

CENTURYTEL INC

FORM 8-K

(Unscheduled Material Events)

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Industry	Communications Services
Sector	Services
Fiscal Year	12/31

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

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

August 19, 1999

Date of Report (Date of earliest event reported)

CENTURYTEL, INC.

(Exact name of Registrant as specified in its charter)

LOUISIANA
(State or other jurisdiction
of incorporation)

1-7784
(Commission
File Number)

72-0651161
(I.R.S. Employer
Identification Number)

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

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

Item 5. Other Events

On August 19, 1999, the Registrant (i) entered into a joint venture with various co-investors to purchase telephone access lines in Wisconsin from an affiliate of GTE Corporation ("GTE") and (ii) entered into a preliminary letter of intent to purchase additional telephone access lines in Wisconsin from GTE.

Purchase by Joint Venture Company. The Registrant and its co-investors have organized a new company, named Telephone USA of Wisconsin, LLC (the "JV Company"), for the purpose of purchasing telephone access lines from GTE in exchange for \$170 million cash, subject to certain adjustments described below. Subject to various conditions, in exchange for an 89% equity interest, the Registrant has agreed to invest approximately \$37.8 million cash in the JV Company, which will be used to partially fund the \$170 million GTE purchase price. The JV Company anticipates paying the remainder of the purchase price principally through funds to be borrowed from the Registrant or a third party lender. The Registrant will elect two of the JV Company's five directors, will have voting power with respect to significant transactions, and will provide operational, financial and managerial support services to the JV Company.

The assets to be purchased by the JV Company will include all telephone access lines (which numbered approximately 61,600 as of December 31, 1998) and related property and equipment comprising GTE's local exchange operations in 35 exchanges in predominantly rural and suburban markets throughout Wisconsin, substantially all of which are adjacent to properties currently owned by the Registrant. The assets to be purchased will not include (i) GTE's cellular, PCS, inter-LATA long distance or internet operations, (ii) GTE's inter-LATA fiber optic network assets or (iii) any rights under GTE's billing and collection contracts and certain other agreements. The JV Company will not assume any liabilities of GTE other than those associated with contracts, employees, customer deposits and certain other assets transferred in connection with the sale. The purchase price will be adjusted to, among other things, (i) reimburse GTE for certain pre-closing costs and (ii) compensate the JV Company if GTE fails to attain certain specified pre-closing capital expenditure targets. The aggregate effect of these adjustments is not expected to be material.

Consummation of the JV Company's acquisition is subject to, among other things, (i) the receipt of approvals from the Federal Communications Commission and the Public Service Commission of Wisconsin, (ii) compliance with the notification and waiting period requirements under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, (iii) the receipt of various third party consents, including releases from GTE bondholders terminating liens on the transferred assets, and (iv) various other customary closing conditions. On behalf of the JV Company, the Registrant has posted a letter of credit that will entitle GTE to receive approximately \$8.5 million if the acquisition is not consummated under certain specified conditions, including the JV Company's incapacity to finance the transaction.

Purchase by the Registrant. Under a preliminary letter of intent dated August 19, 1999, the Registrant has agreed in principal to purchase from GTE telephone access lines in Wisconsin in exchange for \$195 million, subject to certain adjustments described below. The assets to be purchased by the Registrant will include all telephone access lines (which numbered approximately 64,800 as of December 31, 1998) and related property and equipment comprising GTE's local exchange operations in 42 exchanges in predominantly rural and suburban markets throughout Wisconsin, substantially all of which are adjacent to properties currently owned and operated by the Registrant.

Under the preliminary letter of intent, the parties have agreed to use good faith efforts to negotiate and enter into a definitive asset purchase agreement substantially similar to the agreement dated June 29, 1999 between the Registrant and affiliates of GTE Corporation (which is filed as Exhibit 99 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1999, and which is referred to hereinafter as the "June Agreement"). Each party is entitled to terminate the letter of intent under certain circumstances, including the right of the Registrant to terminate the letter of intent if the Registrant does not timely receive reasonably satisfactory schedules. Assuming the parties are able to reach agreement on a final definitive agreement substantially similar to the June Agreement, (i) consummation of the acquisition would be subject to the receipt of the approvals outlined above under the heading "Purchase by Joint Venture Company," (ii) the \$195 million purchase price would be subject to adjustments similar to those outlined above under such heading, and (iii) the Registrant would be committed directly or indirectly to pay GTE approximately \$9.75 million if the acquisition is not consummated under conditions substantially similar to those referenced in the June Agreement, including the Registrant's incapacity to finance the transaction.

Additional Information. Additional information regarding the above-described transactions is set forth in the Registrant's press release dated August 19, 1999, which is filed as Exhibit 99.1 hereto and is incorporated in its entirety (including all cautionary statements relating to the Registrant's forward-looking statements) by reference herein.

SIGNATURE

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

CENTURYTEL, INC.

By: /s/ Neil A. Sweasy

Neil A. Sweasy
Vice President and Controller

Dated: August 25, 1999

FOR IMMEDIATE RELEASE FOR MORE INFORMATION CONTACT:

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CenturyTel to acquire 126,400 access lines; expands its Wisconsin wireline operations 37 percent

Monroe, LA. . CenturyTel, Inc. (NYSE Symbol: CTL) announced today that it has entered into two separate asset purchase transactions to acquire a total of 126,400 access lines (as of year-end 1998) in Wisconsin from GTE for \$365 million. CenturyTel signed a letter of intent to purchase 64,800 access lines in 42 exchanges and also entered into a joint venture, named Telephone USA of Wisconsin, LLC, to purchase an additional 61,600 access lines in 35 exchanges in Wisconsin.

The new joint venture is owned by CenturyTel, Telephone USA Investments, Inc. and other investors. CenturyTel will own 89 percent of the joint venture through its equity investment, will have board representation, participate in significant management decisions and provide operational, financial and managerial support. All of the newly acquired Wisconsin properties will use the CenturyTel brand.

"This is an excellent transaction for CenturyTel because these markets are a natural strategic fit with our existing operations in Wisconsin," said Glen F. Post, III, president and chief executive officer of CenturyTel. "The markets are contiguous to our existing wireline operations, and substantially all of these properties are covered by our wireless operations. We believe there will be significant revenue enhancement opportunities in these markets as we offer bundled communications services to our new customers. CenturyTel has operated in Wisconsin for more than 25 years and has developed valuable relationships with customers, communities and regulators which we will build upon to foster our continued expansion in the state."

CenturyTel expects these properties to generate annualized revenues of \$83.5 million and produce cash flow of nearly \$44.0 million during the first 12 months of operation. Based on current assumptions including financing and operational expectations, CenturyTel believes these acquisitions will be accretive to cash flow immediately yet dilutive one to three cents to 2000 earnings. Results should be break even or accretive to earnings per share after the first year of operation. Long-term financing plans are not yet complete and will be dependent upon CenturyTel's assessment of its alternatives and market conditions. Likely financing alternatives include a combination of bank credit facilities, long-term debt and equity or equity-linked securities.

The properties encompass 77 local telephone exchanges which include 100 percent digital switching with more than 1,100 route miles of fiber. GTE has invested \$85.3 million in capital expenditures over the past three years to upgrade the networks in these markets.

CenturyTel will become the second largest local exchange company in Wisconsin serving nearly half a million access lines in the state once the two transactions are completed.

Joseph A. Stroud, president of Telephone USA Investments, Inc., said "Partnering with CenturyTel provides us with an exceptional opportunity to operate an outstanding telephone company in Wisconsin and to be a competitive force."

The 105 GTE employees who serve these areas will be offered positions with CenturyTel and Telephone USA of Wisconsin, LLC.

Customers will see no changes in their area codes, telephone numbers or local calling areas. At this time, it is anticipated that rates will remain the same as GTE's current rates.

"This is the third transaction CenturyTel has entered into with GTE in recent months. As a result, we will expand our geographic operating clusters by nearly half a million access lines in three states," Post said. "We are focused on executing our growth strategies to become the leading provider of integrated communications services in rural areas and smaller cities in the United States."

The transactions are subject to review by the Wisconsin Public Service Commission, the Federal Communications Commission and the U.S. Department of Justice. CenturyTel's completion of its acquisition of 64,800 access lines is also subject to the satisfactory negotiation and execution of a definitive asset purchase agreement and completion of its due diligence. Subject to these and other closing conditions, these transactions are expected to close in second quarter 2000.

In addition to historical information, this release includes certain forward-looking statements that are subject to uncertainties that could cause the Company's actual results to differ materially from such statements. Such uncertainties include but are not limited to: changes in prevailing interest rates or in the capital markets; the effects of ongoing deregulation in the telecommunications industry; the effects of greater than anticipated competition in the Company's markets; possible changes in the demand for the Company's products and services; the Company's ability to successfully introduce new offerings on a timely and cost-effective basis; the risks inherent in rapid technological change; the Company's ability to effectively manage its growth, including integrating newly acquired properties into the Company's operations; the success and expense of the remediation efforts of the Company and its vendors in achieving year 2000 compliance; any similar efforts, changes or other factors impacting the GTE properties to be purchased by CenturyTel and Telephone USA of Wisconsin, LLC; and the effects of more general factors such as changes in overall market or economic condition or in legislation, regulation or public policy. These and other uncertainties related to the Company's business are described in greater detail in the Company's Annual Report on Form 10-K for the year ended December

31, 1998.

Any public offering of debt, equity or equity-linked securities which the company may make in connection with the above-described transactions will be effected only by means of a prospectus. This press release does not constitute an offer to sell or the solicitation of an offer to purchase any cash securities.

CenturyTel, Inc. provides integrated communications services including local exchange, wireless, long distance, Internet access and security monitoring services to more than two million customers in 21 states. The company, headquartered in Monroe, La., is publicly traded on the New York Stock Exchange under the symbol CTL. CenturyTel is the ninth largest local exchange telephone company, based on access lines, and the 10th largest cellular company, based on population equivalents owned, in the United States. Visit CenturyTel's corporate website at (www.centurytel.com)

End of Filing

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