

# CENTURYTEL INC

## FORM 10-Q (Quarterly Report)

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

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

Washington, D.C. 20549

**FORM 10-Q**

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

For the quarterly period ended June 30, 2000

or

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

*Commission File Number: 1-7784*

**CENTURYTEL, INC.**

(Exact name of registrant as specified in its charter)

Louisiana  
(State or other jurisdiction of  
incorporation or organization)

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

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

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

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

☒ Yes ☐ No

As of July 31, 2000, there were 140,548,972 shares of common stock outstanding.

# CenturyTel, Inc.

## TABLE OF CONTENTS

	Page No.
Part I. Financial Information:	
Item 1. Financial Statements	
Consolidated Statements of Income--Three Months and Six Months Ended June 30, 2000 and 1999	3
Consolidated Statements of Comprehensive Income -- Three Months and Six Months Ended June 30, 2000 and 1999	4
Consolidated Balance Sheets--June 30, 2000 and December 31, 1999	5
Consolidated Statements of Stockholders' Equity-- Six Months Ended June 30, 2000 and 1999	6
Consolidated Statements of Cash Flows-- Six Months Ended June 30, 2000 and 1999	7
Notes to Consolidated Financial Statements	8-10
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	11-24
Item 3. Quantitative and Qualitative Disclosures About Market Risk	25
Part II. Other Information:	
Item 4. Submission of Matters To a Vote of Security Holders	25-26
Item 6. Exhibits and Reports on Form 8-K	26
Signature	26

# PART I. FINANCIAL INFORMATION

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

	Three months ended June 30,		Six months ended June 30,	
	2000	1999	2000	1999
(Dollars, except per share amounts, and shares expressed in thousands)				
OPERATING REVENUES				
Telephone	\$ 276,088	274,897	553,014	563,170
Wireless	111,142	110,032	211,546	208,593
Other	35,926	31,821	71,552	59,243
Total operating revenues	423,156	416,750	836,112	831,006
OPERATING EXPENSES				
Cost of sales and operating expenses	212,495	200,113	429,218	393,765
Depreciation and amortization	85,769	86,012	170,580	175,993
Total operating expenses	298,264	286,125	599,798	569,758
OPERATING INCOME	124,892	130,625	236,314	261,248
OTHER INCOME (EXPENSE)				
Interest expense	(35,267)	(37,487)	(71,309)	(79,728)
Income from unconsolidated cellular entities	9,475	9,267	8,016	16,112
Minority interest	(2,871)	(18,790)	(5,163)	(22,100)
Gain on sale of assets	-	39,601	9,910	49,959
Other income and expense	2,384	3,434	6,613	5,614
Total other income (expense)	(26,279)	(3,975)	(51,933)	(30,143)
INCOME BEFORE INCOME TAX EXPENSE	98,613	126,650	184,381	231,105
Income tax expense	40,768	73,188	77,252	116,538
NET INCOME	\$ 57,845	53,462	107,129	114,567
BASIC EARNINGS PER SHARE	\$ .41	.38	.76	.83
DILUTED EARNINGS PER SHARE	\$ .41	.38	.76	.81
DIVIDENDS PER COMMON SHARE	\$ .0475	.045	.095	.09
AVERAGE BASIC SHARES OUTSTANDING	139,995	138,852	139,874	138,455
AVERAGE DILUTED SHARES OUTSTANDING	141,732	141,461	141,729	141,245

See accompanying notes to consolidated financial statements.

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

	Three months ended June 30,	Six months ended June 30,

	2000	1999	2000	1999
	(Dollars in thousands)			
Net income	\$ 57,845	53,462	107,129	114,567
Other comprehensive income, net of tax:				
Unrealized holding gains (losses) arising during period, net of \$1,072, \$1,313, (\$2,693) and \$2,430 tax	1,990	2,439	(5,003)	4,512
Reclassification adjustment for gains included in net income, net of \$-, \$-, \$- and \$3,625 tax	-	-	-	(6,733)
Other comprehensive income, net of \$1,072, \$1,313, (\$2,693), and (\$1,195) tax	1,990	2,439	(5,003)	(2,221)
Comprehensive income	\$ 59,835	55,901	102,126	112,346

See accompanying notes to consolidated financial statements.

**CenturyTel, Inc.**  
**CONSOLIDATED BALANCE SHEETS**  
**(UNAUDITED)**

	June 30, 2000	December 31, 1999
	(Dollars in thousands)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 49,685	56,640
Accounts receivable, less allowance of \$5,132 and \$4,150	207,733	193,057
Materials and supplies, at average cost	24,699	28,769
Other	10,484	7,607
Total current assets	292,601	286,073
NET PROPERTY, PLANT AND EQUIPMENT	2,235,891	2,256,458
INVESTMENTS AND OTHER ASSETS		
Excess cost of net assets acquired, less accumulated amortization of \$184,626 and \$165,327	1,621,491	1,644,884
Other	571,884	517,992
Total investments and other assets	2,193,375	2,162,876
TOTAL ASSETS	\$ 4,721,867	4,705,407
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 75,022	62,098
Accounts payable	110,186	78,450
Accrued expenses and other liabilities		
Salaries and benefits	33,202	34,570
Taxes	29,063	40,999
Interest	37,595	37,232
Other	17,409	22,172
Advance billings and customer deposits	34,235	33,656
Total current liabilities	336,712	309,177
LONG-TERM DEBT	1,953,844	2,078,311
DEFERRED CREDITS AND OTHER LIABILITIES	483,760	469,927

## STOCKHOLDERS' EQUITY

Common stock, \$1.00 par value, authorized 350,000,000  
shares, issued and outstanding 140,539,960 and  
139,945,920 shares

	140,540	139,946
Paid-in capital	502,971	493,432
Unrealized holding gain on investments, net of taxes	59,359	64,362
Retained earnings	1,240,706	1,146,967
Unearned ESOP shares	(4,000)	(4,690)
Preferred stock - non-redeemable	7,975	7,975

Total stockholders' equity	1,947,551	1,847,992
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TOTAL LIABILITIES AND EQUITY	\$ 4,721,867	4,705,407
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See accompanying notes to consolidated financial statements.

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

Six months

	ended June 30,	
	2000	1999
(Dollars in thousands)		
COMMON STOCK		
Balance at beginning of period	\$ 139,946	138,083
Conversion of convertible securities into common stock	254	254
Issuance of common stock through dividend reinvestment, incentive and benefit plans	340	1,026
Balance at end of period	140,540	139,363
PAID-IN CAPITAL		
Balance at beginning of period	493,432	451,535
Conversion of convertible securities into common stock	3,046	3,046
Issuance of common stock through dividend reinvestment, incentive and benefit plans	5,840	11,475
Amortization of unearned compensation and other	653	1,505
Balance at end of period	502,971	467,561
UNREALIZED HOLDING GAIN ON INVESTMENTS, NET OF TAXES		
Balance at beginning of period	64,362	7,217
Change in unrealized holding gain on investments, net of reclassification adjustment	(5,003)	(2,221)
Balance at end of period	59,359	4,996
RETAINED EARNINGS		
Balance at beginning of period	1,146,967	932,611
Net income	107,129	114,567
Cash dividends declared		
Common stock-\$.095 and \$.09 per share, respectively	(13,190)	(12,469)
Preferred stock	(200)	(204)
Balance at end of period	1,240,706	1,034,505
UNEARNED ESOP SHARES		
Balance at beginning of period	(4,690)	(6,070)
Release of ESOP shares	690	690
Balance at end of period	(4,000)	(5,380)
PREFERRED STOCK - NON-REDEEMABLE		

Balance at beginning and end of period	7,975	8,106
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TOTAL STOCKHOLDERS' EQUITY	\$ 1,947,551	1,649,151
=====		

See accompanying notes to consolidated financial statements.

**CenturyTel, Inc.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(UNAUDITED)

	Six months ended June 30,	
	2000	1999
	(Dollars in thousands)	
OPERATING ACTIVITIES		
Net income	\$ 107,129	114,567
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	170,580	175,993
Deferred income taxes	5,471	4,345
Income from unconsolidated cellular entities	(8,016)	(16,112)
Minority interest	5,163	22,100
Gain on sale of assets	(9,910)	(49,959)
Changes in current assets and current liabilities:		
Accounts receivable	(14,699)	(16,392)
Accounts payable	31,716	8,927
Accrued taxes	(11,927)	30,701
Other current assets and other current liabilities, net	(2,932)	14,118
Increase in other non-current assets	(32,485)	(23,016)
Change in other non-current liabilities	6,347	(586)
Other, net	11,396	10,073
Net cash provided by operating activities	257,833	274,759
INVESTING ACTIVITIES		
Payments for property, plant and equipment	(139,407)	(149,128)
Purchase of minority investment in other entities	(33,153)	-
Proceeds from sales of assets	15,849	465,784
Distributions from unconsolidated cellular entities	12,413	10,109
Acquisitions, net of cash acquired	-	(17,614)
Purchase of life insurance investment	(3,303)	(4,405)
Other, net	(1,996)	1,511
Net cash provided by (used in) investing activities	(149,597)	306,257
FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt	3,111	7,954
Payments of long-term debt	(110,664)	(501,087)
Proceeds from issuance of common stock	5,220	11,947
Cash dividends	(13,390)	(12,673)
Other, net	532	994
Net cash used in financing activities	(115,191)	(492,865)
Net increase (decrease) in cash and cash equivalents	(6,955)	88,151
Cash and cash equivalents at beginning of period	56,640	5,742
Cash and cash equivalents at end of period	\$ 49,685	93,893
Supplemental cash flow information:		
Income taxes paid	\$ 85,624	79,497
Interest paid (net of capitalized interest of \$1,698 and \$1,339)	\$ 69,248	79,220

See accompanying notes to consolidated financial statements.

**CenturyTel, Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
JUNE 30, 2000  
(UNAUDITED)

(1) Basis of Financial Reporting



The consolidated financial statements of CenturyTel, Inc. and its subsidiaries (the "Company") include the accounts of CenturyTel, Inc. ("CenturyTel") and its majority-owned subsidiaries and partnerships. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to rules and regulations of the Securities and Exchange Commission; however, the Company believes the disclosures which are made are adequate to make the information presented not misleading. The consolidated financial statements and footnotes included in this Form 10-Q should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 1999. Certain 1999 amounts have been reclassified to be consistent with the Company's 2000 presentation, including the reclassification of the Company's personal communication services operations from other operations to the wireless segment and the reclassification of the Company's Internet operations from the telephone segment to other operations.

The unaudited financial information for the three months and six months ended June 30, 2000 and 1999 has not been audited by independent public accountants; however, in the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the results of operations for the three-month and six-month periods have been included therein. The results of operations for the first six months of the year are not necessarily indicative of the results of operations which might be expected for the entire year.

## (2) Net Property, Plant and Equipment

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

	June 30, 2000	December 31, 1999
(Dollars in thousands)		
Telephone, at original cost	\$ 3,510,277	3,439,469
Accumulated depreciation	(1,718,670)	(1,605,553)
	1,791,607	1,833,916
Wireless, at cost	479,469	472,725
Accumulated depreciation	(237,892)	(217,056)
	241,577	255,669
Other, at cost	328,961	281,713
Accumulated depreciation	(126,254)	(114,840)
	202,707	166,873
	\$ 2,235,891	2,256,458

## (3) Income from Unconsolidated Cellular Entities

The following summarizes the unaudited combined results of operations of the cellular entities in which the Company's investments (as of June 30, 2000 and 1999) were accounted for by the equity method.

	Six months ended June 30,	
	2000	1999
	(Dollars in thousands)	
Results of operations		
Revenues	\$ 747,131	642,489
Operating income	\$ 241,507	195,574
Net income	\$ 234,853	194,937

#### (4) Sales of Assets

In the first quarter of 2000 the Company recorded a pre-tax gain aggregating \$9.9 million (\$5.2 million after-tax; \$.04 per diluted share) due to the sale of the assets of its remaining Alaska cellular operations.

In the first quarter of 1999 the Company recorded a pre-tax gain aggregating \$10.4 million (\$6.7 million after-tax; \$.04 per diluted share) due to the sale of its remaining common shares of MCIWorldCom, Inc.

In May 1999, the Company sold the stock of substantially all of its Alaska-based operations in exchange for approximately \$300 million in after-tax cash. No gain or loss was recorded upon the disposition of these properties.

In June 1999, the Company sold the assets of its cellular operations in Brownsville and McAllen, Texas for approximately \$96 million cash. In connection therewith, the Company recorded a pre-tax gain of approximately \$39.6 million, and an after-tax loss of approximately \$7.8 million (\$.05) per diluted share.)

#### (5) Recently Completed and Pending Acquisitions

Pursuant to asset purchase agreements dated June 29, 1999 and July 8, 1999, on July 31, 2000, affiliates of CenturyTel acquired certain assets from affiliates of Verizon Communications (successor to GTE Corporation) ("Verizon") in two separate transactions in exchange for an aggregate of approximately \$1.1 billion cash. Under these transactions (i) the Company purchased approximately 231,000 telephone access lines and related local exchange assets comprising 106 exchanges throughout Arkansas for approximately \$824 million cash and (ii) Spectra Communications Group, LLC ("Spectra") purchased approximately 127,000 telephone access lines and related local exchange assets comprising 107 exchanges throughout Missouri for approximately \$290 million cash. The Company owns 57.1% of Spectra, which was organized to acquire and operate these Missouri properties. At closing, the Company made a preferred equity investment in Spectra of approximately \$55 million and financed substantially all of the remainder of the purchase price. To finance these acquisitions on a short-term basis, the Company borrowed \$1.1 billion under new and existing senior unsecured credit facilities.

In August 1999, the Company acquired an 89% interest in a newly-organized joint venture company which has entered into a definitive asset purchase agreement with a Verizon affiliate to purchase telephone access lines (which numbered approximately 61,700 as of December 31, 1999) and related local exchange assets in Wisconsin for approximately \$170 million cash, subject to certain adjustments. The Company has agreed to make an equity investment in the newly organized company of approximately \$37.8 million and it is anticipated that the Company will loan the new entity approximately \$130 million. In October 1999, the Company also entered into a definitive asset purchase agreement to purchase additional telephone access lines (which numbered approximately 68,200 as of December 31, 1999) and related local exchange assets in Wisconsin from a Verizon affiliate for approximately \$195 million cash, subject to certain adjustments. The Wisconsin transactions are expected to close September 30, 2000, pending regulatory approvals and certain other closing conditions.

#### (6) Business Segments

The Company has two separately reportable business segments: telephone and wireless. The operating income of these segments is reviewed by the Company's chief operating decision maker to assess performance and make business decisions. Other operations include but are not limited to the Company's non-regulated long distance operations, Internet operations, call center operations and security monitoring operations.

	Three months ended June 30,		Six months ended June 30,	
	2000	1999	2000	1999
	(Dollars in thousands)			
Operating revenues				
Telephone segment	\$ 276,088	274,897	553,014	563,170
Wireless segment	111,142	110,032	211,546	208,593
Other operations	35,926	31,821	71,552	59,243
Total operating revenues	\$ 423,156	416,750	836,112	831,006

Operating income				
Telephone segment	\$ 82,849	83,994	167,346	178,667
Wireless segment	32,812	41,439	52,703	71,092
Other operations	9,231	5,192	16,265	11,489
-----				
Total operating income	\$ 124,892	130,625	236,314	261,248
=====				
Operating income	\$ 124,892	130,625	236,314	261,248
Interest expense	(35,267)	(37,487)	(71,309)	(79,728)
Income from unconsolidated cellular entities	9,475	9,267	8,016	16,112
Minority interest	(2,871)	(18,790)	(5,163)	(22,100)
Gain on sale of assets	-	39,601	9,910	49,959
Other income and expense	2,384	3,434	6,613	5,614
-----				
Income before income tax expense	\$ 98,613	126,650	184,381	231,105
=====				

	June 30,	December 31,
	2000	1999
-----		
	(Dollars in thousands)	
Assets		
Telephone segment	\$ 3,198,947	3,246,290
Wireless segment	1,195,295	1,184,129
Other operations	327,625	274,988
-----		
Total assets	\$ 4,721,867	4,705,407
=====		

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

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") included herein should be read in conjunction with MD&A and the other information included in the Company's Annual Report on Form 10-K for the year ended December 31, 1999. The results of operations for the three months and six months ended June 30, 2000 are not necessarily indicative of the results of operations which might be expected for the entire year.

CenturyTel, Inc. and its subsidiaries (the "Company") is a regional diversified communications company that is primarily engaged in providing local telephone services and wireless telephone communications services. At June 30, 2000, the Company's local exchange telephone subsidiaries operated nearly 1.3 million telephone access lines primarily in rural, suburban and small urban areas in 20 states, and the Company's majority-owned and operated wireless entities had more than 749,000 subscribers. On May 14, 1999, the Company sold substantially all of its Alaska-based operations serving approximately 134,900 telephone access lines and 3,000 cellular subscribers. On June 1, 1999, the Company sold the assets of its Brownsville and McAllen, Texas cellular operations serving approximately 7,500 cellular subscribers. In February 2000, the Company sold the assets of its remaining Alaskan cellular operations serving approximately 10,600 cellular subscribers. The operations of these disposed properties are included in the Company's results of operations up to the respective dates of disposition.

In addition to historical information, management's discussion and analysis includes certain forward-looking statements regarding events and financial trends that may affect the Company's future operating results and financial position. Such forward-looking statements are subject to uncertainties that could cause the Company's actual results to differ materially from such statements. Such uncertainties include but are not limited to: the effects of ongoing deregulation in the telecommunications industry; the Company's ability to timely consummate its pending acquisitions and effectively manage its growth, including obtaining adequate financing on attractive terms, integrating newly-acquired properties into the Company's operations, hiring adequate numbers of qualified staff and successfully upgrading its billing and other information systems; the risks inherent in rapid technological change; the effects of greater than anticipated competition in the Company's markets; possible changes in the demand for the Company's products and services; the Company's ability to successfully introduce new product or service offerings on a timely and cost-effective basis; and the effects of more general factors such as changes in general market or economic conditions or in legislation, regulation or public policy. These and other uncertainties related to the business are described in greater detail in Item 1 to the Company's Annual Report on Form 10-K for the year ended December 31, 1999. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The Company undertakes no obligation to update any of its forward-looking statements for any reason.

**RESULTS OF OPERATIONS**

Three Months Ended June 30, 2000 Compared  
to Three Months Ended June 30, 1999

Net income (excluding after-tax effect of sale of assets) for the second quarter of 2000 was \$57.8 million compared to \$61.2 million during the second quarter of 1999. Diluted earnings per share (excluding after-tax effect of sale of assets) decreased to \$.41 during the three months ended June 30, 2000 from \$.43 during the three months ended June 30, 1999, a 4.7% decrease.

	Three months ended June 30,	
	2000	1999
	(Dollars, except per share amounts, and shares in thousands)	
Operating income		
Telephone	\$ 82,849	83,994
Wireless	32,812	41,439
Other	9,231	5,192
	124,892	130,625
Interest expense	(35,267)	(37,487)
Income from unconsolidated cellular entities	9,475	9,267
Minority interest	(2,871)	(18,790)
Gain on sale of assets	-	39,601
Other income and expense	2,384	3,434
Income tax expense	(40,768)	(73,188)
Net income	\$ 57,845	53,462
Basic earnings per share	\$ .41	.38
Diluted earnings per share	\$ .41	.38
Average basic shares outstanding	139,995	138,852
Average diluted shares outstanding	141,732	141,461

Contributions to operating revenues and operating income by the Company's telephone, wireless, and other operations for the three months ended June 30, 2000 and 1999 were as follows:

	Three months ended June 30,	
	2000	1999
Operating revenues		
Telephone operations	65.2%	66.0
Wireless operations	26.3%	26.4
Other operations	8.5%	7.6
Operating income		
Telephone operations	66.3%	64.3
Wireless operations	26.3%	31.7
Other operations	7.4%	4.0

Telephone Operations

	Three months ended June 30,	
	2000	1999
	(Dollars in thousands)	
Operating revenues		
Local service	\$ 90,527	89,452
Network access	160,933	155,789
Other	24,628	29,656
	276,088	274,897
Operating expenses		
Plant operations	59,763	60,213
Customer operations	25,509	23,284
Corporate and other	40,336	38,878
Depreciation and amortization	67,631	68,528
	193,239	190,903
Operating income	\$ 82,849	83,994

Telephone operating income decreased \$1.1 million (1.4%) due to an increase in operating revenues of \$1.2 million (.4%), which was more than offset by an increase in operating expenses of \$2.3 million (1.2%).

The \$1.2 million increase in operating revenues was partially due to a \$4.4 million increase in local service revenues primarily due to an increase in the number of customer access lines in incumbent markets; a \$7.7 million net increase due to the partial recovery of increased operating costs through revenue sharing arrangements with other telephone companies, increased minutes of use, increased recovery from state support funds and return on rate base; a \$4.0 million increase in amounts received from the federal Universal Service Fund; and a \$1.4 million increase due to the increased provision of custom calling features. Such increases were substantially offset by a \$14.4 million decrease attributable to the 1999 sale of the Company's Alaska based operations, which contributed revenues to the Company for a portion of the second quarter of 1999 and a \$2.4 million decrease in revenues related to leasing, selling, installing, maintaining and repairing customer premise telecommunications equipment and wiring. Annualized internal access line growth during the second quarter of 2000 and 1999 was 4.3% and 5.1%, respectively.

During the second quarter of 2000, the Company incurred aggregate operating expenses of approximately \$9.5 million associated with pending Verizon acquisitions, two of which were closed on July 31, 2000 and the remaining two of which are expected to be closed September 30, 2000. These expenses consisted of

(i) approximately \$3.5 million of variable overhead costs that were intentionally not eliminated subsequent to the disposition of the Alaska properties due to the pending Verizon acquisitions and (ii) approximately \$6.0 million of expenses associated with readying the Company's systems and staff to integrate the Verizon operations into the Company's operations immediately upon closing each transaction. The Company expects that its aggregate third quarter 2000 operating expenses associated with pending Verizon transactions will be less than the expenses incurred during the first or second quarter.

Plant operations expenses decreased \$450,000 (.7%), of which \$4.2 million was attributable to the 1999 sale of the Alaska properties. The remaining \$3.8 million increase was primarily due to a \$900,000 increase in salaries and benefits (excluding information technology charges); a \$1.1 million increase in information technology expenses primarily due to increases in contract labor; and a \$1.9 million increase in access expenses primarily due to changes in revenue settlement methods of certain telephone subsidiaries in a limited number of states.

During the second quarter of 2000, customer operations expenses increased \$2.2 million (9.6%) primarily due to a \$900,000 increase in information technology expenses primarily due to increases in contract labor and a \$1.9 million increase in salaries and benefits. Such increases were partially offset by a \$1.5 million decrease attributable to the 1999 sale of the Alaska properties.

Corporate and other expenses increased \$1.5 million (3.8%) primarily due to a \$7.1 million increase in expenses associated with pending Verizon acquisitions; a \$1.5 million increase in the provision for doubtful accounts; and a \$900,000 increase in expenses related to implementing new accounting information systems. Such increases were partially offset by a \$2.6 million decrease due to the 1999 sale of the Alaska properties; a \$2.2 million decrease in operating taxes; a \$1.6 million decrease in expenses associated with readying the Company's systems to be year 2000 compliant; and a \$1.8 million decrease in information technology expenses.

Depreciation and amortization decreased \$897,000 (1.3%), of which \$3.3 million was attributable to the 1999 sale of the Alaska properties. The remaining \$2.4 million increase was primarily due to higher levels of plant in service.

Wireless Operations and Income From Unconsolidated Cellular Entities

	Three months ended June 30,	
	2000	1999
	(Dollars in thousands)	
Operating income - wireless operations	\$ 32,812	41,439
Minority interest, exclusive of the effect of asset sales in 1999	(2,842)	(3,864)
Income from unconsolidated cellular entities	9,475	9,267
	\$ 39,445	46,842
=====		

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

#### Wireless Operations

	Three months ended June 30,	
	2000	1999
	(Dollars in thousands)	
Operating revenues		
Service revenues	\$ 107,351	107,495
Equipment sales	3,791	2,537
	111,142	110,032
Operating expenses		
Cost of equipment sold	6,356	5,263
System operations	16,380	14,894
General, administrative and customer service	19,421	18,656
Sales and marketing	19,431	13,423
Depreciation and amortization	16,742	16,357
	78,330	68,593
Operating income	\$ 32,812	41,439
=====		

Wireless operating income decreased \$8.6 million (20.8%) to \$32.8 million in the second quarter of 2000 from \$41.4 million in the second quarter of 1999. Wireless operating revenues increased \$1.1 million (1.0%) while operating expenses increased \$9.7 million (14.2%).

The \$144,000 decrease in service revenues was primarily due to (i) a \$4.1 million decrease due to the sale of the Company's Texas and Alaska cellular properties and (ii) a \$3.9 million decrease in roaming revenues due to a reduction in roaming rates (which was partially offset by an increase in roaming minutes of use), a downward trend that the Company anticipates will continue in the near future. These decreases were largely offset by a \$7.9 million increase in local service revenues due to a growth in number of customers and increased minutes of use, (both of which were partially offset by reduced rates).

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

	Three months ended June 30,	
	2000	1999
Customers at beginning of period	727,507	638,992
Gross units added internally	78,667	45,949
Disconnects	56,774	33,623
Net units added internally	21,893	12,326
Net effect of property dispositions	-	(10,563)
Customers at end of period	749,400	640,755
Average monthly postpaid churn rate	1.7%	1.8
=====		

The average monthly service revenue per customer declined to \$48 during the second quarter of 2000 from \$56 during the second quarter of 1999 due to price reductions and the continued trend that a higher percentage of new subscribers tend to be lower usage customers. The average monthly service revenue per customer may further decline (i) as market penetration increases and additional lower usage customers are activated; (ii) as the Company continues to receive pressure from other cellular operators to reduce roaming rates and (iii) as competitive pressures from current and future wireless communications providers intensify. The Company is responding to such competitive pressures by, among other things, modifying certain of its price plans and implementing certain other plans and promotions, most of which are likely to result in lower average revenue per customer.

Cost of equipment sold increased \$1.1 million (20.8%) substantially due to an increase in units sold.

System operations expenses increased \$1.5 million (10.0%) primarily due to a \$900,000 increase associated with operating a greater number of cell sites and an \$800,000 increase in the net amounts paid to other carriers for cellular service provided to the Company's customers who roam in the other carriers' service areas primarily due to an increase in minutes of use.

Sales and marketing expenses increased \$6.0 million (44.8%) primarily due to a \$2.2 million increase in sales commissions paid to agents due to an increase in the number of units sold; a \$2.0 million increase in costs incurred in selling products and services in retail locations primarily due to an increase in the number of retail locations; and a \$1.0 million increase in advertising expenses.



## Other Operations

Three months ended June 30,		
	2000	1999
(Dollars in thousands)		
Operating revenues		
Long distance	\$ 25,099	19,411
Internet	5,272	4,216
Call center	1,102	3,103
Other	4,453	5,091
	35,926	31,821
Operating expenses		
Cost of sales and operating expenses	25,299	25,502
Depreciation and amortization	1,396	1,127
	26,695	26,629
Operating income	\$ 9,231	5,192
=====		

Other operations include the results of operations of the Company which are not included in the telephone or wireless segments, including, but not limited to, the Company's non-regulated long distance operations, Internet operations, call center operations and security monitoring operations. The \$5.7 million increase in long distance revenues was primarily attributable to the growth in the number of customers and increased minutes of use per customer. The number of long distance customers as of June 30, 2000 and 1999 was 326,400 and 259,800, respectively. Internet revenues increased \$1.1 million due primarily to a \$1.9 million increase due to growth in the number of customers, which was partially offset by an \$800,000 decrease due to the 1999 sale of the Company's Alaska Internet operations. The \$2.0 million decrease in call center revenues was due to the planned phase-out of the Company's third party call center operations during 2000.

Cost of sales and operating expenses decreased \$203,000 in second quarter of 2000 compared to second quarter 1999. Cost of sales and operating expenses increased \$4.3 million in the Company's long distance and Internet operations due to the increase in the number of customers. Such increase was more than offset by (i) a \$1.2 million decrease in expenses due to the 1999 sale of the Company's Alaska Internet operations;(ii) a \$1.7 million reduction in expenses due to the winding down of the Company's call center operations and (iii) a \$1.9 million favorable non-recurring rate adjustment in the second quarter of 2000 in the Company's long distance operations.

The Company anticipates that the growth of operating income for its other operations will slow in future periods as it incurs increasingly larger expenses in connection with expanding its emerging fiber network and competitive local exchange carrier businesses.

### Interest Expense

Interest expense decreased \$2.2 million in the second quarter of 2000 compared to the second quarter of 1999 primarily due to a reduction in outstanding indebtedness which was partially offset by increased borrowing rates.

### Minority Interest

Minority interest is the expense recorded by the Company to reflect the minority interest owners' share of the earnings or loss of the Company's majority-owned and operated cellular entities and majority-owned subsidiaries. Minority interest decreased \$15.9 million during the second quarter of 2000 primarily due to the expense recorded in the second quarter of 1999 related to the minority partners' share of the gain on sale of assets of the Brownsville and McAllen, Texas cellular properties. Excluding the effect of this gain, minority interest decreased \$1.0 million due to the decreased profitability of the Company's majority-owned and operated cellular entities.

## Gain on Sale of Assets

In the second quarter of 1999, the Company recorded a pre-tax gain of approximately \$39.6 million as a result of the sale of the assets of the Brownsville and McAllen, Texas cellular properties. See Note 4 of Notes to Consolidated Financial Statements and Minority Interest for additional information.

## Other Income and Expense

Other income and expense decreased \$1.1 million in the second quarter of 2000 compared to the second quarter of 1999, substantially all of which relates to favorable non-recurring items recorded in 1999.

## Income Tax Expense

Income tax expense decreased \$32.4 million in the second quarter of 2000 compared to the second quarter of 1999 primarily due to the income tax expense recorded in the second quarter of 1999 associated with the sale of the assets of the Brownsville and McAllen, Texas cellular properties. Exclusive of the effects of income tax expense on asset sales, the effective income tax rate was 41.3% and 40.0% in the three months ended June 30, 2000 and 1999, respectively.

## Six Months Ended June 30, 2000 Compared to Six Months Ended June 30, 1999

Net income (excluding after-tax effect of sale of assets and certain first quarter 2000 non-recurring charges) for the first six months of 2000 was \$105.7 million compared to \$115.6 million during the first six months of 1999. Diluted earnings per share (excluding after-tax effect of sale of assets and certain first quarter 2000 non-recurring charges) decreased to \$.75 during the six months ended June 30, 2000 from \$.82 during the six months ended June 30, 1999, an 8.5% decrease. Substantially all of the non-recurring charges in the first six months of 2000 relate to the Company's proportionate share (\$5.3 million) of non-cash charges that were recorded by two cellular entities in which the Company owns a minority interest and is reflected in "Income from unconsolidated cellular entities."

	Six months ended June 30,	
	2000	1999
	(Dollars, except per share amounts, and shares in thousands)	
Operating income		
Telephone	\$ 167,346	178,667
Wireless	52,703	71,092
Other	16,265	11,489
	236,314	261,248
Interest expense	(71,309)	(79,728)
Income from unconsolidated cellular entities	8,016	16,112
Minority interest	(5,163)	(22,100)
Gain on sale of assets	9,910	49,959
Other income and expense	6,613	5,614
Income tax expense	(77,252)	(116,538)
Net income	\$ 107,129	114,567
Basic earnings per share	\$ .76	.83
Diluted earnings per share	\$ .76	.81
Average basic shares outstanding	139,874	138,455
Average diluted shares outstanding	141,729	141,245

Contributions to operating revenues and operating income by the Company's telephone, wireless, and other operations for the six months ended June 30, 2000 and 1999 were as follows:

	Six months ended June 30,	
	2000	1999

Operating revenues		
Telephone operations	66.1%	67.8
Wireless operations	25.3%	25.1
Other operations	8.6%	7.1
Operating income		
Telephone operations	70.8%	68.4
Wireless operations	22.3%	27.2
Other operations	6.9%	4.4

#### Telephone Operations

	Six months ended June 30,	
	2000	1999
	(Dollars in thousands)	
Operating revenues		
Local service	\$ 178,592	180,109
Network access	323,186	322,944
Other	51,236	60,117
	553,014	563,170
Operating expenses		
Plant operations	122,539	124,150
Customer operations	48,270	44,641
Corporate and other	79,868	75,757
Depreciation and amortization	134,991	139,955
	385,668	384,503
Operating income	\$ 167,346	178,667

Telephone operating income decreased \$11.3 million (6.3%) due to a decrease in operating revenues of \$10.2 million (1.8%) and an increase in operating expenses of \$1.2 million (.3%).

Of the \$10.2 million decrease in operating revenues, \$44.2 million was attributable to the May 1999 sale of the Company's Alaska based operations. The remaining \$34.0 million increase in revenues was partially due to a \$15.2 million net increase due to the partial recovery of increased operating costs through revenue sharing arrangements with other telephone companies, increased minutes of use, increased recovery from state support funds and return on rate base; a \$10.1 million increase in local service revenues primarily due to an increase in the number of customer access lines in incumbent markets; an \$8.1 million increase in amounts received from the federal Universal Service Fund; and a \$2.8 million increase due to the increased provision of custom calling features. Annualized internal access line growth during the first six months of 2000 and 1999 was 3.6% and 5.3%, respectively.

During the first six months of 2000, the Company incurred aggregate operating expenses of approximately \$15.5 million associated with pending Verizon acquisitions, two of which were closed on July 31, 2000 and the remaining two of which are expected to be closed September 30, 2000. These expenses consisted of (i) approximately \$7.0 million of variable overhead costs that were intentionally not eliminated subsequent to the disposition of the Alaska properties due to the pending Verizon acquisitions and (ii) approximately \$8.5 million of expenses associated with readying the Company's systems and staff to integrate the Verizon operations into the Company's operations immediately upon closing each transaction. The Company expects that its aggregate third quarter 2000 operating expenses associated with pending Verizon transactions will be less than the expenses incurred during the first or second quarter.

Plant operations expenses decreased \$1.6 million (1.3%), of which \$13.0 million was attributable to the 1999 sale of the Alaska properties. The remaining \$11.4 million increase was primarily due to a \$4.2 million increase in salaries and benefits (excluding information technology charges); a \$2.4 million increase in network operations expenses; a \$1.5 million increase in information technology expenses primarily due to increases in contract labor; and a \$3.2 million increase in access expenses primarily due to changes in revenue settlement methods of certain telephone subsidiaries in a limited number of states.

During the first six months of 2000, customer operations expenses increased \$3.6 million (8.1%) primarily due to a \$3.0 million increase in information technology expenses primarily due to increases in contract labor; a \$2.6 million increase in salaries and benefits; and a \$1.8 million increase in marketing and customer service expenses. Such increases were partially offset by a \$4.2 million decrease attributable to the 1999 sale of the Alaska properties.

Corporate and other expenses increased \$4.1 million (5.4%) primarily due to an \$11.6 million increase in expenses associated with pending Verizon acquisitions; a \$2.1 million increase in the provision for doubtful accounts and a \$1.9 million increase in expenses related to implementing new accounting information systems. Such increases were partially offset by a \$7.2 million decrease due to the 1999 sale of the Alaska properties; a \$3.9 million decrease in operating taxes; and a \$1.4 million decrease in expenses associated with readying the Company's

systems to be year 2000 compliant.

Depreciation and amortization decreased \$5.0 million, of which \$10.5 million was attributable to the sale of the Alaska properties. The remaining \$5.5 million increase was primarily due to higher levels of plant in service.

#### Wireless Operations and Income From Unconsolidated Cellular Entities

	Six months ended June 30,	
	2000	1999
	(Dollars in thousands)	
Operating income - wireless operations	\$ 52,703	71,092
Minority interest, exclusive of the effect of asset sales in 1999	(5,126)	(7,162)
Income from unconsolidated cellular entities	8,016	16,112
	\$ 55,593	80,042
=====		

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

## Wireless Operations

	Six months ended June 30,	
	2000	1999
(Dollars in thousands)		
Operating revenues		
Service revenues	\$ 203,974	203,555
Equipment sales	7,572	5,038
	211,546	208,593
Operating expenses		
Cost of equipment sold	14,536	9,648
System operations	32,033	28,530
General, administrative and customer service	37,627	37,985
Sales and marketing	41,556	27,542
Depreciation and amortization	33,091	33,796
	158,843	137,501
Operating income	\$ 52,703	71,092

Wireless operating income decreased \$18.4 million (25.9%) to \$52.7 million in the first six months of 2000 from \$71.1 million in the first six months of 1999. Wireless operating revenues increased \$3.0 million (1.4%), while operating expenses increased \$21.3 million (15.5%).

The \$419,000 increase in service revenues was primarily due to a \$13.9 million increase in local service revenues due to growth in the number of customers and increased minutes of use per customer, both of which were partially offset by reduced rates. Such increase was substantially offset by (i) a \$9.7 million decrease due to the sale of the Company's Texas and Alaska cellular properties and (ii) a \$3.8 million decrease in roaming revenue due to a reduction in roaming rates (which was partially offset by an increase in roaming minutes of use), a downward trend that the Company anticipates will continue in the near future.

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

	Six months ended June 30,	
	2000	1999
Customers at beginning of period	707,486	624,119
Gross units added internally	171,668	98,931
Disconnects	119,101	71,732
Net units added internally	52,567	27,199
Net effect of dispositions	(10,653)	(10,563)
Customers at end of period	749,400	640,755
Average monthly postpaid churn rate	1.9%	2.0

The average monthly service revenue per customer declined to \$47 during the first six months of 2000 from \$53 during the first six months of 1999 due to price reductions and the continued trend that a higher percentage of new subscribers tend to be lower usage customers. The average monthly service revenue per customer may further decline (i) as market penetration increases and additional lower usage customers are activated; (ii) as the Company continues to receive pressure from other cellular operators to reduce roaming rates and (iii) as competitive pressures from current and future wireless communications providers intensify. The Company is responding to such competitive pressures by, among other things, modifying certain of its price plans and implementing certain other plans and promotions, most of which are likely to result in lower average revenue per customer.

Cost of equipment sold increased \$4.9 million (50.7%) substantially due to an increase in units sold.

System operations expenses increased \$3.5 million (12.3%) in the first six months of 2000 primarily due to a \$4.6 million increase associated with operating a greater number of cell sites. Such increase was partially offset by a \$1.7 million decrease due to the sale of the Company's Texas and Alaska cellular properties.

Sales and marketing expenses increased \$14.0 million (50.9%) due primarily to a \$6.5 million increase in advertising and sales promotions expenses associated with the introduction of new rate plans during the first six months of 2000; a \$4.1 million increase in sales commissions paid to agents due to an increase in the number of units sold; and a \$2.6 million increase in costs incurred in selling products and services in

retail locations primarily due to an increase in the number of retail locations.

## Other Operations

	Six months ended June 30,	
	2000	1999
(Dollars in thousands)		
Operating revenues		
Long distance	\$ 49,926	36,441
Internet	10,285	8,904
Call center	3,192	5,547
Other	8,149	8,351
	71,552	59,243
Operating expenses		
Cost of sales and operating expenses	52,789	45,512
Depreciation and amortization	2,498	2,242
	55,287	47,754
Operating income	\$ 16,265	11,489
=====		

Other operations include the results of operations of the Company which are not included in the telephone or wireless segments, including, but not limited to, the Company's non-regulated long distance operations, Internet operations, call center operations and security monitoring operations. The \$13.5 million increase in long distance revenues was attributable to the growth in the number of customers and increased minutes of use per customer. Internet revenues increased \$1.4 million due primarily to a \$3.7 million increase due to growth in number of customers, which was partially offset by a \$2.3 million decrease due to the sale of the Company's Alaska Internet operations. The \$2.4 million decrease in call center revenues was due to the planned phase-out of the Company's third party call center operations during 2000.

Operating expenses increased \$7.5 million primarily due to an increase of \$7.4 million in expenses of the Company's long distance operations due primarily to an increase in customers and a \$3.2 million increase in expenses related to the provision of Internet access. Such increases were partially offset by a \$2.6 million decrease due to the 1999 sale of the Company's Alaska Internet operations.

The Company anticipates that the growth of operating income for its other operations will slow in future periods as it incurs increasingly larger expenses in connection with expanding its emerging fiber network and competitive local exchange carrier businesses.

## Interest Expense

Interest expense decreased \$8.4 million in the first six months of 2000 compared to the first six months of 1999 primarily due to a reduction in outstanding indebtedness which was partially offset by increased borrowing rates.

## **Income from Unconsolidated Cellular Entities**

Earnings from unconsolidated cellular entities, net of the amortization of associated goodwill, decreased \$8.1 million in the first six months of 2000 primarily due to the Company's proportionate share (\$5.3 million) of non-cash charges that were recorded in the first quarter of 2000 by two cellular entities in which the Company owns a minority interest. The remaining decrease was primarily due to decreased earnings of certain cellular entities in which the Company owns a minority interest.

## **Minority Interest**

Minority interest is the expense recorded by the Company to reflect the minority interest owners' share of the earnings or loss of the Company's majority-owned and operated cellular entities and majority-owned subsidiaries. Minority interest decreased \$16.9 million primarily due to the expense recorded in 1999 related to the minority partners' share of the gain on sale of assets of the Brownsville and McAllen, Texas cellular properties recorded in the first six months of 1999. Excluding the effect of this gain, minority interest decreased \$2.0 million due to the decreased profitability of the Company's majority-owned and operated cellular entities.

## **Gain on Sale of Assets**

In the first six months of 2000, the Company recorded a pre-tax gain of approximately \$9.9 million (\$5.2 million after-tax; \$.04 per diluted share) due to the sale of its remaining Alaska cellular operations.

In the first six months of 1999, the Company recorded pre-tax gains aggregating \$50.0 million. Approximately \$10.4 million of the pre-tax gains (\$6.7 million after-tax; \$.04 per diluted share) was due to the sale of the Company's remaining common shares of MCIWorldCom, Inc. The remaining \$39.6 million of the pre-tax gains (\$7.8 million loss after-tax; (\$.05) per diluted share) was due to the sale of the Company's Brownsville and McAllen, Texas cellular properties. See Note 4 of Notes to Consolidated Financial Statements for additional information and Minority Interest.

## **Income Tax Expense**

Income tax expense decreased \$39.3 million in the first six months of 2000 compared to the first six months of 1999 primarily due to the income tax expense recorded in the first six months of 1999 associated with the sale of the assets of the Brownsville and McAllen, Texas cellular properties. Exclusive of the effects of income tax expense on asset sales, the effective income tax rate was 41.6% and 41.0% in the six months ended June 30, 2000 and 1999, respectively.

## **LIQUIDITY AND CAPITAL RESOURCES**

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

Net cash provided by operating activities was \$257.8 million during the first six months of 2000 compared to \$274.8 million during the first six months of 1999. The Company's accompanying consolidated statements of cash flows identify major differences between net income and net cash provided by operating activities for each of these periods. For additional information relating to the telephone operations, wireless operations, and other operations of the Company, see Results of Operations.

Net cash used in investing activities was \$149.6 million for the six months ended June 30, 2000. Net cash provided by investing activities was \$306.3 million for the six months ended June 30, 1999. Proceeds from the sales of assets were \$15.8 million in the first six months of 2000 compared to \$465.8 million in the first six months of 1999. Payments for property, plant and equipment were \$9.7 million less in the first six months of 2000 than in the comparable period during 1999. Capital expenditures for the six months ended June 30, 2000 were \$75.4 million for telephone operations, \$14.7 million for wireless operations and \$49.3 million for other operations.

Net cash used in financing activities was \$115.2 million during the first six months of 2000 compared to \$492.9 million during the first six months of 1999. Net payments of long-term debt were \$385.6 million less during the first six months of 2000 compared to the first six months of 1999, primarily due to utilization of proceeds received from the sales of assets during 1999.

Budgeted capital expenditures for 2000 total \$250 million for telephone operations, \$100 million for wireless operations and \$95 million for other operations.

On July 31, 2000, affiliates of CenturyTel acquired certain assets from affiliates of Verizon in two separate transactions in exchange for an aggregate of approximately \$1.1 billion cash. Under these transactions (i) the Company purchased approximately 231,000 telephone access lines and related local exchange assets comprising 106 exchanges throughout Arkansas for approximately \$824 million cash and (ii) Spectra Communications Group, LLC ("Spectra") purchased approximately 127,000 telephone access lines and related local exchange assets comprising 107 exchanges throughout Missouri for approximately \$290 million cash. The Company owns 57.1% of Spectra, which was organized to acquire and operate these Missouri properties. At closing, the Company made a preferred equity investment in Spectra of approximately \$55 million and financed substantially all of the remainder of the purchase price.

To finance these acquisitions on a short-term basis, the Company borrowed \$800 million on a floating-rate basis under a \$1.5 billion Revolving Credit Facility Agreement dated July 31, 2000 with Bank of America, N.A., Citibank, N.A., Banc of America Securities LLC and Salomon Smith Barney, Inc., and borrowed \$300 million on a floating-rate basis under its existing senior unsecured credit facility with Bank of America, N.A. Depending upon market conditions and other factors, the Company expects to ultimately finance these transactions, along with two other pending acquisitions of local exchange assets in Wisconsin, by either issuing commercial paper, long-term debt, equity or equity-linked securities, by selling or monetizing non-core assets or by some combination thereof.

Following completion of these transactions on July 31, 2000, the Company had \$705 million of undrawn committed bank lines of credit and CenturyTel's telephone subsidiaries had available for use \$129.5 million of commitments for long-term financing from the Rural Utilities Service.

In August 1999, the Company acquired an 89% interest in a newly-organized joint venture company which has entered into a definitive asset purchase agreement to purchase telephone access lines (which numbered approximately 61,700 as of December 31, 1999) and related local exchange assets in Wisconsin from a Verizon affiliate for approximately \$170 million cash, subject to certain adjustments. At closing the Company has agreed to make an equity investment in the newly organized company of approximately \$37.8 million and it is anticipated that the Company will loan the new entity approximately \$130 million. In October 1999, the Company also entered into a definitive asset purchase agreement to purchase additional telephone access lines (which numbered approximately 68,200 as of December 31, 1999) and related local exchange assets in Wisconsin from a Verizon affiliate for approximately \$195 million cash, subject to certain adjustments. The Wisconsin transactions are expected to close September 30, 2000, pending regulatory approvals and certain other closing conditions.

Currently, the Company's senior unsecured debt is rated Baa1 by Moody's and BBB+ by Standard & Poor's. However, as a result of the Company's announcement of its Verizon acquisitions, in July 1999 Moody's placed its ratings under review for possible downgrade and Standard & Poor's placed its ratings on CreditWatch with negative implications. There can be no assurance that the Company will maintain its investment grade ratings.

## **OTHER MATTERS**

### **Accounting for the Effects of Regulation**

The Company currently accounts for its regulated telephone operations in accordance with the provisions of Statement of Financial Accounting Standards No. 71 ("SFAS 71"), "Accounting for the Effects of Certain Types of Regulation." While the ongoing applicability of SFAS 71 to the Company's telephone operations is being monitored due to the changing regulatory, competitive and legislative environments, the Company



believes that SFAS 71 still applies. However, it is possible that changes in regulation or legislation or anticipated changes in competition or in the demand for regulated services or products could result in the Company's telephone operations not being subject to SFAS 71 in the near future. In that event, implementation of Statement of Financial Accounting Standards No. 101 ("SFAS 101"), "Regulated Enterprises - Accounting for the Discontinuance of Application of FASB Statement No. 71," would require the write-off of previously established regulatory assets and liabilities, along with an adjustment of certain accumulated depreciation accounts to reflect the difference between recorded depreciation and the amount of depreciation that would have been recorded had the Company's telephone operations not been subject to rate regulation. Such discontinuance of the application of SFAS 71 would result in a material, noncash charge against earnings which would be reported as an extraordinary item. While the effect of implementing SFAS 101 cannot be precisely estimated at this time, management believes that the noncash, after-tax, extraordinary charge would be between \$300 million and \$350 million.

**CENTURYTEL, INC.  
QUANTITATIVE AND QUALITATIVE  
DISCLOSURES ABOUT MARKET RISK**

**Market Risk**

The Company is not exposed to material future earnings or cash flow exposures from changes in interest rates on long-term debt obligations since the majority of the Company's long-term debt obligations are fixed rate. At June 30, 2000, the fair value of the Company's long-term debt was estimated to be \$2.0 billion based on the overall weighted average rate of the Company's long-term debt of 7.1% and an overall weighted maturity of 12 years compared to terms and rates currently available in long-term financing markets. For purposes hereof, market risk is estimated as the potential decrease in fair value of the Company's long-term debt resulting from a hypothetical increase of 71 basis points in interest rates (which represents ten percent of the Company's overall weighted average borrowing rate). Such an increase in interest rates would result in approximately an \$83.7 million decrease in fair value of the Company's long-term debt.

In the first quarter of 2000, the Company entered into interest rate hedge contracts designed to reduce its interest rate risk with respect to \$500 million of long-term public debt that it ultimately expects to incur in connection with providing long-term financing for its Verizon acquisitions. See "Liquidity and Capital Resources" above. It is possible that the Company will enter into additional interest rate hedges for the same purpose over the next several months.

**PART II. OTHER INFORMATION**

**CENTURYTEL, INC.**

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

At the Company's annual meeting of shareholders on May 11, 2000, the shareholders elected four Class III directors to serve until the 2003 annual meeting of shareholders and until their successors are duly elected and qualified and approved the proposals set forth in the Company's proxy statement dated March 20, 2000.

The following number of votes were cast for or were withheld from the following nominees:

Class III Nominees -----	For -----	Withheld -----
Calvin Czeschin	221,344,846	8,143,254
F. Earl Hogan	220,971,252	8,516,848
Harvey P. Perry	220,895,813	8,592,287
Jim D. Reppond	221,332,298	8,155,802

The Class I and Class II directors whose terms continued after the meeting are:

Class I -----	Class II -----
William R. Boles, Jr.	Virginia Boulet
W. Bruce Hanks	Ernest Butler, Jr.
C. G. Melville, Jr.	James B. Gardner
Glen F. Post, III	R. L. Hargrove, Jr.
Clarke M. Williams	Johnny Hebert

The following number of votes were cast in the manner indicated below with respect to the proposal to approve the Company's 2000 Incentive Compensation Plan:

For -----	Against -----	Abstain -----	Broker No-Votes -----
206,822,756	20,631,548	2,033,796	-0-

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

**A. Exhibits**

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

10.2 Amended and Restated Registrant's 2000 Incentive Compensation Plan, as amended through May 23, 2000.

11 Computations of Earnings Per Share.

27.1 Financial Data Schedule as of and for the six months ended June 30, 2000.

B. Reports on Form 8-K

(i) The following item was reported in the Form 8-K filed April 28, 2000:

**Item 5. Other events - News release announcing first**  
quarter results of operations.

**SIGNATURE**

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

**CenturyTel, Inc.**

*Date: August 11, 2000*

*/s/ Neil A. Sweasy*

*-----*  
*Neil A. Sweasy*

*Vice President and Controller*

*(Principal Accounting Officer)*

**AMENDED AND RESTATED**

**CENTURYTEL, INC.  
2000 INCENTIVE COMPENSATION PLAN**

WHEREAS, the CenturyTel, Inc. 2000 Incentive Compensation Plan (the "Plan") was adopted by the Board of Directors of CenturyTel, Inc. (the "Company") on February 22, 2000 and approved by the shareholders of the Company on May 11, 2000; and

WHEREAS, the Board of Directors now wishes to amend Section 7.2 of the Plan that provides for the grant of performance-based Other Stock-Based Awards to provide minimum vesting periods for awards granted thereunder, except for grants that relate in the aggregate to a relatively small number of shares of Company common stock.

NOW THEREFORE, Section 7.2 of the Plan is hereby amended to read as provided herein and the Plan is hereby restated in its entirety reflecting such amendment to read as follows:

1. Purpose. The purpose of the 2000 Incentive Compensation Plan (this "Plan") of CenturyTel, Inc. ("CenturyTel") is to increase shareholder value and to advance the interests of CenturyTel and its subsidiaries (collectively, the "Company") by furnishing a variety of equity incentives (the "Incentives") designed to attract, retain and motivate officers, key employees, consultants and advisors and to strengthen the mutuality of interests between such persons and CenturyTel's shareholders. Incentives may consist of options to purchase shares of CenturyTel's common stock, \$1.00 par value per share (the "Common Stock"), shares of restricted stock or other stock-based awards the value of which is based upon the value of the Common Stock, all on terms determined under this Plan. As used in this Plan, the term "subsidiary" means any corporation, limited liability company or other entity of which CenturyTel owns (directly or indirectly) within the meaning of Section 425(f) of the Internal Revenue Code of 1986, as amended (the "Code"), 50% or more of the total combined voting power of all classes of stock, membership interests or other equity interests issued thereby.

2. Administration.

2.1 Composition. This Plan shall be administered by the compensation committee of the Board of Directors of CenturyTel, or by a subcommittee of the compensation committee. The committee or subcommittee that administers this Plan shall hereinafter be referred to as the "Committee." The Committee shall consist of not fewer than two members of the Board of Directors, each of whom shall (a) qualify as a "non-employee director" under Rule 16b-3 under the Securities Exchange Act of 1934 (the "1934 Act"), or any successor rule, and (b) qualify as an "outside director" under Section 162(m) of the Code and the regulations thereunder (collectively, "Section 162(m)").

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

3. Eligible Participants. Key employees and officers of the Company (including officers who also serve as directors of the Company) and consultants and advisors to the Company shall become eligible to receive Incentives under this Plan when designated by the Committee. Employees may be designated individually or by groups or categories, as the Committee deems appropriate. With respect to participants not subject to Section 16 of the 1934 Act or Section 162(m), the Committee may delegate to appropriate personnel of the Company its authority to designate participants, to determine the size, type and terms of the Incentives to be received by those participants and to determine any performance objectives for those participants. Any such delegation by the Committee shall not include the authority to change or modify in any way the terms of a previously granted Incentive or to take any other action authorized herein to be taken by the Committee and not specifically permitted to be delegated in this Section 3.

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

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

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

4.3 Share Counting. To the extent any shares of Common Stock covered by an Incentive are not delivered to a participant or beneficiary because the Incentive is forfeited or canceled, or the shares of Common Stock are not delivered because the Incentive is paid or settled in cash or used to satisfy the applicable tax withholding obligation, such shares shall not be deemed to have been delivered for purposes of determining

the maximum number of shares of Common Stock available for delivery under this Plan. In the event that shares of Common Stock are issued as Incentives and thereafter are forfeited or reacquired by the Company pursuant to rights reserved upon issuance thereof, such forfeited and reacquired Shares may again be issued under this Plan. If the exercise price of any stock option granted under this Plan is satisfied by tendering shares of Common Stock to the Company (by either actual delivery or by attestation), only the number of shares of Common Stock issued net of the shares of Common Stock tendered shall be deemed delivered for purposes of determining the maximum number of shares of Common Stock available for delivery under this Plan.

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

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

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

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

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

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

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

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

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

5.3 Duration and Time for Exercise. Subject to earlier termination as provided in Section 8.4 and 8.13, the term of each stock option shall be determined by the Committee. Each stock option shall become exercisable at such time or times during its term as shall be determined by the Committee. The Committee may accelerate the exercisability of any stock option at any time.

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

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

Stock upon the exercise of a stock option, a participant shall have no rights as a shareholder.

5.6 Repricing. Except for adjustments pursuant to Section 4.5 unless approved by the shareholders of the Company, the exercise price for any outstanding option granted under this Plan may not be decreased after the date of grant nor may an outstanding option granted under this Plan be surrendered to the Company as consideration for the grant of a new option with a lower exercise price.

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

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

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

(c) Unless sooner exercised, all incentive stock options shall expire no later than ten years after the date of grant;

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

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

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

## 6. Restricted Stock.

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

6.2 The Restricted Period. At the time an award of restricted stock is made, the Committee shall establish a period of time during which the transfer of the shares of restricted stock shall be restricted (the "Restricted Period"). Each award of restricted stock may have a different Restricted Period. A Restricted Period of at least three years is required, except that if vesting of the shares is subject to the attainment of specified performance goals, a Restricted Period of one year or more is permitted. Unless otherwise provided in the Incentive Agreement, the Committee may in its discretion declare the Restricted Period terminated upon a participant's death, disability, retirement or other termination by the Company and permit the sale or transfer of the restricted stock. The expiration of the Restricted Period shall also occur as provided under Section 8.13 upon a Change of Control of the Company.

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

The transferability of this certificate and the shares of Common Stock represented by it is subject to the terms and conditions (including conditions of forfeiture) contained in the CenturyTel, Inc. 2000 Incentive Compensation Plan (the "Plan") and an agreement entered into between the registered owner and CenturyTel, Inc. thereunder. Copies of this Plan and the agreement are on file and available for inspection at the principal office of the Company.

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

6.5 Forfeiture. In the event of the forfeiture of any shares of restricted stock under the terms provided in the Incentive Agreement (including

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

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

**6.7 Rights as a Shareholder.** Subject to the restrictions imposed under the terms and conditions of this Plan and subject to any other restrictions that may be imposed in the Incentive Agreement, each participant receiving restricted stock shall have all the rights of a shareholder with respect to shares of Common Stock during any period in which such shares are subject to forfeiture and restrictions on transfer, including without limitation, the right to vote such shares.

**6.8 Performance-Based Restricted Stock.** Any grant of restricted stock that is intended to qualify as "performance-based compensation" under Section 162(m) shall be conditioned on the achievement of one or more performance measures. The performance measures pursuant to which the restricted stock shall vest shall be any or a combination of the following measures applied to the Company, a subsidiary or a division: earnings per share, return on assets, an economic value added measure, shareholder return, earnings, return on equity, return on investment, cash provided by operating activities, increase in cash flow, increase in revenues or customer growth. For any performance period, such performance objectives may be measured on an absolute basis or relative to a group of peer companies selected by the Committee, relative to internal goals or relative to levels attained in prior years. For grants of restricted stock intended to qualify as "performance-based compensation," the grants of restricted stock and the establishment of performance measures shall be made during the period required under Section 162(m).

## **7. Other Stock-Based Awards.**

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

**7.2 Performance-Based Other Stock-Based Awards.** Any grant of an Other Stock-Based Award that is intended to qualify as "performance-based compensation" under Section 162(m) shall be conditioned on the achievement of one or more performance measures. The performance measures pursuant to which the Other Stock-Based Award shall vest shall be any or a combination of the following measures applied to the Company, a subsidiary or a division: earnings per share, return on assets, an economic value added measure, stockholder return, earnings, return on equity, return on investment, cash provided by operating activities, increase in cash flow, increase in revenues or customer growth. For any performance period, such performance objectives may be measured on an absolute basis or relative to a group of peer companies selected by the Committee, relative to internal goals or relative to levels attained in prior years. For grants of Other Stock-Based Awards intended to qualify as "performance-based compensation," the grants of Other Stock-Based Awards and the establishment of performance measures shall be made during the period required under Section 162(m). Other Stock-Based Awards granted under this Section 7.2 shall be subject to vesting periods that are equivalent in length to the Restricted Periods for restricted stock described in Section 6.2 hereof, except that the Committee may make special awards under this Section 7.2 with respect to an aggregate of no more than 200,000 shares of Common Stock, as adjusted under Section 4.5, which special awards shall not be subject to the minimum vesting period requirements described herein.

## **8. General.**

**8.1 Duration.** Subject to Section 8.10, this Plan shall remain in effect until all Incentives granted under this Plan have either been satisfied by the issuance of shares of Common Stock or the payment of cash or been terminated under the terms of this Plan or the applicable Incentive Agreement and all restrictions imposed on shares of Common Stock in connection with their issuance under this Plan have lapsed.

**8.2 Transferability of Incentives.** No Incentive granted hereunder may be transferred, pledged, assigned or otherwise encumbered by the holder thereof except:

(a) by will;

(b) by the laws of descent and distribution;

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

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

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

**8.3 Dividend Equivalents.** In the sole and complete discretion of the Committee, an Incentive may provide the holder thereof with dividends or dividend equivalents, payable in cash, shares, other securities or other property on a current or deferred basis.

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

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

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

**8.7 Withholding.**

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

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

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

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

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

(a) without the approval of the shareholders, (i) increase, subject to adjustments permitted herein, the maximum number of shares of Common



Stock that may be issued through this Plan, (ii) materially increase the benefits accruing to participants under this Plan, (iii) materially expand the classes of persons eligible to participate in this Plan, or (iv) amend Section 5.6 to permit repricing of options, or

(b) materially impair, without the consent of the recipient, an Incentive previously granted, except that the Company retains all rights under Section 8.13 hereof.

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

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

#### 8.13 Change of Control.

(a) A Change of Control shall mean:

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

(A) any acquisition (other than a Business Combination (as defined below) which constitutes a Change of Control under Section 8.13(a)(iii) hereof) of Common Stock directly from the Company,

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

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

(D) any acquisition of Common Stock by any corporation pursuant to a Business Combination that does not constitute a Change of Control under Section 8.13(a)(iii) hereof; or

(ii) individuals who, as of January 1, 2000 constituted the Board of Directors of CenturyTel (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board of Directors; provided, however, that any individual becoming a director subsequent to such date whose election, or nomination for election by CenturyTel's shareholders, was approved by a vote of at least two-thirds of the directors then comprising the Incumbent Board shall be considered a member of the Incumbent Board, unless such individual's initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Incumbent Board; or

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

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

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

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

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

For purposes of this Section 8.13, the term "person" shall mean a natural person or entity, and shall also mean the group or syndicate created when two or more persons act as a syndicate or other group (including, without limitation, a partnership or limited partnership) for the purpose of acquiring, holding, or disposing of a security, except that "person" shall not include an underwriter temporarily holding a security pursuant to an offering of the security.

(b) Upon a Change of Control of the type described in clause (a)(i) or (a)(ii) of this Section 8.13 or upon the approval by the Board of Directors of CenturyTel of any Change of Control of the type described in clause (a)(iii) or (a)(iv) of this Section 8.13, all outstanding Incentives granted pursuant to this Plan shall automatically become fully vested and exercisable, all restrictions or limitations on any Incentives shall automatically lapse and, unless otherwise provided in the applicable Incentive Agreement, all performance criteria and other conditions relating to the payment of Incentives shall be deemed to be achieved or waived by CenturyTel without the necessity of action by any person.

(c) No later than 30 days after a Change of Control of the type described in subsections (a)(i) or (a)(ii) of this Section 8.13 and no later than 30 days after the approval by the Board of a Change of Control of the type described in subsections (a)(iii) or (a)(iv) of this Section 8.13, the Committee, acting in its sole discretion without the consent or approval of any participant (and notwithstanding any removal or attempted removal of some or all of the members thereof as directors or Committee members), may act to effect one or more of the alternatives listed below, which may vary among individual participants and which may vary among Incentives held by any individual participant:

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

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

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

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

(d) For the purposes of paragraph (iii) of Section 8.13(c), the "Change of Control Value" shall equal the amount determined by whichever of the following items is applicable:

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

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

(iii) in all other events, the fair market value per share of Common Stock into which such options being converted are exercisable, as determined by the Committee as of the date determined by the Committee to be the date of conversion of such options, or

(iv) in the event that the consideration offered to shareholders of CenturyTel in any transaction described in this Section 8.13 consists of anything other than cash, the Committee shall determine the fair cash equivalent of the portion of the consideration offered that is other than cash.

\* \* \* \* \*

Approved by the Board of Directors: February 22, 2000

Approved by the Shareholders: May 11, 2000

Amended and Restated by the Board of Directors: May 23, 2000

**EXHIBIT 11**  
**CENTURYTEL, INC.**

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

	Three months ended June 30,		Six months ended June 30,	
	2000	1999	2000	1999
(Dollars, except per share amounts, and shares in thousands)				
Income (Numerator):				
Net income	\$ 57,845	53,462	107,129	114,567
Dividends applicable to preferred stock	(99)	(102)	(199)	(204)
Net income applicable to common stock	57,746	53,360	106,930	114,363
Dividends applicable to preferred stock	99	102	199	204
Interest on convertible securities, net of taxes	33	63	66	126
Net income as adjusted for purposes of computing diluted earnings per share	\$ 57,878	53,525	107,195	114,693
Shares (Denominator):				
Weighted average number of shares:				
Outstanding during period	140,370	139,321	140,269	138,944
Employee Stock Ownership Plan shares not committed to be released	(375)	(469)	(395)	(489)
Number of shares for computing basic earnings per share	139,995	138,852	139,874	138,455
Incremental common shares attributable to dilutive securities:				
Conversion of convertible securities	707	1,019	707	1,019
Shares issuable under stock option plan	1,030	1,590	1,148	1,771
Number of shares as adjusted for purposes of Computing diluted earnings per share	141,732	141,461	141,729	141,245
Basic earnings per share	\$ .41	.38	.76	.83
Diluted earnings per share	\$ .41	.38	.76	.81

## ARTICLE 5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE UNAUDITED CONSOLIDATED BALANCE SHEET OF CENTURYTEL, INC. AND SUBSIDIARIES AS OF JUNE 30, 2000 AND THE RELATED UNAUDITED CONSOLIDATED STATEMENT OF INCOME FOR THE SIX MONTH PERIOD THEN ENDED AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

MULTIPLIER: 1,000

PERIOD TYPE	6 MOS
FISCAL YEAR END	DEC 31 2000
PERIOD START	JAN 01 2000
PERIOD END	JUN 30 2000
CASH	49,685
SECURITIES	0
RECEIVABLES	212,865
ALLOWANCES	5,132
INVENTORY	24,699
CURRENT ASSETS	292,601
PP&E	4,318,707
DEPRECIATION	2,082,816
TOTAL ASSETS	4,721,867
CURRENT LIABILITIES	336,712
BONDS	1,953,844
PREFERRED MANDATORY	0
PREFERRED	7,975
COMMON	140,540
OTHER SE	1,799,036
TOTAL LIABILITY AND EQUITY	4,721,867
SALES	0
TOTAL REVENUES	836,112
CGS	0
TOTAL COSTS	599,798
OTHER EXPENSES	0
LOSS PROVISION	0
INTEREST EXPENSE	71,309
INCOME PRETAX	184,381
INCOME TAX	77,252
INCOME CONTINUING	107,129
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	107,129
EPS BASIC	.76
EPS DILUTED	.76

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**End of Filing**

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