distributions and recommence by the April 1 of the calendar year following the year in which the Participant retires. There will be a new annuity starting date upon recommencement.

(c) 5-Percent Owner . A Participant is treated as a 5-percent owner for purposes of this Section if such Participant is a 5-percent owner as defined in Section 416 of the Code at any time during the Plan Year ending with or within the calendar year in which such owner attains age 70 ½.

(d) Distributions Begun . Once distributions have begun to a 5-percent owner under this Section, they must continue to be distributed, even if the Participant ceases to be a 5-percent owner in a subsequent year.

2.44 **Salaried Plan** means the CenturyTel, Inc. Plan for Salaried Employees' Pensions, which was merged into the Plan effective December 31, 2006. Special provisions set forth in Schedule 6.1(f)-2 govern the accrued benefits of Participants who were active Participants in the Salaried Plan (as defined in such Schedules) on or before December 31, 2006 and apply only to those benefits that were accrued under the Salaried Plan as of December 31, 2006. Where a section of the Plan is superceded by a provision in the Salaried Plan portion of the Plan, the **Σ** symbol will be present at the end of such section of the Plan. The provisions of the Plan shall not increase or duplicate benefits provided by the Salaried Plan portion of the Plan.

2.45 **Single Life Annuity** means an annuity payable monthly in equal installments for the life of a Participant, which terminates upon the death of the Participant and does not provide any survivor benefits.

2.46 **Social Security Covered Compensation** means the covered compensation amount for a person with the Participant's Social Security retirement age, as determined in accordance with applicable regulations. The Committee may, in its discretion, use a table of Social Security Covered Compensation published by the Internal Revenue Service with rounded amounts.

2.47 **Spouse** means any individual who is the opposite sex of the Participant and who is legally married to a Participant as of any applicable date, provided that a former spouse shall be treated as the spouse of a Participant to the extent provided under a QDRO.

2.48 **Trust Agreement** means the Trust Agreement between CenturyTel, Inc. and Prudential Bank & Trust FSB, as from time to time amended and in effect, and any other or additional trust agreement under the Plan, so designated for such purpose by the Board, between the Company, any adopting Affiliate, or Adopting Entity, and any Trustee at any time acting thereunder. All of the assets held in the Trust created in the Trust Agreement shall be available to pay all benefits under the Plan.

2.49 **Trustee** means the trustee under a Trust Agreement.

2.50 **Vesting Computation Period** means the period determined under Section 4.2(a).

2.51 **Year of Credited Service** means a Benefit Computation Period in which an Employee meets the requirements of Section 4.3(b) and is credited with a Year of Credited Service thereunder.

2.52 **Year of Eligibility Service** means an Eligibility Computation Period in which an Employee meets the requirements of Section 4.1(b) and is credited with a Year of Eligibility Service thereunder.

2.53 **Year of Service** means a Plan Year in which an Employee completes one thousand (1000) or more Hours of Service (whether or not continuous) with the Company or an Adopting Entity. **Ω**

2.54 **Year of Vesting Service** means a Vesting Computation Period in which an Employee meets the requirements of Section 4.2(b) and is credited with a Year of Vesting Service thereunder.

ARTICLE III
ELIGIBILITY AND PARTICIPATION

3.1 **Eligible Employees** . Effective January 1, 2007, any Employee of an Employer shall be eligible to participate in the Plan, except for the following:

(a) Any Employee covered by a collective bargaining agreement that does not provide for participation in this Plan.

(b) A leased employee treated as an employee for pension purposes solely because of Code Section 414(n).

(c) A “casual employee” as categorized in the Employer’s personnel policies, generally including workers who are on call, have no regular established work week and no fixed days or hours of work.

(d) A temporary employee hired specifically to fill temporary or occasional needs.

(e) An employee of CenturyTel, Inc. or an Affiliate who was on disability under the LTD Plan as of January 1, 1999, until such time as the employee returns to active employment.

(f) An employee of an Affiliate or other entity that is not an adopting Affiliate or an Adopting Entity.

(g) Employees of the following Affiliates:

(1) Century Marketing Solutions, LLC;

(2) CenturyTel Interactive Company;

(3) CenturyTel Security Systems, Inc.;

(4) CenturyTel Holdings, Inc; and

(5) CenturyTel Investments of Texas, Inc.

Effective January 1, 1999, the Company became the sponsor of this Plan, and Employees of the Company, any adopting Affiliate, and any Adopting Entity became eligible to participate in this Plan effective January 1, 1999. **Σ # Ω**

3.2 **Requirements for Participation**. To be eligible to participate in the Plan, an Employee must:

(a) Be an Eligible Employee under Section 3.1;

(b) Complete one (1) Year of Eligibility Service, as determined under Section 4.1; and

(c) Attain age twenty-one (21). **# Ω**

3.3 **Effective Time of Participation**. An Eligible Employee who meets the requirements of Section 3.2 shall be a Participant in the Plan as of the first day of the Eligibility Computation Period in which the Employee meets such requirements.

3.4 **Reassignment and Reemployment**. In the event an Employee who is not a member of the eligible class of Employees becomes a member of the eligible class, such Employee shall be eligible to participate immediately.

In the event a Participant is no longer a member of the eligible class of Employees and becomes ineligible to participate, such Employee shall be eligible to participate immediately upon returning to the eligible class of Employees.

A former Participant shall become a Participant immediately upon returning to the employ of the Employer if such former Participant is a member of the eligible class of Employees when re-employed.

3.5 **Waiver of Participation**. The Employer may grant a waiver of participation to any Employee who so requests. Whether or not such waiver shall be granted, and the terms and conditions (including duration) thereof, shall be made in accordance with written and objective rules and shall be applied in a uniform and nondiscriminatory manner.

ARTICLE IV
CREDITING OF SERVICE

4.1 **Eligibility Service** .

(a) A Year of Eligibility Service for purposes of satisfying Section 3.2(b) shall be measured on an employment year, which is the twelve (12) month period starting on the date the Employee first performs an Hour of Service for the Employer, or an anniversary of such date (Eligibility Computation Period).

(b) An Employee shall be credited with a Year of Eligibility Service for each Eligibility Computation Period in which the Employee completes at least one thousand (1000) Hours of Service.

(c) For purposes of computing Years of Eligibility Service, an Employee's service shall also include service credited under Sections 4.6 and 4.7. #

4.2 **Vesting Service** .

(a) For Plan Years ending prior to January 1, 1999, a Year of Vesting Service shall be measured on an employment year, which is the twelve (12) month period starting on the date the Employee first performs an Hour of Service for the Employer, or an anniversary of such date. For Plan Years commencing on or after January 1, 1999, a Year of Vesting Service shall be measured on a Plan Year (Vesting Computation Period).

(b) Subject to the provisions of Section 4.5(c)(1), an Employee shall be credited with a Year of Vesting Service for each Plan Year in which the Employee completes at least one thousand (1000) Hours of Service.

(c) For purposes of computing Years of Vesting Service, an Employee's service shall include service credited under Section 4.6. In the case of an Employee who was enrolled in and met the eligibility and disability requirements of the LTD Plan and who has not retired and become eligible for a disability benefit under this Plan, service shall also include the period of time (i) commencing with the beginning of the disability covered by the LTD Plan and (ii) ending when eligibility for benefits under the LTD Plan ceases. Σ #

4.3 **Credited Service** .

(a) For Plan Years ending prior to January 1, 1999, a Year of Credited Service shall be measured on an employment year, which is the twelve (12) month period starting on the date the Participant first performs an Hour of Service for the Employer, or an anniversary of such date. For Plan Years commencing on or after January 1, 1999, service for purposes of determining an Employee's Years of Credited Service shall be measured on a Plan Year (Benefit Computation Period).

(b) Subject to the provisions of Section 4.5(a), an Employee shall be credited with a full Year of Credited Service for any Plan Year in which he has been credited, for service with the Employer, with at least one thousand (1000) Hours of Service.

(c) In the case of an Employee who was eligible to the participate in the Plan and who was enrolled in and met the eligibility and disability requirements of the LTD Plan, who has not retired and become eligible for a disability benefit under this Plan, and who has completed ten (10) Years of Service, service for purposes of determining an Employee's Years of Credited Service shall also include the period of time (i) commencing with the beginning of the disability covered by the LTD Plan and (ii) ending when eligibility for benefits under the LTD Plan ceases, with his rate of compensation immediately prior to his Disability being deemed to continue during such period for the purpose of computing Final Average Pay.

(d) Subject to the provisions of Section 4.6, service of Employees of CenturyTel, Inc., any adopting Affiliate, and any Adopting Entity (other than former employees of Pacific Telecom, Inc. who became employees of CenturyTel, Inc. or an Affiliate thereof as of the date of acquisition of Pacific Telecom, Inc. by CenturyTel, Inc, or an Affiliate thereof) shall begin to be counted for purposes for computing Years of Credited Service effective January 1, 1999. Such Employees shall not be credited with Years of Credited Service for years beginning before January 1, 1999.

(e) Employees who were Participants in the Salaried Plan or who were Participants who were not covered by a collective bargaining agreement in the Hourly Plan before January 1, 2007 shall not be credited with Years of Credited Service for purposes of computing their basic benefits under Article VI of the Plan for years beginning before January 1, 2007.

(f) Employees who become Participants entitled to accrue basic benefits under Article VI of the Plan on or after January 1, 2007 shall not be credited with Years of Credited Service for purposes of Article VI for periods for which they are credited with years of Credited Service for benefit accrual purposes under the Hourly Plan portion of this Plan or under the Ohio Plan portion of this Plan.

(g) Notwithstanding the foregoing provisions of this Section 4.3, Credited Service shall not include any period of an individual's employment during which the individual is not classified by the Company, an Affiliate or an Adopting Entity as a common-law employee of the Company, an Affiliate, or an Adopting Entity regardless of any subsequent reclassification of such individual as a "common-law" employee of the Company, an Affiliate or an Adopting Entity by the Company, an Affiliate, an Adopting Entity, any governmental agency, or any court. **Σ # Ω**

4.4 **Reemployment after Break in Service** .

(a) When an Employee who does not have a vested interest in his or her benefit under Section 5.6(b) incurs a Break in Service, and thereafter is reemployed by the Employer, and the number of Years of Service before the Break in Service is greater than the number of consecutive Breaks in Service, then the break in the Employee's employment shall be bridged, and there shall be added to the service that has accumulated since his reemployment the aggregate of all previous periods of service that the Employee had prior to the break, provided that the Employee had at least one (1) Year of Service preceding the Break in Service. Years of Service for a vested Employee shall be bridged in the same manner as Years of Service for an Employee who is entitled to bridging of service under the preceding sentence.

(b) Upon retirement or separation from service following the bridging of a Break in Service hereunder, the Employee's benefits under this Plan shall be based on his Final Average Pay and Years of Credited Service both before and after the Break in Service.

(c) Notwithstanding the foregoing, if the application of the bridging of service provisions contained in this Section 4.4 would result in a lower or reduced benefit for a Participant, then the provisions of this Section 4.4 shall not apply to such Participant.

4.5 **Transition Rules and Short and Overlapping Computation Periods** .

(a) For each Computation Period commencing prior to 1999, if a Participant was credited in a Plan Year with less than 2080 of Hours of Service, the Participant will be credited for such Computation Period with a fraction of a Year of Credited Service (not in excess of one (1)), where the numerator of the fraction is the number of Hours of Service credited to the Participant during such Computation Period and the denominator is 2080. For Plan Years commencing in 1999 and thereafter, a Participant shall be credited with one (1) full Year of Credited Service if the Participant completes one thousand (1000) Hours of Service during such Plan Year. For the 1998 Plan Year, each Participant's Year of Credited Service shall be determined pursuant to (c)(3) below.

(b) If the compensation (if any) used to determine a Participant's accrued benefit under any benefit formula in the Plan is so defined as to cause application of the preceding subsection (a) otherwise to violate the prohibition against double proration in 29 C.F.R. §2530.204-2(d), then the Participant's compensation under such definition for any Plan Year during which the Participant is credited with less than 2080 of Hours of Service in the Plan Year shall be adjusted by multiplying the Participant's compensation under such definition for the Plan Year by a fraction, the numerator of which is 2080 Hours of Service, and the denominator of which is the number of Hours of Service credited to the Participant during such Plan Year.

(c) For any short and/or overlapping computation period for vesting, break in service or benefit accrual purposes which arose due to the changes in the Computation Periods for Years of Vesting Service and Years of Credited Service, commencing on or after January 1, 1999, the following rules shall apply:

(1) For vesting purposes, a Participant who is credited with 1000 Hours of Service in both the Computation Period commencing in 1998 and the overlapping Computation Period commencing January 1, 1999 shall be credited with two (2) Years of Service for vesting purposes.

(2) For Break in Service purposes, an Employee who has terminated employment will have a One-Year Break in Service for each of the Computation Periods commencing in 1998 and commencing on January 1, 1999 if the Employee has not more than 500 Hours of Service in such Computation Periods, respectively.

(3) For benefit accrual purposes, a Participant shall be credited with a pro-rated portion of a Year of Credited Service for the Computation Period commencing in 1998 if the Participant completes a pro-rated portion of 1000 Hours of Service by December 31, 1998. The pro-rated portion of the 1000-hour requirement shall be determined by multiplying the number of calendar days between the participant's employment anniversary date and December 31, 1998 times 2.7.

4.6 **Special Rules for Service Under Prior Plan** . An Eligible Employee shall be credited with service for all purposes under this Plan, including eligibility, participation, vesting and benefit accrual, for service credited under the terms of the Prior Plan. Notwithstanding the preceding sentence, this Section 4.6 shall not be applied in a manner which, in conjunction with the service crediting rules above, would result in an Employee being credited with more than one Year of Service in any Plan Year, and in such event, the Employee's service credit will be limited to one (1) year of service. An Employee will receive service credit under this Section 4.6 only if the Employee is a participant in this Plan upon his initial hire by the Employer, and only if this Plan receives a transfer of benefit liabilities and assets with respect to such Employee from the Prior Plan. **Σ #**

4.7 **Transfers Between Company, Affiliates and Adopting Entities** .

(a) Transfer of employment between the Company, an adopting Affiliate, or an Adopting Entity shall not be considered a termination of employment.

(b) Service for an Affiliate or Adopting Entity shall only be counted after the date of affiliation, or such earlier date fixed by the Company in a statement of adoption.

(c) Years of Eligibility Service and Years of Vesting Service shall be counted for service with the Company, any Affiliate, and any Adopting Entity. Except as provided in (d) below, Years of Credited Service shall be counted for service with an Employer, and a nonadopting Affiliate only if the obligation to pay benefits based on service with such Affiliate is assumed from a plan maintained by the Affiliate, as evidenced by a statement of assumption signed by the Company, provided to the Committee and communicated to Employees.

(d) Years of Credited Service shall be counted for service with CenturyTel, Inc. or any Affiliate beginning as of January 1, 1999, and service with CenturyTel, Inc. or any adopting Affiliate prior to January 1, 1999, shall not be counted under this Plan for purposes of determining Years of Credited Service.

(e) An Employee's Year of Credited Service for the year in which the Employee transfers to or from employment with an Employer shall be determined as follows:

(1) The total number of days worked by the Employee for an Employer during a Plan Year shall be divided by 365.

(2) The total number of hours worked by the Employee for the Company, any Affiliate and any Adopting Entity for the Plan Year shall be determined and shall be utilized to determine if the Employee would have been entitled to be credited with a Year of Credited Service under Section 4.3 if the Employee had worked for an Employer during the entire Plan Year.

(3) The result of the determination under (2) above, shall be multiplied by the fraction resulting from the computation under (1) above, and the result shall be the fractional Year of Credited Service, if any, credited to the Employee under this Plan for such Plan Year.

ARTICLE V
BENEFITS ON RETIREMENT, DEATH, DISABILITY AND TERMINATION OF EMPLOYMENT

5.1 **Normal Retirement**. An Employee who attains Normal Retirement Age shall have the right to retire with a fully vested and nonforfeitable basic benefit computed in accordance with Section 6.1, subject to the limitations contained in Section 5.7, commencing as of the first day of the month coinciding with or immediately following his retirement. **Σ # Ω**

5.2 **Early Retirement**.

(a) An Employee who has attained age fifty-five (55) and completed five (5) Years of Credited Service may retire before attaining Normal Retirement Age and shall be entitled to a benefit hereunder.

(b) The benefit provided on Early Retirement under this Section 5.2 shall be a fully vested and nonforfeitable benefit computed in accordance with Section 6.2, subject to the limitations contained in Section 5.7. **Σ #**

5.3 **Deferred Retirement**. An Employee who continues to work for the Employer after his Normal Retirement Age shall be entitled to a deferred retirement benefit, computed in accordance with Section 6.3, subject to the limitations contained in Section 5.7. **Σ # Ω**

5.4 **Disability Retirement**. An Employee shall be entitled to a disability retirement benefit if he becomes Disabled. An Employee's disability retirement benefit will be computed in accordance with Section 6.4, and will commence as of the first day of the month coinciding with or following the Employee's Normal Retirement Age; provided, however, that an Employee may elect an early commencement of his disability retirement benefit pursuant to Section 7.11. **Σ # Ω**

5.5 **Spouse's Benefit**. A Spouse of a Participant shall be entitled to a benefit computed in accordance with Section 6.5 if the Participant dies before the Annuity Starting Date and if the requirements of (a) or (b), below, are met, and the requirement of (c), below, is met.

(a) the Participant was employed by the Employer on his date of death and had earned a nonforfeitable right to benefits hereunder.

(b) (1) the Participant had terminated employment with the Employer after attaining Normal Retirement Age or becoming eligible for an early retirement benefit under Section 5.2 or a disability retirement benefit under Section 5.4; or

(2) the Participant had terminated employment with the Employer after earning a nonforfeitable right to benefits hereunder but prior to attaining Normal Retirement Age or becoming eligible for an early or disability retirement benefit hereunder.

(c) the Participant was legally married to the surviving spouse at death and was so married for the year preceding death.

The spouse of a Participant who has a Platteville employee contribution account under Schedule 6.1(f)-1 to the Plan shall be entitled to a benefit determined under Section 6.5(d) upon the death of the Participant.

No Spouse's benefit shall be payable to the Spouse of a Participant who dies before the Annuity Starting Date without having met the requirements of this Section 5.5. Except as otherwise provided in the Plan, whether a Participant has earned a nonforfeitable right to a benefit shall be determined in accordance with Section 5.6(b). **Σ #**

5.6 **Benefit on Termination of Employment** .

(a) A Participant who terminates employment prior to becoming eligible for a normal, early or disability retirement benefit hereunder, and prior to his death, shall be entitled to a benefit computed in accordance with Section 6.6, subject to the vesting schedule in (b) below, and the limitations contained in Section 5.7.

(b) Participants shall earn a nonforfeitable interest in their benefits under this Plan according to the following schedule:

YEARS OF VESTING SERVICE	VESTING PERCENTAGE
less than five (5)	0%
five (5) or more	100%

Notwithstanding the foregoing schedule, a Participant's right to benefits under this Plan shall be fully vested and nonforfeitable upon attainment of Normal Retirement Age, upon meeting the requirements for an early retirement benefit under Section 5.2, upon meeting the requirements for a disability benefit under Section 5.4, and upon the death of the Participant.

(c) Notwithstanding the vesting schedule in (b), above, a Participant's Accrued Benefit shall be fully vested and become nonforfeitable upon the occurrence of any of the following events, each of which shall be referred to herein as a "Change of Control":

(1) 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 (1), 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 5.6(c)(3)) 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 5.6(c)(3); or

(2) individuals who, as of January 1, 2000, constituted 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 Beard 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

(3) consumption 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 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");

(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

(4) approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

For purposes of this Section 5.6(c), 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. **Σ # Ω**

5.7 **Limitations on Pensions** . (Effective January 1, 2002)

(a) In addition to any other limits set forth in the Plan, and notwithstanding any other provision of the Plan, in no event shall the annual amount of any retirement benefit payable with respect to a Participant under the Plan exceed the maximum annual amount permitted by Section 415 of the Code for a retirement benefit payable in the form and commencing at the age provided for with respect to the Participant. The determination in the preceding sentence shall be made after taking into account the retirement benefits payable with respect to the Participant under all other defined benefit plans required to be aggregated with this plan under Section 415(f) (1)(A) of the Code.

(b) If the limits imposed by subsection (a) above would otherwise be exceeded with respect to a Participant, the retirement benefits with respect to the Participant under the plans described in subsection (a) above shall be reduced until those limits are satisfied. Reductions shall be made in reverse chronological order, that is, on a plan-by-plan basis, beginning with the plan under which the Participant most recently accrued a benefit or was allocated an annual addition, and ending with the plan under which the Participant least recently accrued a benefit. However, in the event of a reduction of benefit from this Plan, reduction should be in the following sequence: 6.1(a)(1), 6.1(a)(2), 6.1(a)(3), 6.1(a)(4), 6.1(a)(5) and 6.1(a)(6).

(c) The limits imposed by subsection (a), above, shall be applied on the basis of:

(1) the assumptions described below,

(i) The mortality table used for purposes of adjusting any benefit or limitation under Code Section 415(b)(2)(B),(C) or (D) shall be the "applicable mortality table" prescribed from time-to-time by the Secretary of the Treasury for purposes of Code Section 417(e).

(ii) The interest rate used for purposes of adjusting any benefit or limitation under Code Section 415 (b)(2)(B),(C) or (D) except forms of benefit subject to Section 417(e) of the Code, shall be 5%.

(iii) The interest rate used to adjust the limitation under Code Section 415(b)(2)(B) of the Code for forms of benefit subject to Section 417(e) of the Code shall be the "applicable interest rate" under Code Section 417(e) for years prior to 2004. For 2004 and 2005, the interest rate shall be 5.5%. For years after 2005 the interest rate shall be the greater of (i) 5.5% or (ii) the rate that provides a benefit of not more than 105 percent of the benefit that would be provided if the applicable interest rate (as defined in Code Section 417(e)) were the interest rate assumption.

(2) the definition of compensation in Treas. Reg. Section 1.415-2(d)(11)(i),

(3) any cost-of-living increase that the Plan is permitted to take into account under Section 415(d) of the Code,

(4) any applicable transition rule prescribed in Section 1106(i) of the Tax Reform Act of 1986, and

(5) any other applicable transition rule that preserves a Participant's accrued benefit under the Plan as of the effective date of the enactment or amendment of Section 415 of the Code.

(d) Notwithstanding the foregoing, the application of this Section 5.7 shall not cause a Participant's accrued benefit (including any optional benefit) determined under the provisions of the Plan to be less than the greater of:

(1) the Participant's accrued benefit based on all service credited under the Plan taking into account the limitations of Section 415 of the Code in effect as of the date of the determination; or

(2) the sum of

(i) the Participant's accrued benefit under the terms of the Prior Plans in effect as of December 31, 1999, taking into account the limitations of Section 415 of the Code in effect as of December 7, 1994, and

(ii) the Participant's accrued benefit based solely on service after December 31, 1999, taking into account the limitations of Section 415 of the Code in effect as of the date of the determination.

This Section 5.7 is intended to satisfy the requirements imposed by Section 415 of the Code and shall be construed in a manner that will effectuate this intent. This Section 5.7 shall not be construed in a manner that would impose limitations that are more stringent than those required by Section 415 of the Code.

5.8 **Death Benefit** . A Participant's Beneficiary or a terminated vested Participant's Beneficiary shall be entitled to a benefit calculated in accordance with Section 6.9 if the Participant or the terminated vested Participant dies before his Annuity Starting Date.

ARTICLE VI
COMPUTATION OF BENEFIT AMOUNTS

6.1 **Normal Retirement Benefit** .

(a) Except as provided in Section 6.1(b) and subject to the limitations contained in Section 5.7, the basic benefit on normal retirement for a person retiring on or after January 1, 1990 is a monthly pension for the life of the Participant equal to the sum of:

(1) Years of Credited Service (YCS) as of December 31, 1998, up to a maximum of thirty (30), times the sum of 1.3 percent of Final Average Pay (FAP) plus .65 percent of Final Average Pay in excess of social Security Covered Compensation (SSCC), as follows:

YCS (up to 30) X ((1.3%X FAP) + (.65% X (FAP - SSCC))), and

(2) Years of Credited Service (YCS) accrued after December 31, 1998, up to a maximum of thirty (30), taking into account Years of Credited Service under clause (1), above, first in determining the thirty (30) year maximum, times the sum of 0.50 percent of Final Average Pay plus 0.50 percent of Final Average Pay in excess of Social Security Covered Compensation (SSCC), as follows:

YCS (up to 30, taking into account benefit years under (1), above, first) X (.50% X FAP + .50% X (FAP-SSCC)).

(3) For a Participant listed in Schedule 6.1(a)(3), the amount specified in Schedule 6.1(a)(3) with respect to such Participant.

(4) For a Participant listed in Schedule 6.1(a)(4), the amount specified in Schedule 6.1(a)(4) with respect to such Participant.

(5) For a Participant listed in Schedule 6.1(a)(5), the amount specified in Schedule 6.1(a)(5) with respect to such Participant.

(6) In no event shall a Participant's Accrued Benefit, expressed as an annual benefit payable at Normal Retirement Date, be less than $650, and in no event shall a Participant's Accrued Benefit be less than his or her Accrued Benefit (if any) as of December 31, 2006.

(b) Except as provided in Section 6.1(d) below, for Participants covered by a collective bargaining agreement that provides for participation in this Plan, and subject to the limitations contained in Section 5.7, the basic benefit on normal retirement for a person retiring on or after January 1, 1990 is a monthly pension for the life of the Participant equal to the number of Years of Credited Service (YCS), up to a maximum of thirty (30), times the sum of 1.3 percent of Final Average Pay (FAP) plus .65 percent of Final Average Pay in excess of Social Security Covered Compensation (SSCC) as follows:

YCS (up to 30) X ((1.3% X FAP) + (.65% X (FAP - SSCC))).

(c) Notwithstanding the provisions of (a) and (b), above, the benefit of former employees of Pacific Telecom, Inc. who were on long-term disability under the Pacific Telecom, Inc. Long-Term Disability Plan as of December 31, 1998 shall, subject to the limitations contained in Section 5.7, be computed in accordance with the benefit formula contained in Section 6.1(b), above.

(d) If a Participant either becomes covered by a collective bargaining agreement which provides for participation in this Plan or ceases to be so covered, the Participant's basic benefit shall be determined by applying Section 6.1(a) above to the time period during which the Participant is not covered by a collective bargaining agreement which provides for participation in this Plan, and Section 6.1(b) above shall apply to the time period during which the Participant is so covered unless the collective bargaining agreement provides that the Participant's basic benefit shall be determined by applying Section 6.1(a), in which case it shall apply to his Years of Credited Service after Section 6.1 (a) begins to apply. In the event a Participant's basic benefit is determined under both Section 6.1(a) and (b) for periods within a single Plan Year, the Participant shall not be given duplicate credit under both Section 6.1(a) and 6.1(b), but each period shall be counted only once in determining the Participant's basic benefit.

(e) Effective on and after January 1, 2007, if a Participant ceases accruing benefits under a Constituent Plan portion of this Plan and begins accruing benefits under Section 6.1(a) (the date of such cessation and beginning being his "Transfer Date"), his Credited Service for purposes of calculating his Normal Retirement Benefit under the Constituent Plan portion(s) of this Plan will not increase after his Transfer Date and his benefit shall be the greatest of: (1) his benefit under the Constituent Plan(s) plus the additional benefit under Section 6.1(a), (2) his Minimum Benefit (if applicable) under the Constituent Plan(s) or (3) the benefit under Section 6.1(a)(6) of this Plan.

(f) The benefits for certain employees of certain Affiliates and Adopting Entities and certain benefits from the Constituent Plans and other plans are determined in accordance with Schedules 6.1(f)-1 through 6.1(f)-4. Employees of certain acquired and adopting companies are governed by special rules for eligibility, vesting, benefits and other features, as set forth in Schedule 6.1(f)-1. Benefits attributable to service prior to January 1, 2007 for Participants in the following plans are governed by the following Schedules:

Plan	Schedule
Salaried Plan	Schedule 6.1(f)-2
Hourly Plan	Schedule 6.1(f)-3
Ohio Plan	Schedule 6.1(f)-4

In addition, the benefits of Represented Employees (as defined in Schedules 6.1(f)-3 and 6.1(f)-4) attributable to employment with the Employer on and after January 1, 2007 continue to be governed by the terms of Schedules 6.1 (f)-3 and 6.1(f)-4, until such time as such Employees become Nonrepresented Employees (i.e. until such time as such Employees cease to be covered by a collective bargaining agreement that provides for participation in the Hourly Plan portion of the Plan or the Ohio Plan portion of the Plan). **Σ # Ω**

6.2 **Early Retirement Benefit** . On early retirement, the basic benefit shall be the normal retirement benefit under Section 6.1 reduced as follows. The amount of basic benefit attributable to: (1) the appropriate percentage of Final Average Pay determined under Section 6.1(a) or 6.1(b) (the Base Benefit); (2) the amount attributable to the appropriate percentage of Final Average Pay in excess of Social Security Covered Compensation determined under Section 6.1(a) or 6.1(b) (the Excess Benefit); and (3) the amounts specified in Section 6.1(a) (3) and 6.1(a)(4) (both of which utilize the Excess Benefit Percentage); shall be adjusted to the Annuity Starting Date by the percentages prescribed in the following table, interpolating between ages through the last full month. **Σ # Ω**

Age at Benefit Starting Date	Base Benefit Percentage	Excess Benefit Percentage
64	100%	92%
63	100%	84%
62	100%	76%
61	95%	72%
60	90%	68%
59	84%	64%
58	78%	60%
57	72%	56%
56	66%	52%
55	60%	48%

6.3 **Deferred Retirement Benefit** .

(a) On deferred retirement, the basic benefit shall be that for normal retirement based on Years of Credited Service and Final Average Pay at actual retirement.

(b) The monthly normal retirement benefit payable with respect to a Participant who continues in employment with the Employer or an Affiliate after his Normal Retirement Date shall be determined as provided in paragraph (1), and, if applicable, (2).

(1) For the period beginning on the Participant's Normal Retirement Date and ending on the April 1 following the calendar year in which he reaches age 70 1/2, his "adjusted normal retirement benefit" shall be the greater of:

(i) the Participant's Accrued Benefit as of the date such benefit is being determined; or

(ii) the Actuarial Equivalent (as of the date such benefit is being determined) of the Participant's Accrued Benefit as of his Normal Retirement Date, based on the number of months his Annuity Starting Date follows his Normal Retirement Date (but no later than the April 1 following the calendar year in which the Participant attains age 70 1/2).

(2) For the period beginning on the April 1 following the calendar year in which he reaches age 70 1/2, the Participant's monthly retirement benefit shall be adjusted as of each "determination date" (as defined in this Section). His "adjusted normal retirement benefit" shall be the greater of:

(i) the Participant's Accrued Benefit as of the "determination date"; or

(ii) the Actuarial Equivalent on the "determination date" of the Participant's "adjusted normal retirement benefit" determined under this Section for the prior "determination date" (as defined in this Section).

For purposes of this Section 6.3(b), a "determination date" means the last day of each calendar year during the period beginning with the calendar year following the calendar year in which the Participant attains age 70 1/2 and ending on the earlier of (i) the date the Participant retires from employment with the Employer and all Affiliates, or (ii) his Annuity Starting Date, except that the first "determination date" is the April 1 following the calendar year in which the Participant attains age 70-½.

No reduction shall be made to a Participant's monthly normal retirement benefit after the earlier of (i) the date the Participant retires from employment with the Employer and all Affiliates, or (ii) his Annuity Start Date. However, If the Participant continues to accrue benefits under the Plan, such accruals shall be reduced by the Actuarial Equivalent of any benefits received

(c) If benefits start under Section 7.10 to a Participant during employment the following shall apply:

(1) The starting date under Section 7.10 shall be the Annuity Starting Date.

(2) All provisions with respect to the time, form and amount of benefit shall apply as of the Annuity Starting Date. The form of benefit determined as of that date shall be final and shall not be reopened at later termination of employment. The amount of benefit for service to the Annuity Starting Date shall not be changed by later changes in Final Average Pay.

(3) Additional accruals shall be calculated at each calendar year-end after the Annuity Starting Date as follows:

(i) The additional benefit shall be based on additional service and on Final Average Pay as of the year-end.

(ii) Added benefits shall be in the form determined under (2) above.

(iii) In the year in which the Employee terminates employment the date of termination shall be substituted for year-end.

(4) The preretirement death benefit for a spouse under Section 5.5 will not apply if the Participant dies after the Annuity Starting Date.

6.4 **Disability Retirement Benefit** . The annual benefit amount payable to a disabled Participant shall be computed in the same manner as the basic benefit under Section 6.1, determined on the basis of Years of Credited Service and Final Average Pay at retirement and Social Security Covered Compensation at Disability. **Σ # Ω**

6.5 **Spouse's Benefit** . The benefit payable to a Spouse who qualifies for a Spouse's benefit under Section 5.5 shall be determined as follows:

(a) If at death the Participant is age fifty-five (55) or over, or actively employed by the Employer with thirty (30) or more Years of Service, the benefit of the Spouse shall be the amount payable to the Spouse as Beneficiary under the survivor annuity portion of the Qualified Joint and Survivor Annuity with respect to the Participant, determined as though the Participant had retired on the first day of the month in which death occurs. On the death of a Participant with thirty (30) or more Years of Service before age fifty-five (55), the Participant shall be assumed to be age fifty-five (55) for purposes of this subparagraph (a).

(b) If the Participant does not meet the requirements of (a), above, at death, the benefit of the Spouse shall be the amount payable to the Spouse as Beneficiary under the survivor annuity portion of the Qualified Joint and Survivor Annuity with respect to the Participant, determined as though the Participant had separated from service on the date of death, if not already separated, and had survived until age fifty-five (55).

(c) Notwithstanding the foregoing, if at the time of death the Actuarial Value of the Participant's Accrued Benefit is such that the provisions of Section 7.9 would have applied to require a lump sum payment of such Participant's Accrued Benefit if the Participant had terminated employment on the date or his or her death, the Spouse shall be paid the amount of the lump sum payment as determined under Section 7.9.

(d) In addition to any benefit to which a Spouse may be entitled under this Plan, a Spouse of a Participant who has a Platteville employee contribution account under Section 6.1(f)-1 to the Plan shall be entitled to a benefit upon the death of the Participant equal to the value of such account. **Σ # Ω**

6.6 **Benefits for Terminated Vested Employees** .

(a) The benefit amount payable on or after Normal Retirement Age to a Participant who terminates employment prior to death, disability or meeting the requirements for Early Retirement under Section 5.2, and with a nonforfeitable interest (in whole or in part) in his accrued benefit hereunder shall be computed in accordance with Section 6.1, based on Years of Credited Service, Final Average Pay and Social Security Covered Compensation at termination of employment.

(b) If a terminated vested Participant elects early commencement of benefits under Section 7.1(f), the benefit payable on such an early commencement of benefits shall be the Accrued Benefit, reduced to the Annuity Starting Date under the following table, interpolating between ages through the last full month. **Σ # Ω**

Age at Annuity Starting Date	Benefit Percentage
64	88%
63	78%
62	68%
61	61%
60	54%
59	48%
58	43%
57	38%
56	34%
55	30%

6.7 **Reduction for Other Benefits** .

(a) If an Employee becomes entitled to workers' compensation benefits for disability, the normal retirement basic benefit shall be reduced as follows:

(1) Each monthly benefit shall be reduced by the amount of any workers' compensation installment payment for that month.

(2) The total benefit shall be reduced actuarially by the portion of any lump sum workers' compensation award that is actuarially attributable to years after normal retirement date.

(b) If an Employee becomes entitled to benefits under any other defined benefit pension maintained by an Employer, based on service counted for purposes of determining Years of Credited Service under this Plan, the Employee's benefit under this Plan shall be reduced by the Actuarial Equivalent of the Employee's benefit based on such service under the other Plan. **Ω**

6.8 **Cost of Living Adjustment** .

(a) The amount currently payable to each Participant who has no Hours of Service after December 31, 1987, or to the Spouse or other Beneficiary of such a Participant, shall be adjusted by the amount under (b), below, as follows:

(1) The adjustment shall be made each January 1 beginning with the first January that is at least twelve (12) months after benefits payments commence.

(2) The adjustment shall be made to the benefit actually being paid after conversion to an optional form.

(b) The adjustment under (a) shall be the lesser of:

(1) The percentage increase in the U.S. Consumer Price Index (all items) during the twelve (12) months ending with the September index preceding the adjustment date, and

(2) Two (2) Percent.

(c) If the Consumer Price Index decreases during the period described in (b) (1), no downward adjustment in retirement benefits shall be made. Any such decrease shall offset any subsequent increases.

(d) The benefit of a Participant who has Hours of Service after December 31, 1987 shall not be adjusted as provided above. The amount of the benefit shall be at least as much as the actuarial equivalent of the Participant's accrued benefit under the Prior Plan as of December 31, 1987, including the value of potential cost-of-living adjustments.

6.9 **Death Benefit** . The one-time benefit amount payable to a Participant's Beneficiary who qualifies for a death benefit under Section 5.8 shall be $500.

ARTICLE VII
TIMING AND FORM OF BENEFIT PAYMENTS

7.1 **Commencement of Benefits** . Subject to the provisions of Sections 7.9 and 7.10, benefits to a Participant (or Spouse under Sections 5.5 and 6.5) shall commence as of the following dates:

(a) For normal retirement benefits under Section 5.1 and 6.1, as of the last day of the month in which the Participant's Normal Retirement Date occurs, unless the Participant elects deferred retirement.

(b) For early retirement benefits under Section 5.2 and 6.2, benefits shall commence as of the last day of the month after the Participant attains Normal Retirement Age, unless the Participant elects to commence benefits as of the first day of any month coincident with or following the date of early retirement, in which event benefits shall commence as of the last day of such month.

(c) For deferred retirement benefits under Sections 5.3 and 6.3, benefits shall commence as of the last day of the month following the first day of the month coinciding with or following the date on which the Participant actually retires and elects to commence receiving benefits.

(d) For disability benefits under Sections 5.4 and 6.4, benefits shall commence as of the Participant's Normal Retirement Age, provided that, if otherwise eligible for early retirement, the Participant may elect for benefits to commence on or after the Participant's meeting the requirements for early retirement. If the Participant notifies the Committee in writing that disability benefits under this Plan would reduce any other disability benefit, the Committee shall defer payment until the other benefit stops.

(e) For benefits of a Spouse under Section 5.5 and 6.5, benefits under Section 6.5(a) shall commence as of the last day of the month following the first day of the month coinciding with or following the date of death of the Participant, benefits under Section 6.5(b) shall commence on the last day of the month following the first day of the month coinciding with or following the later of the date of death of the Participant or the date on which the Participant would have attained age fifty-five (55), and benefits for a Spouse under Section 6.5(d) shall be paid as soon as administratively feasible following the date of death of the Participant.

(f) For benefits of a terminated vested Participant under Sections 5.6 and 6.6, benefits shall normally commence as of the last day of the month after the Participant reaches Normal Retirement Age, provided that a Participant may elect to commence receiving benefits as of the last day of any month after the first day of the month coinciding with or following the date the Participant attains age fifty-five (55). In such event, benefits shall be reduced as provided in Section 6.6(b). **Ω**

7.2 **Normal Form** . Unless a Participant elects another form of payment in accordance with Section 7.3,

(a) a Participant who is married as of the commencement date of his benefits shall receive benefits in the form of a Qualified Joint and Survivor Annuity.

(b) a Participant who is not married on the commencement date of his benefits shall receive his benefits in the form of a Single Life Annuity.

7.3 **Waiver of Normal Form** .

(a) a Participant may elect, subject to the provisions of this Section 7.3 and during the applicable election period, to waive the Normal Form of benefit and to receive his benefits in an optional form provided in Section 7.7 pursuant to the following terms and conditions:

(1) a married Participant may elect to waive the QJSA provided in Section 7.2(a) above in favor of an Alternative Joint and Survivor Annuity, a Single Life Annuity, or any other optional form of benefit provided in Section 7.7.

(2) an unmarried Participant may elect to waive the Single Life Annuity provided under Section 7.2(b) above in favor of any optional form of benefit provided in Section 7.7.

(3) any election hereunder of an alternative form of benefit must specify such form, and any election of an alternative form of joint and survivor annuity must be accompanied by proof of the age of the designated Beneficiary satisfactory to the Committee.

(4) a married Participant shall not be entitled to waive the Spouse's benefit provided in Section 5.5.

(b) Any election under this Section 7.3 may be revoked, either automatically in the circumstances described in Section 7.6, below, or by filing a written revocation with the Committee in a form and in a manner acceptable to the Committee. After any such revocation, a new election under Section 7.3(a) above may be made at any time before the commencement of benefits to the Participant (or during such other period permitted or required by law). However, except as provided in Section 7.12(b) or as the Committee may otherwise provide on the basis of uniform and nondiscriminatory rules, any election under Section 7.3(a) shall be irrevocable after benefits have commenced to the Participant.

7.4 **Timing of Election and Spousal Consent** . An election or revocation of an election under Sections 7.2 and 7.3 shall be subject to the following terms and conditions:

(a) Any election or revocation of a form of benefit shall be made within the ninety (90) day period ending on the date of commencement of benefits to the Participant (or during such other period permitted or required by law), and shall be made by giving written notice in such form and manner as may be required by the Committee.

(b) The election by a married Participant of any form of benefit other than a QJSA shall be ineffective unless the Spouse consents in writing to the election, the election designates a specific alternate Beneficiary, including any class of beneficiaries or any contingent Beneficiaries, and/or a form of benefit payment, which may not be changed without Spousal consent (or the Spouse expressly permits designations by the Participant without any further Spousal consent), the consent of the Spouse acknowledges the effect of the election, and the consent of the Spouse is witnessed by a notary public or plan representative. The consent of the Spouse must acknowledge the effect of the election of the form of benefit that the Participant has made, as well as the effect of the designation of any Beneficiary or Beneficiaries other than the Spouse which a Participant has made. The consent of the Spouse shall be irrevocable unless the Participant and the Spouse agree to a revocation.

(c) Spousal consent as provided in (b), above, shall not be required if the Committee determines that the consent cannot be obtained because there is no Spouse, the Spouse cannot be located, or in any other circumstance specified by any written guidance issued by the Internal Revenue Service.

(d) The consent of a Spouse pursuant to (b), above, shall be effective only with respect to that Spouse. Also, any establishment that the consent of a Spouse cannot be obtained under (c), above, shall be effective only with respect to that Spouse. A consent that permits designations by the Participant without any requirements of further consent by the Spouse must acknowledge that the Spouse has the right to limit consent to a specific Beneficiary, and a specific form of benefit where applicable, and that the Spouse voluntarily elects to relinquish either or both of such rights.

(e) Any consent by a Spouse pursuant to (b), above, shall be effective only as long as the Participant makes no change in the designated Beneficiary or class of Beneficiaries.

7.5 **Notice Requirements** . Not less than thirty (30) days nor more than ninety (90) days before the date of commencement of benefits to a Participant (or during such other period permitted or required by law), the Committee shall provide to each Participant a written notice that complies with the content and other requirements of Treasury Regulation § 1.417(a)(3)-1, including an explanation of:

(a) The material features and relative financial values of the alternative forms of benefits to which the Participant is entitled, or which the Participant could elect to receive, under the Plan;

(b) In the case of a married Participant, his right to elect to waive the Normal Form of benefit provided in Section 7.2(a) above, the effect of such an election, and the requirements (including any spousal consent requirements) applicable to his election;

(c) In the case of an unmarried Participant, his right to elect or receive, and the effect of such an election, any other form of benefit as an alternative benefit to the normal form of benefit specified in Section 7.2(b) above;

(d) In the case of a Participant who is entitled to elect commencement of a form of payment before attaining Normal Retirement Age, his right not to elect such early commencement;

(e) The terms and conditions (if any) under which an election by a Participant, or a consent by the Spouse of a married Participant, may be revoked, and the effect of such revocation; and

(f) An explanation of the relative values of the alternative forms of benefit or a statement that the optional forms in question are approximately equal in value to the QJSA.

The notice requirement contained in this Section 7.5 shall not apply in the case of a lump sum cash out distribution to a Participant pursuant to Section 7.9.

The commencement date for a benefit in a form other than a QJSA may be less than thirty (30) days after receipt of the written explanation described above provided: (a) the Participant has been provided with information that clearly indicates that the Participant has at least thirty (30) days to consider whether to waive the QJSA and elect (with Spousal consent) a form of distribution other than a QJSA; (b) the Participant is permitted to revoke any affirmative distribution election at least until the commencement date of his benefit or, if later, at any time prior to the expiration of the seven (7) day period that begins the day after the explanation of the QJSA is provided to the Participant; and (c) the commencement date of the Participant's benefit is a date after the date that the written explanation was provided to the Participant.

7.6 **Special Rules for Death of Participant or Beneficiary** .

(a) If the designated Beneficiary with respect to an Alternative Joint and Survivor Annuity dies before the Annuity Starting Date for the Participant, the election of such annuity (including, if applicable, any election pursuant to Section 7.3, above, to waive the Spouse's benefit) shall be void, and the Participant shall be deemed not to have previously elected an Alternative Joint and Survivor Annuity. If the designated Beneficiary with respect to an Alternative Joint and Survivor Annuity dies before the Participant, but after the Annuity Starting Date for the Participant, the amount of the benefit thereafter payable to the Participant shall not be affected in any way as a result thereof.

(b) If a Participant dies before his Annuity Starting Date without having made a valid election of an optional form of payment described in Section 7.7, no individual shall have a right to any payment under the Plan with respect to the Participant, unless the Participant is survived by a spouse who is entitled to a Spouse's benefit.

(c) If a Participant dies before his Annuity Starting Date after terminating employment with the Employer and after having made (and not revoked) a valid election of an Alternative Joint and Survivor Annuity leaving the designated Beneficiary with respect to the Alternative Joint and Survivor Annuity surviving him, the Beneficiary shall be eligible to receive the survivor annuity payable under such Alternative Joint and Survivor Annuity as if the Employee had died on the day following his Annuity Starting Date.

(d) If a Participant dies before his Annuity Starting Date after terminating employment with the Employer and after having made (and not revoked) a valid election of a lump sum distribution described in Section 7.7(c), the lump sum distribution shall be paid to the Participant's designated Beneficiary (or, if the Participant has not designated a Beneficiary, or if none of his designated Beneficiaries survives him, the lump sum distribution shall be paid to the executor of the Participant's will or the administrator of his estate).

(e) If a Participant dies before his Annuity Starting Date after terminating employment with the Employer and after having made (and not revoked) a valid election of a Ten-Year Certain and Life Annuity Option described in Section 7.7(d), the Participant's designated Beneficiary shall be eligible to receive the ten-year certain payments pursuant to such option as if the Employee had died on the day following his Annuity Starting Date (or, if the Participant has not designated a Beneficiary, or if none of his designated Beneficiaries survives him, the ten-year certain payments pursuant to such option shall be paid to the executor of his will or the administrator of his estate).

(f) If a Participant dies on or after his Annuity Starting Date, any distribution that was scheduled to be paid to him on or before his date of death but that was not paid to him on or before his date of death due to administrative or other delay, shall be paid instead to the executor of his will or the administrator of his estate. **Σ # Ω**

7.7 **Optional Forms of Payment** .

(a) Alternative Joint and Survivor Annuity .

(1) Under the Alternative Joint and Survivor Annuity, a reduced amount shall be payable to the retired Employee for his lifetime. The Beneficiary, if surviving at the retired Employee's death, shall be entitled to receive thereafter a lifetime survivor benefit in an amount equal to 100 percent of the reduced amount that had been payable to the retired Employee.

(2) The reduced amount payable to the retired Employee shall be the Actuarial Equivalent of the amount determined under Section 6.1, 6.2, 6.3 and/or 6.4, as the case may be. The appropriate actuarial factor shall be determined for any Employee and his Beneficiary as of the commencement date of the Employee's benefits.

(3) If an Employee designates any individual other than his or her spouse as his Beneficiary, the annual amount of the Employee's annuity under the Alternative Joint and Survivor Annuity shall be not less than fifty percent (50%) of the annual benefit calculated as a single life annuity, and the Beneficiary's survivor annuity under the Alternative Joint and Survivor Annuity shall be reduced to the extent necessary to reflect any adjustment required by this paragraph (3) in the amount of the Employee's annuity under the Alterative Joint and Survivor Annuity.

(b) Qualified Optional Survivor Annuity ("QOSA") . (Effective January 1, 2008, unless the IRS or Treasury Department issues guidance obviating the need for the Plan to add the QOSA, in which case this Section 7.7(b) shall not go into effect.)

(1) Under the QOSA, a reduced amount shall be payable to the retired Employee for his lifetime. The Beneficiary, if surviving at the retired Employee's death, shall be entitled to receive thereafter a lifetime survivor benefit in an amount equal to 75 percent of the reduced amount that had been payable to the retired Employee.

(2) The reduced amount payable to the retired Employee shall be the Actuarial Equivalent of the amount determined under Section 6.1, 6.2, 6.3 and/or 6.4, as the case may be. The appropriate actuarial factor shall be determined for any Employee and his Beneficiary as of the commencement date of the Employee's benefits.

(c) Lump Sum Distribution Option .

(1) Any Employee who qualifies for a benefit under Section 5.1, 5.2, 5.3, 5.4 or 5.6 may elect to receive his or her benefit in the form of a lump sum distribution if the Actuarial Value of the vested, accrued benefit of the Participant under the Plan (and disregarding any benefit of the Participant under the Constituent Plans) is over $5,000 (effective for distributions made on or after March 28, 2005, this amount shall be $1,000) but not over $10,000. The amount of any such lump sum distribution shall be the Actuarial Equivalent (as of the Annuity Starting Date for the Employee) of his benefit computed under Section 6.1 (or in the case of a terminated vested Employee's benefit, as computed under Section 6.6) as a single life annuity commencing on his Annuity Starting Date.

(2) If the Actuarial Value of the Spouse's death benefit under Section 5.5 and 6.5 is greater than $5,000 (effective for distributions made on or after March 28, 2005, this amount shall be $1,000) and not over $10,000, the Spouse may elect to receive his or her benefits as a lump sum.

(3) Notwithstanding anything to the contrary in Section 7.7, the payment of a benefit in the form of a lump sum distribution shall be made in a single taxable year of the recipient and shall be made on or as soon as practicable after the commencement date of the Employee's benefits.

(d) Ten-Year Certain and Life Annuity Option . A Participant in the Plan shall be eligible to elect to receive his benefits in the form of an annuity that is actuarially equivalent to the Plan's Single Life Annuity and that provides equal monthly payments for the life of the Participant, with the condition that if the Participant dies before he has received one-hundred twenty (120) monthly payments, the Participant's designated Beneficiary shall receive monthly payments in the same amount as the Participant until a total of one-hundred twenty (120) monthly payments have been made to the Participant and his Beneficiary combined.

(e) Early Retirement Annuity Option . On Early Retirement, a Participant in the Plan shall be eligible to elect to receive his benefits in the form of an annuity that is Actuarially Equivalent to the Plan's Single Life Annuity under which the monthly payments before first eligibility for Social Security retirement benefits (either age 62 or age 65, as elected by the Participant) are increased by a temporary supplement and the remaining payments are reduced so as to provide approximately equal payments throughout when combined with Social Security.

(f) Lump Sum Option for Qualifying Participants .

(1) Right to Lump Sum . Each Qualifying Participant or, in the event of the Qualifying Participant's death prior to the Qualifying Participant's Annuity Starting Date, such Qualifying Participant's surviving Spouse, may elect to have his or her Qualifying Benefit paid as a lump sum as of any Qualifying Distribution Date. Such election shall be made in writing on a form provided by the Committee and must be consented to in writing by the Qualifying Participant's Spouse, if any. If the Qualifying Participant dies prior to the Qualifying Participant's Annuity Starting Date without a surviving Spouse, the Qualifying Benefit shall be paid as a lump sum as of the earliest Qualifying Distribution Date to the Participant's Beneficiary.

(2) Qualifying Distribution Date . "Qualifying Distribution Date" means the first day of any month beginning after the date the Qualifying Participant attains his Early Retirement Date.

(3) Qualifying Participant . "Qualifying Participant" means each Participant who is entitled to an Enhanced Annuity as specified in Schedule 6.1(a)(5).

(4) Qualifying Benefit . "Qualifying Benefit" means the Participant's Enhanced Annuity, as described in Schedule 6.1(a)(5).

(5) Spousal Consent . Spousal consent to a lump sum distribution under this Section 7.7(e) must be provided on a form prescribed by the Committee, acknowledging the effect of the Qualifying Participant's election of a single sum distribution, signed by the Qualifying Participant and the Qualifying Participant's Spouse and witnessed by a notary public. Spousal consent will be effective only with respect to the Spouse who signs the consent. The election made by the Qualifying Participant with Spousal consent may be revoked by the Qualifying Participant without Spousal consent at any time prior to the date benefit payments begin. Such revocation shall be effected by written notification to the Committee. **Σ # Ω**

7.8 **Annuity Form of Payment** . All benefits, except those benefits paid in a lump sum distribution pursuant to Section 7.7 (c) or 7.9, shall be payable in monthly installments as follows:

(a) The first installment shall be paid to the retired Employee (or Spouse, in the case of a Spouse's benefit) as of the commencement date determined in accordance with Section 7.1;

(b) Where installments are to be paid to a Beneficiary under an Alternative Joint and Survivor Annuity, the first installment to the Beneficiary shall be paid as of the beginning of the first month following the death of the Participant;

(c) The final installment shall be paid as of the beginning of the month during which the death of the retired Employee or Beneficiary, as the case may be, occurs, except that disability benefit installments shall cease prior to the death of the retired Employee if and when such Employee ceases to satisfy the disability conditions of Section 5.4; and

(d) A check in payment of a monthly installment may be mailed, in the discretion of the Committee, before the date as of which the payment is made.

7.9 **Mandatory Lump Sum Distribution of Small Benefits** . If a former Employee is entitled to a termination benefit and the Actuarial Value of such termination benefit does not exceed $5,000 (effective for distributions made on or after March 28, 2005, this amount shall be $1,000), the former Employee shall receive such termination benefit in the form of a lump sum payment equal to the Actuarial Value of the termination benefit otherwise payable to him under the Plan. If a Spouse is entitled to a Spouse's benefit and the Actuarial Value of such Spouse's benefit does not exceed $5,000 (effective for distributions made on or after March 28, 2005, this amount shall be $1,000), the Spouse shall receive such Spouse's benefit in the form of a lump sum payment equal to the Actuarial Value of the Spouse's benefit otherwise payable to the Spouse under the Plan. Notwithstanding the foregoing, this Section 7.9 shall not apply in the case of a former Employee or a Spouse who is otherwise eligible to elect immediate commencement of a termination benefit or Spouse's benefit.

7.10 **Minimum Distributions Required Under Code Section 401(a)(9)** . The following subsections limit the timing of benefit distributions under the Plan:

(a) Any benefit that is payable to a Participant hereunder shall be distributed or commence not later than the Participant's Required Beginning Date. The benefit shall be distributed, in accordance with Section 401(a)(9) of the Code (including the incidental benefit rules applicable thereunder) ,

(1) in a lump sum (to the extent otherwise permitted under the Plan, including, without limitation, under Section 7.7(c) or 7.9),

(2) over the life of the Participant,

(3) over the lives of the Participant and the Participant's Beneficiary,

(4) over a period not extending beyond the Participant's life expectancy, or

(5) over a period not extending beyond the joint and last survivor expectancy of the Participant and the Participant's Beneficiary.

If the Participant's entire interest is to be distributed over a period of more than one (1) year, then the amount to be distributed each year shall be no less than the amount prescribed under Section 401(a)(9) of the Code.

(b) If the distribution of the Participant's benefit has commenced in conformity with subsection (a), above, and the Participant dies before his entire benefit has been distributed to him, the remaining portion of his benefit shall be distributed to his Beneficiary at least as rapidly as under the method of distribution that was in effect as of the date of the Participant's death.

(c) Subject to subsection (d), below, if the Participant dies before distribution of his benefit has commenced, any benefit that is payable under the terms of the Plan shall be distributed within five (5) years after the Participant's death.

(d) SubSection (c), above, shall not apply to:

(1) any portion of the Participant's benefit payable to (or for the benefit of) a Beneficiary that is distributed (in accordance with Section 401(a)(9) of the Code) over the Beneficiary's life (or a period not extending beyond his life expectancy) commencing within one (1) year after the date of the Participant's death (or such later date as may be prescribed under Section 401(a)(9) of the Code), or

(2) any portion of the Participant's benefit payable to his Spouse that is distributed over the Spouse's life (or a period not extending beyond the Spouse's life expectancy) commencing no later than the date on which the Participant would have attained age 70 ½; provided that if the Spouse dies before payments to such Spouse begin, subsections (c) and (d) shall apply as if the Spouse were the Participant; and further provided that any amount paid to the child of the Participant shall be treated as if it had been paid to the Spouse of the Participant if such amount is payable to the Spouse upon such child's reaching majority (or such other event as may be prescribed by the regulations under Section 401(a)(9) of the Code).

(e) For purposes of this Section 7.10, the life expectancy of the Participant and his Spouse shall be recomputed on an annual basis, but the life expectancy of any non-Spouse Beneficiary shall be computed only on the date as of which the distribution commences.

(f) This Section 7.10 shall apply notwithstanding any other provision of the Plan. The sole purpose of this Section 7.10 is to limit the manner in which the benefit payments may be made under the Plan in accordance with Section 401(a)(9) of the Code. This Section 7.10 does not confer any rights or benefits upon any Participant, spouse, Beneficiary, or any other person.

(g) This Section 7.10 shall not apply to any method of distribution designated in writing by a Participant under the terms of the Plan or a Prior Plan before January 1, 1984, in accordance with Section 242(b)(2) of the Tax Equity and Fiscal Responsibility Act of 1982 (as in effect before the amendments made by the Tax Reform Act of 1984).

(h) Any Participant who does not elect a form of distribution before his distribution is required to commence under this Section 7.10 shall receive the distribution in the form provided for under Section 7.2.

7.11 **Early Commencement Election** . Notwithstanding any other provision in the Plan, and subject to the provisions of Sections 7.2-7.6 and Section 7.9, the Participant (or his Spouse, in the case of a Spouse's benefit) may elect a commencement date that precedes the normal commencement date if he is otherwise eligible to do so under the terms of the Plan. The election shall be in writing, in a form acceptable to the Committee, and executed and filed with the Committee during the ninety (90) day period ending on the commencement date of the Employee's benefits, or during such other period permitted or required by law.

7.12 **Suspension of Benefits** .

(a) No benefit shall be paid or payable with respect to a Participant (including a retired or terminated Employee) during any month in which he is credited with forty (40) or more Hours of Service as a regular or temporary employee of the Employer. For purposes of this Section 7.12 only, the term "Employer" shall mean the applicable Employer and any Affiliate of such Employer (as determined under Section 2.4). Thus,

(1) a retired or terminated Employee's benefit shall be suspended during any month during which he is credited with forty (40) or more Hours of Service as a regular or temporary employee of the Employer; and

(2) the benefit of a Participant other than a retired or terminated Employee shall be suspended during any month during which he is credited with forty (40) or more Hours of Service as a regular or temporary employee of the Employer.

The preceding provisions of this subsection (a) shall apply, even though the retired or terminated Employee's or Participant's service as a regular or temporary employee of the Employer does not constitute "Section 203(a)(3)(B) service" described in 29 C.F.R. §2530.203-3(c), and even though the procedures regarding notice, review, and administration otherwise prescribed under 29 C.F.R. §2530.203-3 are not observed.

(b) If a Participant (including a retired or terminated Employee) is reemployed or remains in employment as a regular or temporary employee of the Employer, as described in subsection (a), above, the commencement date of his benefit shall occur no earlier than the first day of the first month in which he ceases to be so employed, and his benefit shall be calculated, in accordance with Sections 4.3 and 4.4, to take such employment into account. If a retired or terminated Employee, subject to subsections (a)(1) or (2), above, becomes entitled to have his benefit resume, the amount and form of the benefit shall be governed by the generally applicable provisions of the Plan, as if he had then first retired.

(c) The benefit of a Participant who works past his age 65 Normal Retirement Age will be determined in accordance with Section 6.3.

(d) If an Employee subject to subsection (a)(1) or (2), above, previously received a total distribution of his benefit in accordance with Sections 7.7(b) or 7.9, the amount of the Single Life Annuity used to determine his benefit upon retirement under subsection (b), above, shall be reduced by the amount of the Single Life Annuity upon which such total distribution was based.

7.13 **Eligible Rollover Distributions** .

(a) Notwithstanding any provision of the Plan to the contrary that would otherwise limit a distributee's election under this Section 7.13, a distributee may elect, at the time and in the manner prescribed by the Plan Administrator, to have any portion of an eligible rollover distribution paid directly to an eligible retirement plan specified by the distributee in a direct rollover.

(b) Definitions.

(1) Eligible rollover distribution : An eligible rollover distribution is any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include: any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee's designated Beneficiary, or for a specified period of ten (10) years or more; any distribution to the extent such distribution is required under Section 401(a)(9) of the Code; and the portion of any distribution that is not includible in gross income (determined without regard to the exclusion for eligible rollover distributions or the exclusion for net unrealized appreciation with respect to employer securities). For distributions made after December 31, 2001, a portion of a distribution shall not fail to be an eligible rollover distribution merely because the portion consists of after-tax employee contributions which are not includable in gross income. However, such portion may be transferred only to an individual retirement account or annuity described in Code Section 408(a) or (b), or to a qualified defined contribution plan described in Code Section 401(a) or 403(a) that agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includable in gross income and the portion of such distribution which is not so includable.

(2) Eligible retirement plan : An eligible retirement plan is an individual retirement account described in Section 408(a) of the Code, an individual retirement annuity described in Section 408(b) of the Code, an annuity plan described in Section 403(a) of the Code, or a qualified trust described in Section 401(a) of the Code, that accepts the distributee's eligible rollover distribution. However, in the case of an eligible rollover distribution to the surviving spouse, an eligible retirement plan is an individual retirement account or individual retirement annuity. For distributions made after December 31, 2001, an eligible retirement plan shall also mean an annuity contract described in Code Section 403(b) and an eligible plan under Code Section 457(b) which is maintained by a state, political subdivision of a state, or any agency or any instrumentality of a state or political subdivision of a state and which agrees to separately account for amounts transferred into such plan from this Plan. The definition of eligible retirement plan shall also apply in the case of a distribution to a surviving spouse, or to a spouse or former spouse who is the alternate payee under a qualified domestic relations order, as defined in Code Section 414(p).

(3) Distributee : A distributee includes an Employee or former Employee. In addition, the Employee's or former Employee's surviving spouse and the Employee's or former Employee's spouse or former spouse who is the alternate payee under a qualified domestic relations order, as defined in Section 414(p) of the Code, are distributees with regard to the interest of the spouse or former spouse.

(4) Direct rollover : A direct rollover is a payment by the Plan to the eligible retirement plan specified by the distributee.

ARTICLE VIII
MEDICAL BENEFITS

8.1 **Eligibility** .

(a) Medical benefits under this Article shall be provided to a Participant, or the dependents of a Participant, who:

(1) Has terminated employment, commenced receiving pension benefits on early, normal or deferred retirement, and qualifies for post-retirement medical benefits under the CenturyTel, Inc. Welfare Benefits Plan or successor thereto,

(2) Retires and commences benefits on or after January 1, 1998,

(3) Is not covered by a collective bargaining agreement at retirement, and

(4) Has never been a "key employee" as defined in Section 416(i) of the Internal Revenue Code.

(b) The term "benefits" used alone in this Plan shall refer to pension benefits under Article V and Article VI and not to medical benefits provided under this Article.

8.2 **Medical Benefits** .

(a) The medical benefits provided under this Plan to Participants eligible under Section 8.1 shall be all medical benefits, as defined in Internal Revenue Code Section 213(d)(1), provided to such Participants after retirement under the CenturyTel, Inc. Welfare Benefits Plan or successor thereto. The provisions of such Welfare Benefits Plan can limit medical benefits to retired Participants who meet further eligibility requirements. Any medical benefits to which retired Participants are entitled under such Welfare Benefits Plan that are not provided under this Plan due to insufficiency of funding or otherwise, shall be paid from a welfare benefits trust established by the Company for that purpose or from the Employer's general assets.

(b) The document evidencing the CenturyTel, Inc. Welfare Benefits Plan or successor thereto, including all of the separate documents incorporated into it, is incorporated by reference as part of this Plan. This incorporation by reference shall include any amendments made from time to time to the CenturyTel, Inc. Welfare Benefits Plan and any successor plan.

8.3 **Separate Medical Benefits Account** .

(a) Subject to 8.4, each Employer may make contributions to fund the medical benefits provided in Section 8.2 for its Employees. A separate account shall be maintained for all such contributions, and earnings on them. Any medical benefits for Participants shall be paid only from such account.

(b) Investment earnings and losses of the trust fund shall be allocated to the accounts in Section 8.3(a) in proportion to the investment earnings and losses of the entire trust.

8.4 **Limitation on Contributions** . The aggregate actual contributions (measured from January 1, 1989) to fund medical benefits shall not exceed twenty five (25) percent of the total actual contributions (measured from January 1, 1989) to the Plan, disregarding in such total any contributions to fund past service credits.

8.5 **Satisfaction of Liabilities** .

(a) Unless all obligations under Section 8.2 have been satisfied, no part of the medical benefits account shall be used for any purpose other than payment of either of the following:

(1) Medical benefits.

(2) Necessary or appropriate expenses attributable to the administration of the medical benefits account.

(b) Following satisfaction of the obligations under Section 8.2, any amounts remaining in the medical benefits account shall be returned to the Employers on an equitable basis as determined by the Committee.

8.6 **Forfeiture of Benefits** . If a person's interest in the medical benefits account is forfeited prior to termination of the Plan, the amount forfeited shall be applied as soon as possible to reduce the Employer's contributions to fund medical benefits.

ARTICLE IX
FUNDING

9.1 **Plan Assets** . The assets of the Plan shall be held in of one or more Trust Funds and/or one or more arrangements with insurance companies for the funding of benefits, as determined by the Company.

9.2 **Trust Agreement** . Each Trust Fund shall be established and maintained pursuant to a Trust Agreement that contains such provisions as the Company shall determine. The terms of each Trust Agreement are hereby incorporated into and made a part of the Plan. The assets of the Trust created in each Trust Agreement shall be available to pay all benefits under the Plan.

9.3 **Insurance Arrangements** . Each arrangement with an insurance company shall be established and maintained pursuant to a written contract or policy between the Company and an insurance company qualified to do business in a State, which shall contain such provisions as the Company shall determine.

9.4 **Contributions** . The Company intends to make contributions to the Plan sufficient to comply with the minimum funding standards imposed by the Code. The Company's contributions shall be determined annually, or more frequently, by the Board. Each contribution made to the Plan shall be made on the condition that it is currently deductible under Section 404 of the Code for the taxable year with respect to which the contribution is made and without regard to any subsequent amendment improving benefits under the Plan.

9.5 **Exclusive Benefit** . Except as provided in this Section 9.5 and in Section 9.6, all Company contributions to the Plan and all property of the Plan, including income from investments and other sources, shall be used for the exclusive benefit of Employees, retired Employees, former Employees, and Beneficiaries and shall be used to provide benefits under the Plan and to pay the reasonable expenses of administering the Plan and the Trust, except to the extent that such expenses are paid by the Company. Any forfeitures arising under the Plan shall be applied to reduce the Company's contributions to the Plan and shall not be used to increase the benefit that any Employee, retired Employee, former Employee, or Beneficiary would otherwise be entitled to receive under the Plan. Except as provided in Section 9.6, it shall be impossible at any time prior to the satisfaction of all liabilities under the Plan for any portion of the assets of the Plan to be used for, or diverted to, purposes other than the exclusive benefit of Employees, retired Employees, former Employees, and Beneficiaries; provided, however, that after all liabilities under the Plan have been satisfied, any assets remaining in the Trust that are attributable to erroneous actuarial computations shall be distributed to the Company, except as otherwise required by Section 4044(d)(3)(A) of ERISA.

9.6 **Return of Contributions** . Notwithstanding any other provision of the Plan, the Company shall be entitled upon request to the return of any contribution made to the Plan (adjusted, in the case of any contribution described in subsection (a) or (c), below, to reflect any investment losses allocable thereto, but not to reflect any investment gains allocable thereto):

(a) within one (1) year after the payment of the contribution, in the case of a contribution made by mistake of fact;

(b) within one (1) year after the date of denial of the Plan's qualification, if the contribution is conditioned on initial qualification of the Plan under Section 401(a) of the Code; or

(c) within one (1) year after the disallowance of the deduction, to the extent the deduction is disallowed, if the contribution is conditioned on the deductibility of the contribution under Section 404 of the Code.

9.7 **Prohibition Against Assignment or Alienation of Benefits** . Benefits under the Plan may not be anticipated, assigned (either at law or in equity), alienated, or subjected to attachment, garnishment, levy, execution, or other legal or equitable process, provided that:

(a) an arrangement whereby benefit payments are paid to a Participant's savings or checking account in a financial institution is not prohibited;

(b) once a Participant begins receiving benefits under the Plan, such Participant may assign or alienate the right to future payments if such transaction is limited to assignments or alienations that:

(1) are voluntary and revocable,

(2) with respect to a particular benefit payment, do not in the aggregate exceed ten percent (10%) of such payment, and

(3) neither are for the purpose, nor have the effect, of defraying administrative costs of the Plan; and

(c) payments made in accordance with a Qualified Domestic Relations Order are not prohibited.

For purposes of subsection (b), above, an attachment, garnishment, levy, execution or other legal or equitable process is not considered a voluntary assignment or alienation.

ARTICLE X
FIDUCIARY RESPONSIBILITIES AND PLAN ADMINISTRATION

10.1 **Allocation of Fiduciary Responsibilities .** Fiduciary responsibilities in connection with the Plan shall be allocated in accordance with the provisions of this Article X and shall be carried out in accordance with the Plan and applicable law. It is intended that, to the extent permitted by applicable law, each fiduciary shall be obligated to discharge only the responsibilities assigned to him and that he shall not be charged with the responsibilities assigned to any other fiduciary.

10.2 **Committee .** Committee shall serve as the Administrator, as defined in ERISA Section 3(16)(A). The Committee is also the Named Fiduciary, as defined in ERISA Section 402(a)(2). The Committee shall be charged with the full power and responsibility for administering the Plan in accordance with the terms and delegations stated in the Plan and the Charter of the CenturyTel Retirement Committee (the "Charter"), except as the Board shall otherwise expressly determine.

10.3 **Duties and Responsibilities of Fiduciaries .** A Plan fiduciary shall have only those specific powers, duties, responsibilities and obligations as are explicitly given him under the Charter, Plan and Trust Agreement and shall not be responsible for any act or failure to act of another fiduciary. In general, the Employer shall have the sole responsibility for making contributions to the Plan, appointing the Trustee and the members of the Committee, and determining the funds available for investment under the Plan. The Committee shall have the sole responsibility for the administration of the Plan, as more fully described in Section 10.4 of the Plan.

10.4 **Plan Administrator.** The Committee shall be responsible for the administration of the Plan. In addition to any implied powers and duties that may be necessary or appropriate to the conduct of its affairs, the Committee shall have the following powers and duties, including the discretionary power:

(a) to make and enforce such rules and regulations as it shall determine to be necessary or proper for the administration of the Plan;

(b) to interpret the Plan and to decide all matters arising thereunder, including the right to remedy possible ambiguities, inconsistencies, and omissions;

(c) to determine the right of any person to benefits under the Plan and the amount of such benefits;

(d) to issue instructions to a Trustee or insurance company to make disbursements from the Trust, and to make any other arrangement necessary or appropriate to provide for the orderly payment and delivery of disbursements from the Trust;

(e) to delegate to other persons such of its responsibilities as it may determine;

(f) to retain an enrolled actuary;

(g) to employ suitable agents, actuaries, auditors, legal counsel, and other advisers as it may determine;

(h) to allocate among its members such of its responsibilities as it may determine; and

(i) to prepare, file, and distribute such forms, statements, descriptions, returns, and reports relating to the Plan as may be required by law.

The foregoing list of express powers is not intended to be either complete or conclusive, but the Committee shall, in addition, have such powers as it may reasonably determine to be necessary to the performance of its duties under the Plan. The decision or judgment of the Committee on any question arising in connection with the exercise of any of its powers or any matter of Plan Administration or the determination of benefits shall be final, binding and conclusive upon all parties concerned.

10.5 **Committee Reliance on Professional Advice .** The Committee is authorized to obtain, and act on the basis of, tables, valuations, certificates, opinions, and reports furnished by an enrolled actuary, accountant, legal counsel, or other advisors.

10.6 **Plan Administration Expenses .** All reasonable expenses of administering the Plan (including, without limitation, the expenses of the Committee) shall be paid out of the assets of the Trust, in accordance with and to the extent provided in the provisions of the Trust Agreement, except to the extent paid by the Company without request by the Company for reimbursement from the Trust. Notwithstanding the foregoing sentence, the Employer may direct the Trustee to charge reasonable administrative expenses of the Plan to Participants, including but not limited to fees to process domestic relations orders, but only to the extent that such charges to Participants are consistent with ERISA and interpretative guidance thereunder issued by the DOL.

10.7 **Responsibilities of Trustee .** Each Trustee shall be responsible for the custody of the assets of the Plan assigned to it, making disbursements at the order of the Committee, and accounting for all receipts and disbursements the assets of the Plan assigned to it.

10.8 **Investment Management by Trustee .** Each Trustee shall be responsible for managing the investment of the Plan assets in its custody, or any part thereof, when directed to do so by the Committee in accordance with the terms of the Trust Agreement.

10.9 **Allocation of Investment Management Responsibilities .** The Committee shall have the sole fiduciary responsibility for determining whether investment of the Plan assets held by a Trustee shall be managed by the Trustee, or by one or more investment managers, or whether both the Trustee and one or more investment managers are to participate in investment management and, if so, how investment responsibility is to be divided.

10.10 **Appointment and Removal of Investment Managers .** The Committee shall have the sole fiduciary responsibility for the appointment or removal of any investment manager and shall enter into an investment management agreement with each investment manager appointed by it on such terms and conditions consistent with the provisions of this Plan as it shall deem advisable. Each investment manager shall be responsible for managing the investment of such portion of the Trust as shall be placed under its management pursuant to the investment management agreement.

10.11 **Ascertainment of Plan Financial Needs .** The Committee shall have the sole fiduciary responsibility for periodically ascertaining the financial needs of the Plan, including the Plan's liquidity needs, and shall convey the pertinent information to the Trustee and/or investment managers responsible for managing the investments of the Trust.

10.12 **Benefit Claim Procedure .**

(a) If an individual is denied any benefits (in whole or in part) to which he believes he is entitled under the Plan, he may file a claim for benefits as set forth herein. Any claim for benefits under the Plan shall be delivered in writing by the claimant to the Committee. The claim shall identify the benefits requested and shall include a statement of the reasons why the benefits should be granted. The Committee shall grant or deny the claim. If the claim is denied in whole or in part, the Committee shall give written or electronic notification to the claimant, setting forth: (1) the reasons for the denial, (2) specific reference to pertinent Plan provisions on which the denial is based, (3) a description of any additional material or information necessary for the perfection of the claim and an explanation of why such material or information is necessary, and (4) an explanation of the Plan's claim review procedure and the time limits applicable to such procedures, including a statement of the claimant's right to bring a civil action under Section 502(a) of ERISA. The notice described in the preceding sentence shall be furnished to the claimant within a period of time not exceeding ninety (90) days after receipt of the claim; except that such period of time may be extended, if special circumstances should require, for an additional ninety (90) days commencing at the end of the initial ninety (90) day period. Written or electronic notice of such an extension shall be given to the claimant before the expiration of the initial ninety (90) day period and shall indicate the special circumstances requiring the extension and the date by which the final decision is expected to be rendered.

(b) A claimant who has been denied a claim for benefits, in whole or in part, may, within a period of sixty (60) days thereafter, request a review of such denial by filing a written notice of appeal with the Committee. In connection with an appeal, the claimant (or his duly authorized representative) may, upon request, review pertinent documents, and may submit evidence and arguments in writing to the Committee. The Committee shall review all comments, documents, records and other information submitted by the claimant related to the claim and decide the questions presented by the appeal, either with or without holding a hearing, and shall issue to the claimant a written or electronic notice setting forth: (1) the specific reasons for the decision, (2) the specific reference to pertinent Plan provisions on which the decision is based, (3) a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant to the claimant's claim, and (4) a statement of the claimant's right to bring an action under Section 502(a) of ERISA. The notice described in the preceding sentence shall be issued within a period of time not exceeding sixty (60) days after receipt of the request for review; except that such period of time may be extended, if special circumstances (including, but not limited to, the need to hold a hearing) should require, for an additional sixty (60) days commencing at the end of the initial sixty (60) day period. Written or electronic notice of such an extension shall be provided to the claimant prior to the expiration of the initial sixty (60) day period. The decision of the Committee shall be final and conclusive.

(c) Any electronic notice provided by the Committee to the claimant under this Section 10.12 shall comply with the requirements for electronic communications under 29 CFR § 2520.104b-1(c)(1)(i), (iii) and (iv).

10.13 **QDRO Procedures .** The Committee shall establish written procedures to determine the qualified status of domestic relations orders and to administer distributions under QDROs. Such procedures shall be consistent with any regulations prescribed under Section 206(d) of ERISA. The Committee shall promptly notify the Participant and any alternate payee (as defined in Section 206(d)(3)(K) of ERISA) of the receipt of an order and the procedures for determining the qualified status of domestic relations orders. Within a reasonable period after receipt of an order, the Committee shall determine whether the order is qualified and shall notify the Participant and each alternate payee of such determination. During any period in which the qualified status of a domestic relations order is being determined (by the Committee, by a court, or otherwise), the Committee shall direct the Trustee to account separately for the amounts that would have been payable to each alternate payee if the order had been determined to be a QDRO. If within eighteen (18) months of the receipt of the order, the order (or modification thereof) is determined to be a QDRO, the Committee shall direct the Trustee to pay the segregated amounts (plus any interest thereon) to the person or persons entitled thereto. If within eighteen (18) months of the receipt of the order, it is determined that the order is not qualified, or the issue as to whether the order is qualified is not resolved, then the Committee shall direct the Trustee to pay the segregated amount (plus any interest thereon) to the person or persons who would have been entitled to such amounts if there had been no order. Any determination that an order is qualified that is made after the close of the eighteen (18) month period shall be applied prospectively only.

10.14 **Service in Multiple Fiduciary Capacities .** Any person or group of persons may serve in more than one (1) fiduciary capacity with respect to the Plan, in accordance with Section 402(c) (1) of ERISA.

ARTICLE XI
CO-SPONSORSHIP OF PLAN AND MERGERS WITH OTHER PLANS

11.1 **Co-Sponsorship of Plan by Affiliates** . Any Affiliate, with the specific approval of the Board and the Affiliate's board of directors (or other governing body, if applicable), may join in this Plan as a co-sponsor. Thereupon, such Affiliate shall be included in the definition of Company hereunder and shall have the obligation to make contributions to this plan sufficient to fund the benefits of its Employees and their Beneficiaries. In any such case, this Plan shall remain a single plan with any and all of its assets derived from Company contributions (regardless of the entity to whose contributions such assets can be traced) available to pay the benefits to each Participant and Beneficiary hereunder and any other liabilities of the Plan. A list of the Affiliates that have become co-sponsors of the Plan pursuant to this Section 11.1, together with the respective effective dates of their co-sponsorship, appears in Schedule 11.1, which may be revised when an Affiliate becomes a co-sponsor in accordance with this Section 11.1, without the necessity of amending the Plan.

11.2 **Co-Sponsorship of Plan by Adopting Entities** . Any Adopting Entity, with the specific approval of the Board and the Adopting Entity's board of directors (or other governing body, if applicable), may join in this Plan as a co-sponsor. Thereupon, such Adopting Entity shall be included in the definition of Company hereunder and shall have the obligation to make contributions to this Plan sufficient to fund the benefits of its Employees and their Beneficiaries. A list of the Adopting Entities that have become co-sponsors of the Plan pursuant to this Section 11.2, together with the respective effective dates of their co-sponsorship, appears in 11.1, which may be revised when an Adopting Entity becomes a co-sponsor in accordance with this Section 11.2, without the necessity of amending the Plan.

11.3 **Merger with Plan of Affiliate** .

(a) Any other pension or retirement plan, sponsored by an Affiliate, may be merged into this Plan, with this Plan as the surviving instrument, with the specific approval of the Board and, if applicable, the board of directors (or other governing body, if applicable) of the Affiliate. Thereupon, if the employer sponsoring the merged plan is an Affiliate, the Affiliate shall become a co-sponsor of the Plan, and included in the definition of Company hereunder. In any such case, the Plan shall remain a single plan with any and all of its assets derived from Company contributions (regardless of the entity to whose contributions such assets can be traced) available to pay the benefits of each Participant and Beneficiary hereunder and any other liabilities of the Plan.

(b) The assets of the merged plan shall be transferred to the Trustee and be assets of the Plan, and the liabilities of the merged plan shall be liabilities of the Plan.

(c) Each Participant in the merged plan shall become a Participant in the Plan on the merger date, with accrued or vested benefits under the Plan equal to his accrued or vested benefits under the merged plan, and thereafter shall continue to participate in the Plan in accordance with its terms. Furthermore, each Participant in the merged plan who is an Employee on the merger date shall be entitled to Credited Service for his service under the merged plan and the greater of (i) his accrued or vested benefits under the Plan on account of such Credited Service or (ii) his accrued or vested benefits under the merged plan.

(d) It is the intention, and it shall be the effect, of this Section 11.3 that any merger of a plan into this Plan be carried out in accordance with Section 12.3.

ARTICLE XII
DURATION AND AMENDMENT

12.1 **Reservation of Right to Suspend or Terminate Plan** . Except as otherwise provided herein, while it is the intention of the Company that the Plan shall remain in effect indefinitely, the Board reserves the right to suspend or terminate the Plan in whole or in part, at any time and from time to time, and for any reason whatsoever that in the Board's sole discretion appears to it to make such action advisable.

12.2 **Reservation of Right to Amend Plan** . Except as otherwise provided herein, the plan may be amended in accordance with the procedures set forth in this Section 12.2. The Board by duly adopted written resolution or by unanimous written consent may modify or amend the Plan in whole or in part, prospectively or retroactively, at any time and from time to time. The Board by duly adopted written resolution or by unanimous written consent may delegate the power to so modify or amend the Plan to one or more officers of the Company, subject to such conditions as the Board may in its sole discretion impose. Notwithstanding the preceding sentence, and without the necessity of a delegation of authority from the Board, the General Counsel of the Company may adopt any amendment or modification to the Plan that is, in the opinion of such General Counsel, necessary or appropriate to comply with applicable laws and regulations, including without limitation ERISA and the Code. The officers of the Company may take all actions necessary or appropriate to implement or effectuate any amendment or modification to the Plan described herein. Any modification or amendment of the Plan by one or more officers of the Company (including without limitation the General Counsel) shall be adopted by a written instrument executed by such officer or officers. Notwithstanding the foregoing, no amendment shall reduce any benefit, that is accrued or treated as accrued under Section 411(d)(6) of the Code, of any Participant, or the percentage (if any) of such benefit that is vested, on the later of the date on which the amendment is adopted or the date on which the amendment becomes effective.

12.3 **Transactions Subject to Code Section 414(1)** . Except as otherwise provided herein, the Plan may be merged into or consolidated with another plan, and its assets or liabilities may be transferred to another plan. However, to the extent that Section 401(a)(12) or 414(1) of the Code is applicable and in accordance therewith, no such merger, consolidation, or transfer shall be consummated unless each Employee, retired Employee, former Employee, and Beneficiary under the Plan would, if the resulting plan then terminated, receive a benefit immediately after the merger, consolidation, or transfer that is equal to or greater than the benefit he would have been entitled to receive immediately before the merger, consolidation, or transfer, if the Plan had then terminated; provided that the foregoing provisions of this Section 12.3 shall not apply if such alternative requirements as may be imposed by the regulations under Section 414(1) of the Code are satisfied. For purposes of the preceding sentence, the benefit of an Employee, retired Employee, former Employee, or Beneficiary upon the deemed termination of a plan shall be determined without regard to any requirement under Title IV of ERISA or otherwise that (a) the Employer or any other person make additional contributions to the Plan in connection with its termination, or (b) any assets of the Plan attributable to employee contributions remaining after satisfaction of all liabilities described in Section 4044(a) of ERISA be distributed to Participants pursuant to Section 4044(d)(3) of ERISA. Any liability transferred from the Plan to another plan pursuant to this Section 12.3 shall result in the extinguishment of such liability hereunder immediately upon such transfer, and no benefit previously payable under the Plan on account of such liability shall be payable under the Plan following such transfer.

ARTICLE XIII
DISTRIBUTION UPON PLAN TERMINATION

13.1 **Vesting on Plan Termination** . In case of a termination or partial termination of the Plan, the rights of all affected Employees, retired Employees, and Beneficiaries to benefits accrued under the plan to the date of such termination or partial termination, to the extent then funded, shall be nonforfeitable.

13.2 **Allocation of Assets on Plan Termination** . Upon termination of the Plan, the Committee shall allocate the assets of the Plan in accordance with the following priority schedule, after providing for reasonable Plan administration expenses:

(a) First, there shall be paid any portion of a Participant’s accrued benefits derived from any non-mandatory contributions by him to the Plan;

(b) Second, there shall be paid any portion of a Participant’s accrued benefits derived from any mandatory contributions by him to the Plan;

(c) Third, there shall be allocated to (i) the benefit of each retired Employee (or Beneficiary) that was being paid on the date three (3) years prior to the date of termination, and (ii) the benefit of each Employee (or former Employee or Beneficiary) that would have been in pay status three (3) years prior to the date of termination if the Employee or former Employee had retired prior to such earlier date and if his benefit had commenced (in the normal form of annuity under the Plan) as of the beginning of such three (3) year period, an amount that is sufficient to provide such benefit, payable from the date of termination based on the provisions of the Plan as in effect during the five (5) year period ending on such date and under which the benefit was or would have been the least;

(d) Fourth, there shall be allocated to each benefit an mount that together with any amount allocated under subsection (c), above, is sufficient to provide the portion of the benefit that is guaranteed by the Pension Benefit Guaranty Corporation, as provided under Title IV of ERISA (without regard to Sections 4022(b)(5) and 4022(b)(6) thereof);

(e) Fifth, there shall be allocated to each benefit an amount that together with any amounts allocated under subsections (c) and (d), above, is sufficient to provide each such benefit, to the extent it is nonforfeitable;

(f) Sixth, there shall be allocated to each benefit the amount that together with any amounts allocated under subsections (c) through (e), above, is sufficient to provide the accrued benefit on the date of the termination; and

(g) Seventh, after all liabilities of the Plan have been satisfied, any residual assets shall be distributed to the Company, except as otherwise required by Section 4044(d)(3) (A) of ERISA.

If the assets of the Plan are insufficient to provide in full the amounts required under subsections (a) through (d) above, such assets shall be allocated pro rata among the benefits described in the subsection for which the required amounts first cannot be provided in full. If the assets of the Plan are insufficient to provide in full the amounts required under subsection (e) above, the assets available for allocation under subsection (e) shall be allocated first to provide the amounts required under such subsection on the basis of the terms of the Plan as in effect at the beginning of the five (5) year period ending on the date of the Plan termination. If the assets of the Plan are insufficient to provide such amounts in full, the assets shall be allocated among such amounts on a pro rata basis. If the assets of the Plan are sufficient to provide such amounts in full, then any remaining assets shall be allocated to provide the amounts under such subsection based on the benefits resulting from each successive amendment during the five (5) year period until the available assets are insufficient to provide the amounts required under subsection (e). The assets available for allocation with respect to the benefits resulting from the first such amendment shall be allocated on a pro rata basis.

13.3 **Provision for Benefits After Plan Termination** . The provision of benefits pursuant to Section 13.2 may be made, in the discretion of CenturyTel, Inc., by the purchase of annuities or by continuing in existence any Trust Agreements or arrangements with insurance companies entered into pursuant to the Plan and making provision therefrom for benefits, or both, or by immediate distribution from the Plan, or by any combination of these means, as CenturyTel, Inc., in its sole discretion, shall determine.

13.4 **Computation of Benefits After Plan Termination** . The benefits specified in Section 13.2 shall be computed in accordance with the provisions of Article VI or the Schedules of the Plan, as applicable, except that, to the extent permitted by law, the periods of Vesting Service and Credited Service used in the computation of benefits for Employees shall be regarded as ended as of the Plan termination date and only Average Annual Compensation as of that date shall be taken into account.

13.5 **Continued Employment Not Required After Plan Termination** . The payment of benefits on termination of the Plan shall not be contingent on an Employee's continuing in the service of the Company or any other employer after the termination of the Plan, except to the extent such service is otherwise required under the Plan to become eligible for a particular benefit or form of payment.

13.6 **Data in Company Records on Plan Termination** . In all cases benefits on termination of the Plan shall be determined, to the extent permitted by law, on the basis of the Employee's age, Vesting Service, Credited Service, and Average Annual Compensation as shown by the Company's records as of the Plan termination date.

13.7 **Satisfaction of Liabilities on Plan Termination** . In the case of all benefits for which provision is made for the purchase of annuities from an insurance company, the delivery of an annuity contract or certificate of the insurance company from which the annuity is purchased to each Employee, retired Employee, former Employee, or Beneficiary to whom such benefits are payable shall, to the extent permitted by applicable law, serve to relieve the Plan from any further obligations for the payment of such benefits. In the case of all benefits for which provision is not made through the purchase of annuities from an insurance company, the judgment of CenturyTel, Inc. as to the adequacy of the alternative provision shall be final to the extent permitted by applicable law. If such alternative provision made as of the Plan termination date should thereafter at any time appear, in the judgment of CenturyTel, Inc., inadequate or more than sufficient to continue the payment of the amounts previously estimated to be payable, the remaining payments of such benefits shall be adjusted pro rata in the order of precedence set forth in Section 13.2.

13.8 **High-25 Distribution Restrictions** .

(a) Upon the termination of the Plan, the benefit of each highly compensated employee and each highly compensated former employee (both as defined in Section 414(q) of the Code) shall be limited to a benefit that is nondiscriminatory under Section 401(a)(4) of the Code.

(b) The annual payments under the Plan with respect to a Participant shall not exceed the annual payments that would be made with respect to the Participant under a straight life annuity that is the actuarial equivalent of his Accrued Benefit. The preceding sentence shall not apply to a Participant for a calendar year if: (i) the Participant is not among the twenty-five (25) highly compensated employees and highly compensated former employees (both as defined in Section 414(q) of the Code) of an adopting Affiliate or Adopting Entity with the greatest compensation in that calendar year or any prior calendar year; (ii) after satisfying all benefits payable to the Participant under the Plan, the value of Plan assets does not fall below 110 percent of the Plan's current liabilities (as defined in Section 412(l)(7) of the Code); (iii) the value of the benefits payable with respect to the Participant under the plan is less than one percent (1%) of the value of the Plan's current liabilities (as defined in Section 412(l)(7) of the Code and determined before distribution to the Participant); or (iv) the value of the benefits payable with respect to the Participant under the Plan does not exceed the amount described in Section 411(a)(11)(A) of the Code. If the Plan is terminated while the restrictions pursuant to this subsection (b) are in effect, amounts in excess of those restrictions shall first be applied in a nondiscriminatory manner to the satisfaction of any Plan liabilities to Participants who are not subject to the restrictions, and any balance remaining shall then be applied in a nondiscriminatory manner to any Plan liabilities that may be outstanding with respect to Participants who are subject to the restrictions.

(c) This Section 13.8 is intended to satisfy the requirement of Treas. Reg. Section 1.401(a)(4)-5(b). This Section 13.8 shall not be construed in a manner that would impose limitations that are more stringent than those required by Section 1.401(a)(4)-5(b) of the Treasury Regulations. If Congress should provide by statute, or the United States Treasury Department or the Internal Revenue Service should provide by regulation, ruling, or other guidance of general applicability, that the foregoing restrictions are no longer necessary for the Plan to meet the requirements of Section 401(a) of the Code or any other applicable provision of the Internal Revenue Code then in effect, such restrictions shall become void and shall no longer apply, without the necessity of further amendment to the Plan.

ARTICLE XIV
INTERCHANGE OF BENEFIT OBLIGATIONS

14.1 **Interchange Agreement Permitted** . Agreements may be made by the Company with Affiliates other than the Company for an interchange of the obligations to which they may be subject under similar pension plans. These agreements shall provide that:

(a) pension plans shall be maintained on a consistent and substantially uniform basis by all of the companies participating in such interchange agreements;

(b) advance provision for the payment of pensions shall be made by each company in such amounts as may be necessary to provide for and fulfill all requirements of its plan as in effect from time to time; and

(c) the vesting service and credited service of the Participants under the pension plans sponsored by the companies that are parties to such agreements shall include service with all such companies.

ARTICLE XV
GENERAL PROVISIONS

15.1 **No Employment Rights Conferred** . Neither the action of the Company establishing this Plan nor any action taken by the Company under the Plan shall be construed as giving to any Employee a right to be retained in the service of the Company.

15.2 **Integration Clause**. No Employee, retired Employee, former Employee, Beneficiary, or any other person shall be entitled to or have any vested right in or claim to a benefit under the Plan, except as expressly provided herein.

15.3 **Incapacity of Recipient**. Benefit payments to a retired Employee or a Beneficiary unable to execute a proper receipt therefor may be made to a relative or other person, selected by the Committee, for the benefit of the retired Employee or the Beneficiary, and the receipt executed by such person shall discharge the obligations of the Plan and the Committee to such retired Employee or Beneficiary and anyone claiming through either of them.

15.4 **ERISA Fiduciary Duties**. Nothing in the Plan shall relieve or be deemed to relieve any Plan fiduciary from any responsibility, obligation, or duty imposed by or under ERISA.

15.5 **Compliance with State and Local Law**. The provisions of this Plan relating to an Employee's age of retirement shall not be applied in circumstances that would cause such provisions to be in violation of applicable state or local law. In such circumstances, the Employee Benefits Committee as Plan Administrator shall modify the application of such provisions to the extent necessary to comply with applicable state or local law, but only to the extent such laws are not preempted by federal law.

15.6 **Usage**. Words in the masculine gender shall include the feminine gender and the plural shall include the singular unless the context indicates otherwise.

15.7 **Titles and Headings**. The titles to Articles and the headings of Sections, subsections, paragraphs, and subparagraphs in this Plan are placed herein for convenience of reference only and, as such, shall be of no force or effect in the interpretation of the Plan.

15.8 **Severability Clause**. In the event any provision of the Plan is held to be in conflict with or in violation of any state or federal statute, rule, or decision, all other provisions of this Plan shall continue in full force and effect. In the event that the making of any payment or the provision of any other benefit required under the plan is held to be in conflict with or in violation of any state or federal statute, rule, or decision or otherwise invalid or unenforceable, such conflict, violation, invalidity, or unenforceability shall not prevent any other payment or benefit from being made or provided under the Plan, and in the event that the making of any payment in full or the provision of any other benefit required under the Plan in full would be in conflict with or in violation of any state or federal statute, rule or decision or otherwise invalid or unenforceable, then such conflict, violation, invalidity or unenforceability shall not prevent such payment or benefit from being made or provided in part, to the extent that it would not be in conflict with or in violation of any state or federal statute, rule or decision or otherwise invalid or unenforceable, and the maximum payment or benefit that would not be in conflict with or in violation of any state or federal statute, rule or decision or otherwise invalid or unenforceable, shall be made or provided under the Plan.

15.9 **USERRA - Military Service Credit**. Notwithstanding any provision of this Plan to the contrary, contributions, benefits and service credit with respect to qualified military service will be provided in accordance with Section 414(u) of the Code.

ARTICLE XVI
TOP-HEAVY REQUIREMENTS

16.1 **In General** . This Article XVI shall apply only if the Plan is Top-Heavy, as defined below. If, as of any Determination Date, as defined below, the Plan is Top-Heavy, the provisions of Section 16.4, below, shall take effect as of the first day of the Plan Year next following the Determination Date and shall continue to be in effect until the first day of any subsequent Plan Year following a Determination Date as of which it is determined that the Plan is no longer Top-Heavy.

16.2 **Definitions** . For purposes of this Article XVI, the following definitions shall apply, and shall be interpreted in accordance with the provisions of Section 416 of the Code and the regulations thereunder :

(a) **Permissive Aggregation Group** means a group of CenturyTel, Inc. Plans consisting of each CenturyTel, Inc. Plan in the Required Aggregation Group and each other CenturyTel, Inc. Plan selected by the Committee for inclusion in the Permissive Aggregation Group that would not, by its inclusion, prevent the Permissive Aggregation Group from continuing to meet the requirements of Sections 401(a)(4) and 410 of the Code.

(b) **Average Compensation** means the Participant's average Compensation, as defined in Section 16.2(c), below, for the period of consecutive years (not exceeding five) during which the Participant had the greatest aggregate Compensation from the Company, excluding (i) years ending before 1984, and (ii) years commencing after the last Top-Heavy Year, and adjusted, in accordance with Section 416(c)(1)(D)(ii) of the Code, for years not included in a year of Vesting Service.

(c) **Compensation** means compensation for a calendar year within the meaning of Section 415 of the Code and the regulations thereunder, but shall not exceed the annual compensation limit in effect for the calendar year under Section 401(a)(17) of the Code.

(d) **Determination Date** means, with respect to any Plan Year, the last day of the preceding Plan Year.

(e) **Employer** means the Employer who adopted this Plan and any other Employer some or all of whose Employees participate in this Plan or in a retirement plan which is aggregated with this Plan as part of a Permissive or Required Aggregation Group

(f) **CenturyTel Plan** means any stock bonus, pension, or profit-sharing plan of the Company and the Affiliates intended to qualify under Section 401(a) of the Code.

(g) **Key Employee** means any employee of the Employer who satisfies the criteria set forth in Section 416(i)(1) of the Code. For purposes of determining who is a Key Employee, compensation shall mean compensation as defined in Section 415 of the Code and the regulations thereunder. Effective January 1, 2005, 'Key Employee' means any Employee or former Employee (including any deceased Employee) who at any time during the Plan Year that includes the determination date was an officer of the Employer having annual compensation greater than $135,000 (as adjusted under Code Section 416(i)(1) for Plan Years after 2005), a 5-percent owner of the Employer or an Affiliate, or a 1-percent owner of the Employer having annual compensation of more than $150,000. For this purpose, annual compensation means compensation within the meaning of Code Section 415(c)(3). The determination of who is a Key Employee will be made in accordance with Code Section 416(i)(1) and the applicable regulations and other guidance of general applicability issued thereunder.

(h) **Required Aggregation Group** means (1) each CenturyTel Plan in which a Key Employee is a Participant and (2) any other CenturyTel Plan that enables a plan described in (1) to meet the requirements of Section 401(a)(4) or 410 of the Code.

(i) **Top-Heavy** means that the plan is included in an Aggregation Group under which, as of the Determination Date, the sum of the present value of the cumulative accrued benefits for Key Employees under all defined benefit plans in the Aggregation Group and the aggregate of all accounts of Key Employees under all defined contribution plans in the Aggregation Group exceeds sixty percent (60%) of the analogous sum determined for all employees. The determination of whether the Plan is Top-Heavy shall be made in accordance with Section 416(g)(2)(B) of the Code and the regulations thereunder.

(j) **Top-Heavy Ratio** means the percentage calculated in accordance with Section 16.2(i) hereof and Section 416(g)(2) of the Code and the Regulations thereunder.

(k) **Top-Heavy Year** means a Plan Year for which the Plan is Top-Heavy.

Unless otherwise specified herein, other terms in this Article XVI have the respective meanings ascribed thereto by the other provisions of the Plan.

16.3 **Determination of Top-Heavy Ratio** . In determining the Top-Heavy Ratio with respect to any Plan Year, the following rules shall apply:

(a) The accrued benefit of any current Participant shall be calculated, as of the most recent valuation date that is within a twelve (12) month period ending on the Determination Date, as if the Participant had voluntarily terminated employment as of such valuation date. Such valuation date shall be the same valuation date used for computing plan costs for purposes of the minimum funding provisions of Section 412 of the Code. Unless, as of the valuation date, the Plan provides for a nonproportional subsidy, the present value of the accrued benefit shall reflect a benefit commencing at age sixty-five (65) (or attained age, if later). If, as of the valuation date, the Plan provides for a nonproportional subsidy, the benefit shall be assumed to commence at the age at which the benefit is most valuable.

(b) The present value of such accrued benefit shall be calculated by multiplying the accrued benefit by the appropriate factor in the following table based on the Participant's age as of the Determination Date.

Age	Deferred Annuity Factor to Age 65
19	0.36752
20	0.39337
21	0.42104
22	0.45067
23	0.48240
24	0.51637
25	0.55274
26	0.59169
27	0.63340
28	0.67806
29	0.72589
30	0.77713
31	0.83202
32	0.89084
33	0.95388
34	1.02145
35	1.09389
36	1.17156
37	1.25486
38	1.34422
39	1.44010
40	1.54301
41	1.65348
42	1.77212
43	1.89957
44	2.03654
45	2.18380
46	2.34220
47	2.51265
48	2.69619
49	2.89392
50	3.10709

Age	Deferred Annuity Factor to Age 65
51	3.33707
52	3.58536
53	3.85366
54	4.14383
55	4.45797
56	4.79844
57	5.16786
58	5.56923
59	6.00589
60	6.48169
61	7.00098
62	7.56874
63	8.19069
64	8.87343
65	9.62458
66	9.41000
67	9.19088
68	8.96748
69	8.73999
70	8.50892

(c) The Plan shall be aggregated with all CenturyTel Plans included in the Permissive Aggregation Group.

(d) The present value of accrued benefits and the amounts of account balances of an Employee as of the determination date shall be increased by the distributions made with respect to the Employee under the plan and any plan aggregated with the Plan under Code Section 416(g)(2) during the 1-year period ending on the determination date. The preceding sentence shall also apply to distributions under a terminated plan which, had it not been terminated, would have been aggregated with the Plan under Code Section 416(g)(2)(A)(i). In the case of a distribution made for a reason other than severance from employment, death, or disability, this provision shall be applied by substituting '5-year period' for '1-year period.' The accrued benefits and accounts of any individual who has not performed services for the Employer during the 1-year period ending on the determination date shall not be taken into account.

(e) The accrued benefits and accounts of any individual who has not performed services for the Employer during the 1-year period ending on the determination date shall not be taken into account.

16.4 **Top-Heavy Minimum Benefits** .

(a) In any Top-Heavy Year, each Participant shall be entitled to the greater of:

(1) the Pension he otherwise is entitled to under the Plan, or

(2) an annual benefit that, when expressed as a benefit commencing at his Normal Retirement Date (with no ancillary benefits), is equal to two percent (2%) of the Participant's Average Compensation for each of the Participant's first ten (10) years of Credited Service after 1983 during which the Plan is Top-Heavy.

The annual benefit described in paragraph (2), above, shall not be adjusted to take into account the availability of preretirement death benefits under the Plan.

(b) A Participant who has completed at least three (3) years of Vesting Service and who is credited with an Hour of Service in a Top-Heavy Year shall have a nonforfeitable right to his Accrued Benefit.

(c) For each Top-Heavy Year, the Annual Compensation of each Participant taken into account under the plan for all plan Years (including Plan Years before the first Top-Heavy Year) shall not exceed his Compensation (as defined in Section 16.2(c)); provided that any benefits accrued before a Top-Heavy Year (determined without regard to any Plan amendments adopted after the end of the Plan Year next preceding the Top-Heavy Year) shall not be reduced as a result of the application of this subsection (c).

(d) The benefit required by Section 16.4(a) and vested pursuant to Section 16.4(b) shall not be forfeitable under provisions that otherwise would be permitted by Section 411(a)(3)(B) (relating to suspension of benefits upon reemployment) or 411(a)(3)(D) (relating to forfeitures upon withdrawal of mandatory contributions) of the Code.

(e) The Plan shall meet the requirements of this Section 16.4 without taking into account, in accordance with Section 416(e) of the Code, contributions or benefits under Chapter 21 of the Code (relating to the Federal Insurance Contributions Act), Title II of the Social Security Act, or any other federal or state law.

(f) The requirements of this Section 16.4 shall not apply with respect to any employee included in a unit of employees covered by an agreement that the Secretary of Labor finds to be a collective bargaining agreement between employee representatives and one or more Affiliates if there is evidence that retirement benefits were the subject of good faith bargaining between such employee representatives and the Affiliate.

(g) For purposes of satisfying the minimum benefit requirements of Code Section 416(c)(1) and this Plan, in determining Years of Service with the Employer, any service with the Employer shall be disregarded to the extent that such service occurs during a Plan Year when the Plan benefits (within the meaning of Code Section 410(b)) no Key Employee or former Key Employee.

16.5 **Termination of Top-Heavy Status**. If, for any plan Year after a Top-Heavy Year, the Plan is no longer Top-Heavy, the provisions of Section 16.4, above, shall not apply with respect to such Plan Year; provided that

(a) the Accrued Benefit of any Participant shall not be reduced on account of the operation of this Section 16.5;

(b) each Participant shall remain fully vested in any portion of the Participant's Accrued Benefit that was fully vested before the Plan ceased to be Top-Heavy; and

(c) any Participant who was a Participant in a Top-Heavy Year and who has completed at least five (5) years of Vesting Service as of the first day of the Plan Year in which the Plan is no longer Top-Heavy may elect to remain subject to the provisions of Section 16.4(b).

16.6 **Interpretation**. This Article XVI is intended to satisfy the requirements imposed by Section 416 of the Code and shall be construed in a manner that will effectuate this intent. This Article XVI shall not be construed in a manner that would impose requirements that are more stringent than those imposed by Section 416 of the Code.

THUS DONE AND SIGNED, this 22nd day of December, 2006.

CENTURYTEL, INC.

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

Exhibit 10.3(b)

EXECUTION COPY

AMENDED AND RESTATED
CENTURYTEL , INC .
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN
2006 RESTATEMENT

Introduction

CenturyTel, Inc. hereby amends and restates the CenturyTel, Inc. Supplemental Executive Retirement Plan 2000 Restatement, as amended ("Grandfathered Plan") effective January 1, 2005 to bring it into compliance with Internal Revenue Code ("Code") §409A and to make certain other amendments thereto. This Amended and Restated CenturyTel, Inc. Supplemental Executive Retirement Plan 2006 Restatement shall hereinafter sometimes be referred to as the "Plan".

With respect to each Participant, the Grandfathered Plan shall continue to apply to amounts deferred in taxable years beginning before January 1, 2005 if before January 1, 2005 the Participant had a legally binding right to be paid the amount and the right to the amount was earned and vested, as provided in Reg. §1.409A-6(a)(2). As provided in Reg. §1.409A-6(a)(3), the amounts deferred in taxable years beginning before January 1, 2005 equals the present value as of December 31, 2004 of the amount to which each Participant would be entitled under the Grandfathered Plan if the Participant voluntarily terminated service without cause on December 31, 2004 and received a payment of the benefits with the maximum value available from the Grandfathered Plan on the earliest possible date allowed under the Plan to receive a payment of benefits following the termination of service, to the extent the right to the benefit is earned and vested as of December 31, 2004. Notwithstanding the foregoing, for any subsequent calendar year, the grandfathered amount may increase to equal the present value of the benefit the Participant actually becomes entitled to, determined under the terms of the Grandfathered Plan (including applicable limits in the Code), as in effect on October 3, 2004, without regard to any further services rendered by the Participant after December 31, 2004 or any other events affecting the amount of or the entitlement to benefits (other than a Participant's election with respect to the time or form of an available benefit). In addition, the Grandfathered Plan shall apply to the vested benefit payable to a spouse or other beneficiary as of December 31, 2004, whether or not the benefit was then in pay status.

The Committee shall compute and attach hereto the amounts deferred with respect to each Participant, spouse or other beneficiary as of December 31, 2004 and shall hold such benefits subject to the Grandfathered Plan, as if this Plan did not exist. Any benefits not subject to the Grandfathered Plan shall be governed by this Plan. In no case shall the same benefit be paid under both plans, and, in this sense, any benefits payable under this Plan shall be offset by any benefits payable under the Grandfathered Plan.

I. Purpose of the Plan

1.01 This Plan is intended to provide CenturyTel, Inc. and its subsidiaries with a method for attracting and retaining key employees, to provide a method for recognizing the contributions of such personnel, and to promote executive and managerial flexibility, thereby advancing the interests of CenturyTel, Inc. and its stockholders, by providing retirement benefits in addition to those provided under the general retirement programs of CenturyTel, Inc. The Plan is not intended to constitute a qualified plan under Code §401(a) and is designed to be exempt from the participation, vesting, funding and fiduciary responsibility rules of ERISA. The Plan is intended to comply with Code §409A.

II. Definitions

As used in this Plan, the following terms shall have the meanings indicated, unless the context otherwise specifies or requires:

2.01 ACCRUED BENEFIT" shall mean, as of Normal Retirement Date, an amount equal to the basic monthly benefit to which a Participant is entitled in accordance with Section 5.01 using his Average Monthly Compensation, Estimated Social Security Benefit and Credited Service determined as of his Normal Retirement Date. "Accrued Benefit", as of any given date other than Normal Retirement Date, shall mean an amount equal to the basic monthly benefit to which a Participant is entitled in accordance with Section 5:01 using his Average Monthly Compensation, Estimated Social Security Benefit and Credited Service as of such given date, in lieu of Normal Retirement Date.

2.02 "ACTUARIAL EQUIVALENT" shall mean the equivalent in value of the amounts expected to be received under the Plan under different forms of payment or commencing at different times.

For purposes of the determination of the present value of a Participant's Accrued Benefit, actuarial equivalency shall be based upon an interest rate equal to the annual rate of interest on 30-year United States Treasury securities for the full calendar month preceding the January 1, April 1, July 1 and October 1 Plan quarter that contains the date of distribution, and the 1983 Group Annuity Mortality Table (50% male, 50% female) for pre-retirement and post-retirement mortality.

For all other purposes, actuarial equivalency shall be based upon an interest assumption of 5%, and the 1983 Group Annuity Mortality Table (50% male, 50% female) for pre- retirement and post-retirement mortality.

2.03 "AVERAGE MONTHLY COMPENSATION" shall mean the average of the 36 consecutive months' Compensation of a Participant which produce the highest average out of the last 120 months of participation. Any period of unpaid Leave of Absence will be excluded for purposes of determining Average Monthly Compensation, and periods of service preceding and following an unpaid Leave of Absence may be combined. If a Participant's period of participation is less than 36 months, Average Monthly Compensation shall be determined utilizing all of the Participant's months of service. If a Participant ceases to be a Participant for at least 1 year and thereafter again becomes a Participant, he shall be treated as a new Participant who had not been a Participant previously for purposes of computing Average Monthly Compensation for periods after his new Participation date.

2.04 **"BENEFIT SERVICE"** shall mean employment for which a Participant is entitled to receive service credit for accrual of benefits under the Plan in accordance with the provisions of Article IV. If a Participant ceases to be a Participant for at least 1 year and thereafter again becomes a Participant, he shall be treated as a new Participant who has not been a Participant previously for purposes of computing Benefit Service for periods after his new participation date.

2.05 **"BOARD OF DIRECTORS"** shall mean not less than a quorum of the whole Board of Directors of CenturyTel, Inc.

2.06 **"CHANGE IN CONTROL"** shall mean the occurrence of any of the following:

(a) 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., or 30% or more of the combined voting power of CenturyTel, Inc.'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 paragraph (c) below) of Common Stock directly from CenturyTel, Inc.,

(ii) any acquisition of Common Stock by CenturyTel, Inc. or its subsidiaries,

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

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

(b) individuals who, as of January 1, 2006, constitute the Board of Directors of CenturyTel, Inc. (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, Inc., Inc.'s shareholders, was approved by a vote of at least two-thirds of the directors then comprising the Incumbent Board shall be considered a member of the Incumbent Board, unless such individual's initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Incumbent Board; or

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

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

(ii) except to the extent that such ownership existed prior to the Business Combination, no person (excluding the Post-Transaction Corporation and any employee benefit plan or related trust of either CenturyTel, Inc., 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 each corporation, and

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

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

For purposes of this definition, 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 underwrite temporarily holding a security pursuant to an offering of the security.

2.07 **"COMMITTEE"** shall mean 3 or more members of the Board of Directors as described in Section 17.01 of the Plan, or the Board of Directors if no Committee has been appointed.

2.08 **"COMPANY"** shall mean CenturyTel, Inc., any Subsidiary thereof, and any affiliate designated by the Company as a participating employer under this Plan.

2.09 **"COMPENSATION"** shall mean the sum of a Participant's Salary and Incentive Compensation for a particular month.

2.10 **"DISABLED" OR "DISABILITY"** shall mean that, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, a Participant is (i) unable to engage in any substantial gainful activity or (ii) receiving income replacement benefits for a period of not less than 3 months under an accident and health plan covering employees of the Participant's Employer. A Participant will be deemed disabled if determined to be disabled in accordance with the Employer's disability program, provided that the definition of disability under such disability insurance program complies with the definition in the preceding sentence. Also, a Participant will be deemed disabled if determined to be totally disabled by the Social Security Administration.

2.11 **"EFFECTIVE DATE"** of this Plan shall mean January 1, 2005 for Participants employed and participating in the Plan as of such date, except as may otherwise be provided in specific Articles or Sections hereof. Notwithstanding the foregoing, the amendments contained in this Plan shall not apply to any deferrals governed by the Grandfathered Plan.

2.12 **"EMPLOYER"** shall mean CenturyTel, Inc., any Subsidiary thereof, and any affiliate designated by the Company as a participating employer under this Plan.

2.13 **"ERISA"** shall mean the Employee Retirement Security Act of 1974, as amended.

2.14 **"ESTIMATED SOCIAL SECURITY BENEFIT"** shall mean the monthly primary insurance amount calculated to be available at age 65 based on the Social Security law in effect on the Participant's Normal Retirement Date or an earlier date of determination. The primary insurance amount of a Participant who terminates prior to Normal Retirement Date shall be based on the assumption that the Participant earns no compensation between his termination date and his Normal Retirement Date.

2.15 **"INCENTIVE COMPENSATION"** shall mean the monthly equivalent of the amount awarded to a Participant under the Company's Key Employee Incentive Compensation Plan, or other incentive compensation arrangement maintained by the Company, including the amount of any stock award in its cash equivalent at the time of conversion of the award from cash to stock. A Participant's Incentive Compensation shall be determined on a monthly basis by dividing the amount of the Incentive Compensation award by the number of months to which the award relates. Each award of Incentive Compensation shall, for purposes of this Plan, be allocated to the month or months to which the award relates, i.e., that period of time during which the award was earned.

2.16 **"LEAVE OF ABSENCE"** shall mean any extraordinary absence authorized by the Employer under the Employer's standard personnel practices.

2.17 **"NORMAL RETIREMENT DATE"** shall mean the first day of the month coincident with or next following a Participant's 65th birthday.

2.18 **"PARTICIPANT"** shall mean any officer of the Employer who is granted participation in the Plan in accordance with the provisions of Article III.

2.19 **"PLAN"** shall mean this Amended and Restated CenturyTel, Inc. Supplemental Executive Retirement Plan 2006 Restatement .

2.20 **"RETIREMENT PLAN"** shall mean the CenturyTel Retirement Plan.

2.21 **"SALARY"** shall mean the monthly equivalent of a Participant's base rate of pay, exclusive, however, of bonus payments, overtime payments, commissions, imputed income on life I nsurance, vehicle allowances, relocation expenses, severance payments, and any other extra Compensation.

2.22 **"SPECIFIED EMPLOYEE"** shall mean a Participant who is a key employee (as defined in Code §416(i) and the regulations thereunder without regard to Code §416(i)(5)) of the Company if any of its stock is publicly traded on an established securities market or otherwise as of the Participant's separation from service. A Participant is a key employee if the Participant meets the requirements of Code §416(i)(1)(A)(i), (ii) or (iii) (applied in accordance with regulations thereunder and disregarding Code §416(i)(5)) at any time during the 12-month period ending on any December 31 identification date.

2.23 **"SUBSIDIARY"** shall mean any corporation in which CenturyTel, Inc. owns, directly or indirectly through subsidiaries, at least 50% of the combined voting power of all classes of stock.

2.24 **"VESTING SERVICE"** shall mean employment for which a Participant is entitled to receive service credit for vesting in benefits under the Plan in accordance with the provisions of Article IV.

III. Participation

3.01 Any employee who is either one of the officers of the Company in a position to contribute materially to the continued growth and future financial success of the Company, or one who has made a significant contribution to the Company's operations, thereby meriting special recognition, shall be eligible to participate provided the following requirements are met:

(a) The officer is employed on a full-time basis by the Company and is compensated by a regular salary; and

(b) The coverage of the officer is duly approved by the Committee.

3.02 If a Participant who retired or otherwise terminated employment is rehired, he shall not again become a Participant in the Plan unless the coverage of the officer is again duly approved by the Committee.

3.03 It is intended that participation in this Plan shall be extended only to those officers who are members of a select group of management or highly compensated employees, as determined by the Committee.

3.04 Any officer who is currently a Participant in the Grandfathered Plan as of the effective date of this Plan shall continue to be a Participant in the Plan as amended and restated, subject, however, to the right of the Committee to exclude the Participant from participation in future years.

IV. Vesting Service and Benefit Service.

4.01 For a Participant whose effective date of participation in the Plan, as designated by the Committee, is prior to January 1, 2000, Vesting Service for vesting of benefits hereunder, and Benefit Service for purposes of accrual of benefits hereunder, shall be credited for each year of employment with the Company, calculated in completed years and months regardless of the number of hours worked. Vesting Service and Benefit Service will include all years of service with the Company, including years of service prior to becoming an officer of the Company, years of service following Normal Retirement Date, and years of service with any Subsidiary or any affiliate designated by the Company as a participating employer under this Plan. In addition, periods of Leave of Absence shall count as periods of Vesting Service and Benefit Service. A fraction of a year of Vesting Service and Benefit Service will be given for completed months during the year of termination of employment of a Participant.

4.02 For a Participant whose effective date of participation in the Plan, as designated by the Committee, is on or after January 1, 2000, Vesting Service and Benefit Service will only be credited for years commencing as of the year in which the Participant's participation in the Plan is effective, and will not include years prior to the Participant's effective date of participation in the Plan.

4.03 Notwithstanding the provisions of Sections 4.01 and 4.02, a Participant who terminates employment with the Company and is subsequently re-hired, or a Participant who ceases to actively participate in the Plan for any other reason, shall receive credit for purposes of Vesting Service and Benefit Service for his service after his re-employment or cessation of active participation only for such periods of service during which he is an active participant in the Plan. A Participant shall not receive service credit after his re-employment or cessation of active participation for periods of service during which he is not an active participant in the Plan.

4.04 At the discretion of the Committee, service with a predecessor employer may be credited for purposes of vesting or benefit accrual under this Plan. If any such service is credited to a Participant for benefit accrual purposes, the benefit payable under this Plan shall be reduced by any benefit payable from the prior employer. The Committee shall make a determination whether any service with a predecessor employer will be credited to a Participant prior to the Participant's commencement of participation in this Plan, and such determination, once made, shall be irrevocable. If no determination is made by the Committee prior to a Participant's commencement of participation in this Plan, service with a predecessor employer by such Participant shall not be credited for any purpose under this Plan.

V. Normal Retirement

5.01 Subject to the provisions of Articles XIV and XV, the monthly retirement benefit payable to a Participant on his Normal Retirement Date shall be equal to (a) plus (b) less (c) less (d) plus (e) less (f), where:

(a) is 3% of Average Monthly Compensation multiplied by Benefit Service, not greater than 10 years.

(b) is 1% of Average Monthly Compensation multiplied by Benefit Service, for Benefit Service years greater than 10 years and not greater than 25 years.

(c) is 4% of Estimated Social Security Benefit, multiplied by Benefit Service, not greater than 25 years.

(d) the benefit provided under Section 6.1(a)(iv) of the Retirement Plan.

(e) the sum of the amounts determined pursuant to Sections 6.1(a)(i) and (ii) of the Retirement Plan, computed without taking into account the limitations contained in Sections 5.7 and 2.14(d). Years of Credited Service will be determined under Section 2.46 of the Retirement Plan.

(f) the benefit payable under Sections 6.1(a)(i), (ii) and (iii) of the Retirement Plan and Article IV of the CenturyTel, Inc. Supplemental Defined Benefit Plan.

5.02 The normal form of payment of a Participant's normal retirement benefit shall be an annuity payable for the life of the Participant.

5.03 The amount of monthly benefit payable to a Participant, as computed under Section 5.01, shall be increased annually to reflect increases in cost of living, at a rate of 3% per annum, starting with the year of benefit commencement. This increase shall take into effect as of January 1 of each year; provided, however, that the initial amount of increase for a Participant who commences receiving distributions in a year, effective as of the following January 1, shall be pro-rated, based on the number of months in such year during which the Participant received distributions. The 3% annual increase will be calculated with regard to Sections 5.01(a), (b) and (c) only.

VI. Late Retirement

6.01 If a Participant remains employed beyond his Normal Retirement Date, his late retirement date will be the first day of the month coincident with or next following his actual date of retirement, subject to the provisions of Articles XIV and XV.

6.02 A Participant's late retirement benefit will be calculated in accordance with Sections 5.01, based on his Average Monthly Compensation and Benefit Service as of his late retirement date. His Estimated Social Security Benefit will be computed as of his Normal Retirement Date based on the Social Security law in effect on such date.

VII. Early Retirement,

7.01 A Participant who has attained age 55, and who has completed 10 or more years of Benefit Service, is eligible for early retirement. An eligible Participant's early retirement date is the first day of the month coincident with or next following the date he terminates employment, subject of Articles XIV and XV.

7.02 A Participant who has completed ten 10 years of Benefit Service as of the date of his termination of employment, but who has not yet attained age 55 as of such date, shall be eligible for early retirement upon attainment of age 55. Such Participant's early retirement date shall be the first day of the month coincident with or next following the date on which he attains age 55, subject to the provisions of Articles XIV and XV.

7.03 A Participant's early retirement benefit is 100% of his Accrued Benefit computed as of his early retirement date calculated as if it were payable at his Normal Retirement Date. An active Participant’s early retirement benefit shall be equal to his Accrued Benefit payable at his Normal Retirement Date under Sections 5.01(a), (b) and (c) reduced for early retirement in accordance with Section 7.04, 7.05 or 7.06, less the benefit payable under Section 6.1(a)(iv) of the Retirement Plan reduced according to Section 6.2 of the Retirement Plan, plus the benefit payable under Section 5.01(e) reduced according to Section 6.2 of the Retirement Plan, less the benefit payable under Section 5.01(f) reduced for early retirement according to Section 6.2 of the Retirement Plan. A terminated Participant’s early retirement benefit shall be equal to his Accrued Benefit payable at his Normal Retirement Date under Sections 5.01(a), (b) and (c) reduced for early retirement according to Section 7.04, 7.05 or 7.06, less the benefit payable under Section 6.1(a)(iv) of the Retirement Plan reduced according to Section 6.6 of the Retirement Plan, plus the benefit payable under Section 5.01(e) reduced according to Section 6.6 of the Retirement Plan, less the benefit payable under Section 5.01(f) reduced for early retirement according to Section 6.6 of the Retirement Plan.

7.04 Upon early retirement, a Participant who has attained age 55 and has completed 10 or more but fewer than 15 years of Benefit Service shall receive his Accrued Benefit computed under Section 7.03 on his early retirement date reduced according to the following schedule:

Age at Commencement	Percentage of Accrued Benefit
55	50%
56	53⅓%
57	56⅔%
58	60%
59	63⅓%
60	66⅔%
61	73⅓%
62	80%
63	86⅔%
64	93⅓%
65	100%

7.05 Upon early retirement, a Participant who has attained age 55 and has completed 15 or more but fewer than 25 years of Benefit Service shall receive his Accrued Benefit computed under Section 7.03 on his early retirement date reduced according to the following schedule:

Age at Commencement	Percentage of Accrued Benefit
55	70%
56	73%
57	76%
58	79%
59	82%
60	85%
61	88%
62	91%
63	94%
64	97%
65	100%

7.06 Upon early retirement, a Participant who has attained age 55 and has completed 25 or more years of Benefit Service shall receive his Accrued Benefit computed under Section 7.03 on his early retirement date reduced according to the following schedule:

Age at Commencement	Percentage of Accrued Benefit
55	80%
56	82%
57	84%
58	86%
59	88%
60	90%
61	92%
62	94%
63	96%
64	98%
65	100%

VIII. Disability

8.01 A Participant who becomes Disabled prior to retirement or termination of service will be entitled to a Disability benefit computed in accordance with Section 8.02.

8.02 A Participant's Disability benefit will be calculated in accordance with Sections 5.01(a), (b) and (c) based on (1) his Average Monthly Compensation projected to Normal Retirement Date assuming his Compensation as of the date of his Disability remains constant, (2) his projected service to Normal Retirement Date and (3) his Estimated Social Security Benefit based on the Social Security law in effect on the date of his Disability, less the amount determined under Section 5.01(d), plus the amount determined under Section 5.01(e) less the amount determined under Section 5.01(f) in accordance with Section 6.4 of the Retirement Plan. If a Participant subsequently participates in the Plan, such Participant's service attributable to his subsequent participation shall not be credited for any purpose under the Plan so that there will be no double counting taking into account (2) above.

8.03 A Participant’s disability benefit shall commence on his Normal Retirement Date, provided that if the Participant’s Disability was caused by or contributed to by mental disorders or medical or surgical treatment of mental disorders, his disability benefit shall commence on the later of his 55th birthday or 2 years after he became mentally Disabled, reduced as provided in Sections 7.05 or 7.06, if applicable, or otherwise as provided in Section 7.03, subject to the provisions of Articles XIV and XV.

IX. Death Benefit

9.01 Upon the death of a Participant who is actively employed or on Leave of Absence at the time of his death, or who has retired or become Disabled and has not commenced receiving benefit payments hereunder, the Participant's beneficiary (as determined under Section 9.05) will be entitled to receive a monthly death benefit determined in accordance with Section 9.02.

9.02 The monthly death benefit payable under Section 9.01 to the beneficiary of a Participant shall be equal to (a) less (b) less (c), where:

(a) is 36% of Average Monthly Compensation projected to his Normal Retirement Date assuming his Compensation as of his date of death remains constant until his Normal Retirement Date.

(b) the amount of Estimated Social Security Benefit, based on the Social Security law in effect as of the date of his death or age 65, if earlier, received by the beneficiary, or to which the beneficiary may be entitled, as determined by the Committee.

(c) the death benefit attributable to Section 6.1(a)(iv) of the Retirement Plan.

9.03 Upon the death of a Participant who has terminated employment prior to death for reasons other than retirement or Disability, and who was 100% vested under the vesting schedule contained in Section 10.01 at the time of termination of employment, the Participant's beneficiary (as determined under Section 9.05) will be entitled to receive a monthly death benefit computed as follows:

50% of the Accrued Benefit of the Participant as of his date of termination of employment.

9.04 Subject to the provisions of Articles XIV and XV, the monthly death benefit determined under Section 9.01 or 9.03 shall commence as of the date on which the Participant would have reached the Normal Retirement Date applicable to the Participant, or date of death, if later; provided, however, that the benefit payable to the surviving spouse of the Participant shall commence on the date specified in Sections 7.04, 7.05, 7.06 or 10.02.

9.05 The beneficiary of a Participant who is married on the date of his death shall be his spouse. The beneficiary of an unmarried Participant shall be his living children as of his date of death.

9.06 The death benefit shall be paid to the surviving spouse, if any, of the Participant for the surviving spouse’s life. If the Participant is unmarried at the date of death, or if the surviving spouse dies subsequent to the Participant's death, the death benefit shall be paid to the Participant's surviving child or children (or legal representative of any minor child) in equal shares. The death benefit payable to a child shall terminate upon the later of the child's attainment of age 19 or age 23, if a full-time student at an accredited educational institution, and such share shall thereafter revert to and be payable equally to the remaining surviving children of the Participant until the interest of each such surviving child has terminated.

9.07 If a Participant has no surviving spouse or children at the date of the Participant’s death, no death benefit shall be paid under this Plan.

X. Termination of Service

10.01 If a Participant terminates service prior to death, Disability or retirement, his Accrued Benefit shall be vested in accordance with the following schedule:

Years of Vesting Service	Vested %
less than 5	0 %
5 or more	100%

10.02 A Participant's vested Accrued Benefit is computed as if it were payable at his Normal Retirement Date. If the Participant does not meet the service requirements of Sections 7.01 or 7.02, his Vested Accrued Benefit is payable at his Normal Retirement Date. If a Participant meets the service requirements for early retirement pursuant to Section 7.01 or 7.02, his benefit shall commence on the first day of the month coincident with or next following the date of termination of employment, reduced as provided in Section 7.04, 7.05 or 7.06, as applicable. The provisions of this Section 10.02 are subject to the provisions of Articles XIV and XV.

XI. Change in Control

11.01 Notwithstanding anything to the contrary in this Plan or in any applicable law or regulation, upon the earlier of (i) the occurrence of a Change in Control, (ii) the date that any person or entity submits an offer or proposal to the Company that results in or leads to a Change in Control (whether by such person or any other person) or (iii) the date of the public announcement of a Change in Control or an offer, proposal or proxy solicitation that results in or leads to a Change in Control (whether by the person or entity making such announcement or any other person) (the earliest of such dates being hereinafter referred to as the "Effective Date"), the Accrued Benefit of each Participant (other than any Participant whose service as an employee was terminated prior to full vesting of his Accrued Benefit under Section 10.01) and the benefits conferred under this Section shall automatically vest and thereafter may not be adversely affected in any matter without the prior written consent of the Participant. Notwithstanding anything to the contrary in this Plan, upon the occurrence of a Change in Control any Participant who is then employed by CenturyTel, Inc. or its subsidiaries ("Active Participants") shall have an irrevocable right to receive, and the Company shall be irrevocably obligated to pay, a lump sum cash payment in an amount determined pursuant to this Section if, during a period commencing upon the Effective Date and ending on the third anniversary of the occurrence of the Change in Control, the Active Participants voluntarily or involuntarily separates from service (“Termination”). The lump sum cash payment payable to Active Participants under this Section (the "Lump Sum Payment") shall be paid on the date of Termination, subject to the provisions of Articles XIV and XV.

11.02 The amount of each Lump Sum Payment shall be determined as follows:

(a) With respect to any Active Participant who, after giving effect to the terms of Subsection (d) below, is eligible as of the date of Termination to receive benefits under Articles V or VI of this Plan, the Lump Sum Payment shall equal the Present Value (as defined below) of the stream of payments to which such participant would have otherwise been entitled to receive immediately upon Termination in accordance with Articles V or VI of this Plan (assuming such benefits are paid in the form of a lifetime annuity), based upon such participant's Average Monthly Compensation, Estimated Social Security Benefit and Benefit Service as of the date of Termination, without giving effect to any salary reductions that gave rise to such Termination, but after giving effect to the terms of Subsection (d) below.

(b) With respect to any Active Participant who, after giving effect to the terms of Subsection (d) below, is not eligible as of the date of Termination to receive benefits under Articles V, VI or VII of this Plan, the Lump Sum Payment shall equal the product of (1) the Present Value, calculated as of age 65, of the stream of payments to which such participant would have otherwise been entitled to receive at age 65 in accordance with the terms of this Plan based on the same assumptions and terms set forth in subsection (a) above, multiplied times (2) such discount factor as is necessary to reduce the amount determined under (1) above to its present value, it being understood that in calculating such discount factor, no discount shall be applied to reflect the possibility that such participant may die prior to attaining age 65.

(c) With respect to any Active Participant who, after giving effect to the terms of subsection (d) below, is eligible as of the date of Termination to receive benefits under Article VII of the Plan, the Lump Sum Payment shall equal the greater of (1) the Present Value of the stream of payments to which such Participant would have otherwise been entitled to receive immediately upon Termination in accordance with Article VII of this Plan, based upon the assumptions and terms set forth in subsection (a) above, or (2) the Present Value, calculated as of age 65, of the stream of payments to which such Participant would otherwise be entitled to receive at age 65 in accordance with this Plan, determined in the same manner and subject to the same assumptions and terms set forth in subsection (b) above.

(d) In calculating the Lump Sum Payment due to any Active Participant under this Section, the number of years of Benefit Service of the Active Participant shall be deemed to equal the number of years determinable under the other sections of this Plan plus three years and the Active Participant's age shall be deemed to equal his actual age plus three years; provided, however, that in no event shall the provisions of this Subsection be applicable if the application thereof will reduce the Active Participant's Lump Sum Payment from the amount that would otherwise be payable with the addition of less than three years of service, age or both.

(e) As used in this Section with respect to any amount, the "Present Value" of such amount shall mean the discounted value of such amount that is determined by making customary present value calculations in accordance with generally accepted actuarial principles, provided that (1) the discount interest rate applied in connection therewith shall equal the interest rate for AAA rated, tax exempt Insured Revenue Bonds with Five Year maturity as quoted by the Bond Market Association (BMA) as of the first day of the calendar quarter for which the calculations are performed or, in the event such index is no longer published, any similar index for comparable municipal securities and (2) the mortality tables applied in connection therewith shall be " 1983 Group Annuity Mortality Table (50% male/50 female) " as prescribed by the Pension Benefit Guaranty Corporation or any successor table prescribed by such organization.

11.03 Notwithstanding anything to the contrary in this Plan, upon the occurrence of a Change in Control Event as defined in Reg. §1.409A-3(g)(5)(i), each Participant who has already begun to receive periodic payments under this Plan ("Retired Participants") shall have an irrevocable and unconditional right to receive, and the Company shall be irrevocably and unconditionally obligated to pay, a lump sum payment in an amount equal to the present value of the Participant's future stream of payments which would otherwise be payable under this Plan. The Company shall offer to assist such Participant in purchasing at such P articipant's cost an annuity for the benefit of such Participant.

11.04 Notwithstanding anything to the contrary in this Plan, upon the occurrence of Change in Control as defined in Reg. §1.409A-3(g)(5)(i), any Participant (other than a Retired Participant) who is then a former employee of the Company or its subsidiaries whose Accrued Benefit is vested under Section 10.01 ("Inactive Participants") shall have an irrevocable and unconditional right to receive, and the Company shall be irrevocably and unconditionally obligated to pay, a lump sum payment in an amount determined in the manner provided in Section 11.02(b) or (c) , as applicable; provided, however, that no Inactive Participant will be entitled to the benefits of Section 11.02 (d).

XII. Form of Benefit Payment

12.01 The normal form of benefit payment for a Participant who is not married on his benefit commencement date is an annuity payable monthly for the lifetime of the Participant or in the case of a Participant who is married on his benefit commencement date, the normal form of benefit payment is an Actuarially Equivalent annuity payable monthly for the lifetime of the Participant and a survivor annuity payable monthly to the spouse (if living) upon the Participant’s death which is 50% of the amount of the amount of the annuity payable during the lifetime of the Participant, in each case payable in accordance with the Company's standard payroll practices with payments commencing as of the first day of the month following the Participant’s benefit commencement date.

12.02 A Participant may, before any annuity payment has been made, elect the optional form of payment which is the Actuarial Equivalent of a Participant's basic monthly pension, which shall commence at the time specified in Sections 12.01. The optional form of payment is as follows:

Alternative Joint and Survivor Annuity.

(a) Under an Alternative Joint and Survivor Annuity, a reduced amount shall be payable to the Participant for his lifetime. The beneficiary, whether or not the Participant's spouse, if surviving at the Participant's death, shall be entitled to receive thereafter a lifetime survivor benefit in an amount equal to 100% of the reduced amount that had been payable to the Participant. If the beneficiary is not the Participant's spouse who is entitled to a 50% survivor annuity under Section 12.01, the Participant may elect that the survivor annuity be 50% of the reduced amount payable to the Participant.

(b) The reduced amount payable to the retired Participant shall be the Actuarial Equivalent of the amount determined under Articles V, VI, VII, VIII or X, as the case may be. The appropriate actuarial factor shall be determined for any Participant and his beneficiary as of the commencement date of the Participant's benefit.

(c) If the Participant designates any individual other than his spouse as his beneficiary, the annual amount of the Participant's annuity under the Alternative Joint and Survivor Annuity shall not be less than 50% of the annual benefit calculated as a single life annuity, and the beneficiary's survivor annuity under the Alternative Joint and Survivor Annuity shall be reduced to the extent necessary to reflect any adjustment required by this paragraph (c) in the amount of the Participant's annuity under the Alternative Joint and Survivor Annuity.

XIII. Reemployment of Participants

13.01 If a Participant who retired or otherwise terminated employment for any reason and commenced receiving benefits under the Plan is later rehired by the Company, benefit payments shall continue as if the Participant had not been rehired. The Participant's benefits upon his subsequent retirement or termination of employment for any reason shall be determined as follows:

(a) If a Participant retires on his Normal Retirement Date, the monthly retirement benefit shall be determined pursuant to Article V, reduced by the Actuarial Equivalent of the benefit payments the Participant previously received.

(b) If a Participant remains employed beyond his Normal Retirement Date, the late retirement benefit payable to a Participant upon his late retirement shall be determined pursuant to Article VI, reduced by the Actuarial Equivalent of the benefit payments the Participant previously received.

(c) If a Participant retires prior to his Normal Retirement Date and is eligible for early retirement according to Section 7.01 or 7.02, the early retirement benefit payable to a Participant shall be determined pursuant to Section 7.03, 7.04, 7.05 or 7.06, reduced by the Actuarial Equivalent of the benefit payments the Participant previously received.

(d) The benefit payable under paragraphs (a) through (c) above shall not be less than the amount he received from his previous retirement or from his previous termination of employment for any reason.

(e) The benefit payable under paragraphs (a) through (c) above shall be in the same form as the Participant was receiving.

XIV. Acceleration of Payments.

14.01 Notwithstanding any other provision of this Plan, if the single sum value of the Participant's, Beneficiary's or Spouse's benefit is $10,000 or less, such amount shall be paid in one lump sum to the person entitled to payment on the date the first annuity payment would otherwise be paid under this Plan. Such payment is mandatory.

14.02 If at any time the Plan fails to meet the requirements of Code §409A, an amount equal to the amount required to be included in the Participant's income as a result of the failure to comply with the requirements of Code §409A shall be paid to the Participant in one lump sum on the first day of the month following the Company's determination that the failure has occurred.

14.03 If the Plan receives a domestic relations order as defined in Code §414(p)(1)(B) and ERISA §206(d)(3)(B)(ii), the Committee shall accelerate the time or schedule of a payment to an individual other than the Participant in order to fulfill such order, provided that the provisions of ERISA §206(d)(3)(C) through (F) shall apply as if this Plan were governed by Part 2 of Title I of ERISA.

14.04 The Committee shall accelerate the time or schedule of a payment under the Plan as may be necessary to comply with a certificate of divestiture as defined in Code §1043(b)(2).

XV. Delay of Payments

15.01 A payment otherwise due hereunder shall be delayed to a date after the designated payment date under the following circumstances:

(a) Notwithstanding any other provision hereof, payments shall commence upon separation from service of a Specified Employee for reasons other than death or Disability on the date that is the first day of the seventh month following the date of the Specified Employee's separation from service (or, if earlier, the date of death of the Specified Employee). On the first day of such seventh month or on the first day of the month following the earlier death of the Specified Employee, the Specified Employee or his estate, Spouse or beneficiary, as the case may be, shall be paid the amount to which he normally would be entitled on such date plus the amounts which would have been previously paid to him but for the fact that he was a Specified Employee. Nevertheless, for all other purposes of this Plan, the payments shall be deemed to have commenced on the date they would have had the Participant not been a Specified Employee.

(b) Notwithstanding any other provision hereof, a Participant shall not have separated from service with the Company on account of termination of employment for reasons other than death if he would not be counted as having experienced a termination of employment under Reg. §1.409A-1(h)(1)(i) or under the 20% safe harbor rule for employees or the 50% safe harbor rule for nonemployees under Reg. §1.409A-11(h)(1)(ii).

(c) Payments that would violate loan covenants or other contractual terms to which the Company is a party, where such a violation would result in material harm to the Company (in such case, payment will be made at the earliest date at which the Company reasonably anticipates that the making of the payment will not cause such violation, or such violation will not cause material harm to the Company).

(d) Payment where the Company reasonably anticipates that the making of the payment will violate Federal securities laws or other applicable law, provided that the payment shall be made at the earliest date at which the Company reasonably anticipates that the making of the payment will not cause such violation. (The making of a payment that would cause inclusion in gross income or the application of any penalty provision or other provision of the Code is not treated as a violation of applicable law).

(e) Payments the deduction for which the Company reasonably anticipates would be limited by the application of Code §162(m) (in such case, payment will be made at either the earliest date at which the Company reasonably anticipates that the deduction of the payment will not be so limited or the calendar year in which the Participant separates from service).

(f) Payment may also be delayed upon such other events and conditions as the Commissioner of Internal Revenue may prescribe in generally applicable guidance published in the Internal Revenue Bulletin.

XVI. Additional Restrictions on Benefit Payments

16.01 In no event will there be a duplication of benefits payable under the Plan because of employment by more than one participating Employer.

XVII. Administration and Interpretation

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

17.02 The decision of the Committee relating to any question concerning or involving the interpretation or administration of the Plan shall be final and conclusive, and nothing in the Plan shall be deemed to give any employee any right to participate in the Plan, except to such extent, if any, as the Committee may have determined or approved pursuant to the provisions of the Plan.

XVIII. Nature of the Plan

18.01 Benefits under the Plan shall generally be payable by the Company from its own funds, and such benefits shall not (i) impose any obligation upon the trust(s) of the other employee benefit programs of the Company; (ii) be paid from such trust(s); nor (iii) have any effect whatsoever upon the amount or payment of benefits under the other employee benefit programs of the Company. Participants have only an unsecured right to receive benefits under the Plan from the Company as general creditors of the Company. The Company may deposit amounts in any CenturyTel, Inc. Supplemental Executive Retirement Trust (the "Trust") established by the Company for the purpose of funding the Company's obligations under the Plan. Participants- and their beneficiaries, however, have no secured interest or special claim to the assets of the Trust, and the assets of the Trust shall be subject to the payment of claims of general creditors of the Company upon the insolvency or bankruptcy of the Company, as provided in the Trust.

XIX. Employment Relationship

19.01 An employee shall be considered to be in the employment of the Company and its subsidiaries as long as he remains an employee of either the Company, any Subsidiary of the Company, or any corporation to which substantially all of the assets and business of the Company are transferred. Nothing in the adoption of this Plan nor the designation of any Participant shall confer on any employee the right to continued employment by the Company or a Subsidiary of the Company, or affect in any way the right of the Company or such Subsidiary to terminate his employment at any time. Any question as to whether and when there has been a termination of an employee's employment, and the cause, notice or other circumstances of such termination, shall be determined by the Board, and its determination shall be final.

XX. Amendment and Termination of Plan

20.01 The Board of Directors of the Company in its sole discretion may terminate the Plan at any time, and shall have the right to alter or amend the Plan or any part thereof from time to time, except that the Board of Directors shall not terminate the Plan or make any alteration or amendment thereto which would impair any rights or benefits of a Participant previously accrued.

XXI. Binding Effect

21.01 This Plan shall be binding on the Company, each Subsidiary, and any affiliate designated by the Company as a participating employer under this Plan, the successors and assigns thereof, and any entity to which substantially all of the assets or business of the Company, a Subsidiary, or a participating affiliate are transferred.

XXII. Reimbursement to Participants

22.01 After a Change of Control, the Company shall reimburse any Participant, or beneficiary thereof, for all expenses, including attorney's fees, actually and reasonably incurred by the Participant or beneficiary in any proceeding to enforce any of their rights under this Plan.

XXIII. Construction

23.01 The masculine gender, where appearing in the Plan, shall be deemed to include the feminine gender, and the singular may indicate the plural, unless the context clearly indicates the contrary. The words "hereof', "herein", "hereunder" and other similar compounds of the word "here" shall, unless otherwise specifically stated, mean and refer to the entire Plan, not to any particular provision or Section. Article and Section headings are included for convenience of reference and are not intended to add to, or subtract from, the terms of the Plan.

XXIV. Demand For Benefits

24.01 Benefits upon termination of employment shall ordinarily be paid to a Participant without the need for demand, and to a beneficiary upon receipt of the beneficiary's address and Social Security Number (and evidence of death of the Participant, if needed). Nevertheless, a Participant or a person claiming to be a beneficiary who claims entitlement to a benefit can file a claim for benefits with the Committee. The Committee shall accept or reject the claim within 30 days of its receipt. If the claim is denied, the Committee shall give the reason for denial in a written notice calculated to be understood by the claimant, referring to the Plan provisions that form the basis of the denial. If any additional information or material is necessary to perfect the claim, the Committee will identify these items and explain why such additional material is necessary. If the Committee neither accepts or rejects the claim within 30 days, the claim shall be deemed denied. Upon the denial of a claim, the claimant may file a written appeal of the denied claim to the Committee within 60 days of the denial. The claimant shall have the opportunity to be represented by counsel and to be heard at a hearing. The claimant shall have the opportunity to review pertinent documents and the opportunity to submit issues and argue against the denial in writing. The decision upon the appeal must be made no later than the later of (a) 60 days after receipt of the request for review, or (b) 30 days after the hearing. The Committee must set a date for such a hearing within 30 days after receipt of the appeal. In no event shall the date of the hearing be set later than 60 days after receipt of the notice. If the appeal is denied, the denial shall be in writing. If, prior to a Change of Control, an initial claim is denied, and the claimant is ultimately successful, all subsequent reasonable attorney's fees and costs of claimant, including the filing of the appeal with the Committee, and any subsequent litigation, shall be paid by the Employer unless the failure of the Employer to pay is caused by reasons beyond its control, such as insolvency or bankruptcy.

IN WITNESS WHEREOF, CenturyTel, Inc. has executed this Plan this 29th day of November, 2006.

CENTURYTEL, INC.

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

Exhibit 10.3(c)

EXECUTION COPY

CENTURYTEL, INC.
SUPPLEMENTAL DOLLARS & SENSE PLAN

2006 RESTATEMENT
EFFECTIVE JANUARY 1, 2005

I. Purpose of the Plan

1.01 This Supplemental Dollars & Sense Plan was established by CenturyTel, Inc., previously Century Telephone Enterprises, Inc. (the "Company") and its subsidiaries and designated affiliates to provide to certain select management employees the opportunity to defer a portion of their compensation in excess of the deferrals permissible under the terms of the CenturyTel, Inc. Dollars & Sense Plan and Trust (the "Dollars & Sense Plan") maintained by the Company and to allow the Company to make matching contributions based on such deferrals in excess of those permissible under such plan. This Plan is not intended to constitute a qualified plan under Section 401(a) of the Internal Revenue Code of 1986, as amended (the "Code"), and is designed to be exempt from the participation, vesting, funding and fiduciary responsibility rules of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). The Plan is intended to comply with Code §409A.

II. Definitions

As used in this Plan, the following terms shall have the meanings indicated, unless the context otherwise specifies or requires:

2.01 **ACCOUNT** shall mean the account established under this Plan in accordance with Section 4.01.

2.02 **ACCOUNT BALANCE** , as of a given date, shall mean the fair market value of a Participant's Account as determined by the Committee. In 2005, each active Participant was given the right to elect to have his Account Balance transferred to the CenturyTel Retirement Plan (“Retirement Plan”) to the extent permitted under the QSERP concept (*i.e.* to the extent possible given discrimination limitations applicable to the Retirement Plan). Each Participant's Account Balance was reduced by the amount which was transferred to the Retirement Plan, if any. In 2005, under the Code §409A transition rules, each Participant was also given the right to elect to take a distribution of the portion of his Account Balance that was not transferred to the Retirement Plan. Each Participant’s Account Balance was reduced by the amount distributed to him in 2005, if any. Each Participant's Account Balance shall also be reduced by an amount equal to any Profit Sharing Contribution to such Participant's profit sharing account in the CenturyTel, Inc. Dollars & Sense Plan at such time such contribution is made effective for Plan years beginning after 2004. If the Profit Sharing Contribution is made after the end of a calendar year with respect to the preceding calendar year and is made before the due date, including extensions, of the Company’s income tax return for such preceding year, the reduction to the Participant’s Account Balance in this Plan shall also be made with respect to such preceding year.

2.03 **BENEFICIARY** shall mean the person or persons designated by the Participant to receive benefits after the death of the Participant.

2.04 **BOARD OF DIRECTORS** shall mean not less than a quorum of the whole Board of Directors of the Company.

2.05 **COMMITTEE** shall mean three or more members of the Board of Directors of the Company as described in Section 13.01 of the Plan, or the Board if no Committee has been appointed.

2.06 **DISABILITY** shall mean a condition which makes a Participant unable to perform each of the material duties of his regular occupation where he is likely to remain thus incapacitated continuously and permanently.

2.07 **EFFECTIVE DATE** of this Plan shall mean the first day of the first payroll period commencing on or after January 1, 1995. The effective date of this Restatement shall mean January 1, 2005.

2.08 **EMPLOYER** shall mean the Company, any Subsidiary thereof, and any affiliate designated by the Company as a participating employer under this Plan.

2.09 **EXCESS SALARY** shall mean the amount of a Participant's compensation upon which the Participant can no longer make deferral contributions under the Dollars & Sense Plan due to the application of Code Section 401(a)(17) and 402(g). As provided in Regs. §1.409A-2(a)(11)(i), compensation paid after the last day of the Plan Year solely for services performed during the final payroll period described in Code section 3401(b) shall be treated as compensation for services provided for the subsequent calendar year. This does not apply to Incentive Compensation.

2.10 **INCENTIVE COMPENSATION** shall mean any amount awarded to a Participant under the Company's Key Employee Incentive Compensation Plan or other executive incentive compensation arrangement maintained by the Company, including the amount of any stock award in its cash equivalent at the time of conversion of the award from cash to stock. A Participant's Incentive Compensation shall be determined on an annual basis and shall, for purposes of this Plan, be allocated to the year in which the Participant performed the services with respect to which the Incentive Compensation was awarded.

2.11 **LEAVE OF ABSENCE** shall mean any extraordinary absence authorized by the Employer under the Employer's standard personnel practices.

2.12 **NORMAL RETIREMENT AGE** shall mean age 65.

2.13 NORMAL RETIREMENT DATE shall mean the first day of the month coincident with or next following a Participant's 65th birthday.

2.14 NOTIONAL shall mean imaginary, not actual.

2.15 PARTICIPANT shall mean any officer of the Company, any Subsidiary thereof, and any designated affiliate, who is granted participation in the Plan in accordance with the provisions of Article III.

2.16 PLAN shall mean the CenturyTel, Inc. Supplemental Dollars & Sense Plan, as amended and restated herein.

2.17 PLAN YEAR shall mean the calendar year.

2.18 PROFIT SHARING ACCOUNT shall mean an account first established in 2006 and continuing thereafter under this Plan to which contributions under Section 6.03 shall be credited, which shall vest in accordance with Section 7.02, with respect to which a Participant shall be entitled only to the vested amount in his Profit Sharing Account upon an event requiring payment but which shall be treated as an "Account" for all other purposes of this Plan.

2.19 PROFIT SHARING COMPENSATION shall mean the sum of a Participant's Profit Sharing Salary and Profit Sharing Incentive Compensation for a particular Plan Year. The determination of a Participant's Compensation shall be made by the Committee, in its discretion.

2.20 PROFIT SHARING CONTRIBUTIONS shall mean the total dollar amount of contributions made, directly or indirectly, on behalf of a Participant under the CenturyTel, Inc. Employee Stock Ownership Plan.

2.21 PROFIT SHARING CONTRIBUTION PERCENTAGE shall mean the estimated total of the percentage of compensation of employees of the Company contributed by the Company to its ESOP, as determined by dividing the aggregate Profit Sharing Contributions for a particular Plan Year by estimated compensation taken into account under such plans for the Plan Year. The Committee, in its sole discretion, shall determine the Profit Sharing Contribution Percentage for each Plan Year, and such determination shall be binding and conclusive. Notwithstanding the above, until changed by action of the Committee, the Profit Sharing Contribution Percentage for each Plan Year shall be 4% of a Participant's Profit Sharing Compensation.

2.22 PROFIT SHARING INCENTIVE COMPENSATION shall mean the amount awarded to a Participant under the Company's Key Employee Incentive Compensation Program or other executive incentive compensation arrangement maintained by the Company, including the amount of any stock award in its cash equivalent at the time of conversion of the award from cash to stock. A Participant's Profit Sharing Incentive Compensation shall be determined on an annual basis and shall be allocated to the Plan Year in which the Participant performed the services with respect to which the Incentive Compensation was awarded.

2.23 **PROFIT SHARING SALARY** shall mean a participant's actual pay for the Plan Year, exclusive, however, of bonus payments, overtime payments, commissions, imputed income on life insurance, vehicle allowances, relocation expenses, severance payments and any other extra compensation.

2.24 **PROFIT SHARING YEARS OF SERVICE** shall mean all years of service for each Plan Year in which the Participant completes at least 1,000 hours of service. Profit Sharing Years of Service will include all years of service before a Participant became an officer of the Company, years of service following Normal Retirement Date and years of service with any Employer designated by the Company as a participating Employer under this Plan. In addition, periods of Leave of Absence and periods during which severance pay is provided shall be counted for determining years of service.

2.25 **SPECIFIED EMPLOYEE** shall mean a Participant who is a key employee (as defined in Code §416(i) and the regulations thereunder without regard to Code §416(i)(5)) of the Company if any of its stock is publicly traded on an established securities market or otherwise as of the Participant's separation from service. A Participant is a key employee if the Participant meets the requirements of Code §416(i)(1)(A)(i), (ii) or (iii) (applied in accordance with regulations thereunder and disregarding Code §416(i)(5)) at any time during the 12-month period ending on any December 31 identification date.

2.26 **SUBSIDIARY** shall mean any corporation in which the Company owns, directly or indirectly through subsidiaries, at least 50% of the combined voting power of all classes of stock.

2.27 **TRANSFER ACCOUNT** shall mean the account established under this Plan in accordance with Section 4.01.

III. Participation

3.01 Any employee who is either one of the officers of the Company in a position to contribute materially to the continued growth and future financial success of the Company, or one who has made a significant contribution to the Company's operations, thereby meriting special recognition, shall be eligible to participate provided the following requirements are met:

(a) The officer is employed on a full-time basis by the Company and is compensated by a regular salary; and

(b) The coverage of the officer is duly approved by the Committee.

3.02 If a Participant who retired or otherwise terminated employment is rehired, he shall not again become a Participant in the Plan unless the coverage of the officer is again duly approved by the Committee.

3.03 It is intended that participation in this Plan shall be extended only to those officers who are members of a select group of management or highly compensated employees, as determined by the Committee.

IV. Accounts and Investments

4.01 An Account shall be established on behalf of each Participant who receives an allocation pursuant to Sections 6.01 and 6.02. Each Participant's Account shall be credited with such allocation, and earnings and gains on his Account Balance, and shall be debited with distributions, losses, and any expenses properly chargeable thereto. A Transfer Account shall be established on behalf of each former inactive Participant in the CenturyTel, Inc. Supplemental Defined Contribution Plan ("SDC Plan") who elected to have his account balance in that plan transferred to another nonqualified plan of the Company. Such Transfer Account shall hold the amount transferred from that plan to this Plan for each such inactive Participant. Such Transfer Account shall be treated as if it were an Account under this Plan, except that in lieu of any other earnings, the balance in each Transfer Account shall be credited with interest at the rate equal to the 6 month Treasury bill rate adjusted each January 1, and the form of payment shall be the form of payment the Participant elected under the SDC Plan and not a lump sum cash payment under Section 9.01.

4.02 Each Participant shall have the same rights with respect to investment of amounts in his Account hereunder as are available from time to time under the Dollars & Sense Plan, as to permissible investment funds, except as provided below. Investment in securities or other obligations issued by the Employer will not be available under the Plan. The investment rights of each Participant hereunder shall extend to all amounts in his Account, including deferral contributions and matching contributions.

4.03 The Account Balances of Participants in the Plan shall be revalued as of the end of each trading day, taking into account the values of the various assets which are Notional investments of the Accounts and taking into account Notional contributions or transfers to each Account during the day and Notional withdrawals or transfers from each Account during the day.

V. Participant Salary Deferrals

5.01 Each Participant shall make separate written elections, prior to the first day of each Plan Year (or, as to a Participant who first becomes a Participant in the Plan as of a day other than January 1 and who is not then a participant in any other account balance plan of or agreement with the Employer governed by Code §409A, within 30 days after the date the Participant becomes eligible to Participate in the Plan but only with respect to compensation paid for services to be performed subsequent to the election) to defer a portion of his (i) Excess Salary and/or (ii) Incentive Compensation. The amount of allowable deferral pursuant to each of the Participant's elections shall be a whole percentage, not to exceed 25%. An election to defer Excess Salary shall provide for a deferral to be made from each paycheck. An election to defer Incentive Compensation shall provide for a deferral to be made from the bonus check representing the cash portion of such award. Notwithstanding the above, with respect to any Incentive Compensation which is performance-based, as defined in Reg. §1.409A-2(a)(7), each Participant may make a separate written election no later than June 30 of the calendar year performance period.

5.02 Any agreement made under the terms of Section 5.01 shall be irrevocable until the succeeding January 1. As permitted by Reg. §1.409A-3(h)(2)(vii), a Participant may cancel his deferral election due to an unforeseeable emergency or a hardship distribution pursuant to Reg. §1.401(k)-1(d)(3).

5.03 If a Participant does not make new elections for a succeeding Plan Year under Section 5.01, his elections in effect for the current Plan Year shall be deemed to continue in force and effect as if made for such succeeding Plan Year.

VI. Allocations to Participant's Accounts

6.01 The Employer shall allocate to each Participant's Account the amount of Excess Salary and/or Incentive Compensation deferred by such Participant pursuant to an election made under Section 5.01. The allocation hereunder shall be made as of the date of the paycheck or bonus check to which the deferral by the Participant relates.

6.02 The Employer shall allocate a matching contribution to each Participant's Account under this Plan each Plan Year equal to the total matching percentage (including matching and additional matching contributions) for the year provided by the Dollars & Sense Plan multiplied by the Participant's deferrals under this Plan.

6.03 The Company shall credit a Participant's Profit Sharing Account each Plan Year with an amount equal to Profit Sharing Compensation times Profit Sharing Contribution Percentage minus Profit Sharing Contributions.

VII. Vesting of Account

7.01 A Participant's Account Balance shall be fully vested at all times.

7.02 A Participant's Profit Sharing Account shall be fully vested and nonforfeitable upon:

(a) 5 Profit Sharing Years of Service,

(b) attainment of age 55,

(c) death,

(d) Disability as defined in Section 2.06, or

(e) the occurrence of any of the following, each of which shall constitute a "Change of 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, 2006, 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 of the 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 7.02(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.

7.03 If a Participant does not have a fully vested and nonforfeitable Profit Sharing Account upon his termination of Employment, the nonvested Account Balance shall be forfeited. Forfeitures shall be used to reduce Employer Matching Contributions under Section 6.02.

VIII. Time of Payment and Beneficiaries,

8.01 Except as provided in Section 8.02 and Articles X and XI, a Participant's vested Account Balance is payable immediately upon termination of employment for any reason.

8.02 The Account Balance of a deceased Participant shall be paid within 90 days after his death, and shall be made to his Beneficiary designated on a form provided for such purpose by the Committee. If the Participant fails to designate a beneficiary, his Account Balance shall be payable to his surviving spouse or, if none, to his surviving child or children (or legal representative of any minor child or child who has been declared incompetent or incapable of handling his affairs) in equal shares. The Account Balance of a Participant who dies leaving no spouse or children shall be paid to his estate.

IX. Form of Benefit Payment

9.01 All payments of the Participant's Account Balance (including the Profit Sharing Account Balance) to the Participant or to the Participant’s Beneficiary shall be in the form of a lump sum cash payment.

X. Acceleration of Payments.

10.01 If at any time the Plan fails to meet the requirements of Code §409A, an amount equal to the amount required to be included in the Participant’s income as a result of the failure to comply with the requirements of Code §409A shall be paid to the Participant in one lump sum on the first day of the month following the Company’s determination that the failure has occurred.

10.02 If the Plan receives a domestic relations order as defined in Code §414(p)(1)(B) and ERISA §206(d)(3)(B)(ii), the Committee shall accelerate the time of payment to an individual other than the Participant as may be necessary to fulfill such order in an amount not to exceed the Participant's Account Balance (including such Participant's Profit Sharing Account Balance), provided that the provisions of ERISA §206(d)(3)(C) through (F) shall apply as if this Plan were governed by part 2 of Title I of ERISA.

10.03 The Committee shall accelerate the time or schedule of a payment under the Plan as may be necessary to comply with a certificate of divestiture as defined in Code §1043(b)(2).

XI. Delay of Payments

11.01 A payment otherwise due hereunder shall be delayed to a date after the designated payment date under the following circumstances:

(a) Notwithstanding any other provision hereof, the lump sum cash payment shall be made upon separation from service of a Specified Employee for reasons other than death or Disability on the date that is the first day of the seventh month following the date of the Specified Employee's separation from service (or, if earlier, the date of death of the Specified Employee).

(b) Notwithstanding any other provision hereof, a Participant shall not have separated from service with the Company on account of termination of employment for reasons other than death if he would not be counted as having experienced a termination of employment under Reg. §1.409A-1(h)(i) or under the 20% safe harbor rule for employees or the 50% safe harbor rule for nonemployees under Reg. §1.409A-11(h)(ii).

(c) Payments that would violate loan covenants or other contractual terms to which the Company is a party, where such a violation would result in material harm to the Company (in such case, payment will be made at the earliest date at which the Company reasonably anticipates that the making of the payment will not cause such violation, or such violation will not cause material harm to the Company).

(d) Payment where the Company reasonably anticipates that the making of the payment will violate Federal securities laws or other applicable law, provided that the payment shall be made at the earliest date at which the Company reasonably anticipates that the making of the payment will not cause such violation. (The making of a payment that would cause inclusion in gross income or the application of any penalty provision or other provision of the Code is not treated as a violation of applicable law).

(e) Payments the deduction for which the Company reasonably anticipates would be limited by the application of Code §162(m) (in such case, payment will be made at either the earliest date at which the Company reasonably anticipates that the deduction of the payment will not be so limited or the calendar year in which the Participant separates from service).

(f) Payment may also be delayed upon such other events and conditions as the Commissioner of Internal Revenue may prescribe in generally applicable guidance published in the Internal Revenue Bulletin.

XII. Additional Restrictions on Benefit Payments

12.01 In no event will there be a duplication of benefits payable under the Plan because of employment by more than one participating Employer.

XIII. Administration and Interpretation

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

13.02 The decision of the Committee relating to any question concerning or involving the interpretation or administration of the Plan shall be final and conclusive, and nothing in the Plan shall be deemed to give any employee any right to participate in the Plan, except to such extent, if any, as the Committee may have determined or approved pursuant to the provisions of the Plan.

XIV. Nature of the Plan

14.01 Benefits under the Plan shall generally be payable by the Company from its own funds, and such benefits shall not (i) impose any obligation upon the trust(s) of the other employee benefit programs of the Company; (ii) be paid from such trust(s); nor (iii) have any effect whatsoever upon the amount or payment of benefits under the other employee benefit programs of the Company. Participants have only an unsecured right to receive benefits under the Plan from the Company as general creditors of the Company. The Company may deposit amounts in a trust established by the Company for the purpose of funding the Company's obligations under the Plan. Participants and their beneficiaries, however, have no secured interest or special claim to the assets of such trust, and the assets of the trust shall be subject to the payment of claims of general creditors of the Company upon the insolvency or bankruptcy of the Company, as provided in the trust.

XV. Employment Relationship

15.01 An employee shall be considered to be in the employment of the Employer as long as he remains an employee of either the Company, any Subsidiary of the Company, any designated affiliate, or any corporation to which substantially all of the assets and business of any of such entities are transferred. Nothing in the adoption of this Plan nor the designation of any Participant shall confer on any employee the right to continued employment by the Employer, or affect in any way the right of the Employer to terminate his employment at any time. Any question as to whether and when there has been a termination of an employee's employment, and the cause, notice or other circumstances of such termination, shall be determined by the Committee, and its determination shall be final.

XVI. Amendment and Termination of Plan

16.01 The Company may terminate the Plan and accelerate any payments due (or that may become due) under the Plan:

(a) Within 12 months of a corporate dissolution of the Company taxed under Code §331, or with the approval of a bankruptcy court pursuant to 11 U.S.C. §503(b)(1)(A), provided that the amounts deferred under the Plan are included in the Participant's gross income in the latest of (i) the calendar year in which the termination occurs, (ii) the calendar year in which the amount is no longer subject to a substantial risk of forfeiture or (iii) the first calendar year in which the payment is administratively practicable.

(b) Within the 30 days preceding or the 12 months following a Change in Control Event (as defined in Reg. §1.409A-3 (g)(5)(i)), if all substantially similar arrangements sponsored by the Company are terminated.

(c) In the Company’s discretion, provided that: (1) all arrangements sponsored by the Company that would be aggregated with the Agreement under Reg. §1.409A-1(c) if the same employee participated in all of the arrangements are terminated; (2) no payments other than payments that would be payable under the terms of the arrangements if the termination had not occurred are made within 12 months of the termination of the arrangements; (3) all payments are made within 24 months of the termination of the arrangements; and (4) the Company does not adopt a new arrangement that under Reg. §1.409A-1(c) that would be aggregated with the Agreement if the same service provider participated in both arrangements, at any time within five years following the date of termination of the Agreement.

(d) Due to such other events and conditions as the Commissioner of the IRS may prescribe in generally applicable guidance published in the Internal Revenue Bulletin.

16.02 The Company shall amend the Plan as necessary to comply with final regulations issued under Code §409A and may amend the Plan in any other manner that does not cause adverse consequences under such Code Section or other guidance from the Treasury Department or IRS, provided that no amendments shall divest otherwise vested rights of Participants, their Beneficiaries or Spouses.

XVII. Binding Effect

17.01 This Plan shall be binding on the Company, each Subsidiary and any designated affiliate, the successors and assigns thereof, and any entity to which substantially all of the assets or business of the Company, a Subsidiary, or a designated affiliate are transferred.

XVIII. Construction

18.01 The masculine gender, where appearing in the Plan, shall be deemed to include the feminine gender, and the singular may indicate the plural, unless the context clearly indicates the contrary. The words "hereof", "herein", "hereunder" and other similar compounds of the word "here" shall, unless otherwise specifically stated, mean and refer to the entire Plan, not to any particular provision or Section. Article and Section headings are included for convenience of reference and are not intended to add to, or subtract from, the terms of the Plan.

18.02 Any provision of the Plan that would cause a violation of Code §409A if followed shall be disregarded.

XIX. Demand For Benefits

19.01 Benefits upon termination of employment shall ordinarily be paid to a Participant without the need for demand, and to a beneficiary upon receipt of the beneficiary's address and Social Security Number (and evidence of death of the Participant, if needed). Nevertheless, a Participant or a person claiming to be a beneficiary who claims entitlement to a benefit can file a claim for benefits with the Committee. The Committee shall accept or reject the claim within 30 days of its receipt. If the claim is denied, the Committee shall give the reason for denial in a written notice calculated to be understood by the claimant, referring to the Plan provisions that form the basis of the denial. If any additional information or material is necessary to perfect the claim, the Committee will identify these items and explain why such additional material is necessary. If the Committee neither accepts or rejects the claim within 30 days, the claim shall be deemed denied. Upon the denial of a claim, the claimant may file a written appeal of the denied claim to the Committee within 60 days of the denial. The claimant shall have the opportunity to be represented by counsel and to be heard at a hearing. The claimant shall have the opportunity to review pertinent documents and the opportunity to submit issues and argue against the denial in writing. The decision upon the appeal must be made no later than the later of (a) 60 days after receipt of the request for review, or (b) 30 days after the hearing. The Committee must set a date for such a hearing within 30 days after receipt of the appeal. In no event shall the date of the hearing be set later than 60 days after receipt of the notice. If the appeal is denied, the denial shall be in writing. If an initial claim is denied, and the claimant is ultimately successful, all subsequent reasonable attorney's fees and costs of claimant, including the filing of the appeal with the Committee, and any subsequent litigation, shall be paid by the Employer unless the failure of the Employer to pay is caused by reasons beyond its control, such as insolvency or bankruptcy.

IN WITNESS WHEREOF, CenturyTel, Inc. has executed this Plan this 29th day of November, 2006.

CENTURYTEL, INC.

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

Exhibit 10.3(d)

EXECUTION COPY

AMENDED AND RESTATED
CENTURYTEL, INC.
SUPPLEMENTAL DEFINED BENEFIT PLAN

CenturyTel, Inc., previously Century Telephone Enterprises, Inc., hereby amends and restates its Supplemental Defined Benefit Plan ("Plan"), effective January 1, 2005 to bring the Plan into compliance with Code §409A and to make certain technical amendments to the Plan.

I. Purpose of the Plan

1.01 This Plan is intended to provide CenturyTel, Inc. and its subsidiaries a method for attracting and retaining key employees; to provide a method for recognizing the contributions of such personnel; and to promote executive and managerial flexibility, thereby advancing the interests of CenturyTel, Inc. and its stockholders. In addition, the Plan is intended to provide to a select group of management and highly compensated employees a more adequate level of retirement benefits in combination with CenturyTel, Inc.'s general retirement program. The Plan is not intended to constitute a qualified plan under Code Section 401(a) and is designed to be exempt from the participation, vesting, funding and fiduciary responsibility rules of ERISA. The Plan is intended to comply with Code §409A.

II. Definitions

As used in this Plan, the following terms shall have the meanings indicated, unless the context otherwise specifies or requires:

2.01 **"ACTUARIAL EQUIVALENT"** shall mean the amount of pension of a different type or payable at a different age that has the same value as computed by the actuary on the same basis as that prescribed in Section 2.2 of the Retirement Plan.

2.02 **"BENEFIT YEARS"** shall mean Years of Credited Service for benefit accrual purposes as determined under Section 2.46 of the Retirement Plan.

2.03 **"BOARD OF DIRECTORS"** shall mean not less than a quorum of the whole Board of Directors of the CenturyTel, Inc..

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., or 30% or more of the combined voting power of CenturyTel, Inc.'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, Inc., (b) any acquisition of Common Stock by CenturyTel, Inc. or its subsidiaries, (c) any acquisition of Common Stock by any employee benefit plan (or related trust) sponsored or maintained by CenturyTel, Inc. or any corporation controlled by CenturyTel, Inc., 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, 2006, constitute the Board of Directors of CenturyTel, Inc. (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, Inc.'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, Inc., or sale or other disposition of all or substantially all assets of CenturyTel, Inc. (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, Inc.'s outstanding Common Stock and CenturyTel, Inc.'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, Inc., 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, Inc. of a complete liquidation or dissolution of CenturyTel, Inc. 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."

2.05 **"CODE"** shall mean the Internal Revenue Code of 1986, as amended.

2.06 **"COMMITTEE"** shall mean three or more members of the Board of Directors as described in Section 15.01 of the Plan, or the Board if no Committee has been appointed.

2.07 **"COMPANY"** shall mean CenturyTel, Inc. any Subsidiary thereof, and any affiliate designated by CenturyTel, Inc. as a participating employer under this Plan.

2.08 **"DISABLED" OR "DISABILITY"** shall mean that, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, a Participant is (i) unable to engage in any substantial gainful activity or (ii) receiving income replacement benefits for a period of not less than 3 months under an accident and health plan covering employees of the Participant's Employer. A Participant will be deemed disabled if determined to be disabled in accordance with the Employer's disability program, provided that the definition of disability under such disability insurance program complies with the definition in the preceding sentence. Also, a Participant will be deemed disabled if determined to be totally disabled by the Social Security Administration.

2.09 **"EFFECTIVE DATE"** of the original Plan was January 1, 1999 and the Effective Date of this Amended and Restated Plan shall be January 1, 2005.

2.10 **"ERISA"** shall mean the Employee Retirement Income Security Act of 1974.

2.11 **"EMPLOYER"** shall mean CenturyTel, Inc., any Subsidiary thereof, and any affiliate designated by CenturyTel, Inc. as a participating employer under this Plan.

2.12 **"FINAL AVERAGE PAY"** shall mean a participant's Final Average Compensation as determined under Section 2.24 of the Retirement Plan, without taking into account the limitations contained in Sections 2.14(d) and 5.7 thereof.

2.13 **"NORMAL RETIREMENT DATE"** shall mean the first day of the month coincident with or next following a Participant's 65th birthday.

2.14 **"PARTICIPANT"** shall mean any officer of the Employer who is granted participation in the Plan in accordance with the provisions of Article III.

2.15 **"PLAN"** shall mean the Amended and Restated CenturyTel, Inc. Supplemental Defined Benefit Plan.

2.16 **"RETIREMENT PLAN"** shall mean the CenturyTel Retirement Plan.

2.17 **"SOCIAL SECURITY COVERED COMPENSATION"** shall mean the amount determined pursuant to Section 2.41 of the Retirement Plan.

2.18 **"SPECIFIED EMPLOYEE"** shall mean a Participant who is a key employee (as defined in Code §416(i) and the regulations thereunder without regard to Code §416(i)(5)) of the Company if any of its stock is publicly traded on an established securities market or otherwise as of the Participant's separation from service. A Participant is a key employee if the Participant meets the requirements of Code §416(i)(1)(A)(i), (ii) or (iii) (applied in accordance with regulations thereunder and disregarding Code §416(i)(5)) at any time during the 12-month period ending on any December 31 identification date.

2.19 **"SUBSIDIARY"** shall mean any corporation in which CenturyTel, Inc. owns, directly or indirectly through subsidiaries, at least fifty percent (50%) of the combined voting power of all classes of stock.

III. Participation

3.01 Any employee who is either one of the officers of the Company in a position to contribute materially to the continued growth and future financial success of the Company, or one who has made a significant contribution to the Company's operations, thereby meriting special recognition, shall be eligible to participate provided the following requirements are met:

(a) The officer is employed on a full-time basis by the Company and is compensated by a regular salary; and

(b) The coverage of the officer is duly approved by the Committee.

3.02 If a Participant who retired or otherwise terminated employment is rehired, he shall not again become a Participant in the Plan unless the coverage of the officer is again duly approved by the Committee.

3.03 It is intended that participation in this Plan shall be extended only to those officers who are members of a select group of management or highly compensated employees, as determined by the Committee.

IV. Normal Retirement

4.01 Subject to the provisions of Articles XII and XIII, the monthly retirement benefit payable to a Participant shall commence on his Normal Retirement Date and shall be the excess, if any, of the sum of the amounts determined pursuant to Sections 6.1(a)(i) and (a)(ii) of the Retirement Plan computed without taking into account the limitations contained in Sections 2.14(d) and 5.7 thereof over the amount so determined taking into account such limitations; the resulting benefit shall be further reduced by the amount determined pursuant to Section 6.1 (a)(iii) of the CenturyTel Retirement Plan, if any.

V. Late Retirement

5.01 If a Participant remains employed beyond his Normal Retirement Date, his late retirement benefit shall commence on the first day of the month coincident with or next following his actual date of separation from service, subject to the provisions of Articles XII and XIII.

5.02 A Participant's late retirement benefit shall be the excess, if any, of the sum of the amounts determined pursuant to Sections 6.1(a)(i) and (ii) and 6.3 of the Retirement Plan, computed without taking into account the limitations contained in Section 2.14(d) and 5.7 thereof, over the amount so determined taking into account such limitations; the resulting benefit shall be further reduced by the amount determined pursuant to Sections 6.1(a)(iii) of the Retirement Plan, if any.

VI. Early Retirement

6.01 A Participant who has attained age 55, and who has completed 5 or more Years of Service, is eligible for early retirement. An eligible Participant's early retirement benefit shall commence on the first day of the month coincident with or next following the date he terminates employment, subject to the provisions of Articles XII and XIII.

6.02 A Participant's early retirement benefit shall be the excess, if any, of the sum of the amounts determined pursuant to Sections 6.1(a)(i) and (ii) and 6.2 of the Retirement Plan, computed without taking into account the limitations contained in Sections 2.14(d) and 5.7 thereof, over the amount so determined taking into account such limitations; the resulting benefit shall be further reduced by the amount determined pursuant to Sections 6.1(a)(iii) of the Retirement Plan, if any.

VII. Disability

7.01 A Participant who becomes Disabled prior to retirement or termination of service will be entitled to a disability benefit equal to the excess, if any, of the sum of the amounts determined pursuant to Sections 6.1(a)(i) and (ii) and 6.4 of the Retirement Plan, computed without taking into account the limitations contained in Sections 2.14(d) and 5.7 thereof, over the amount so determined taking into account such limitations; the resulting benefit shall be further reduced by the amount determined pursuant to Sections 6.1(a)(iii) of the Retirement Plan, if any.

7.02 A Participant’s disability benefit shall commence on his Normal Retirement Date, provided that if the Participant’s Disability was caused by or contributed to by mental disorders or medical or surgical treatment of mental disorders, his disability benefit shall commence on the later of his 55 th birthday or 2 years after he became mentally Disabled, subject to the provision of Articles XII and XIII.

VIII. Death Benefit for Spouse

8.01 A spouse of a Participant shall be entitled to a benefit computed in accordance with Section 8.02 if the Participant dies before the Annuity Starting Date as defined in the Retirement Plan and if the requirements of (a) and (b) below are satisfied:

(a) the Participant had earned a nonforfeitable right to benefits under the Retirement Plan, and

(b) the Participant was legally married to the surviving spouse at death and was so married for the year preceding death.

8.02 The monthly death benefit payable to the spouse of a Participant shall be the excess of an amount determined pursuant to Section 6.1(a)(i) and (ii) of the Retirement Plan, computed without taking into account the limitations contained in Section 2.14(d) and 5.7 thereof, over the amount so determined taking into account such limitations; the resulting benefit shall be further reduced by the amount determined pursuant to Section 6.1(a)(iii) of the Retirement Plan, if any. The benefit payable to a spouse who qualifies for a spouse's benefit under Section 8.01 shall be further reduced as follows:

(a) If at death the Participant is age 55 or over, or actively employed by the Company with 30 or more Years of Service under the Retirement Plan, the benefit of the spouse shall be the amount payable to the spouse as beneficiary of the survivor annuity portion of the joint and survivor annuity under Section 11.01 with respect to the Participant, determined as though the Participant had retired on the first day of the month in which death occurs. On the death of a Participant with 30 or more Years of Service under the Retirement Plan before age 55, the Participant shall be assumed to be age 55 for purposes of this subparagraph (a).

(b) If the Participant does not meet the requirements of (a) above, at death, the benefit of the spouse shall be the amount payable to the spouse as beneficiary under the survivor annuity portion of the joint and survivor annuity under Section 11.01 with respect to the Participant, determined as though the Participant had separated from service on the date of death, if not already separated, and had survived until age 55.

8.03 Subject to the provisions of Articles XII and XIII, benefits for a spouse under Section 8.02(a) shall commence as of the last day of the month following the first day of the month coinciding with or following the date of death of the Participant, and benefits under Section 8.02(b) shall commence on the last day of the month following the first day of the month coinciding with or following the later of the date of death of the Participant or the date on which the Participant would have attained age 55, subject to the provisions of Articles XII and XIII.

8.04 If a Participant has no surviving spouse at the date of his or her death, no death benefit shall be paid under this Plan.

IX. Reemployment

9.01 If a Participant who retired or otherwise terminated employment for any reason and commenced receiving benefits under the Plan is later rehired by the Company, benefit payments shall continue as if the Participant had not been rehired. If the Participant is again approved for coverage by the Committee under Section 3.02, the Participant's benefits upon his subsequent retirement or termination of employment for any reason shall be determined as follows:

(a) If a Participant retires on his Normal Retirement Date, the monthly retirement benefit shall be determined pursuant to Article IV, reduced by the Actuarial Equivalent of the benefit payments the Participant previously received.

(b) If a Participant remains employed beyond his Normal Retirement Date, the late retirement benefit payable to a Participant upon his late retirement shall be determined pursuant to Article V, reduced by the Actuarial Equivalent of the benefit payments the Participant previously received.

(c) If a Participant retires prior to his Normal Retirement Date and is eligible for early retirement according to Section 6.01, the early retirement benefit payable to a Participant shall be determined pursuant to Section 6.02, reduced by the Actuarial Equivalent of the benefit payments the Participant previously received.

(d) The benefit payable under paragraphs (a) through (c) above shall not be less than the amount he received from his previous retirement or from his previous termination of employment for any reason.

(e) The benefit payable under paragraphs (a) through (c) shall be in the same form as the Participant was receiving.

X. T ermination of Service; Change in Control

10.01 If a Participant voluntarily or involuntarily separates from service prior to death, disability or retirement, he shall be entitled only to his vested accrued benefits at the time of termination and shall be vested in such accrued benefits in accordance with the following schedule:

Years of Service	Vested
less than 5	0%
5 or more	100%

10.02 A Participant's vested accrued benefit shall be equal to the excess of an amount determined pursuant to Sections 6.1(a)(i) and (ii) and 6.6 of the Retirement Plan, computed without taking into account the limitations contained in Sections 2.14(d) and 5.7 thereof, over the amount so determined taking into account such limitations; the resulting benefit shall be further reduced by the amount determined pursuant to Sections 6.1(a)(iii) and 6.6 of the Retirement Plan, if any. Payment of the amount so determined shall commence on the first day of the month following the Participant's 55 th birthday, subject to the provisions of Articles XII and XIII. Nonvested accrued benefits shall be forfeited.

10.03 **(a)** Notwithstanding anything to the contrary in this Plan or in any applicable law or regulation, upon the earlier of (i) the occurrence of a Change in Control, (ii) the date that any person or entity submits an offer or proposal to the Company that results in or leads to a Change in Control (whether by such person or any other person) or (iii) the date of the public announcement of a Change in Control or an offer, proposal or proxy solicitation that results in or leads to a Change in Control (whether by the person or entity making such announcement or any other person) (the earliest of such dates being hereinafter referred to as the "Effective Date"), the Accrued Benefit of each Participant (other than any Participant whose service as an employee was terminated prior to full vesting of his Accrued Benefit under Section 10.01) and the benefits conferred under this Section shall automatically vest and thereafter may not be adversely affected in any matter without the prior written consent of the Participant. Notwithstanding anything to the contrary in this Plan, upon the occurrence of a Change in Control any Participant who is then employed by The Company or its subsidiaries ("Active Participants") shall have an irrevocable right to receive, and the Company shall be irrevocably obligated to pay, a lump sum cash payment in an amount determined pursuant to this Section if during a period commencing upon the Effective Date and ending on the third anniversary of the occurrence of the Change in Control, the Active Participant voluntarily or involuntarily separates from service ("Termination"). The lump sum cash payment payable to Active Participants under this Section (the "Lump Sum Payment") shall be paid on the first day of the month following the date of Termination , subject to the provisions of Articles XII and XIII.

(b) The amount of each Lump Sum Payment shall be determined as follows:

(i) With respect to any Active Participant who, after giving effect to the terms of subsection (b)(iv) below, is eligible as of the date of Termination to receive benefits under Articles IV or V of this Plan, the Lump Sum Payment shall equal the Present Value (as defined below) of the stream of payments to which such participant would have otherwise been entitled to receive immediately upon Termination in accordance with Articles IV or V of this Plan (assuming such benefits are paid in the form of a lifetime annuity), based upon such participant's Final Average Pay, Social Security Covered Compensation and Benefit Years as of the date of Termination, after giving effect to the terms of subsection (b)(iv) below.

(ii) With respect to any Active Participant who, after giving effect to the terms of subsection (b)(iv) below, is not eligible as of the date of Termination to receive benefits under Articles IV, V or VI of this Plan, the Lump Sum Payment shall equal the product of (A) the Present Value, calculated as of age 65, of the stream of payments to which such Participant would have otherwise been entitled to receive at age 65 in accordance with the terms of this Plan based on the same assumptions and terms set forth in subsection (b)(i) above, multiplied times (B) such discount factor as is necessary to reduce the amount determined under subsection (b)(ii)(A) above to its Present Value, it being understood that in calculating such discount factor, no discount shall be applied to reflect the possibility that such Participant may die prior to attaining age 65.

(iii) With respect to any Active Participant who, after giving effect to the terms of subsection (b)(iv) below, is eligible as of the date of Termination to receive benefits under Article VI of the Plan, the Lump Sum Payment shall equal the greater of (A) the Present Value of the stream of payments to which such participant would have otherwise been entitled to receive immediately upon Termination in accordance with Article VI of this Plan, based upon the assumptions and terms set forth in subsection (b)(i) above, or (B) the Present Value, calculated as of age 65, of the stream of payments to which such Participant would otherwise be entitled to receive at age 65 in accordance with this Plan, determined in the same manner and subject to the same assumptions and terms set forth in subsection (b)(ii) above.

(iv) In calculating the Lump Sum Payment due to any Active Participant under this Section, the number of years of Benefit Years of the Active Participant shall be deemed to equal the number of years determinable under the other Sections of this Plan plus three years and the Active Participant's age shall be deemed to equal his actual age plus three years; provided, however, that in no event shall the provisions of this subsection be applicable if the application thereof will reduce the Active Participant's Lump Sum Payment from the amount that would otherwise be payable with the addition of less than three years of service, age or both.

(v) As used in this Section with respect to any amount, the "Present Value" of such amount shall mean the discounted value of such amount that is determined by making customary present value calculations in accordance with generally accepted actuarial principles, provided that (A) the discount interest rate applied in connection therewith shall equal the interest rate quoted by the Bloomberg Municipal AAA General Obligation 5-Year Index (as of the close of business on the first business day of the calendar quarter in which such present value calculations are made) or, in the event such index is no longer published, any similar index for comparable municipal securities and (B) the mortality table applied in connection therewith shall be the mortality table prescribed by the Commissioner of Internal Revenue under § 417(e)(3)(A)(ii)(I) of the Code or any successor table prescribed by such organization.

(c) Notwithstanding anything to the contrary in this Plan, upon the occurrence of a Change in Control Event as defined in Reg. §1.409A-3(g)(5)(i), each Participant who has already begun to receive periodic payments under this Plan ("Retired Participants") shall have an irrevocable and unconditional right to receive, and the Company shall be irrevocably and unconditionally obligated to pay, a lump sum payment in an amount equal to the present value of the Participant's future stream of payments which would otherwise be payable under this Plan. The Company shall offer to assist such Participant in purchasing at such P articipant's cost an annuity for the benefit of such Participant.

(d) Notwithstanding anything to the contrary in this Plan, upon the occurrence of Change in Control Event as defined in Reg. §1.409A-3(g)(5)(i) , any Participant (other than a Retired Participant) who is then a former employee of the Company or its subsidiaries whose accrued benefit is vested under Section 10.01 ("Inactive Participants") shall have an irrevocable and unconditional right to receive, and the Company shall be irrevocably and unconditionally obligated to pay, a lump sum payment in an amount determined in the manner provided in subsection (b)(ii) or (iii), as applicable; provided, however, that no Inactive Participant will be entitled to the benefits of subsection (b)(iv).

XI. Form of Benefit Payment

11.01 The normal form of benefit payment for a Participant who is not married on his benefit commencement date is an annuity payable monthly for the lifetime of the Participant or in the case of a Participant who is married on his benefit commencement date, the normal form of benefit payment is an Actuarially Equivalent annuity payable monthly for the lifetime of the Participant and a survivor annuity payable monthly to the spouse (if living) upon the Participant’s death which is 50% of the amount of the amount of the annuity payable during the lifetime of the Participant, in each case payable in accordance with the Company's standard payroll practices with payments commencing as of the first day of the month following the Participant's benefit commencement date.

11.02 A Participant may, before any annuity payment has been made, elect the optional form of payment which is the Actuarial Equivalent of a Participant's basic monthly pension, which shall begin on his benefit commencement date. The optional form of payment is as follows:

Alternative Joint and Survivor Annuity.

(a) Under an Alternative Joint and Survivor Annuity, a reduced amount shall be payable to the Participant for his lifetime. The beneficiary, whether or not the Participant's spouse, if surviving at the Participant's death, shall be entitled to receive thereafter a lifetime survivor benefit in an amount equal to 100% of the reduced amount that had been payable to the Participant. If the beneficiary is not the Participant's spouse who is entitled to a 50% survivor annuity under Section 11.01, the Participant may elect that the survivor annuity be 50% of the reduced amount payable to the Participant.

(b) The reduced amount payable to the retired Participant shall be the Actuarial Equivalent of the amount determined under Articles IV, V, VI, VII, VIII or X, as the case may be. The appropriate actuarial factor shall be determined for any Participant and his beneficiary as of the commencement date of the Participant's benefit.

(c) If the Participant designates any individual other than his spouse as his beneficiary, the annual amount of the Participant's annuity under the Alternative Joint and Survivor Annuity shall not be less than 50% of the annual benefit calculated as a single life annuity, and the beneficiary's survivor annuity under the Alternative Joint and Survivor Annuity shall be reduced to the extent necessary to reflect any adjustment required by this paragraph (c) in the amount of the Participant's annuity under the Alternative Joint and Survivor Annuity.

11.03 Notwithstanding any other provision of the Plan, each Inactive Participant as of November 17, 2005 shall have the following options, which he must exercise no later than December 15, 2005, so that a cash payment (if elected) can be distributed to the Participant prior to 2006:

Option 1: Receive a single sum payment in 2005 of the Actuarial Equivalent present value of the Participant's accrued benefit under the Plan, or

Option 2: Retain the Participant's accrued benefit under the Plan, as amended to comply with Code Section 409A.

XII. Acceleration of Payments.

12.01 Notwithstanding any other provision of this Plan, if the single sum value of the Participant's, Beneficiary's or Spouse's benefit is $10,000 or less, such amount shall be paid in one lump sum to the person entitled to payment on the date the first annuity payment would otherwise be paid under this Plan. Such payment is mandatory.

12.02 If at any time the Plan fails to meet the requirements of Code §409A, an amount equal to the amount required to be included in the Participant's income as a result of the failure to comply with the requirements of Code §409A shall be paid to the Participant in one lump sum on the first day of the month following the Company's determination that the failure has occurred.

12.03 If the Plan receives a domestic relations order as defined in Code §414(p)(1)(B) and ERISA §206(d)(3)(B)(ii), the Committee shall accelerate the time or schedule of a payment to an individual other than the Participant in order to fulfill such order, provided that the provisions of ERISA §206(d)(3)(C) through (F) shall apply as if this Plan were governed by Part 2 of Title I of ERISA.

12.04 The Committee shall accelerate the time or schedule of a payment under the Plan as may be necessary to comply with a certificate of divestiture as defined in Code §1043(b)(2).

XIII. Delay of Payments

13.01 A payment otherwise due hereunder shall be delayed to a date after the designated payment date under the following circumstances:

(a) Notwithstanding any other provision hereof, payments shall commence upon separation from service of a Specified Employee for reasons other than death or Disability on the date that is the first day of the seventh month following the date of the Specified Employee's separation from service (or, if earlier, the date of death of the Specified Employee). On the first day of such seventh month or on the first day of the month following the earlier death of the Specified Employee, the Specified Employee or his estate or Spouse, as the case may be, shall be paid the amount to which he normally would be entitled on such date plus the amounts which would have been previously paid to him but for the fact that he was a Specified Employee. Nevertheless, for all other purposes of this Plan, the payments shall be deemed to have commenced on the date they would have had the Participant not been a Specified Employee.

(b) Notwithstanding any other provision hereof, a Participant shall not have separated from service with the Company on account of termination of employment for reasons other than death if he would not be counted as having experienced a termination of employment under Reg. §1.409A-1(h)(1)(i) or under the 20% safe harbor rule for employees or the 50% safe harbor rule for nonemployees under Reg. §1.409A-11(h)(1)(ii).

(c) Payments that would violate loan covenants or other contractual terms to which the Company is a party, where such a violation would result in material harm to the Company (in such case, payment will be made at the earliest date at which the Company reasonably anticipates that the making of the payment will not cause such violation, or such violation will not cause material harm to the Company).

(d) Payment where the Company reasonably anticipates that the making of the payment will violate Federal securities laws or other applicable law, provided that the payment shall be made at the earliest date at which the Company reasonably anticipates that the making of the payment will not cause such violation. (The making of a payment that would cause inclusion in gross income or the application of any penalty provision or other provision of the Code is not treated as a violation of applicable law).

(e) Payments the deduction for which the Company reasonably anticipates would be limited by the application of Code §162(m) (in such case, payment will be made at either the earliest date at which the Company reasonably anticipates that the deduction of the payment will not be so limited or the calendar year in which the Participant separates from service).

(f) Payment may also be delayed upon such other events and conditions as the Commissioner of Internal Revenue may prescribe in generally applicable guidance published in the Internal Revenue Bulletin.

XIV. Additional Restrictions on Benefit Payments

14.01 In no event will there be a duplication of benefits payable under the Plan because of employment by more than one participating Employer.

XV. Administration and Interpretation

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

15.02 The decision of the Committee relating to any question concerning or involving the interpretation or administration of the Plan shall be final and conclusive, and nothing in the Plan shall be deemed to give any employee any right to participate in the Plan, except to such extent, if any, as the Committee may have determined or approved pursuant to the provisions of the Plan.

XVI. Nature of the Plan

16.01 Benefits under the Plan shall generally be payable by the Company from its own funds, and such benefits shall not (i) impose any obligation upon the trust(s) of the other employee benefit programs of the Company; (ii) be paid from such trust(s); nor (iii) have any effect whatsoever upon the amount or payment of benefits under the other employee benefit programs of the Company. Participants have only an unsecured right to receive benefits under the Plan from the Company as general creditors of the Company. The Company may deposit amounts in a trust established by the Company for the purpose of funding the Company's obligations under the Plan. Participants and their beneficiaries, however, have no secured interest or special claim to the assets of the trust, and the assets of the trust shall be subject to the payment of claims of general creditors of the Company upon the insolvency or bankruptcy of the Company, as provided in the trust.

XVII. Employment Relationship

17.01 An employee shall be considered to be in the employment of the Company and its subsidiaries as long as he remains an employee of either the Company, any Subsidiary of the Company, or any corporation to which substantially all of the assets and business of the Company are transferred. Nothing in the adoption of this Plan nor the designation of any Participant shall confer on any employee the right to continued employment by the Company or a Subsidiary of the Company, or affect in any way the right of the Company or such Subsidiary to terminate his employment at any time. Any question as to whether and when there has been a termination of an employee's employment, and the cause, notice or other circumstances of such termination, shall be determined by the Committee, and its determination shall be final.

XVIII. Amendment and Termination of Plan

18.01 The Company may terminate the Plan and accelerate any payments due (or that may become due) under the Plan:

(a) Within 12 months of a corporate dissolution of the Company taxed under Code §331, or with the approval of a bankruptcy court pursuant to 11 U.S.C. §503(b)(1)(A), provided that the amounts deferred under the Plan are included in the Participants' gross income in the latest of (i) the calendar year in which the termination occurs, (ii) the calendar year in which the amount is no longer subject to a substantial risk of forfeiture or (iii) the first calendar year in which the payment is administratively practicable.

(b) Within the 30 days preceding or the 12 months following a Change in Control Event (as defined in Reg. §1.409A-3 (g)(5)(i)), if all substantially similar arrangements sponsored by the Company are terminated.

(c) In the Company's discretion, provided that: (1) all arrangements sponsored by the Company that would be aggregated with the Plan under Reg. §1.409A-1(c) if the same employee participated in all of the arrangements are terminated; (2) no payments other than payments that would be payable under the terms of the arrangements if the termination had not occurred are made within 12 months of the termination of the arrangements; (3) all payments are made within 24 months of the termination of the arrangements; and (4) the Company does not adopt a new arrangement that under Reg. §1.409A-1(c) that would be aggregated with the Plan if the same service provider participated in both arrangements, at any time within five years following the date of termination of the Plan.

(d) Due to such other events and conditions as the Commissioner of the IRS may prescribe in generally applicable guidance published in the Internal Revenue Bulletin.

18.02 The Company shall amend the Plan as necessary to comply with final regulations issued under Code §409A and may amend the Plan in any other manner that does not cause adverse consequences under such Code Section or other guidance from the Treasury Department or IRS, provided that no amendments shall divest otherwise vested rights of Participants, their beneficiaries or spouses.

XIX. Binding Effect

19.01 This Plan shall be binding on the Company, each Subsidiary, and any affiliate designated by the Company as a participating employer under this Plan, the successors and assigns thereof, and any entity to which substantially all of the assets or business of the Company, a Subsidiary, or a participating affiliate are transferred.

XX. Construction

20.01 The masculine gender, where appearing in the Plan, shall be deemed to include the feminine gender, and the singular may indicate the plural, unless the context clearly indicates the contrary. The words "hereof', "herein", "hereunder" and other similar compounds of the word "here" shall, unless otherwise specifically stated, mean and refer to the entire Plan, not to any particular provision or Section. Article and Section headings are included for convenience of reference and are not intended to add to, or subtract from, the terms of the Plan.

20.02 Any provision of the Plan that would cause a violation of Code §409A, if followed, shall be disregarded.

XXI. Demand For Benefits

21.01 Benefits upon termination of employment shall ordinarily be paid to a Participant without the need for demand, and to a beneficiary upon receipt of the beneficiary's address and Social Security Number (and evidence of death of the Participant, if needed). Nevertheless, a Participant or a person claiming to be a beneficiary who claims entitlement to a benefit can file a claim for benefits with the Committee. The Committee shall accept or reject the claim within 30 days of its receipt. If the claim is denied, the Committee shall give the reason for denial in a written notice calculated to be understood by the claimant, referring to the Plan provisions that form the basis of the denial. If any additional information or material is necessary to perfect the claim, the Committee will identify these items and explain why such additional material is necessary. If the Committee neither accepts or rejects the claim within 30 days, the claim shall be deemed denied. Upon the denial of a claim, the claimant may file a written appeal of the denied claim to the Committee within 60 days of the denial. The claimant shall have the opportunity to be represented by counsel and to be heard at a hearing. The claimant shall have the opportunity to review pertinent documents and the opportunity to submit issues and argue against the denial in writing. The decision upon the appeal must be made no later than the later of (a) 60 days after receipt of the request for review, or (b) 30 days after the hearing. The Committee must set a date for such a hearing within 30 days after receipt of the appeal. In no event shall the date of the hearing be set later than 60 days after receipt of the notice. If the appeal is denied, the denial shall be in writing. If an initial claim is denied, and the claimant is ultimately successful, all subsequent reasonable attorney's fees and costs of claimant, including the filing of the appeal with the Committee, and any subsequent litigation, shall be paid by the Employer unless the failure of the Employer to pay is caused by reasons beyond its control, such as insolvency or bankruptcy.

IN WITNESS WHEREOF, CenturyTel, Inc. has executed this Plan this 29th day of November, 2006.

CENTURYTEL, INC

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

EXHIBIT 21

CENTURYTEL, INC.
SUBSIDIARIES OF THE REGISTRANT
AS OF DECEMBER 31, 2006

Subsidiary	State of incorporation or formation
Actel, LLC	Delaware
Century Marketing Solutions, LLC	Louisiana
CenturyTel Acquisition, LLC	Louisiana
CenturyTel Arkansas Holdings, Inc.	Arkansas
CenturyTel Fiber Company II, LLC	Louisiana
CenturyTel Holdings, Inc.	Louisiana
CenturyTel Holdings Missouri, Inc.	Missouri
CenturyTel Internet Services, LLC	Louisiana
CenturyTel Investments, LLC	Louisiana
CenturyTel Investments of Texas, Inc.	Delaware
CenturyTel Long Distance, Inc.	Louisiana
CenturyTel Midwest - Michigan, Inc.	Michigan
CenturyTel of Adamsville, Inc.	Tennessee
CenturyTel of Alabama, LLC	Louisiana
CenturyTel of Arkansas, Inc.	Arkansas
CenturyTel of Central Arkansas, LLC	Arkansas
CenturyTel of Central Indiana, Inc.	Indiana
CenturyTel of Central Louisiana, LLC	Louisiana
CenturyTel 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 Missouri, LLC	Louisiana
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 Security Systems Holding Company, LLC	Louisiana
CenturyTel Service Group, LLC	Louisiana
CenturyTel Solutions, LLC	Louisiana
CenturyTel Supply Group, Inc.	Louisiana
CenturyTel TeleVideo, Inc.	Louisiana
CenturyTel/Teleview of Wisconsin, Inc.	Wisconsin
Spectra Communications Group, LLC	Delaware
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.

Exhibit 23

Consent of Independent Registered Public Accounting Firm

The Board of Directors
CenturyTel, Inc.:

We consent to incorporation by reference in the Registration Statements (No. 333-91361 and No. 333-84276) on Form S-3, the Registration Statements (No. 33-46562, No. 33-60061, No. 333-37148, No. 333-60806, No. 333-64992, No. 333-65004, No. 333-105090, No. 333-109181 and No. 333-124854) on Form S-8, and the Registration Statements (No. 33-48956 and No. 333-17015) on Form S-4 of CenturyTel, Inc. of our reports dated March 1, 2007, with respect to the consolidated balance sheets of CenturyTel, Inc. and subsidiaries as of December 31, 2006 and 2005, and the related consolidated statements of income, comprehensive income, cash flows, and stockholders' equity for each of the years in the three-year period ended December 31, 2006, and related financial statement schedule, management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2006 and the effectiveness of internal control over financial reporting as of December 31, 2006 which reports appear in the December 31, 2006 annual report on Form 10-K of CenturyTel, Inc. Our report on the consolidated financial statements includes an explanatory paragraph regarding the Company's change in the method of accounting for share-based payments and pension and postretirement benefits in 2006.

/s/ KPMG LLP
March 1, 2007

Exhibit 31.1

CERTIFICATIONS

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

1. I have reviewed this annual report on Form 10-K of CenturyTel, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15 (e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter of 2006) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2007

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

Exhibit 31.2

CERTIFICATIONS

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

1. I have reviewed this annual report on Form 10-K of CenturyTel, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15 (e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter of 2006) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2007

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

Exhibit 32

CenturyTel, Inc.

March 1, 2007

Securities and Exchange Commission
450 Fifth Street, NW
Washington, D.C. 20549

Re: CenturyTel, Inc.
Certification of Contents of Form 10-K for the year ending December 31, 2006
pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Ladies and Gentlemen:

The undersigned, acting in their capacities as the Chief Executive Officer and the Chief Financial Officer of CenturyTel, Inc. (the "Company"), certify that the Form 10-K for the year ended December 31, 2006 of the Company fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, and that the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods covered by such report.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Very truly yours,

/s/ Glen F. Post, III	/s/ R. Stewart Ewing, Jr.
Glen F. Post, III Chairman of the Board and Chief Executive Officer	R. Stewart Ewing, Jr. Executive Vice President and Chief Financial Officer