

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

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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 March 31, 2007

or

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

Commission File Number: 1-7784

CenturyTel, Inc.

(Exact name of registrant as specified in its charter)

Louisiana
(State or other jurisdiction of
incorporation or organization)

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

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

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

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

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

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

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

As of April 30, 2007, there were 109,524,233 shares of common stock outstanding.

CenturyTel, Inc.

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PART I. FINANCIAL INFORMATION
Item 1. Financial Statements
CenturyTel, Inc.
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

	Three months ended March 31,	
	2007	2006
	(Dollars, except per share amounts, and shares in thousands)	
OPERATING REVENUES	\$ 600,855	611,291
OPERATING EXPENSES		
Cost of services and products (exclusive of depreciation and amortization)	213,531	222,555
Selling, general and administrative	91,457	95,940
Depreciation and amortization	127,784	134,872
Total operating expenses	432,772	453,367
OPERATING INCOME	168,083	157,924
OTHER INCOME (EXPENSE)		
Interest expense	(46,961)	(50,086)
Other income (expense)	5,290	4,597
Total other income (expense)	(41,671)	(45,489)
INCOME BEFORE INCOME TAX EXPENSE	126,412	112,435
Income tax expense	48,542	43,175
NET INCOME	\$ 77,870	69,260
BASIC EARNINGS PER SHARE	.70	.57
DILUTED EARNINGS PER SHARE	\$.68	.55
DIVIDENDS PER COMMON SHARE	\$.065	.0625
AVERAGE BASIC SHARES OUTSTANDING	111,031	122,394
AVERAGE DILUTED SHARES OUTSTANDING	116,308	127,959

See accompanying notes to consolidated financial statements.

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

	Three months ended March 31,	
	2007	2006
	(Dollars in thousands)	
NET INCOME	\$ 77,870	69,260
OTHER COMPREHENSIVE INCOME, NET OF TAX:		
Minimum pension liability adjustment, net of (\$824) tax	-	(1,322)
Unrealized gain (loss) on investments, net of (\$51) and \$41 tax	(82)	65
Derivative instruments:		
Net gains on derivatives hedging the variability of cash flows, net of \$294 tax	471	-
Reclassification adjustment for losses included in net income, net of \$59 and \$59 tax	94	94
Items related to employee benefit plans*:		
Change in net actuarial loss, net of \$218 tax	349	-
Amortization of net actuarial loss, net of \$907 tax	1,456	-
Amortization of net prior service credit, net of (\$178) tax	(286)	-
Amortization of unrecognized transition asset, net of (\$14) tax	(22)	-
Net change in other comprehensive income (loss), net of tax	1,980	(1,163)
COMPREHENSIVE INCOME	\$ 79,850	68,097

* Reflected in 2007 due to the December 31, 2006 adoption of SFAS 158.

See accompanying notes to consolidated financial statements.

CenturyTel, Inc.
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	March 31, 2007	December 31, 2006
	(Dollars in thousands)	
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 763,749	25,668
Accounts receivable, less allowance of \$19,013 and \$20,905	211,534	227,346
Materials and supplies, at average cost	6,994	6,628
Other	30,586	30,475
Total current assets	1,012,863	290,117
NET PROPERTY, PLANT AND EQUIPMENT		
Property, plant and equipment	7,919,996	7,893,760
Accumulated depreciation	(4,885,439)	(4,784,483)
Net property, plant and equipment	3,034,557	3,109,277
GOODWILL AND OTHER ASSETS		
Goodwill	3,431,136	3,431,136
Other	611,555	610,477
Total goodwill and other assets	4,042,691	4,041,613
TOTAL ASSETS	\$ 8,090,111	7,441,007
<u>LIABILITIES AND EQUITY</u>		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 360,749	155,012
Short-term debt	-	23,000
Accounts payable	126,765	129,350
Accrued expenses and other liabilities		
Salaries and benefits	45,077	54,100
Income taxes	40,138	60,522
Other taxes	55,416	46,890
Interest	55,985	73,725
Other	28,729	23,352
Advance billings and customer deposits	57,237	51,614
Total current liabilities	770,096	617,565
LONG-TERM DEBT	2,916,511	2,412,852
DEFERRED CREDITS AND OTHER LIABILITIES	1,276,274	1,219,639
STOCKHOLDERS' EQUITY		
Common stock, \$1.00 par value, authorized 350,000,000 shares, issued and outstanding 110,311,175 and 113,253,889 shares	110,311	113,254
Paid-in capital	50,771	24,256
Accumulated other comprehensive loss, net of tax	(102,962)	(104,942)
Retained earnings	3,061,660	3,150,933
Preferred stock - non-redeemable	7,450	7,450
Total stockholders' equity	3,127,230	3,190,951
TOTAL LIABILITIES AND EQUITY	\$ 8,090,111	7,441,007

See accompanying notes to consolidated financial statements.

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

Three months
ended March 31,

2007	2006
(Dollars in thousands)	

OPERATING ACTIVITIES

Net income	\$ 77,870	69,260
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	127,784	134,872
Deferred income taxes	13,371	9,419
Changes in current assets and current liabilities:		
Accounts receivable	15,812	23,618
Accounts payable	(2,585)	(4,711)
Accrued income and other taxes	35,695	(37,072)
Other current assets and other current liabilities, net	(15,030)	(13,892)
Retirement benefits	5,636	7,378
Excess tax benefits from share-based compensation	(3,032)	(4,186)
Increase (decrease) in other noncurrent assets	1,032	(2,590)
Increase (decrease) in other noncurrent liabilities	(401)	1,392
Other, net	2,558	542
	258,710	184,030

INVESTING ACTIVITIES

Payments for property, plant and equipment	(48,880)	(60,088)
Investment in unconsolidated cellular entity	-	(5,222)
Other, net	(1,635)	(408)
	(50,515)	(65,718)

FINANCING ACTIVITIES

Net proceeds from the issuance of long-term debt	741,840	-
Payments of debt	(64,955)	(8,002)
Proceeds from issuance of short-term debt	-	291,000
Proceeds from issuance of common stock	20,031	32,623
Repurchase of common stock	(164,009)	(573,888)
Cash dividends	(7,309)	(7,301)
Excess tax benefits from share-based compensation	3,032	4,186
Other, net	1,256	(456)
	529,886	(261,838)

Net increase (decrease) in cash and cash equivalents	738,081	(143,526)
Cash and cash equivalents at beginning of period	25,668	158,846
Cash and cash equivalents at end of period	\$ 763,749	15,320

Supplemental cash flow information:

Income taxes paid	\$ 8,022	69,376
Interest paid (net of capitalized interest of \$267 and \$536)	\$ 64,434	66,586

See accompanying notes to consolidated financial statements.

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

	Three months ended March 31,	
	2007	2006
	(Dollars in thousands)	
COMMON STOCK		
Balance at beginning of period	\$ 113,254	131,074
Issuance of common stock through dividend reinvestment, incentive and benefit plans and other	754	1,433
Repurchase of common stock	(3,697)	(16,523)
Balance at end of period	110,311	115,984
PAID-IN CAPITAL		
Balance at beginning of period	24,256	129,806
Issuance of common stock through dividend reinvestment, incentive and benefit plans	19,277	31,190
Repurchase of common stock	-	(71,362)
Excess tax benefits from share-based compensation	3,032	4,186
Share-based compensation and other	4,206	1,626
Balance at end of period	50,771	95,446
ACCUMULATED OTHER COMPREHENSIVE LOSS, NET OF TAX		
Balance at beginning of period	(104,942)	(9,619)
Net change in other comprehensive income (loss), net of reclassification adjustment, net of tax	1,980	(1,163)
Balance at end of period	(102,962)	(10,782)
RETAINED EARNINGS		
Balance at beginning of period	3,150,933	3,358,162
Net income	77,870	69,260
Repurchase of common stock	(160,312)	(486,003)
Cumulative effect of adoption of SAB 108 (see Note 1)	-	9,705
Cumulative effect of adoption of FIN 48 (see Note 6)	478	-
Cash dividends declared		
Common stock - \$.065 and \$.0625 per share, respectively	(7,216)	(7,203)
Preferred stock	(93)	(98)
Balance at end of period	3,061,660	2,943,823
PREFERRED STOCK - NON-REDEEMABLE		
Balance at beginning and end of period	7,450	7,850
TOTAL STOCKHOLDERS' EQUITY	\$ 3,127,230	3,152,321

See accompanying notes to consolidated financial statements.

CenturyTel, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007
(UNAUDITED)

(1) Basis of Financial Reporting

Our consolidated financial statements include the accounts of CenturyTel, Inc. and its majority-owned subsidiaries. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to rules and regulations of the Securities and Exchange Commission; however, in the opinion of management, the disclosures 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 our annual report on Form 10-K for the year ended December 31, 2006.

The financial information for the three months ended March 31, 2007 and 2006 has not been audited by independent certified public accountants; however, in the opinion of management, all adjustments necessary to present fairly the results of operations for the three-month periods have been included therein. The results of operations for the first three months of the year are not necessarily indicative of the results of operations which might be expected for the entire year.

During the fourth quarter of 2006, in accordance with Staff Accounting Bulletin No. 108, "Considering the Effect of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Results" ("SAB 108"), we identified two misstatements that previously were deemed immaterial using the income statement approach that were deemed material upon application of the balance sheet approach. We recorded the cumulative effect of such adjustments as an adjustment to retained earnings (as of January 1, 2006). We have adjusted our results of operations for the first three quarters of 2006 to reflect the ongoing application of the adjustments recorded pursuant to SAB 108. Such adjustments were immaterial to each quarter. For additional information, see our annual report on Form 10-K for the year ended December 31, 2006.

(2) Goodwill and Other Intangible Assets

Goodwill and other intangible assets as of March 31, 2007 and December 31, 2006 were composed of the following:

	March 31, 2007	Dec. 31, 2006
	(Dollars in thousands)	
Goodwill	<u>\$ 3,431,136</u>	<u>3,431,136</u>
Intangible assets subject to amortization		
Customer base		
Gross carrying amount	\$ 25,094	25,094
Accumulated amortization	<u>(7,441)</u>	<u>(7,022)</u>
Net carrying amount	<u>\$ 17,653</u>	<u>18,072</u>
Contract rights		
Gross carrying amount	\$ 4,187	4,187
Accumulated amortization	<u>(3,605)</u>	<u>(3,257)</u>
Net carrying amount	<u>\$ 582</u>	<u>930</u>
Intangible asset not subject to amortization	<u>\$ 36,690</u>	<u>36,690</u>

Total amortization expense related to the intangible assets subject to amortization for the first quarter of 2007 was \$767,000 and is expected to be \$2.6 million in 2007 and \$1.7 million annually thereafter through 2010.

(3) Postretirement Benefits

We sponsor health care plans that provide postretirement benefits to all qualified retired employees.

Net periodic postretirement benefit cost for the three months ended March 31, 2007 and 2006 included the following components:

Three months

	ended March 31,	
	2007	2006
	(Dollars in thousands)	
Service cost	\$ 1,718	1,708
Interest cost	5,018	4,644
Expected return on plan assets	(621)	(596)
Amortization of unrecognized actuarial loss	899	910
Amortization of unrecognized prior service cost	(505)	(212)
Net periodic postretirement benefit cost	<u>\$ 6,509</u>	<u>6,454</u>

We contributed \$3.2 million to our postretirement health care plan in the first quarter of 2007 and expect to contribute approximately \$13 million for the full year.

(4) Defined Benefit Retirement Plans

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

Net periodic pension expense for the three months ended March 31, 2007 and 2006 included the following components:

	Three months ended March 31,	
	2007	2006
	(Dollars in thousands)	
Service cost	4,617	4,263
Interest cost	6,905	6,217
Expected return on plan assets	(9,049)	(8,184)
Net amortization and deferral	2,224	2,008
Net periodic pension expense	<u>\$ 4,697</u>	<u>4,304</u>

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

(5) Stock-based Compensation

Effective January 1, 2006, we adopted the provisions of Statement of Financial Accounting Standards No. 123 (Revised 2004), "Share-Based Payments" ("SFAS 123(R)"). SFAS 123(R) requires us to recognize as compensation expense our cost of awarding employees with equity instruments by allocating the fair value of the award on the grant date over the period during which the employee is required to provide service in exchange for the award.

We currently maintain programs which allow the Board of Directors, through the Compensation Committee, to grant incentives to certain employees and our outside directors in any one or a combination of several forms, including incentive and non-qualified stock options; stock appreciation rights; restricted stock; and performance shares. As of March 31, 2007, we had reserved approximately 7.0 million shares of common stock which may be issued in connection with outstanding incentive awards under our current incentive programs. We also offer an Employee Stock Purchase Plan whereby employees can purchase our common stock at a 15% discount based on the lower of the beginning or ending stock price during recurring six-month periods stipulated in such program.

Stock option awards are generally granted with an exercise price equal to the market price of CenturyTel's shares at the date of grant. Our outstanding options generally have a three-year vesting period and all of them expire ten years after the date of grant. The fair value of each stock option award is estimated as of the date of grant using a Black-Scholes option pricing model. During the first quarter of 2007, 497,500 options were granted with a weighted average grant date fair value of \$16.40 per share.

As of March 31, 2007, outstanding and exercisable stock options were as follows:

	Number of options	Average price	Average remaining contractual term (in years)	Aggregate intrinsic value
Outstanding	3,810,745	\$35.11	6.9	\$38,412,000
Exercisable	2,653,950	\$32.86	5.8	\$32,723,000

Our outstanding restricted stock awards generally vest over a five-year period (for employees) and a three-year period (for outside directors). As of March 31, 2007, there were 744,614 shares of nonvested restricted stock outstanding at an average grant date fair value of \$34.97 per share.

The total compensation cost for all share-based payment arrangements for the first quarters of 2007 and 2006 was \$4.2 million and \$2.6 million, respectively. As of March 31, 2007, there was \$32.2 million of total unrecognized compensation cost related to the share-based payment arrangements, which is expected to be recognized over a weighted-average period of 3.2 years.

(6) Income Tax Uncertainties

In June 2006, the Financial Accounting Standards Board issued Interpretation No. 48, “Accounting for Uncertainty in Income Taxes” (“FIN 48”), which clarifies the accounting for uncertainty in income taxes recognized in financial statements. FIN 48 requires us, effective January 1, 2007, to recognize and measure tax benefits taken or expected to be taken in a tax return and disclose uncertainties in income tax positions.

Upon the initial adoption of FIN 48, we recorded a cumulative effect adjustment to retained earnings as of January 1, 2007 (which increased retained earnings by approximately \$478,000 as of such date) related to certain previously recognized liabilities that did not meet the criteria for recognition upon the adoption of FIN 48.

As of January 1, 2007, we had approximately \$50.5 million of unrecognized tax benefits reflected on our balance sheet, substantially all of which is included as a component of “Deferred credits and other liabilities”. Such amount was reflected in “Accrued income taxes” as of December 31, 2006. All of such amount, if recognized, would affect the effective tax rate. There were no significant changes to the status of these unrecognized tax benefits as of March 31, 2007.

Of the \$50.5 million recognized on our balance sheet, approximately \$13.4 million relates to accrued interest and penalties. Our policy is to reflect interest and penalties associated with unrecognized tax benefits as income tax expense.

We file income tax returns, including returns for our subsidiaries, with federal, state and local jurisdictions. Our uncertain income tax positions are related to tax years that are currently under or remain subject to examination by the relevant taxing authorities. Our open income tax years by major jurisdiction are as follows.

<u>Jurisdiction</u>	<u>Open tax years</u>
Federal	2001-current
State	
Louisiana	1997-current
Montana	2000-current
Minnesota	2001-current
Oregon	2001-current
Wisconsin	2001-current
All other 22 states	2002-current

Additionally, it is possible that certain jurisdictions in which we do not believe we have an income tax filing responsibility, and accordingly did not file a return, may attempt to assess a liability. Since the period for assessing additional liability typically begins upon the filing of a return, it is possible that certain jurisdictions could assess tax for years prior to 2002.

Based on (i) the potential outcomes of these ongoing examinations, (ii) the expiration of statute of limitations for specific jurisdictions, or (iii) a jurisdiction’s administrative practices, it is reasonably possible that the related unrecognized tax benefits for tax positions previously taken may materially change within the next 12 months. However, based on the status of such examinations and the protocol of finalizing audits by the relevant tax authorities (which could include formal legal proceedings), we do not believe it is possible to reasonably estimate the impact of such changes, if any, at this time.

(7) Debt Offerings

On March 29, 2007, we publicly issued \$500 million of 6.0% Senior Notes, Series N, due 2017 and \$250 million of 5.5% Senior Notes, Series O, due 2013. Our net proceeds from the sale of these Senior Notes approximated \$741.8 million and were used to pay a substantial portion of the approximately \$844 million of cash that was needed in order to (i) pay the purchase price for the acquisition of Madison River Communications Corp. (“Madison River”) on April 30, 2007 (\$322 million, subject to post-closing adjustments) and (ii) pay off Madison River’s existing indebtedness (including accrued interest) at closing (\$522 million). We financed the remainder of these cash outflows from borrowings under our commercial paper program and cash on hand. See Note 11 for additional information concerning the acquisition of Madison River.

In anticipation of the debt offerings mentioned above, we had previously entered into four cash flow hedges that effectively locked in the interest rate on an aggregate of \$400 million of debt. We locked in the interest rate on (i) \$200 million of 10-year debt at 5.0675% and (ii) \$200 million of 10-year debt at 5.05%. In March 2007, upon settlement of the hedges, we received an aggregate of \$765,000 (reflected in “Accumulated other comprehensive loss” on the balance sheet), which will be amortized as a reduction of interest expense over the 10-year

term of the debt.

(8) Business Segments

We are an integrated communications company engaged primarily in providing an array of communications services to our customers, including local exchange, long distance, Internet access and broadband services. We strive to maintain our customer relationships by, among other things, bundling our service offerings to provide our customers with a complete offering of integrated communications services. Our operating revenues for our products and services include the following components:

	Three months ended March 31,	
	2007	2006
	(Dollars in thousands)	
Voice	\$ 209,075	217,014
Network access	211,399	225,323
Data	95,864	83,238
Fiber transport and CLEC	38,326	35,780
Other	46,191	49,936
Total operating revenues	<u>\$ 600,855</u>	<u>611,291</u>

We derive our voice revenues by providing local exchange telephone and retail long distance services to our customers in our local exchange service areas.

We derive our network access revenues primarily from (i) providing services to various carriers and customers in connection with the use of our facilities to originate and terminate their interstate and intrastate voice and data transmissions and (ii) receiving universal support funds which allows us to recover a portion of our costs under federal and state cost recovery mechanisms.

We derive our data revenues primarily by providing Internet access services (both high-speed (“DSL”) and dial-up services) and data transmission services over special circuits and private lines in our local exchange service areas.

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

We derive other revenues primarily by (i) leasing, selling, installing and maintaining customer premise telecommunications equipment and wiring, (ii) providing billing and collection services for third parties, (iii) participating in the publication of local directories and (iv) offering our video and wireless services, as well as other new product offerings.

(9) Recent Accounting Pronouncement

In June 2006, the Financial Accounting Standards Board issued EITF 06-3, “How Taxes Collected From Customers and Remitted to Governmental Authorities Should be Presented in the Income Statement” (“EITF 06-3”), which requires disclosure of the accounting policy for any tax assessed by a governmental authority that is directly imposed on a revenue-producing transaction. We adopted the disclosure requirements of EITF 06-3 effective January 1, 2007.

We collect various taxes from our customers and subsequently remit such funds to governmental authorities. Substantially all of these taxes are recorded through the balance sheet. We are required to contribute to several universal service fund programs and generally include a surcharge amount on our customers’ bills which is designed to recover our contribution costs. Such amounts are reflected on a gross basis in our statement of income (included in both operating revenues and expenses) and aggregated approximately \$9 million and \$10 million for the three months ended March 31, 2007 and 2006, respectively.

(10) Commitments and Contingencies

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

range of possible loss at this time. However, considering the one-time nature of any adverse claim, we do not believe that the ultimate outcome of this litigation will have a material adverse effect on our financial position or on-going results of operations.

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

During 2006, we received approximately \$122.8 million in cash from the dissolution of the Rural Telephone Bank. Some portion of the gain recognized in connection with the receipt of these proceeds, while not estimable at this time, is currently or may be subject to review by regulatory authorities which may result in us recording a regulatory liability.

From time to time, we are involved in other proceedings incidental to our business, including administrative hearings of state public utility commissions relating primarily to rate making, actions relating to employee claims, occasional grievance hearings before labor regulatory agencies and miscellaneous third party tort actions. The outcome of these other proceedings is not predictable. However, we do not believe that the ultimate resolution of these other proceedings, after considering available insurance coverage, will have a material adverse effect on our financial position, results of operations or cash flows.

(11) Subsequent Events

On April 30, 2007, we acquired all of the outstanding stock of Madison River Communications Corp. (“Madison River”) from Madison River Telephone Company, LLC for an initial aggregate purchase price of \$322 million cash (which price is subject to post-closing adjustments that are not expected to be material). In connection with the acquisition, we also paid all of Madison River’s existing indebtedness (including accrued interest), which approximated \$522 million. Madison River operates more than 170,000 predominantly rural access lines in four states with more than 30% high-speed Internet penetration. Madison River’s network is 99% broadband-enabled and includes access to a 2,400 route mile fiber network.

We funded the purchase price and the payoff of Madison River’s existing indebtedness through the issuance of an aggregate \$750 million of Senior Notes (see Note 7), borrowings under our commercial paper facility and cash on hand.

We will reflect the results of operations of Madison River in our consolidated results of operations beginning May 1, 2007.

In March 2006, we filed a complaint against a carrier for recovery of unpaid and underpaid access charges for calls made using the carrier’s prepaid calling cards and calls that used Internet Protocol for a portion of their transmission. The carrier filed a counterclaim against us, asserting that we improperly billed them terminating intrastate access charges on certain wireless roaming traffic. In April 2007, we entered into a settlement agreement with the carrier and received approximately \$49 million cash from them related to the issues described above. This amount will be reflected in our second quarter 2007 results of operations as a component of “Network access” revenues.

Item 2.
CenturyTel, Inc.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

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 our annual report on Form 10-K for the year ended December 31, 2006. The results of operations for the three months ended March 31, 2007 are not necessarily indicative of the results of operations which might be expected for the entire year.

We are an integrated communications company engaged primarily in providing an array of communications services, including local and long distance voice, Internet access and broadband services, to customers in 25 states. We currently derive our revenues from providing (i) local exchange and long distance voice services, (ii) network access services, (iii) data services, which includes both high-speed ("DSL") and dial-up Internet services, as well as special access and private line services, (iv) fiber transport, competitive local exchange and security monitoring services and (v) other related services. For additional information on our revenue sources, see Note 8 to our financial statements included in Item 1 of Part I of this quarterly report.

In addition to historical information, this management's discussion and analysis includes certain forward-looking statements that are based on current expectations only, and are subject to a number of risks, uncertainties and assumptions, many of which are beyond our control. Actual events and results may differ materially from those anticipated, estimated or projected if one or more of these risks or uncertainties materialize, or if underlying assumptions prove incorrect. Factors that could affect actual results include but are not limited to: the timing, success and overall effects of competition from a wide variety of competitive providers; the risks inherent in rapid technological change; the effects of ongoing changes in the regulation of the communications industry; our ability to effectively manage our expansion opportunities, including continued access to credit markets on favorable terms, successfully integrating newly-acquired businesses into our operations and retaining and hiring key personnel; possible changes in the demand for, or pricing of, our products and services; our ability to successfully introduce new product or service offerings on a timely and cost-effective basis; our ability to collect our receivables from financially troubled communications companies; our ability to successfully negotiate collective bargaining agreements on reasonable terms without work stoppages; the effects of adverse weather; other risks referenced from time to time in this report or other of our filings with the Securities and Exchange Commission; and the effects of more general factors such as changes in interest rates, in tax rates, in accounting policies or practices, in operating, medical or administrative costs, in general market, labor or economic conditions, or in legislation, regulation or public policy. These and other uncertainties related to the business are described in greater detail in Item 1A to our Form 10-K for the year ended December 31, 2006. You should be aware that new factors may emerge from time to time and it is not possible for us to identify all such factors nor can we predict the impact of each such factor on the business or the extent to which any one or more factors may cause actual results to differ from those reflected in any forward-looking statements. You are further cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this report. We undertake no obligation to update any of our forward-looking statements for any reason.

RESULTS OF OPERATIONS

Three Months Ended March 31, 2007 Compared to Three Months Ended March 31, 2006

Net income was \$77.9 million and \$69.3 million for the first quarter of 2007 and 2006, respectively. Diluted earnings per share for the first quarter of 2007 and 2006 was \$.68 and \$.55, respectively. The decline in the number of average diluted shares outstanding is primarily attributable to share repurchases after March 31, 2006.

	Three months ended March 31,	
	2007	2006
	(Dollars, except per share amounts, and shares in thousands)	
Operating income	\$ 168,083	157,924
Interest expense	(46,961)	(50,086)
Other income (expense)	5,290	4,597
Income tax expense	(48,542)	(43,175)
Net income	<u>\$ 77,870</u>	<u>69,260</u>
Basic earnings per share	<u>\$.70</u>	<u>.57</u>
Diluted earnings per share	<u>\$.68</u>	<u>.55</u>
Average basic shares outstanding	<u>111,031</u>	<u>122,394</u>
Average diluted shares outstanding	<u>116,308</u>	<u>127,959</u>

Operating income increased \$10.2 million (6.4%) as a \$10.4 million (1.7%) decrease in operating revenues was more than offset by a \$20.6 million (4.5%) decrease in operating expenses.

Operating Revenues

	Three months ended March 31,	
	2007	2006
	(Dollars in thousands)	
Voice	\$ 209,075	217,014
Network access	211,399	225,323
Data	95,864	83,238
Fiber transport and CLEC	38,326	35,780
Other	46,191	49,936
	<u>\$ 600,855</u>	<u>611,291</u>

The \$7.9 million (3.7%) decrease in voice revenues is primarily due to (i) a \$5.1 million decrease due to a 4.9% decline in the average number of access lines (excluding adjustments made during 2006 to reflect the removal of test lines, converting and correcting our databases and the sale of our Arizona operations) and (ii) a \$2.2 million decline as a result of a decrease in revenues associated with extended area calling plans.

Access lines declined 23,900 (1.1%) during the first quarter of 2007 compared to a decline of 22,400 (1.0%) during the first quarter of 2006. We believe the decline in the number of access lines during 2007 and 2006 is primarily due to the displacement of traditional wireline telephone services by other competitive services. Based on current conditions and anticipated competition, we expect access lines to decline between 4.5% and 6.0% for 2007.

Network access revenues decreased \$13.9 million (6.2%) in the first quarter of 2007 primarily due to (i) a \$7.8 million decrease in the partial recovery of lower operating costs through revenue sharing arrangements and return on rate base; (ii) a \$2.7 million reduction in prior

year revenue settlements agreements and (iii) a \$2.3 million decrease as a result of lower intrastate revenues due to a reduction in intrastate minutes (partially due to the displacement of minutes by wireless, electronic mail and other optional calling services). We believe that intrastate minutes will continue to decline in 2007, although we cannot precisely estimate the magnitude of such decreases.

Data revenues increased \$12.6 million (15.2%) substantially due to a \$17.3 million increase in DSL-related revenues primarily due to growth in the number of DSL customers. Such increase was partially offset by a \$2.5 million decrease in special access revenues primarily due to certain customers disconnecting circuits and a \$1.1 million decrease in dial-up Internet revenues due to a decline in the number of dial-up customers.

Fiber transport and CLEC revenues increased \$2.5 million (7.1%), of which \$4.6 million was attributable to growth in our incumbent fiber transport business. Such increase was partially offset by a \$2.1 million decrease in CLEC revenues primarily due to customer disconnects.

Other revenues decreased \$3.7 million (7.5%) primarily due to a \$2.8 million decrease in directory revenues (primarily due to unfavorable prior year settlements in the first quarter of 2007) and a \$1.6 million decrease in our direct broadcast satellite revenues. Effective January 1, 2007, we changed our relationship with our provider of satellite television service from a revenue sharing arrangement to an agency arrangement, which will result in us recognizing lower revenues and lower operating costs compared to our prior method of accounting for this service.

Operating Expenses

	Three months ended March 31,	
	2007	2006
	(Dollars in thousands)	
Cost of services and products (exclusive of depreciation and amortization)	\$ 213,531	222,555
Selling, general and administrative	91,457	95,940
Depreciation and amortization	127,784	134,872
	<u>\$ 432,772</u>	<u>453,367</u>

Cost of services and products decreased \$9.0 million (4.1%) primarily due to (i) \$5.5 million of severance and related costs associated with our workforce reduction in the first quarter of 2006; (ii) a \$7.8 million decrease in salaries and benefits; and (iii) a \$2.8 million decrease in expenses associated with our direct broadcast satellite service due to a change in our arrangement as mentioned above. Such decreases were partially offset by a \$6.2 million increase in DSL-related expenses due to growth in the number of DSL customers.

Selling, general and administrative expenses decreased \$4.5 million (4.7%) primarily due to (i) a \$3.2 million reduction in bad debt expense; (ii) a \$2.9 million decrease in sales and marketing expenses and (iii) a \$2.6 million decrease in information technology expenses. Such decreases were partially offset by a \$1.7 million increase in salaries and benefits.

Depreciation and amortization decreased \$7.1 million (5.3%) primarily due to a \$6.4 million reduction in depreciation expense due to certain assets becoming fully depreciated and a \$2.6 million reduction due to depreciation rate reductions in certain jurisdictions. Such decreases were partially offset by a \$3.6 million increase due to higher levels of plant in service.

Interest Expense

Interest expense decreased \$3.1 million (6.2%) in the first quarter of 2007 compared to the first quarter of 2006 primarily due to a reduction in average debt outstanding. Our debt issuance on March 29, 2007 will increase our average debt outstanding and interest expense for the second quarter of 2007.

Other Income (Expense)

Other income (expense) includes the effects of certain items not directly related to our core operations, including our share of income from our 49% interest in a cellular partnership, interest income and allowance for funds used during construction. Other income (expense) was \$5.3 million for the first quarter of 2007 compared to \$4.6 million for the first quarter of 2006.

Income Tax Expense

The effective income tax rate was 38.4% for both the three months ended March 31, 2007 and 2006.

LIQUIDITY AND CAPITAL RESOURCES

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

Net cash provided by operating activities was \$258.7 million during the first three months of 2007 compared to \$184.0 million during the first three months of 2006. Our accompanying consolidated statements of cash flows identify major differences between net income and net cash provided by operating activities for each of these periods. As relief from the effects of Hurricane Katrina, certain of our affected subsidiaries were granted a deferral from making their remaining 2005 estimated federal income and excise tax payments until 2006. In the first quarter of 2006, we made payments of approximately \$75 million to satisfy our remaining 2005 estimated payments. For additional information relating to our operations, see Results of Operations.

Net cash used in investing activities was \$50.5 million and \$65.7 million for the three months ended March 31, 2007 and 2006, respectively. Payments for property, plant and equipment were \$11.2 million less in the first quarter of 2007 than in the comparable period during 2006. Our budgeted capital expenditures for 2007 total approximately \$325 million. We have invested significant amounts in our wireline network in the last several years and believe we are in a position to move closer to maintenance capital expenditure levels for the foreseeable future for our wireline properties. Our capital expenditure budget also includes amounts for expanding our new service offerings and our data networks.

Net cash provided by (used in) financing activities was \$529.9 million during the first three months of 2007 compared to (\$261.8) million during the first three months of 2006. In late March 2007, we publicly issued an aggregate of \$750 million of Senior Notes (see Note 7 for additional information). The net proceeds from the issuance of such Senior Notes aggregated approximately \$741.8 million and ultimately were used (along with cash on hand and approximately \$50 million of borrowings under our commercial paper program) to (i) finance the purchase price for the April 30, 2007 acquisition of Madison River Communications Corp. ("Madison River") (\$322 million, subject to post-closing adjustments) and (ii) pay off Madison River's existing indebtedness (including accrued interest) at closing (\$522 million). We invested the cash proceeds from the debt offering in short-term cash equivalents prior to the acquisition of Madison River.

We repurchased 3.7 million shares (for \$164.0 million) and 16.5 million shares (for \$573.9 million) in the first quarters of 2007 and 2006, respectively. The 2006 repurchases include 14.36 million shares repurchased (for a total price of approximately \$500 million) under accelerated share repurchase agreements with investment banks. We initially funded the accelerated share repurchase agreements principally through borrowings under our \$750 million credit facility and cash on hand and subsequently refinanced the credit facility borrowings through the issuance of short-term commercial paper.

On May 15, 2007, approximately \$101 million aggregate principal amount of our Series J notes will become due for payment, together with all unpaid interest accrued thereon. We plan to borrow funds under our credit facility or commercial paper program to retire these notes.

We have available a five-year, \$750 million revolving credit facility which expires in December 2011. Up to \$150 million of the credit facility can be used for letters of credit, which reduces the amount available for other extensions of credit. Available borrowings under our credit facility are also effectively reduced by any outstanding borrowings under our commercial paper program. Our commercial paper program borrowings are effectively limited to the total amount available under our credit facility. As of March 31, 2007, we had no amounts outstanding under our credit facility or commercial paper program. As indicated above, we incurred short-term indebtedness to finance a portion of the Madison River acquisition costs, and expect to incur additional short-term indebtedness to retire our Series J notes in May 2007.

At March 31, 2007, we held over \$763 million of cash and cash equivalents, substantially due to the proceeds received from the March 2007 debt offerings mentioned above. As also discussed above, substantially all of these funds were applied to pay a large portion of the Madison River acquisition costs in late April 2007.

OTHER MATTERS

Accounting for the Effects of Regulation

We currently account for our regulated telephone operations (except for the properties acquired from Verizon in 2002) in accordance with the provisions of Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation" ("SFAS 71"). While we continuously monitor the ongoing applicability of SFAS 71 to our regulated telephone operations due to the changing regulatory, competitive and legislative environments, we believe 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 our telephone operations not being subject to SFAS 71 in the 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. SFAS 101 further provides that the carrying amounts of property, plant and equipment are to be adjusted only to the extent the assets are impaired and that impairment shall be judged in the same manner as for nonregulated enterprises.

If our regulated operations cease to qualify for the application of SFAS 71, we do not expect to record an impairment charge related to the carrying value of the property, plant and equipment of our regulated telephone operations. Additionally, upon the discontinuance of SFAS 71, we would be required to revise the lives of our property, plant and equipment to reflect the estimated useful lives of the assets. We do not expect such revisions in asset lives, or the elimination of other regulatory assets and liabilities, to have a material unfavorable impact on our results of operations. For regulatory purposes, the accounting and reporting of our telephone subsidiaries would not be affected by the

discontinued application of SFAS 71.

Recent Competitive Developments

As of March 31, 2007, we believe that over 30% of our access lines faced competition from cable voice offerings, and we expect that figure to increase to approximately 40-45% by December 31, 2007.

Item 3.
CenturyTel, Inc.
QUANTITATIVE AND QUALITATIVE
DISCLOSURES ABOUT MARKET RISK

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

At March 31, 2007, the fair value of our long-term debt was estimated to be \$3.2 billion based on the overall weighted average rate of our debt of 6.6% and an overall weighted maturity of 8 years compared to terms and rates currently available in long-term financing markets. Market risk is estimated as the potential decrease in fair value of our long-term debt resulting from a hypothetical increase of 66 basis points in interest rates (ten percent of our overall weighted average borrowing rate). Such an increase in interest rates would result in approximately a \$120 million decrease in fair value of our long-term debt at March 31, 2007. As of March 31, 2007, after giving effect to interest rate swaps currently in place, approximately 85% of our long-term debt obligations were fixed rate.

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

At March 31, 2007, we had outstanding four fair value interest rate hedges associated with the full \$500 million aggregate principal amount of our Series L senior notes, due 2012, that pay interest at a fixed rate of 7.875%. These hedges are “fixed to variable” interest rate swaps that effectively convert our fixed rate interest payment obligations under these notes into obligations to pay variable rates that range from the six-month London InterBank Offered Rate (“LIBOR”) plus 3.229% to the six-month LIBOR plus 3.67%, with settlement and rate reset dates occurring each six months through the expiration of the hedges in August 2012. During the first quarter of 2007, we realized an average interest rate under these hedges of 8.93%. Interest expense was increased by \$1.3 million during the first quarter of 2007 as a result of these hedges. The aggregate fair market value of these hedges was \$15.8 million at March 31, 2007 and is reflected both as a liability and as a decrease in our underlying long-term debt on the March 31, 2007 balance sheet. With respect to each of these hedges, market risk is estimated as the potential change in the fair value of the hedge resulting from a hypothetical 10% increase in the forward rates used to determine the fair value. A hypothetical 10% increase in the forward rates would result in a \$12.0 million decrease in the fair value of these hedges at March 31, 2007, and would also increase our interest expense.

In anticipation of the issuance of Senior Notes in connection with the Madison River acquisition, we entered into four cash flow hedges that effectively locked in the interest rate on an aggregate of \$400 million of debt. The issuance of these Senior Notes was completed in late March 2007 with the issuance of \$500 million of 6.0% Senior Notes, due 2017, and \$250 million of 5.5% Senior Notes, due 2013. We locked in the interest rate on (i) \$200 million of 10-year debt at 5.0675% and (ii) \$200 million of 10-year debt at 5.05%. In March 2007, upon settlement of the hedges, we received an aggregate of \$765,000 cash, which will be amortized as a reduction of interest expense over the 10-year term of the debt.

Certain shortcomings are inherent in the method of analysis presented in the computation of fair value of financial instruments. Actual values may differ from those presented if market conditions vary from assumptions used in the fair value calculations. The analysis above incorporates only those risk exposures that existed as of March 31, 2007.

Item 4.
CenturyTel, Inc.
CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures designed to provide reasonable assurances that information required to be disclosed by us in the reports we file under the Securities Exchange Act of 1934 is timely recorded, processed, summarized and reported as required. Our Chief Executive Officer, Glen F. Post, III, and our Chief Financial Officer, R. Stewart Ewing, Jr., have evaluated our disclosure controls and procedures as of March 31, 2007. Based on the evaluation, Messrs. Post and Ewing concluded that our disclosure controls and procedures have been effective in providing reasonable assurance that they have been timely alerted of material information required to be filed in this quarterly report. Since the date of Messrs. Post's and Ewing's most recent evaluation, there have been no significant changes in our internal controls or in other factors that could significantly affect these controls. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events and contingencies, and there can be no assurance that any design will succeed in achieving its stated goals. Because of inherent limitations in any control system, misstatements due to error or fraud could occur and not be detected.

PART II. OTHER INFORMATION

CenturyTel, Inc.

Item 1. Legal Proceedings.

See Notes 10 and 11 to the financial statements included in Part I, Item 1, of this report.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

After completing the \$500 million accelerated share repurchase agreements with investment banks in mid-2006 as part of our \$1.0 billion share repurchase program authorized in February 2006, we began repurchasing our common stock under the remaining \$500 million of the program in August 2006. The following table reflects the repurchases of our common stock during the first quarter of 2007. Except for 1,882 shares of stock that we withheld to pay taxes due upon vesting of restricted stock for certain of our employees in January 2007, all of these repurchases were effected in open-market transactions in accordance with our stock repurchase program.

Period	Total Number of Shares Purchased	Average Price Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs*
January 1 - January 31, 2007	1,426,508	\$ 43.71	1,424,626	\$237,888,964
February 1 – February 28, 2007	1,048,577	\$ 45.03	1,048,577	\$190,672,323
March 1 – March 31, 2007	<u>1,222,400</u>	\$ 44.47	<u>1,222,400</u>	<u>\$136,310,623</u>
Total	<u><u>3,697,485</u></u>	\$ 44.34	<u><u>3,695,603</u></u>	

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

Item 6. Exhibits and Reports on Form 8-K

A. Exhibits

- 3.4 Charter of the Compensation Committee of the Board of Directors, as amended through February 27, 2007.
- 10.1 Form of Stock Option Agreement, pursuant to the 2005 Management Incentive Compensation Plan and dated as of February 26, 2007, entered into between CenturyTel and its executive officers.
- 10.2 Form of Restricted Stock Agreement, pursuant to the 2005 Management Incentive Compensation Plan and dated as of February 26, 2007, entered into between CenturyTel and its executive officers.
- 11 Computations of Earnings Per Share.
- 31.1 Registrant's Chief Executive Officer certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2 Registrant's Chief Financial Officer certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32 Registrant's Chief Executive Officer and Chief Financial Officer certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

B. Reports on Form 8-K

The following items were reported in the Form 8-K filed February 15, 2007:

Items 2.02 and 9.01 - Results of Operations and Financial Condition and Financial Statements and Exhibits. News release announcing fourth quarter 2006 operating results.

The following item was reported in the Form 8-K filed March 26, 2007:

Items 9.01 – Financial Statements and Exhibits. Ratio of Earnings to Fixed Charges.

The following items were reported in the Form 8-K filed March 29, 2007:

Items 1.01, 2.03 and 9.01 – Entry Into a Material Definitive Agreement, Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of the Registrant and Financial Statements and Exhibits. Completion of the issuance of \$500 million of 6.0% Senior Notes, Series N, due 2017, and \$250 million of 5.5% Senior Notes, Series O, due 2013.

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.

Date: May 9, 2007

CenturyTel, Inc.

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

CenturyTel, Inc.

**CHARTER OF THE COMPENSATION COMMITTEE
OF THE BOARD OF DIRECTORS**(as amended through February 27, 2007)

I. PURPOSE

The Compensation Committee is appointed by the Board principally to discharge the Board's responsibilities relating to compensation of the Company's executive officers and to oversee the administration of the Company's equity incentive and executive compensation programs.

II. COMPOSITION

The Committee will consist of at least three directors, each of whom will be appointed and replaced by the Board in accordance with the Company's bylaws. Each member of the Committee will meet the independence requirements of the New York Stock Exchange and at least two members will also qualify as a "non-employee" and "outside" director under Rule 16b-3 promulgated under the Securities Exchange Act of 1934 and Section 162(m) of the Internal Revenue Code of 1986, respectively. The Committee's chairman will be designated by the Board. The Committee may form and delegate authority to subcommittees when appropriate.

III. MEETINGS

The chairman of the Committee will preside at each meeting and, in consultation with the other members of the Committee and management, will set the frequency of, and the agenda for, each meeting.

IV. AUTHORITY AND RESPONSIBILITIES

In furtherance of the purpose of the Committee described above, the Committee will have the following authority and responsibilities:

1. The Committee will periodically review and approve goals and objectives relating to compensation of the executive officers and evaluate the performance of the executive officers in light of these goals and objectives. Based on this evaluation, the Committee will approve the CEO's compensation level, and will recommend to the Board the compensation levels of the other executive officers (and any other officer subject to Section 16 of the Securities Exchange Act of 1934). The Committee will also oversee the annual evaluation of all other members of management.

2. The Committee will periodically review the Company's incentive compensation plans and equity-based plans, and will oversee the administration of the Company's other executive compensation plans and programs.

3. The Committee will review, recommend and submit to the Board for its approval (i) any proposed plan or arrangement offering or providing any incentive, retirement, supplemental or other compensation, benefits or perquisites to one or more of the Company's executive officers (other than any plan or arrangement offering benefits that do not discriminate in scope, terms or operation in favor of executive officers and that are generally available to all salaried employees) and (ii) any significant amendment or change to any such plan or arrangement.

4. The Committee will review, recommend and submit to the Board for its approval (i) any proposed employment, severance, retirement, termination or change-in-control contract between the Company and an executive officer or proposed executive officer and (ii) any proposed extension or significant amendment thereto.

5. The Committee will exercise all powers expressly allocated to it under the Company's benefit plans, including the powers to (i) grant stock options and other equity-based awards thereunder and (ii) establish performance goals thereunder and determine whether such goals have been attained. The Committee will also have the authority to delegate responsibility in accordance with the terms and conditions of each such applicable plan.

6. The Committee, in consultation with management, will oversee compliance with laws and regulations governing executive compensation, including Rule 16b-3, Section 162(m) of the Internal Revenue Code, and the Sarbanes-Oxley Act of 2002.

7. The Committee will issue committee reports in the manner required under the rules and regulations of the U.S. Securities and Exchange Commission, including reports regarding the Committee's review and recommendation of the Compensation Discussion and Analysis to be included or incorporated in the Company's proxy statement and annual report on Form 10-K.

8. The Committee will make regular reports to the Board.

9. The Committee will have the sole authority to retain and terminate any compensation consultant retained to assist the Committee in discharging its functions, and may, to the extent it deems necessary or appropriate, retain independent legal, financial or other advisors. The Committee will approve related fees and other retention terms.

10. The Committee will oversee, monitor, review or approve such other employment or compensation-related matters, and will perform such other services, as may be delegated to it orally or in writing from time to time by the Board.

11. The Committee will review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval. The Committee will annually review its own performance.

* * * * *

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- Originally adopted and approved by the Committee and the Board on February 11, 2003, and February 25, 2003, respectively.
 - Section II amended by the Committee and the Board on May 27, 2003, and May 29, 2003, respectively.
 - Sections I, II and IV amended by the Committee and the Board on February 25, 2004.
 - Sections I, II and IV amended by the Committee and the Board on February 26, 2007 and February 27, 2007, respectively.

**FORM OF NON-QUALIFIED STOCK OPTION AGREEMENT
UNDER THE CENTURYTEL, INC.
2005 MANAGEMENT INCENTIVE COMPENSATION PLAN
(2007 Grants to Section 16 Officers)**

THIS NON-QUALIFIED STOCK OPTION AGREEMENT (this "Agreement") is entered into as of February 26, 2007, by and between CenturyTel, Inc., a Louisiana corporation ("CenturyTel"), and _____ ("Optionee").

WHEREAS, CenturyTel maintains the 2005 Management Incentive Compensation Plan (the "Plan"), under which the Compensation Committee of the Board of Directors of CenturyTel (the "Committee") may, directly or indirectly, among other things, grant options to purchase shares of CenturyTel's common stock, \$1.00 par value per share (the "Common Stock"), to key employees of CenturyTel or its subsidiaries (collectively, the "Company"), on terms and conditions as it may deem appropriate; and

WHEREAS, pursuant to the Plan the Committee has awarded to the Optionee an option to purchase shares of Common Stock on the terms and conditions specified below;

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

1.
GRANT OF OPTION

1.01 In consideration of future services, CenturyTel hereby grants to Optionee, effective February 26, 2007 (the "Date of Grant"), the right, privilege and option to purchase _____ shares of Common Stock (the "Option") at an exercise price of \$45.90 per share.

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

2.
TIME OF EXERCISE

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

With respect to one-third of the shares covered by the Option.....	on or after February 26, 2008
With respect to two-thirds of the shares covered by the Option, less any shares previously issued.....	on or after February 26, 2009
With respect to all of the shares covered by the Option, less any shares previously issued.....	on or after February 26, 2010.

The Option shall expire and may not be exercised later than February 26, 2017, ten years after the Date of Grant.

2.02 Notwithstanding the foregoing, the Option shall become accelerated and immediately exercisable in full (a) if Optionee dies while he is employed by the Company, (b) if Optionee becomes disabled within the meaning of Section 22(e)(3) of the Code ("Disability") while he is employed by the Company, (c) if Optionee retires from employment with the Company on or after attaining the age of 55 with at least ten years of prior service with the Company ("Retirement") or (d) pursuant to the provisions of the Plan.

3.

CONDITIONS FOR EXERCISE OF OPTION

During Optionee's lifetime, the Option may be exercised only by him or by his legal representative. The Option must be exercised while Optionee is employed by the Company, or, to the extent exercisable at the time of termination of employment, within 190 days of the date on which he ceases to be an employee, except that (a) if he ceases to be an employee because of Retirement, the Option may be exercised within three years from the date on which he ceases to be an employee, (b) if an Optionee's employment is terminated for cause, the unexercised portion of the Option is immediately terminated, and (c) in the event of Optionee's Disability or death, the Option may be exercised by the Optionee or, in the case of death, by his estate or by the person to whom such right devolves from him by reason of his death within two years after the date of his Disability or death; *provided, however*, that the Option and all option gain, as defined in Section 4.01, shall at all times be subject to the forfeiture provisions of Section 4 hereof; and *provided further* that no rights to purchase Common Stock under this Option may be exercised later than ten years after the Date of Grant.

4.

FORFEITURE OF OPTION AND OPTION GAIN

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

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

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

5.

PREFERENCE SHARE PURCHASE RIGHTS

Upon exercise of an Option at a time when preference share purchase rights to purchase shares of preference stock or other securities or property of the Company ("Rights") remain outstanding pursuant to any rights agreement, then Optionee shall receive Rights in conjunction with Optionee's receipt of shares of Common Stock on the terms and conditions of the applicable rights agreement.

6.

ADDITIONAL CONDITIONS

Anything in this Agreement to the contrary notwithstanding, if at any time CenturyTel further determines, in its sole discretion, that the listing, registration or qualification (or any updating of any such document) of the shares of Common Stock issuable pursuant to the exercise of an Option is necessary on any securities exchange or under any federal or state securities or blue sky law, or that the consent or approval of any governmental regulatory body is necessary or desirable as a condition of, or in connection with the issuance of shares of Common Stock pursuant thereto, or the removal of any restrictions imposed on such shares, such shares of Common Stock shall not be issued, in whole or in part, unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to CenturyTel. CenturyTel agrees to use commercially reasonable efforts to issue all shares of Common Stock issuable hereunder on the terms provided herein.

7.

ATTORNEYS' FEES AND EXPENSES

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

8.

NO CONTRACT OF EMPLOYMENT INTENDED

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

9.

WITHHOLDING TAXES

The Company may make such provisions as it may deem appropriate for the withholding of any federal, state and local taxes that it determines are required to be withheld on any exercise of the Option. In accordance with and subject to the terms of the Plan, Optionee may satisfy the tax withholding obligation in whole or in part by delivering currently owned shares of Common Stock or electing to have CenturyTel withhold from the shares Optionee otherwise would receive hereunder shares of Common Stock having a value equal to the minimum amount required to be withheld (as determined under the Plan); provided, however, that to prevent the issuance of fractional shares and the under-withholding of taxes, Optionee agrees that the number of shares withheld or delivered shall be rounded up to the next whole number of shares.

10.

BINDING EFFECT

Upon being duly executed and delivered by CenturyTel and Optionee, this Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, legal representatives and successors. Without limiting the generality of the foregoing, whenever the term "Optionee" is used in any provision of this Agreement under circumstances where the provision appropriately applies to the heirs, executors, administrators or legal representatives to whom this Option may be transferred by will or by the

laws of descent and distribution, the term “Optionee” shall be deemed to include such person or persons.

11.

INCONSISTENT PROVISIONS

Optionee agrees that the Option granted hereby is subject to the terms, conditions, restrictions and other provisions of the Plan as fully as if all such provisions were set forth in their entirety in this Agreement. If any provision of this Agreement conflicts with a provision of the Plan, the Plan provision shall control. Optionee acknowledges that a copy of the Plan and a prospectus summarizing the Plan was distributed or made available to Optionee and that Optionee was advised to review such materials prior to entering into this Agreement. Optionee waives the right to claim that the provisions of the Plan are not binding upon Optionee and Optionee’s heirs, executors, administrators, legal representatives and successors.

12.

ADJUSTMENTS TO OPTIONS

The parties acknowledge that (i) appropriate adjustments shall be made to the number and class of shares of Common Stock subject to the Option and to the exercise price in certain situations described in Section 4.5 of the Plan and (ii) adjustments to the rights of the Optionee might be made in the event of a Change of Control, as defined in Section 11.12 of the Plan.

13.

TERMINATION OF OPTION

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

14.

GOVERNING LAW

This Agreement shall be governed by and construed in accordance with the laws of the State of Louisiana.

15.

SEVERABILITY

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

16.

ENTIRE AGREEMENT; MODIFICATION

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

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

CenturyTel, Inc.

By:

Glen F. Post, III
Chairman and Chief Executive Officer

{insert name}
Optionee

**FORM OF RESTRICTED STOCK AGREEMENT
UNDER THE CENTURYTEL, INC.
2005 MANAGEMENT INCENTIVE COMPENSATION PLAN
(2007 Grants to Section 16 Officers)**

This RESTRICTED STOCK AGREEMENT (this "Agreement") is entered into as of February 26, 2007, by and between CenturyTel, Inc. ("CenturyTel") and _____ ("Award Recipient").

WHEREAS, CenturyTel maintains the 2005 Management Incentive Compensation Plan (the "Plan"), under which the Compensation Committee of the Board of Directors of CenturyTel (the "Committee") may, directly or indirectly, among other things, grant restricted shares of CenturyTel's common stock, \$1.00 par value per share (the "Common Stock"), to key employees of CenturyTel or its subsidiaries (collectively, the "Company"), subject to such terms, conditions, or restrictions as it may deem appropriate; and

WHEREAS, pursuant to the Plan the Committee has awarded to the Award Recipient restricted shares of Common Stock on the terms and conditions specified below;

NOW, THEREFORE, the parties agree as follows:

1.
AWARD OF SHARES

Upon the terms and conditions of the Plan and this Agreement, CenturyTel as of the date of this Agreement hereby awards to the Award Recipient _____ restricted shares of Common Stock (the "Restricted Stock") that vest, subject to Sections 2, 3 and 4 hereof, in installments as follows:

Scheduled Vesting Date

Number of Shares of Restricted Stock

February 26, 2008
February 26, 2009
February 26, 2010
February 26, 2011
February 26, 2012

2.
AWARD RESTRICTIONS ON
RESTRICTED STOCK

2.1 In addition to the conditions and restrictions provided in the Plan, neither the shares of Restricted Stock nor the right to vote the Restricted Stock, to receive dividends thereon or to enjoy any other rights or interests thereunder or hereunder may be sold, assigned, donated, transferred, exchanged, pledged, hypothecated or otherwise encumbered prior to vesting. Subject to the restrictions on transfer provided in this Section 2.1, the Award Recipient shall be entitled to all rights of a shareholder of CenturyTel with respect to the Restricted Stock, including the right to vote the shares and receive all dividends and other distributions declared thereon.

2.2 If the shares of Restricted Stock have not already vested in accordance with Section 1 above, the shares of Restricted Stock shall vest and all restrictions set forth in Section 2.1 shall lapse on the earlier of:

(a) the date on which the employment of the Award Recipient terminates as a result of (i) death, (ii) disability within the meaning of Section 22(e)(3) of the Internal Revenue Code, or (iii) if permitted by the Committee in accordance with Section 3 below, retirement or termination by the Company; or

(b) the occurrence of a Change of Control of CenturyTel, as described in Section 11.12 of the Plan.

TERMINATION OF EMPLOYMENT

If the Award Recipient's employment terminates as the result of death or disability within the meaning of Section 22(e)(3) of the Internal Revenue Code, all unvested shares of Restricted Stock granted hereunder shall immediately vest. Unless the Committee determines otherwise in the case of retirement of the Award Recipient on or after attaining the age of 55 with at least ten years of prior service with the Company or in the case of termination by the Company of the Award Recipient's employment, termination of employment for any other reason, except termination upon a Change of Control (as provided in Section 11.12 of the Plan), shall automatically result in the termination and forfeiture of all unvested Restricted Stock.

4.

FORFEITURE OF AWARD

4.1 If, at any time during the Award Recipient's employment by the Company or within 18 months after termination of employment, the Award Recipient engages in any activity in competition with any activity of the Company, or inimical, contrary or harmful to the interests of the Company, including but not limited to: (a) conduct relating to the Award Recipient's employment for which either criminal or civil penalties against the Award Recipient may be sought, (b) conduct or activity that results in termination of the Award Recipient's employment for cause, (c) violation of the Company's policies, including, without limitation, the Company's insider trading policy and corporate compliance program, (d) accepting employment with, acquiring a 5% or more equity or participation interest in, serving as a consultant, advisor, director or agent of, directly or indirectly soliciting or recruiting any employee of the Company who was employed at any time during the Award Recipient's tenure with the Company, or otherwise assisting in any other capacity or manner any company or enterprise that is directly or indirectly in competition with or acting against the interests of the Company or any of its lines of business (a "competitor"), except for (A) any isolated, sporadic accommodation or assistance provided to a competitor, at its request, by the Award Recipient during the Award Recipient's tenure with the Company, but only if provided in the good faith and reasonable belief that such action would benefit the Company by promoting good business relations with the competitor and would not harm the Company's interests in any substantial manner or (B) any other service or assistance that is provided at the request or with the written permission of the Company, (e) disclosing or misusing any confidential information or material concerning the Company, (f) engaging in, promoting, assisting or otherwise participating in a hostile takeover attempt of the Company or any other transaction or proxy contest that could reasonably be expected to result in a Change of Control (as defined in the Plan) not approved by the CenturyTel Board of Directors or (g) making any statement or disclosing any information to any customers, suppliers, lessors, lessees, licensors, licensees, regulators, employees or others with whom the Company engages in business that is defamatory or derogatory with respect to the business, operations, technology, management, or other employees of the Company, or taking any other action that could reasonably be expected to injure the Company in its business relationships with any of the foregoing parties or result in any other detrimental effect on the Company, then the award of Restricted Stock granted hereunder shall automatically terminate and be forfeited effective on the date on which the Award Recipient engages in such activity and (i) all shares of Common Stock acquired by the Award Recipient pursuant to this Agreement (or other securities into which such shares have been converted or exchanged) shall be returned to the Company or, if no longer held by the Award Recipient, the Award Recipient shall pay to the Company, without interest, all cash, securities or other assets received by the Award Recipient upon the sale or transfer of such stock or securities, and (ii) all unvested shares of Restricted Stock shall be forfeited.

4.2 If the Award Recipient owes any amount to the Company under Section 4.1 above, the Award Recipient acknowledges that the Company may, to the fullest extent permitted by applicable law, deduct such amount from any amounts the Company owes the Award Recipient from time to time for any reason (including without limitation amounts owed to the Award Recipient as salary, wages, reimbursements or other compensation, fringe benefits, retirement benefits or vacation pay). Whether or not the Company elects to make any such set-off in whole or in part, if the Company does not recover by means of set-off the full amount the Award Recipient owes it, the Award Recipient hereby agrees to pay immediately the unpaid balance to the Company.

4.3 The Award Recipient may be released from the Award Recipient's obligations under Sections 4.1 and 4.2 above only if the Committee determines in its sole discretion that such action is in the best interests of the Company.

5.

STOCK CERTIFICATES

5.1 The stock certificates evidencing the Restricted Stock shall be retained by CenturyTel until the lapse of restrictions under the terms hereof. CenturyTel shall place a legend, in the form specified in the Plan, on the stock certificates restricting the transferability of the shares of Restricted Stock.

5.2 Upon the lapse of restrictions on shares of Restricted Stock, CenturyTel shall cause a stock certificate without a restrictive legend to be issued with respect to the vested Restricted Stock in the name of the Award Recipient or his or her nominee, subject to any withholdings of shares under Section 6 below. Upon receipt of such stock certificate, the Award Recipient is free to hold or

dispose of the shares represented by such certificate, subject to (i) applicable securities laws, (ii) CenturyTel's insider trading policy, and (iii) any applicable stock retention policies that CenturyTel may adopt in the future.

6.

WITHHOLDING TAXES

At the time that all or any portion of the Restricted Stock vests, the Award Recipient must deliver to CenturyTel the amount of income tax withholding required by law. Unless otherwise directed in writing by CenturyTel, the Award Recipient hereby agrees to fully satisfy this tax withholding obligation by permitting CenturyTel to withhold from the shares the Award Recipient otherwise would receive hereunder shares of Common Stock having a value equal to the minimum amount required to be withheld (as determined under the Plan); provided, however, that to prevent the issuance of fractional shares and the under-withholding of taxes, the Award Recipient agrees that the number of shares withheld shall be rounded up to the next whole number of shares.

7.

ADDITIONAL CONDITIONS

Anything in this Agreement to the contrary notwithstanding, if at any time CenturyTel further determines, in its sole discretion, that the listing, registration or qualification (or any updating of any such document) of the shares of Common Stock issuable pursuant hereto is necessary on any securities exchange or under any federal or state securities or blue sky law, or that the consent or approval of any governmental regulatory body is necessary or desirable as a condition of, or in connection with the issuance of shares of Common Stock pursuant thereto, or the removal of any restrictions imposed on such shares, such shares of Common Stock shall not be issued, in whole or in part, or the restrictions thereon removed, unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to CenturyTel. CenturyTel agrees to use commercially reasonable efforts to issue all shares of Common Stock issuable hereunder on the terms provided herein.

8.

NO CONTRACT OF EMPLOYMENT INTENDED

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

9.

BINDING EFFECT

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

10.

INCONSISTENT PROVISIONS

The shares of Restricted Stock granted hereby are subject to the terms, conditions, restrictions and other provisions of the Plan as fully as if all such provisions were set forth in their entirety in this Agreement. If any provision of this Agreement conflicts with a provision of the Plan, the Plan provision shall control. The Award Recipient acknowledges that a copy of the Plan and a prospectus summarizing the Plan was distributed or made available to the Award Recipient and that the Award Recipient was advised to review such materials prior to entering into this Agreement. The Award Recipient waives the right to claim that the provisions of the Plan are not binding upon the Award Recipient and the Award Recipient's heirs, executors, administrators, legal representatives and successors.

11.

ATTORNEYS' FEES AND EXPENSES

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

12.
GOVERNING LAW

This Agreement shall be governed by and construed in accordance with the laws of the State of Louisiana.

13.
SEVERABILITY

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

14.
ENTIRE AGREEMENT; MODIFICATION

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

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered on the day and year first above written.

CenturyTel, Inc.

By:

Glen F. Post, III
Chairman and Chief Executive Officer

{insert name}
Optionee

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

	Three months ended March 31,	
	2007	2006
	(Dollars, except per share amounts, and shares in thousands)	
Income (Numerator):		
Net income	\$ 77,870	69,260
Dividends applicable to preferred stock	<u>(93)</u>	<u>(98)</u>
Net income applicable to common stock for computing basic earnings per share	77,777	69,162
Interest on convertible debentures, net of tax	1,207	1,207
Dividends applicable to preferred stock	<u>93</u>	<u>98</u>
Net income as adjusted for purposes of computing diluted earnings per share	<u>\$ 79,077</u>	<u>70,467</u>
Shares (Denominator):		
Weighted average number of shares:		
Outstanding during period	111,748	122,980
Nonvested restricted stock	<u>(717)</u>	<u>(586)</u>
Weighted average number of shares outstanding during period for computing basic earnings per share	111,031	122,394
Incremental common shares attributable to dilutive securities:		
Shares issuable under convertible securities	4,485	4,507
Share issuable upon settlement of accelerated share repurchase agreements	-	414
Shares issuable under incentive compensation plans	<u>792</u>	<u>644</u>
Number of shares as adjusted for purposes of computing diluted earnings per share	<u>116,308</u>	<u>127,959</u>
Basic earnings per share	<u>\$.70</u>	<u>.57</u>
Diluted earnings per share	<u>\$.68</u>	<u>.55</u>

CERTIFICATIONS

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

1. I have reviewed this quarterly report on Form 10-Q of CenturyTel, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15 (e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2007

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

CERTIFICATIONS

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

1. I have reviewed this quarterly report on Form 10-Q of CenturyTel, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15 (e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2007

/s/ R. Stewart Ewing, Jr.

R. Stewart Ewing, Jr.

Executive Vice President and
Chief Financial Officer

CenturyTel, Inc.

May 9, 2007

Securities and Exchange Commission
450 Fifth Street, NW
Washington, D.C. 20549

Re: CenturyTel, Inc.
Certification of Contents of Form 10-Q for the quarter ending March 31, 2007 pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Ladies and Gentlemen:

The undersigned, acting in their capacities as the Chief Executive Officer and the Chief Financial Officer of CenturyTel, Inc. (the "Company"), certify that the Form 10-Q for the quarter ended March 31, 2007 of the Company fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods covered by such report.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Very truly yours,

/s/ Glen F. Post, III

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

/s/ R. Stewart Ewing, Jr.

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